SOUTHERN MICHIGAN BANCORP INC
Form 10-Q
November 14, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2003

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 2-78178

SOUTHERN MICHIGAN BANCORP, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Michigan	38-2407501
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

51 WEST PEARL STREET, COLDWATER, MICHIGAN 49036
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE:
(517) 279-5500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). YES [ ] NO [X]

The number of shares of the registrant's common stock, $2.50 par value, outstanding as of October 31, 2003 was 1,849,328 (including shares held by the ESOP).

PART 1 - FINANCIAL INFORMATION

ITEM 1. Financial Statements.

CONDENSED CONSOLIDATED BALANCE SHEETS

SOUTHERN MICHIGAN BANCORP, INC.

	September 30 2003
	(Unaudited)
	(In thou and
ASSETS	
Cash and due from banks	$ 12,
Securities available for sale	50,
Loans held for sale, net of valuation of $-0- (2002 - $-0-)	1,
Loans, net of allowance for loan losses of $3,652 (2002 - $3,512)	232,
Premises and equipment, net	6,
Accrued interest receivable	1,
Net cash surrender value of life insurance	6,
Goodwill	
Other intangible assets	
Other assets	5,
TOTAL ASSETS	$ 318,
LIABILITIES AND SHAREHOLDERS' EQUITY	
Deposits:	
Non-interest bearing	$ 42,
Interest bearing	219,
	262,
Accrued expenses and other liabilities	4,
Federal funds purchased	
Other borrowings	22,
	290,
Common stock subject to repurchase obligation in Employee Stock Ownership Plan, shares outstanding - 86,224 in 2003 (104,841 in 2002)	1,
Shareholders' equity:	
Preferred stock, 100,000 shares authorized; none issued or outstanding	
Common stock, $2.50 par value:	
Authorized -- 4,000,000 shares	
Issued -- 1,849,328 shares (2002 - 1,864,046)	
Outstanding -- 1,763,104 shares (2002 - 1,759,205)	4,
Additional paid-in capital	8,
Retained earnings	12,
Accumulated other comprehensive income, net of tax	
Unearned Employee Stock Ownership Plan shares	(
TOTAL SHAREHOLDERS' EQUITY	26,
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 318,

(A) The balance sheet at December 31, 2002 has been derived from the audited consolidated financial statements at that date.

See notes to unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)

SOUTHERN MICHIGAN BANCORP, INC.

	Three Months Ended September 30 2003	2002
	(In thousands, excep	
Interest income:		
Loans, including fees	$ 3,734	$ 4,074
Securities:		
Taxable	221	297
Tax-exempt	204	228
Other	-	-
Total interest income	4,159	4,599
Interest expense:		
Deposits	835	1,079
Other	420	471
Total interest expense	1,255	1,550
NET INTEREST INCOME	2,904	3,049
Provision for loan losses	250	1,400
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	2,654	1,649
Non-interest income:		
Service charges on deposit accounts	515	412
Trust fees	135	135
Net securities gains	-	-
Net gains on loan sales	492	415
Earnings on life insurance assets	49	66
Loss on viatical settlement contracts	-	-
Other	93	71
	1,284	1,099
Non-interest expense:		
Salaries and employee benefits	1,569	1,527
Occupancy, net	178	200
Equipment	201	291
Professional and outside services	249	142
Advertising and marketing	51	57
Other	636	760

	2,884	2,977
INCOME (LOSS) BEFORE INCOME TAXES	1,054	(229)
Federal income tax expense (benefit)	250	(111)
NET INCOME (LOSS)	804	(118)
Other comprehensive income (loss), net of tax:	(223)	264
COMPREHENSIVE INCOME (LOSS)	$ 581	$ 146
Basic and Diluted Earnings (Loss) Per Common Share	$ 0.44	$ (0.06)
Dividends Declared Per Common Share	$ 0.16	$ 0.16

See notes to unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

SOUTHERN MICHIGAN BANCORP, INC.

	Ni
	2003
OPERATING ACTIVITIES	
Net income	$ 2,
Adjustments to reconcile net income to net cash from operating activities:	
Provision for loan losses	
Depreciation	
Earnings on life insurance assets	(
Loss on viatical settlement contracts	
Amortization of goodwill	
Amortization of other intangible assets	
Net securities gains	
Loans originated for sale	(86,
Proceeds on loans sold	88,
Net gains on loan sales	(1,
Net realized loss on disposal of fixed assets	
Reduction of obligation under ESOP	
Net change in:	
Accrued interest receivable	
Other assets	(
Accrued expenses and other liabilities	
Net cash from operating activities	3,
INVESTING ACTIVITIES	

Proceeds from sales of securities	
Proceeds from maturities of securities	13,
Purchases of securities	(15,
Loan originations and payments, net	(2,
Purchase of life insurance	(
Proceeds from sale of premises and equipment	
Additions to premises and equipment	(
Net cash from investing activities	(5,
FINANCING ACTIVITIES	
Net change in deposits	
Net change in federal funds purchased	(4,
Proceeds from other borrowings	
Repayments of other borrowings	(
Repurchase of common stock	(
Cash dividends paid	(
Net cash from financing activities	(5,
Net change in cash and cash equivalents	(6,
Cash and cash equivalents at beginning of period	19,
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 12,

See notes to unaudited condensed consolidated financial statements.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SOUTHERN MICHIGAN BANCORP, INC.

September 30, 2003

NOTE A -- BASIS OF PRESENTATION

The accompanying year-end balance sheet data was derived from audited consolidated financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions for Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For further information, refer to the consolidated financial statements and footnotes thereto included in Southern Michigan Bancorp, Inc.'s (the "Company") annual report on Form 10-K for the year ended December 31, 2002.

Basic earnings per common share is net income divided by the weighted average number of common shares outstanding during the period. ESOP shares are considered outstanding for this calculation unless unearned. Diluted earnings per common share includes the dilutive effect of additional potential common shares issuable under stock options. Earnings and dividends per common share are restated for all stock splits and dividends through the date of issue of the financial statements.

The basic and diluted weighted average common shares outstanding for the three and nine month periods ended September 30, 2003 and 2002 were:

	For the 3 months ended		For the 9 months ended	
	9/30/03	9/30/02	9/30/03	9/30/02
Basic	1,840,577	1,853,440	1,840,007	1,870,737
Diluted	1,840,995	1,853,549	1,840,680	1,871,140

Reclassifications: Some items in the prior year consolidated financial statements have been reclassified to conform to the current year presentation.

NOTE B -- STOCK COMPENSATION

The following table illustrates the effect on net income and earnings per common share if expense was measured using the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock Based Compensation.

	For the nine months ended	
	September 30, 2003	September 30, 2002
Net income as reported	$2,461	$787
Deduct: stock based compensation expense determined under fair value based method	(6)	(8)
Pro forma net income	$2,455	$779
Basic earnings per share as reported	1.34	.42
Pro forma basic earnings per share	1.33	.42
Diluted earnings per share as reported	1.34	.42
Pro forma diluted earnings per share	1.33	.42

For the three months ended

	September 30, 2003	September 30, 2002
Net income/(loss) as reported	$804	$(118)
Deduct: stock based compensation expense determined under fair value based method	(2)	(3)
Pro forma net income/(loss)	$802	$(121)
Basic earnings/(loss) per share as reported	.44	(.06)
Pro forma basic earnings/(loss) per share	.44	(.07)
Diluted earnings/(loss) per share as reported	.44	(.06)
Pro forma diluted earnings/(loss) per share	.44	(.07)

NOTE C -- NEWLY ISSUED ACCOUNTING STANDARDS

The Financial Accounting Standards Board (FASB) issued two new accounting standards, Statement 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities, and Statement 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equities, both of which generally became effective in the quarter beginning July 1, 2003.

Management determined that, upon adopting the new standards, they did not materially affect the Company's operating results or financial condition.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

FINANCIAL CONDITION

During the first nine months of 2003, cash and cash equivalents decreased 35.0% or $6,744,000. A portion of this decrease funded security purchases resulting in an increase in securities available for sale of 2.7% or $1,304,000 during this same time period.

Gross loans have increased slightly during the first nine months of the year, ..8%, or $1,757,000. Management has continued to focus on improving credit quality and internal control policies and procedures rather than growth.

The allowance for loan losses is based on regular, quarterly assessments of the probable estimated losses inherent in the loan portfolio. The allowance is based on two principles of accounting, Statement of Financial Accountings Standards (SFAS) No. 5 "Accounting for Contingencies", and SFAS No. 114 "Accounting by Creditors for Impairment of a Loan". The methodology used relies on several key features, including historical loss experience, specific allowances for identified problem loans, and an unallocated allowance.

The historical loss component of the allowance is based on the three and five year historical loss experience for each loan category. The component may be adjusted for significant factors that, in management's opinion, will affect the collectibility of the portfolio. These factors include current economic conditions, delinquency and charge off trends, loan volume, portfolio mix, concentrations of credit, and lending policies, procedures and personnel. The resulting loss estimate could differ from the losses actually incurred in the future.

Specific allowances are established in cases where management has identified significant conditions or circumstances related to a specific loan credit. These allowances are calculated in accordance with SFAS No. 114.

The allowance for loan losses is being maintained at a level which, in management's opinion, is adequate to absorb probable incurred loan losses in the loan portfolio as of September 30, 2003. While management uses the best information available to make these estimates, future adjustments to allowances may be necessary due to economic, operating or regulatory conditions beyond the Company's control.

The allowance for loan losses was $3,652,000 or 1.55% of gross loans at September 30, 2003. As of December 31, 2002, the allowance for loan losses was $3,512,000 or 1.50% of gross loans. Non-performing loans (defined as loans over 90 days past due or non accrual loans) increased from $3,969,000 at December 31, 2002 to $4,068,000 at September 30, 2003. In consideration of increases in the levels of non-performing loans, management is keeping the allowance for loan losses at the high end of the range of estimated loss determined by Southern Michigan Bank & Trust's (the "Bank") methodology to assess the adequacy of the allowance for loan losses.

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The following table sets forth the allocation of the allowance for loan losses at September 30, 2003 and December 31, 2002:

	September 30, 2003		December 31, 2002	
	Allowance	Percent of Loans in Each Category Of Total Loans	Allowance	Percent of Loans in Each Category Of Total Loans
Commercial	$2,882	63.7%	$2,775	65.1%
Real Estate Mortgage	126	30.6%	149	28.3%
Installment	151	5.7%	164	6.6%
Unallocated	493	-	424	-
	$3,652	100.0%	$3,512	100.0%

The Company is giving consideration to the new AICPA exposure draft "Allowance for Credit Losses" and is using that guidance in determining the allocations presented in the above table for both September 30, 2003 and December 31, 2002.

During the first nine months of 2003, the Company repurchased and retired approximately $247,000 worth of stock.

CAPITAL RESOURCES

The Federal Reserve Board (FRB) has adopted risk-based capital guidelines applicable to the Company. These guidelines require that bank holding companies maintain capital commensurate with both on and off-balance-sheet credit risks of their operations. Under the guidelines, a bank holding company must have a minimum ratio of total capital to risk-weighted assets of 8.0%. In addition, a bank holding company must maintain a minimum ratio of Tier 1 capital equal to 4.0% of risk-weighted assets. Tier 1 capital includes common shareholders' equity, qualifying perpetual preferred stock and minority interest in equity accounts of consolidated subsidiaries less intangible assets.

As a supplement to the risk-based capital requirements, the FRB has also adopted leverage capital ratio requirements. The leverage ratio requirements establish a minimum ratio of Tier 1 capital to total assets less intangible assets of 3% for the most highly rated bank holding companies. All other bank holding companies are required to maintain additional Tier 1 capital yielding a leverage ratio of 4% to 5%, depending on the particular circumstances and risk profile of the institution.

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The following table summarizes the Company's capital ratios as of September 30, 2003 and December 31, 2002:

	September 30, 2003	December 31, 2002
Tier 1 risk-based capital ratio	10.9%	10.3%
Total risk-based capital ratio	12.1%	11.5%
Leverage ratio	8.4%	7.8%

The above table indicates that the Company's capital ratios are above the regulatory minimum requirements.

At September 30, 2003 the Bank had a tier 1 capital to average asset ratio of 8.2%. On February 17, 2003, the Bank entered into an agreement with its banking regulators that requires the Bank to maintain this ratio at a level at or above 7%. In addition, under this agreement, the Bank will establish and monitor certain lending and operational policies and procedures.

RESULTS OF OPERATIONS

Net Interest Income

Net interest income decreased by 4.8% and 5.1% or $145,000 and $470,000, respectively, for the three and nine month periods ended September 30, 2003 compared to the same periods in 2002. These decreases can be partially attributed to the large number of commercial loans that are tied to the prime rate. During the first nine months of 2002, the prime rate was fifty basis points higher than during the first nine months of 2003, resulting in lower interest income in 2003. In addition, bonds that were purchased to replace maturing securities had lower yields than the matured bonds. Offsetting these decreases in interest income was a 15.9%, or $763,000, decrease in interest expense for the nine months ended September 30, 2003. The Bank reduced rates paid on deposit accounts throughout 2002 and 2003 as rates decreased. In addition, as higher priced longer term certificates of deposit matured, they were rolled over into lower interest rate certificates.

Provision for Loan Losses

The provision for loan losses is based on an analysis of outstanding loans. In assessing the adequacy of the allowance for loan losses, management reviews the characteristics of the loan portfolio in order to determine the overall quality and risk profile. Some factors considered by management in determining the level at which the allowance is maintained include a continuing evaluation of those loans identified as being subject to possible problems in collection, results of examinations by regulatory agencies, current economic conditions, historical loan loss experience, delinquency and charge off trends, loan volume, portfolio mix, concentrations of credit and lending policies, procedures and personnel.

The provision for loan losses for the three months ending September 30, 2003 replenished the allowance for loan losses for net charge-offs incurred. As discussed earlier, management is keeping the allowance for loan losses at the high end of the range of estimated loss determined by the Bank's methodology to assess the adequacy of the allowance for loan losses.

The provision for loan losses was 59.8% lower for the nine month period ending September 30, 2003 compared to the same period in 2002. Net charge offs declined 41.0% or $476,000 comparing the same periods. In 2002 the allowance was increased to the high end of the range of estimated loss determined by the Bank's methodology to assess the adequacy of the allowance for loan losses. To account for increased charge offs and the movement to the high end of the range of the allowance for loan losses, additional provision for loan losses was recorded in 2002.

Non-interest Income

Non-interest income increased $1,997,000, or 80.9%, for the nine month period ending September 30, 2003 compared to the same period in 2002.

The largest increase came from net gains on loan sales. Net gains on sale of loans increased $1,039,000 or 128.3%. In order to reduce the risk associated with changing interest rates, the Bank regularly sells fixed rate real estate mortgage loans on the secondary market. The Bank recognizes a profit at the time of the sale. The Bank originated for sale $86,654,000 in loans during the first nine months of 2003 compared to $33,996,000 during the same period of 2002.

A $540,000 increase was realized in service charges on deposit accounts for this period. This was primarily due to fee income generated from an overdraft product the bank introduced at the end of May 2002 where the Bank began paying overdraft checks for qualifying customers, up to a specified dollar limit, rather than return the checks. A significant increase in overdraft volume has occurred since this product was introduced. Additionally, the increase can be attributed to increased service fees that began in January 2003.

Non-interest income for the three months ended September 30, 2003 compared to the same period in 2002 was 16.8% or $185,000 higher. For the three month period ending September 30, 2003, service charges on deposit accounts increased $103,000 or 25.0% over the same period in 2002. Net gain on loan sales also increased 18.6% or $77,000 over the same period. During the third quarter of 2003 interest rates increased reducing the demand for refinancing home mortgage loans.

Non-interest Expense

Non-interest expenses increased by $463,000 during the nine month period ended September 30, 2003 compared to the same period in 2002.

During the three and nine months ended September 30, 2003, salaries and employee benefits expense increased $42,000 and $666,000 as compared to the same periods in 2002. The increase in expense during the third quarter of 2003 was less than the increase during the first two quarters partially due to the reversal of a portion of the 2003 incentive compensation accrual in the third quarter of 2003, due to revised estimates of the expected incentive compensation to be paid for 2003. Commissions paid to mortgage originators for the first nine months of 2003 have exceeded the commissions for the same time period in 2002 by over 118.3% or $379,000. In addition, the cost of employee benefits increased in 2003 as health insurance costs have increased.

Professional and outside services expense also has increased during 2003. During the fourth quarter of 2002, the Bank hired an outside consulting firm to review selected areas of the Bank looking for potential cost savings, revenue enhancements and efficiency measures. The Bank has implemented a number of recommendations made by the consulting firm and expects to continue to see benefits to both efficiency and net income. The consulting firm completed the final work during the first quarter of 2003. Also in the fourth quarter of 2002 the Bank hired a workout loan consulting firm to manage the loans that are past due.

Equipment costs are lower for both the three and nine month period ending September 30, 2003 compared to the same periods in 2002. In 2002 the Bank had higher equipment service contract and lease costs. The service contracts and leases were renegotiated during the fourth quarter of 2002 as a result of recommendations made by the outside consulting firm.

Contingent and Contractual Obligations

At September 30, 2003, the Bank had no commitments under commercial letters of credit, used to facilitate customers' trade transactions.

The Bank had commitments under performance letter of credit agreements of $70,000 at September 30, 2003.

Under standby letter of credit agreements, the Bank agrees to honor certain commitments in the event that its customers are unable to do so. At September 30, 2003, commitments under outstanding standby letters of credit were $168,000.

Loan commitments outstanding to extend credit totaled $33,855,000 at September 30, 2003.

Management does not anticipate any losses as a result of the above transactions; however the above amount represents the maximum exposure to credit loss for loan commitments and commercial, performance and standby letters of credit.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company's primary market risk exposure is interest rate risk and to a lesser extent, liquidity risk. Interest rate risk arises when the maturity or repricing characteristics of assets differ significantly from the maturity or the repricing characteristics of liabilities. Accepting this risk can be an important source of profitability and shareholder value, however, excessive levels of interest rate risk could pose a significant threat to the Company's earnings and capital base. Accordingly, effective risk management that maintains interest rate risk at prudent levels is essential to the Company's safety and soundness.

The Company measures the impact of changes in interest rates on net interest income through a comprehensive analysis of the Bank's interest rate sensitive assets and liabilities. Interest rate sensitivity varies with different types of interest-earning assets and interest-bearing liabilities. Overnight federal funds and mutual funds on which rates change daily and loans that are tied to the prime rate or a comparable index differ considerably from long-term investment securities and fixed-rate loans. Similarly, certificates of deposit and money market investment accounts are much more interest sensitive than passbook savings accounts. The Company analyzes projected changes in market interest rates and the resulting effect on net interest income.

Liquidity management involves the ability to meet the cash flow requirements of customers who may be either depositors wanting to withdraw funds or borrowers needing assurance that sufficient funds will be available to meet their credit needs. Certain portions of the Bank's liabilities may be short-term or due on demand, while most of its assets may be invested in long-term loans or investments. Accordingly, the Company seeks to have in place sources of cash to meet short-term demands. These funds can be obtained by increasing deposits, borrowing or selling assets. Also, Federal Home Loan Bank advances and short-term borrowings provide additional sources of liquidity for the Company.

There have been no significant changes in the distribution of the Company's financial instruments that are sensitive to changes in interest rates during the first nine months of 2003.

ITEM 4. Controls and Procedures.

The Company maintains disclosure controls and procedures designed to ensure that the information the Company must disclose in its filings with the Securities and Exchange Commission is recorded, processed, summarized and reported on a timely basis. The Company's Chief Executive Officer and Chief Financial Officer have reviewed and evaluated the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of the end of the period covered by this report (the "Evaluation Date"). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective in bringing to their attention on a timely basis material information relating to the Company required to be included in the Company's periodic filings under the Exchange Act.

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings.

The Bank is engaged in litigation from time to time, both as plaintiff and defendant, which is incidental to its business. In certain proceedings, claims or counterclaims may be asserted against the Bank. Based on the facts known to date, management of the Company does not currently anticipate that the ultimate liability, if any arising out of any such litigation will have a material adverse effect on the Company's financial condition or results of operations.

The Company previously reported claims in Note A of the Notes to the Company's Consolidated Financial Statements contained in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2002. There were no material developments in these proceedings during the quarter ended September 30, 2003.

ITEM 2. Changes in Securities and Use of Proceeds.

None.

ITEM 3. Defaults Upon Senior Securities.

None.

ITEM 4. Submission of Matters to a Vote of Security Holders.

None.

ITEM 5. Other Information.

None.

ITEM 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

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Exhibit No.	Description of Exhibit
Exhibit 31.1	Certification of the Company's Chief Executive Officer, John H. Castle, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Certification of the Company's Chief Financial Officer, Danice L. Chartrand, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.1	Certification of the Company's Chief Executive Officer, John H. Castle, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.2	Certification of the Company's Chief Financial Officer, Danice L. Chartrand, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) None.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Southern Michigan Bancorp, Inc.
(Registrant)

Date: November 13, 2003 — /s/ John H. Castle
John H. Castle, Chief Executive Officer

Date: November 13, 2003 — /s/ Danice L. Chartrand
Danice L. Chartrand, Chief Financial

Officer (Principal Financial and
Accounting Officer)

INDEX TO EXHIBITS

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