

MidWestOne Financial Group, Inc.  
Form 10-Q  
August 04, 2010

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

FORM 10-Q

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

For the quarterly period ended June 30, 2010

OR

☐ 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  
000-24630

MIDWESTONE FINANCIAL GROUP, INC.

102 South Clinton Street  
Iowa City, IA 52240  
(Address of principal executive offices, including Zip Code)

Registrant's telephone number: 319-356-5800

Iowa 42-1206172

(State of Incorporation) (I.R.S. Employer Identification No.)

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 ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☐ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer ☐ Accelerated filer ☒  
Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

As of August 2, 2010, there were 8,613,982 shares of common stock, \$1.00 par value per share, outstanding.

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Form 10-Q Quarterly Report  
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## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements.

MIDWESTONE FINANCIAL GROUP, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

	June 30, 2010 (unaudited)	December 31, 2009
(dollars in thousands)		
<b>ASSETS</b>		
Cash and due from banks	\$ 19,984	\$ 25,452
Interest-bearing deposits in banks	6,187	2,136
Federal funds sold	—	—
Cash and cash equivalents	26,171	27,588
Investment securities:		
Available for sale	417,468	362,903
Held to maturity (fair value of \$5,434 as of June 30, 2010 and \$8,118 as of December 31, 2009)	5,350	8,009
Loans held for sale	1,217	1,208
Loans	956,187	966,998
Allowance for loan losses	(14,823 )	(13,957 )
Net loans	941,364	953,041
Loan pool participations, net	76,889	83,052
Premises and equipment, net	27,849	28,969
Accrued interest receivable	9,900	11,534
Other intangible assets, net	11,661	12,172
Bank-owned life insurance	18,402	18,118
Other real estate owned	2,634	3,635
Deferred income taxes	4,681	5,163
Other assets	19,962	19,391
Total assets	\$ 1,563,548	\$ 1,534,783
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits:		
Non-interest bearing demand	\$ 139,667	\$ 133,990
Interest-bearing checking	422,480	401,264
Savings	67,258	62,989
Certificates of deposit under \$100,000	391,567	394,369
Certificates of deposit \$100,000 and over	174,615	187,256
Total deposits	1,195,587	1,179,868
Federal funds purchased	9,842	1,875

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Securities sold under agreements to repurchase	38,553	43,098
Federal Home Loan Bank borrowings	132,200	130,200
Deferred compensation liability	3,786	3,832
Long-term debt	15,564	15,588
Accrued interest payable	1,847	2,248
Other liabilities	8,782	5,866
Total liabilities	1,406,161	1,382,575
Shareholders' equity:		
Preferred stock, no par value, with a liquidation preference of \$1,000 per share; authorized 500,000		
shares; issued 16,000 shares as of June 30, 2010 and December 31, 2009	\$ 15,733	\$ 15,699
Common stock, \$1 par value; authorized 15,000,000 shares at June 30, 2010 and December 31, 2009;		
issued 8,690,398 shares at June 30, 2010 and December 31, 2009; outstanding 8,612,582 shares		
at June 30, 2010 and 8,605,333 shares at December 31, 2009	8,690	8,690
Additional paid-in capital	81,192	81,179
Treasury stock at cost, 77,816 shares as of June 30, 2010 and 85,065 shares at December 31, 2009	(1,082 )	(1,183 )
Retained earnings	51,393	48,079
Accumulated other comprehensive income (loss)	1,461	(256 )
Total shareholders' equity	157,387	152,208
Total liabilities and shareholders' equity	\$ 1,563,548	\$ 1,534,783

See accompanying notes to consolidated financial statements.

Table of ContentsMIDWESTONE FINANCIAL GROUP, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited) (dollars in thousands, except per share amounts)	Three Months Ended		Six Months Ended	
	June 30, 2010	2009	June 30, 2010	2009
Interest income:				
Interest and fees on loans	\$ 13,761	\$ 14,785	\$ 27,465	\$ 29,696
Interest and discount on loan pool participations	909	664	1,808	1,679
Interest on bank deposits	17	1	27	1
Interest on federal funds sold	4	29	4	38
Interest on investment securities:				
Taxable securities	2,445	2,147	4,670	4,122
Tax-exempt securities	986	1,000	1,976	1,970
Total interest income	18,122	18,626	35,950	37,506
Interest expense:				
Interest on deposits:				
Interest-bearing checking	1,133	1,235	2,203	2,372
Savings	43	63	79	125
Certificates of deposit under \$100,000	2,455	3,167	4,998	6,346
Certificates of deposit \$100,000 and over	918	1,330	1,885	2,639
Total interest expense on deposits	4,549	5,795	9,165	11,482
Interest on federal funds purchased	1	—	2	10
Interest on securities sold under agreements to repurchase	70	127	146	251
Interest on Federal Home Loan Bank borrowings	1,183	1,666	2,390	2,582
Interest on notes payable	11	33	24	36
Interest on long-term debt	152	161	300	347
Total interest expense	5,966	7,782	12,027	14,708
Net interest income	12,156	10,844	23,923	22,798
Provision for loan losses	1,500	1,500	3,000	3,850
Net interest income after provision for loan losses	10,656	9,344	20,923	18,948
Noninterest income:				
Trust and investment fees	1,214	964	2,448	2,071
Service charges and fees on deposit accounts	1,034	990	1,898	1,901
Mortgage origination and loan servicing fees	525	860	1,025	1,631
Other service charges, commissions and fees	576	510	1,160	1,035
Bank-owned life insurance income	147	198	314	422

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Investment securities losses, net:

Impairment losses on investment securities	—	(614 )	(189 )	(614 )
Less noncredit-related losses	—	—	—	—
Net impairment losses	—	(614 )	(189 )	(614 )
Gain on sale of available for sale securities	233	1	470	1
Gain (loss) on sale of premises and equipment	(204 )	5	(281 )	5
Total noninterest income	3,525	2,914	6,845	6,452

Noninterest expense:

Salaries and employee benefits	5,691	5,847	11,481	11,600
Net occupancy and equipment expense	1,630	1,647	3,406	3,354
Professional fees	659	842	1,408	1,924
Data processing expense	414	491	871	1,007
FDIC Insurance expense	705	1,055	1,397	1,953
Other operating expense	1,563	1,443	3,147	3,410
Total noninterest expense	10,662	11,325	21,710	23,248
Income before income tax expense	3,519	933	6,058	2,152
Income tax expense	914	150	1,449	193
Net income	\$ 2,605	\$ 783	\$ 4,609	\$ 1,959
Less: Preferred stock dividends and discount accretion	\$ 217	\$ 216	\$ 434	\$ 347
Net income available to common shareholders	\$ 2,388	\$ 567	\$ 4,175	\$ 1,612
Share and Per share information:				
Ending number of shares outstanding	8,612,582	8,605,202	8,612,582	8,605,202
Average number of shares outstanding	8,612,582	8,605,202	8,610,231	8,604,134
Diluted average number of shares	8,643,233	8,621,752	8,628,756	8,620,684
Earnings per common share - basic	\$ 0.27	\$ 0.07	\$ 0.48	\$ 0.19
Earnings per common share - diluted	0.27	0.07	0.48	0.19
Dividends paid per common share	0.05	0.05	0.10	0.20

See accompanying notes to consolidated financial statements.

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MIDWESTONE FINANCIAL GROUP, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
AND OTHER COMPREHENSIVE INCOME (LOSS)

(unaudited) (dollars in thousands, except per share amounts)	Preferred Stock	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Total
Balance at December 31, 2008	\$ —	\$ 8,690	\$ 80,757	\$ (1,215 )	\$ 43,683	\$ (1,573 )	\$ 130,342
Cumulative effect of FAS ASC 320, net of tax	—	—	—	—	3,266	(3,266 )	—
Comprehensive income:							
Net income	—	—	—	—	1,959	—	1,959
Change in net unrealized gains arising during the period on securities available for sale, net of tax	—	—	—	—	—	1,170	1,170
Total comprehensive income	—	—	—	—	5,225	(2,096 )	3,129
Dividends paid on common stock (\$0.20 per share)	—	—	—	—	(1,742 )	—	(1,742 )
Dividends paid on preferred stock	—	—	—	—	(220 )	—	(220 )
Release/lapse of restriction of 2,147 RSUs	—	—	(30 )	30	—	—	—
Issuance of preferred shares (16,000 shares)	15,642	—	—	—	—	—	15,642
Common warrants issued	—	—	358	—	—	—	358
Preferred stock discount accretion	25	—	—	—	(25 )	—	—
Stock compensation	—	—	39	—	—	—	39



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Balance at June 30, 2009	\$ 15,667	\$ 8,690	\$ 81,124	\$ (1,185 )	\$ 46,921	\$ (3,669 )	\$ 147,548
Balance at December 31, 2009	\$ 15,699	\$ 8,690	\$ 81,179	\$ (1,183 )	\$ 48,079	\$ (256 )	\$ 152,208
Comprehensive income:							
Net income	—	—	—	—	4,609	—	4,609
Change in net unrealized gains arising during the period on securities available for sale, net of tax	—	—	—	—	—	1,717	1,717
Total comprehensive income	—	—	—	—	4,609	1,717	6,326
Dividends paid on common stock (\$0.10 per share)	—	—	—	—	(861 )	—	(861 )
Dividends paid on preferred stock	—	—	—	—	(400 )	—	(400 )
Stock options exercised (1,945 shares)	—	—	(11 )	27	—	—	16
Release/lapse of restriction on 5,404 RSUs	—	—	(74 )	74	—	—	—
Preferred stock discount accretion	34	—	—	—	(34 )	—	—
Stock compensation	—	—	98	—	—	—	98
Balance at June 30, 2010	\$ 15,733	\$ 8,690	\$ 81,192	\$ (1,082 )	\$ 51,393	\$ 1,461	\$ 157,387

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (dollars in thousands)	Six Months Ended June 30,		
	2010	2009	
Cash flows from operating activities:			
Net income	\$ 4,609	\$ 1,959	
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	3,000	3,850	
Depreciation, amortization and accretion	3,003	1,263	
Loss on sale of premises and equipment	281	1	
Deferred income taxes	(553	) 722	
Stock-based compensation	98	39	
Net gains on sale of available for sale securities	(470	) —	
Net gains on sale of other real estate owned	(53	) (10	)
Writedown of other real estate owned	112	—	
Other-than-temporary impairment of investment securities	189	614	
(Increase) decrease in loans held for sale	(9	) 1,546	
Net change in:			
Decrease in accrued interest receivable	1,634	1,493	
Decrease (increase) in other assets	(571	) 3,173	
(Decrease) increase in deferred compensation liability	(46	) 2,265	
(Decrease) increase in accounts payable, accrued expenses, and other liabilities	2,515	(6,166	)
Net cash provided by operating activities	13,739	10,749	
Cash flows from investing activities:			
Available for sale securities:			
Sales	14,458	—	
Maturities	49,369	44,800	
Purchases	(116,428	) (122,154	)
Held to maturity securities:			
Maturities	2,647	700	
Purchases	—	(950	)
Loans made to customers, net of collections	8,076	22,440	
Loan pool participations, net	6,163	4,143	
Purchases of premises and equipment	(2,182	) (2,461	)
Proceeds from sale of other real estate owned	1,543	320	

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Proceeds from sale of premises and equipment	1,610		15	
Activity in bank-owned life insurance:				
Purchases	—		—	
Increase in cash value	(284	)	(422	)
Net cash used in investing activities	(35,028	)	(53,569	)
See accompanying notes to consolidated financial statements.				

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (dollars in thousands)	Six Months Ended June 30,	
	2010	2009
Cash flows from financing activities:		
Net increase in deposits	15,719	68,343
Net increase (decrease) in federal funds purchased	7,967	(13,050 )
Net decrease in securities sold under agreements to repurchase	(4,545 )	(7,748 )
Proceeds from Federal Home Loan Bank advances	25,000	10,000
Repayment of Federal Home Loan Bank advances	(23,000 )	(17,500 )
Stock options exercised	16	—
Payments on long-term debt	(24 )	(26 )
Dividends paid	(1,261 )	(1,962 )
Issuance of preferred stock and warrants	—	16,000
Net cash provided by financing activities	19,872	54,057
Net increase (decrease) in cash and cash equivalents	(1,417 )	11,237
Cash and cash equivalents at beginning of period	27,588	32,926
Cash and cash equivalents at end of period	\$ 26,171	\$ 44,163
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 12,428	\$ 17,502
Income taxes	\$ 1,683	\$ (46 )
Supplemental schedule of non-cash investing activities:		
Transfer of loans to other real estate owned	\$ 601	\$ 367

See accompanying notes to consolidated financial statements.

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MidWestOne Financial Group, Inc. and Subsidiaries  
Notes to Consolidated Financial Statements  
(Unaudited)

1.

Introductory Note

MidWestOne Financial Group, Inc. (“MidWestOne” or the “Company,” which is also referred to herein as “we,” “our” or “us”) is an Iowa corporation incorporated in 1983, a bank holding company under the Bank Holding Company Act of 1956 and a financial holding company under the Gramm-Leach-Bliley Act of 1999. Our principal executive offices are located at 102 South Clinton Street, Iowa City, Iowa 52240.

The Company owns 100% of the outstanding common stock of MidWestOne Bank, an Iowa state non-member bank chartered in 1934 with its main office in Iowa City, Iowa (the “Bank”), and 100% of the common stock of MidWestOne Insurance Services, Inc., Pella, Iowa. We operate primarily through our bank subsidiary, MidWestOne Bank, and MidWestOne Insurance Services, Inc., our wholly-owned subsidiary that operates an insurance agency business through three offices located in central and east-central Iowa.

On March 14, 2008, we consummated a merger-of-equals transaction with the former MidWestOne Financial Group, Inc., Oskaloosa, Iowa (“Former MidWestOne”), pursuant to and in accordance with the Agreement and Plan of Merger dated as of September 11, 2007 (the “Merger”). Prior to the Merger, we operated under the name “ISB Financial Corp.” As a result of the Merger, Former MidWestOne merged with and into the Company and ceased to exist as a legal entity, and we changed our name from ISB Financial Corp. to MidWestOne Financial Group, Inc. All references in this document to the “Company” and “MidWestOne” refer to the surviving organization in the Merger.

2.

Basis of Presentation

The accompanying consolidated statements of operations for the three months and six months ended June 30, 2010 and 2009 include the accounts and transactions of the Company and its wholly-owned subsidiaries MidWestOne Bank and MidWestOne Insurance Services, Inc. All material intercompany balances and transactions have been eliminated in consolidation.

The accompanying consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U. S. generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. Management believes that the disclosures are adequate to make the information presented not misleading. In the opinion of management, the accompanying consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of June 30, 2010, and the results of operations and cash flows for the three months and six months ended June 30, 2010 and 2009.

The results for the three months and six months ended June 30, 2010 may not be indicative of results for the year ending December 31, 2010, or for any other period.

Certain amounts in the consolidated financial statements have been reclassified to conform to current year presentations.

3.

Consolidated Statements of Cash Flows

In the consolidated statements of cash flows, cash and cash equivalents include cash and due from banks, interest-bearing deposits in banks, and federal funds sold.

4.

Income Taxes

Federal income tax expense for the three months and six months ended June 30, 2010 and 2009 was computed using the consolidated effective federal tax rate. The Company also recognized income tax expense pertaining to state franchise taxes payable by the subsidiary bank.

5.

Shareholders' Equity and Earnings per Common Share

Preferred Stock: On January 23, 2009, the shareholders of the Company approved a proposal to amend the Company's articles of incorporation to authorize the issuance of up to 500,000 shares of preferred stock. On February 6, 2009, the Company issued 16,000 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series A, together with a ten-year warrant to acquire 198,675 shares of common stock, to the U.S. Department of the Treasury (the "Treasury") under the Capital Purchase Program (the "CPP") for an aggregate purchase price of \$16.0 million. Upon issuance, the fair values

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of the senior preferred stock and the common stock warrants were computed as if the securities were issued on a stand-alone basis. The value of the senior preferred stock was estimated based on the net present value of the future senior preferred stock cash flows using a discount rate of 12%. The allocated carrying value of the senior preferred stock and common stock warrants on the date of issuance (based on their relative fair values) were \$15.6 million and \$0.4 million, respectively. The preferred stock discount, \$358,000, is being accreted on a 5% level yield basis over 60 months. The senior preferred stock has no par value per share and a liquidation preference of \$1,000 per share, or \$16.0 million in the aggregate. Dividends are payable quarterly at the rate of 5% per annum until the fifth anniversary date of the issuance and at a rate of 9% per annum thereafter. The dividends are computed on the basis of a 360-day year consisting of twelve 30-day months. The dividends are payable quarterly in arrears on February 15, May 15, August 15, and November 15 of each year.

The senior preferred stock is non-voting, other than class voting rights on any authorization or issuance of shares ranking senior to the senior preferred stock, any amendment to the rights of senior preferred stock, or any merger, exchange, or similar transaction that would adversely affect the rights of the senior preferred stock. If dividends are not paid in full for six dividend periods, whether or not consecutive, the Treasury will have the right to elect two directors to the Company's Board. The right to elect directors would end when full dividends have been paid for four consecutive dividend periods. Effective February 17, 2009, the American Recovery and Reinvestment Act of 2009 ("ARRA") eliminated the restrictions on a CPP participant's ability to repay the Treasury's investment until the third anniversary of the date of the Treasury's investment. Prior to ARRA, CPP participants were prohibited from redeeming the Treasury's senior preferred stock except with the proceeds of an offering of qualifying Tier 1 capital. ARRA now allows CPP participants, such as the Company, the option to repay the Treasury's investment under the CPP at any time without regard to whether the Company has raised new capital, subject to consultation with the Federal Reserve and the Federal Deposit Insurance Corporation (the "FDIC"). If the Company were to repay the Treasury's investment, it would be permitted to redeem the warrant issued to Treasury for fair market value.

The CPP requires that the Company be subject to specified standards for executive compensation and corporate governance as long as any obligation arising from financial assistance provided under the statute remains outstanding. The U.S. Congress and the Treasury may create additional provisions that could become retroactively applicable to the senior preferred stock.

**Common Stock:** On January 23, 2009, the shareholders of the Company approved a proposal to amend the Company's articles of incorporation to increase the number of authorized shares of common stock from 10,000,000 to 15,000,000.

**Common Stock Warrant:** In connection with the CPP described above, a warrant exercisable for 198,675 shares of Company common stock was issued to the Treasury. The warrant entitles the Treasury to purchase 198,675 shares of common stock at \$12.08 per share at any time on or before February 6, 2019. As noted above, under ARRA, if the Company repays the Treasury's investment in full, the Company would be permitted to redeem the warrant issued to Treasury at its then current fair market value. If the warrant is not redeemed at such time, however, it will remain outstanding and transferable by the Treasury.

As holder of the common stock warrant, the Treasury is not entitled to vote, to receive dividends, or to exercise any other rights of common shareholders for any purpose until such warrants have been duly exercised. The Treasury has agreed not to exercise voting power with respect to any shares of common stock issued upon exercise. The Company has filed and will maintain at all times during the period the senior preferred stock is outstanding and during the period the warrant is exercisable, a "shelf" registration statement relating to the issuance of common shares underlying the warrant for the benefit of the warrant holder.

The fair value of the warrants was calculated using the Binomial Option Pricing Model. The inputs to the model are consistent with those utilized by the Company for a 10-year employee stock option.





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Number of warrants granted	198,675	
Exercise price	\$ 12.08	
Grant date fair market value	\$ 7.32	
Estimated forfeiture rate	0%	
Risk-free interest rate	2.93	%
Expected life, in years	10	
Expected volatility	40.7	%
Expected dividend yield	3.86	%
Estimated fair value per warrant	\$ 1.39	

Earnings per Common Share: Basic earnings per common share computations are based on the weighted average number of shares of common stock actually outstanding during the period. The weighted average number of shares outstanding for the three months ended June 30, 2010 and 2009 was 8,612,582 and 8,605,202, respectively. The weighted average number of shares outstanding for the six months ended June 30, 2010 and 2009 was 8,610,231 and 8,604,134, respectively. Diluted earnings per share amounts are computed by dividing net income available to common shareholders by the weighted average number of shares outstanding and all dilutive potential shares outstanding during the period. The computation of diluted earnings per share used a weighted average diluted number of shares outstanding of 8,643,233 and 8,621,752 for the three months ended June 30, 2010 and 2009, respectively, and 8,628,756 and 8,620,684 for the six months ended June 30, 2010 and 2009, respectively. The following table presents the computation of earnings per common share for the respective periods:

Earnings per Share Information	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands, except per share amounts)	2010	2009	2010	2009
Weighted average number of shares outstanding during the period	8,612,582	8,605,202	8,610,231	8,604,134
Weighted average number of shares outstanding during the period including all dilutive potential shares	8,643,233	8,621,752	8,628,756	8,620,684
Net income	\$ 2,605	\$ 783	4,609	\$ 1,959
Preferred stock dividend accrued and discount accretion	(217 )	(216 )	(434 )	(347 )
Net income available to common stockholders	\$ 2,388	\$ 567	\$ 4,175	\$ 1,612
Earnings per share - basic	\$ 0.27	\$ 0.07	0.48	0.19
Earnings per share - diluted	\$ 0.27	\$ 0.07	0.48	0.19

## 6.

## Investments

A summary of investment securities available for sale is as follows:

As of June 30, 2010			
Amortized	Gross	Gross	Estimated

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	Cost	Unrealized Gains	Unrealized Losses	Fair Value
(in thousands)				
U.S. Government agencies and corporations	\$ 99,358	\$ 2,143	\$ —	\$ 101,501
State and political subdivisions	160,829	5,864	(79 )	166,614
Mortgage-backed securities and collateralized mortgage obligations	132,470	3,885	(658 )	135,697
Corporate debt securities	12,983	439	(1,186 )	12,236
	405,640	12,331	(1,923 )	416,048
Common stocks	1,476	187	(243 )	1,420
Total	\$ 407,116	\$ 12,518	\$ (2,166 )	\$ 417,468

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	As of December 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
(in thousands)				
U.S. Government agencies and corporations	\$ 79,503	\$ 1,789	\$ (101 )	\$ 81,191
State and political subdivisions	151,628	3,801	(205 )	155,224
Mortgage-backed securities and collateralized mortgage obligations	105,865	2,760	(49 )	108,576
Corporate debt securities	16,778	488	(1,104 )	16,162
	353,774	8,838	(1,459 )	361,153
Common stocks	1,529	298	(77 )	1,750
Total	\$ 355,303	\$ 9,136	\$ (1,536 )	\$ 362,903

A summary of investment securities held to maturity is as follows:

	As of June 30, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
(in thousands)				
Mortgage-backed securities	\$ 61	\$ 5	\$ —	\$ 66
State and political subdivisions	4,423	79	—	4,502
Corporate debt securities	866	—	—	866
Total	\$ 5,350	\$ 84	\$ —	\$ 5,434

	As of December 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
(in thousands)				
Mortgage-backed securities	\$ 71	\$ 5	\$ —	\$ 76
State and political subdivisions	7,074	104	—	7,178
Corporate debt securities	864	—	—	864

Total	\$ 8,009	\$ 109	\$ —	\$ 8,118
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The summary of available for sale investment securities shows that some of the securities in the available for sale investment portfolio had unrealized losses, or were temporarily impaired, as of June 30, 2010 and December 31, 2009. This temporary impairment represents the estimated amount of loss that would be realized if the securities were sold on the valuation date. Securities which were temporarily impaired are shown below, along with the length of the impairment period.

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The following presents information pertaining to securities with gross unrealized losses as of June 30, 2010 and December 31, 2009, aggregated by investment category and length of time that individual securities have been in a continuous loss position:

	Number of Securities	As of June 30, 2010				Total	
		Less than 12 Months		12 Months or More			
		Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(in thousands, except number of securities)							
U.S. Government agencies and corporations							