

KS BANCORP INC
Form 10QSB
November 12, 2004
Table of Contents

U. S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-QSB

x **Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended September 30, 2004

.. **Transition Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period ended _____

Commission File Number 000-22734

KS BANCORP, INC.

(Exact name of small business issuer as specified in its charter)

NORTH CAROLINA
(State or other jurisdiction of
incorporation or organization)

56-1842707
(IRS Employer
Identification Number)

1031 NORTH BRIGHTLEAF BLVD., SMITHFIELD, NC 27577

Edgar Filing: KS BANCORP INC - Form 10QSB

(Address of principal executive office)

(919) 938-3101

(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the past 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**

As of November 10, 2004, 1,197,029 shares of the issuer's common stock, no par value, were outstanding.

Table of Contents

	<u>Page No.</u>
Part I. <u>FINANCIAL INFORMATION</u>	
Item 1- <u>Financial Statements (Unaudited)</u>	
<u>Consolidated Statements of Financial Condition September 30, 2004 and December 31, 2003</u>	3
<u>Consolidated Statements of Operations Three Months and Nine Months Ended September 30, 2004 and 2003</u>	4
<u>Consolidated Statements of Cash Flows Nine Months Ended September 30, 2004 and 2003</u>	5
<u>Notes to Consolidated Financial Statements</u>	6
Item 2 - <u>Management's Discussion and Analysis or Plan of Operation</u>	7
Item 3 - <u>Controls and Procedures</u>	10
Part II. <u>OTHER INFORMATION</u>	
Item 6 - <u>Exhibits and Reports on Form 8-K</u>	11

Table of Contents**Part I. FINANCIAL INFORMATION****Item 1 - Financial Statements***KS Bancorp, Inc. and Subsidiary**Consolidated Statements of Financial Condition*

	September 30, 2004 (Unaudited)	December 31, 2003*
	_____	_____
	(In thousands)	
ASSETS		
Cash and due from banks:		
Interest-earning	\$ 3,663	\$ 4,033
Noninterest-earning	1,212	980
Time deposits	100	100
Investment securities available for sale	35,811	32,745
Federal Home Loan Bank stock, at cost	2,245	2,005
Presold mortgages in process of settlement	329	104
Loans	171,495	153,131
Allowance for loan losses	(1,340)	(1,358)
Net loans	170,155	151,773
Accrued interest receivable	1,064	945
Foreclosed real estate, net	1,011	1,085
Property and equipment, net	6,865	6,888
Other assets	753	858
Total assets	\$ 223,208	\$ 201,516
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Deposits	\$ 158,661	\$ 142,251
Advances from Federal Home Loan Bank	44,900	40,100
Accrued interest payable	240	227
Accrued expenses and other liabilities	605	362
Total liabilities	204,406	182,940
Stockholders' Equity:		
Preferred stock, authorized 5,000,000 shares; none issued		
Common stock, no par value, authorized 20,000,000 shares; 1,197,029 issued and outstanding in 2004 and 2003, respectively	5,420	5,420
Retained earnings, substantially restricted	13,401	13,114
Accumulated other comprehensive income (loss)	(19)	42

Edgar Filing: KS BANCORP INC - Form 10QSB

Total stockholders' equity	18,802	18,576
Total liabilities and stockholders' equity	\$ 223,208	\$ 201,516

* Derived from audited consolidated financial statements.

See accompanying notes.

Table of Contents*KS Bancorp, Inc. and Subsidiary**Consolidated Statements of Operations (Unaudited)*

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2004	2003	2004	2003
(In thousands, except per share data)				
INTEREST INCOME				
Loans	\$ 2,617	\$ 2,545	\$ 7,738	\$ 8,000
Investment securities:				
Taxable	195	149	654	539
Tax-exempt	136	36	305	95
Dividends	18	13	52	52
Interest-earning deposits	12	10	36	39
TOTAL INTEREST INCOME	2,978	2,753	8,785	8,725
INTEREST EXPENSE				
Deposits	780	742	2,231	2,458
Advances from Federal Home Loan Bank	350	275	985	864
TOTAL INTEREST EXPENSE	1,130	1,017	3,216	3,322
NET INTEREST INCOME	1,848	1,736	5,569	5,403
PROVISION FOR LOAN LOSSES	104		254	162
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	1,744	1,736	5,315	5,241
NON-INTEREST INCOME				
Service charges on deposit accounts	240	170	684	485
Fees from presold mortgages	18	95	85	283
Gain (loss) on sale of foreclosed real estate	(27)	(16)	24	20
Gain on sale of investments	1		3	
Other income	20	11	59	105
TOTAL NON-INTEREST INCOME	252	260	855	893
NON-INTEREST EXPENSE				
Compensation and benefits	948	950	2,872	2,592
Occupancy and equipment	196	151	590	478
Data processing and outside service fees	147	130	446	380
Advertising	22	53	103	115
Foreclosed real estate	66	39	137	73
Other	248	189	717	614
TOTAL NON-INTEREST EXPENSE	1,627	1,512	4,865	4,252
INCOME BEFORE INCOME TAXES	369	484	1,305	1,882
INCOME TAXES	81	187	444	730

Edgar Filing: KS BANCORP INC - Form 10QSB

NET INCOME	\$ 288	\$ 297	\$ 861	\$ 1,152
NET INCOME PER COMMON SHARE				
Basic	\$.24	\$.26	\$.72	\$ 1.00
Diluted	\$.24	\$.25	\$.72	\$.98
DIVIDENDS PER COMMON SHARE	\$.16	\$.16	\$.48	\$.48

See accompanying notes.

Table of Contents*KS Bancorp, Inc. and Subsidiary**Consolidated Statements of Cash Flows (Unaudited)*

	Nine Months Ended September 30,	
	2004	2003
(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 861	\$ 1,152
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of foreclosed real estate	(24)	(20)
Gain on sale of available for sale investment securities	(3)	
Loss on sale of property and equipment	1	
Depreciation	296	219
Amortization, net	87	146
Release of ESOP shares		55
Provision for loan losses	254	162
Change in assets and liabilities:		
(Increase) decrease in presold mortgages in process of settlement	(225)	834
(Increase) decrease in accrued interest receivable	(119)	3
Decrease in other assets	142	3
Increase (decrease) in accrued interest payable	13	(80)
Increase in accrued expenses and other liabilities	243	120
	<u>1,526</u>	<u>2,594</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in time deposits		(100)
Purchases of:		
Available for sale investment securities	(14,346)	(22,309)
Proceeds from sales, maturities and calls of:		
Available for sale investment securities	11,098	14,819
Held to maturity investment securities		13
Purchase of Federal Home Loan Bank stock	(240)	(115)
Net increase (decrease) in loans	(19,426)	934
Proceeds from sales of foreclosed real estate	888	275
Purchase of property and equipment	(326)	(1,931)
Proceeds from sales of property and equipment	52	
	<u>(22,300)</u>	<u>(8,414)</u>
NET CASH USED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	16,410	2,577
Advances from Federal Home Loan Bank	18,000	19,500
Principal payments - Federal Home Loan Bank advances	(13,200)	(17,200)
Cash dividends paid	(574)	(556)
Proceeds from exercise of stock options		69
	<u>20,636</u>	<u>4,390</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES		

Edgar Filing: KS BANCORP INC - Form 10QSB

	NET DECREASE IN CASH AND CASH EQUIVALENTS	(138)	(1,430)
CASH AND CASH EQUIVALENTS, BEGINNING		<u>5,013</u>	<u>7,636</u>
	CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 4,875</u>	<u>\$ 6,206</u>

See accompanying notes.

Table of Contents*KS Bancorp, Inc. and Subsidiary**Notes to Consolidated Financial Statements***NOTE A - BASIS OF PRESENTATION**

In management's opinion, the financial information, which is unaudited, reflects all adjustments (consisting solely of normal recurring adjustments) necessary for a fair presentation of the financial information as of and for the three and nine month periods ended September 30, 2004 and 2003, in conformity with accounting principles generally accepted in the United States of America. The consolidated financial statements include the accounts of KS Bancorp, Inc. (the Company) and its wholly-owned subsidiary, KS Bank, Inc. Operating results for the three and nine month periods ended September 30, 2004 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2004.

The organization and business of the Company, accounting policies followed by the Company and other information are contained in the notes to the consolidated financial statements filed as part of the Company's 2003 annual report on Form 10-KSB. This quarterly report should be read in conjunction with such annual report.

NOTE B - NET INCOME PER SHARE

Net income per common share has been computed by dividing net income by the weighted average number of common and common equivalent shares outstanding during the period. In accordance with accounting principles generally accepted in the United States of America, employee stock ownership plan shares are only considered outstanding for the basic earnings per share calculations when they are earned or committed to be released.

The weighted average number of shares outstanding or assumed to be outstanding are summarized below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Weighted average number of common shares used in computing basic net income per share	1,197,029	1,159,479	1,197,029	1,154,758
Effect of dilutive stock options		19,215		20,321
Weighted average number of common shares and dilutive potential common shares used in computing diluted net income per share	1,197,029	1,178,694	1,197,029	1,175,079

NOTE C - COMPREHENSIVE INCOME

Edgar Filing: KS BANCORP INC - Form 10QSB

For the quarters ended September 30, 2004 and 2003, total comprehensive income, consisting of net income and unrealized securities gains and losses, net of taxes, was \$939,000 and \$98,000, respectively.

For the nine months ended September 30, 2004 and 2003, total comprehensive income, consisting of net income and unrealized securities gains and losses, net of taxes, was \$800,000 and \$1,009,000, respectively.

- 6 -

Table of Contents

Item 2 - Management's Discussion and Analysis or Plan of Operation

This Quarterly Report on Form 10-QSB may contain certain forward-looking statements consisting of estimates with respect to the financial condition, results of operations and business of the Company that are subject to various factors which could cause actual results to differ materially from these estimates. These factors include, but are not limited to, general economic conditions, changes in interest rates, deposit flows, loan demand, real estate values, and competition; changes in accounting principles, policies, or guidelines; changes in legislation or regulation; and other economic, competitive, governmental, regulatory, and technological factors affecting the Company's operations, pricing, products and services.

Comparison of Financial Condition at

September 30, 2004 and December 31, 2003

During the nine months ended September 30, 2004 consolidated total assets increased by \$21.7 million, from \$201.5 million at December 31, 2003 to \$223.2 million at September 30, 2004. This growth in the Company's total assets resulted primarily from increases in our net loan portfolio from \$151.8 million at December 31, 2003 to \$170.2 million at September 30, 2004. The growth in the loan portfolio resulted primarily from increases in commercial loans secured by real estate, which has increased \$15.1 million year to date. Additionally, liquid assets, consisting of cash and cash equivalents and investment securities available for sale, experienced a net increase of \$2.9 million. Funding for this growth was provided primarily from increases in total deposits of \$16.4 million.

Total stockholders' equity increased \$225,000 from \$18.6 million at December 31, 2003 to \$18.8 million at September 30, 2004. The increase resulted principally from net income during the nine months of \$861,000 net of the Company's regular quarterly dividends during the nine months totaling \$574,000, or \$.48 per share. At September 30, 2004 the Bank was considered to be well capitalized, as such term is defined in applicable federal regulations.

Comparison of Results of Operations for the

Three months ended September 30, 2004 and 2003

Net Income. Net income for the quarter ended September 30, 2004 was \$288,000, or \$.24 per basic share, as compared with net income of \$297,000, or \$.26 per basic share, for the three months ended September 30, 2003, a decrease of \$9,000, or \$.02 per share. The decrease in our earnings resulted primarily from increases in our non-interest expenses, which were partially offset by growth in our net interest income. All of these factors are addressed in the discussion that follows.

Net Interest Income. Like most financial institutions, the primary component of earnings for the Company is net interest income. Net interest income is the difference between interest income, principally from loan and investment securities portfolios, and interest expense, principally on customer deposits and borrowings. Changes in net interest income result from changes in volume, spread and margin. For this purpose, volume refers to the average dollar level of interest-earning assets and interest-bearing liabilities, spread refers to the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities, and margin refers to net interest income divided by average interest-earning assets. Margin is influenced by the level and relative mix of interest-earning assets and interest-bearing liabilities, as well as by levels of non-interest-bearing liabilities and capital.

Edgar Filing: KS BANCORP INC - Form 10QSB

Net interest income increased \$112,000 to \$1,848,000 during the quarter ended September 30, 2004 in comparison to the \$1,736,000 earned during the same period in 2003. Our management of the rate applicable to our interest-bearing liabilities, in conjunction with the overall growth in our loan portfolio, has resulted in the increased amount of net interest income.

- 7 -

Table of Contents

Provision for Loan Losses. The provision for loan losses was \$104,000 for the quarter ended September 30, 2004 and there was no provision recorded for the same period in 2003. There were net loan charge-offs of \$171,000 during the quarter ended September 30, 2004 as compared to net loan charge-offs of \$163,000 during the quarter ended September 30, 2003. The increase in net loan charge offs is primarily due to write-downs in nonperforming assets. At September 30, 2004, nonaccrual loans aggregated \$420,000, while the allowance for loan losses stood at \$1.3 million or .78% of total loans. At December 31, 2003, nonaccrual loans aggregated \$1.9 million, while the allowance was \$1.4 million or .89% of total loans. The allowance for loan losses as a percentage of total loans decreased slightly when comparing December 31, 2003 to September 30, 2004 primarily due to an increase in the overall volume and quality of the loan portfolio during the first 9 months of 2004. Management believes that the allowance is adequate to absorb losses inherent in the loan portfolio.

Non-Interest Income. Non-interest income totaled \$252,000 for the three months ended September 30, 2004 as compared with \$260,000 for the three months ended September 30, 2003, a decrease of \$8,000. Service charges on deposits increased \$70,000 for the three months ended September 30, 2004 as compared to September 30, 2003. This increase is primarily due to the new product, overdraft protection, which was introduced in December 2003. The increase in service charges was offset by a decrease of \$77,000 for the three months ended September 30, 2004 in fees from presold mortgages. The Bank decided to retain certain residential mortgage loans rather than to sell them on a pre-approved basis to secondary investors. Retention of these loans, in addition to the overall weakened demand within the mortgage market, resulted in a reduction in fee income from presold mortgages.

Non-Interest Expenses. Non-interest expenses increased to \$1.6 million during the quarter ended September 30, 2004 as compared with \$1.5 million for the quarter ended September 30, 2003, an increase of \$116,000. The increase resulted primarily from an increase in occupancy and equipment, data processing fees, and foreclosed real estate of \$45,000, \$17,000, and 27,000 respectively. The increase in occupancy and equipment, and data processing fees are the result of the Company's continuing growth. Additionally, during the quarter ended September 30, 2004, the Bank incurred expenses related to retaining and sustaining foreclosed assets totaling \$66,000.

Provision for Income Taxes. The provision for income taxes, as a percentage of income before income taxes, was 22.0% and 38.6% for the three months ended September 30, 2004 and 2003, respectively. The decrease in the provision in the current period resulted primarily from the increase in tax-exempt income as a percent of pre-tax income.

Comparison of Results of Operations for the

Nine months ended September 30, 2004 and 2003

Net Income. Net income for the nine months ended September 30, 2004 was \$861,000, or \$.72 per basic share, as compared with net income of \$1,152,000, or \$1.00 per basic share, for the nine months ended September 30, 2003, a decrease of \$291,000, or \$.28 per share. The decrease in our earnings resulted primarily from increases in our non-interest expenses. Most notably, compensation and benefits, and occupancy have increased during the first nine months of 2004 as compared to the same period of 2003. The increase in these expenses is the result of the Bank's continued growth into new markets as well as the addition of new employees. The increase in non-interest expense was partially offset by increases in net interest income of \$166,000.

Net Interest Income. Like most financial institutions, the primary component of earnings for the Company is net interest income. Net interest income is the difference between interest income, principally from loan and investment securities portfolios, and interest expense, principally on customer deposits and borrowings. Changes in net interest income result from changes in volume, spread and margin. For this purpose, volume refers to the average dollar level of interest-earning assets and interest-bearing liabilities, spread refers to the difference between the average yield on interest-earning assets and

Table of Contents

the average cost of interest-bearing liabilities, and margin refers to net interest income divided by average interest-earning assets. Margin is influenced by the level and relative mix of interest-earning assets and interest-bearing liabilities, as well as by levels of non-interest-bearing liabilities and capital.

Net interest income increased \$166,000 to \$5,569,000 during the nine months ended September 30, 2004 in comparison to the \$5,403,000 earned during the same period in 2003. Our management of the rate applicable to these interest-bearing liabilities, in conjunction with the overall growth in our loan portfolio, has resulted in the increased amount of net interest income.

Provision for Loan Losses. The provision for loan losses was \$254,000 and \$162,000 for the nine months ended September 30, 2004 and 2003, respectively. There were net loan charge-offs of \$272,000 during the nine months ended September 30, 2004 as compared to net loan charge-offs of \$184,000 during the nine months ended September 30, 2003. At September 30, 2004, nonaccrual loans aggregated \$420,000, while the allowance for loan losses stood at \$1.3 million or .78% of total loans. At December 31, 2003, nonaccrual loans aggregated \$1.9 million, while the allowance was \$1.4 million or .89% of total loans. The allowance for loan losses as a percentage of total loans decreased slightly when comparing December 31, 2003 to September 30, 2004 primarily due to an increase in the overall quality of the loan portfolio during the first 9 months of 2004. Management believes that the allowance is adequate to absorb losses inherent in the loan portfolio.

Non-Interest Income. Non-interest income totaled \$855,000 for the nine months ended September 30, 2004 as compared with \$893,000 for the nine months ended September 30, 2003, a decrease of \$38,000. This decrease primarily resulted from a reduction in fees from presold mortgages as previously discussed.

Non-Interest Expenses. Non-interest expenses increased to \$4.9 million during the nine months ended September 30, 2004 as compared with \$4.3 million for the nine months ended September 30, 2003, an increase of \$613,000. The increase resulted primarily from an increase in salaries and employee benefits, occupancy and equipment, and data processing fees of \$280,000, \$112,000, and \$66,000 respectively. The increase in salaries and employee benefits were primarily due to normal salary adjustments, Bank growth, and the addition of new personnel. The increase in occupancy and equipment are the result of the Company's continuing growth. Furthermore, the Bank's data processing fees have increased due to the growth in new accounts.

Provision for Income Taxes. The provision for income taxes, as a percentage of income before income taxes, was 34.0% and 38.8% for the nine months ended September 30, 2004 and 2003, respectively.

Liquidity and Capital Resources

The objective of the Company's liquidity management is to ensure the availability of sufficient cash flows to meet all financial commitments and to capitalize on opportunities for expansion. Liquidity management addresses KS Bank's ability to meet deposit withdrawals on demand or at contractual maturity, to repay borrowings as they mature, and to fund new loans and investments as opportunities arise.

The primary sources of internally generated funds are principal and interest payments on loans receivable and cash flows generated from operations. External sources of funds include increases in deposits and advances from the FHLB of Atlanta.

Edgar Filing: KS BANCORP INC - Form 10QSB

At September 30, 2004, liquid assets (cash and due from banks, interest-earning deposits with banks, and investment securities) comprised 18.3% of total assets and 25.7% of total deposits. Management believes that it will have sufficient funds available to meet its anticipated future loan commitments as well as other liquidity needs.

- 9 -

Table of Contents

As a North Carolina-chartered savings bank, KS Bank is subject to the capital requirements of the Federal Deposit Insurance Corporation (FDIC) and the North Carolina Banking Commission (NCBC). The FDIC requires state-chartered savings banks to have a minimum leverage ratio of Tier I capital (principally consisting of common shareholders' equity, noncumulative perpetual preferred stock, and a limited amount of cumulative perpetual preferred stock, less certain intangible assets) to total assets of at least 3%; provided, however, that all institutions, other than those (i) receiving the highest rating during the examination process and (ii) not anticipating or experiencing any significant growth, are required to maintain a ratio of 1% or 2% above the stated minimum. The FDIC also requires KS Bank to have a ratio of total capital to risk-weighted assets of at least 8%, of which at least 4% must be comprised of Tier I capital. The NCBC requires a net worth equal to at least 5% of total assets. At September 30, 2004, KS Bank exceeded the capital requirements of both the FDIC and the NCBC.

Item 3 - Controls and Procedures

The Company maintains a system of internal controls and procedures designed to provide reasonable assurance as to the reliability of our published financial statements and other disclosures included in this report. The Company's Board of Directors, operating through its audit committee which is composed entirely of independent outside directors, provides oversight to the Company's financial reporting process.

The Company's management, under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer of the Company (its principal executive officer and principal financial officer, respectively), have concluded based on their evaluation as of the end of the period covered by this quarterly report that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports filed or submitted by it under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including the Chief Executive Officer and the Chief Financial Officer of the Company, as appropriate to allow timely decisions regarding required disclosure.

There have been no significant changes in internal control over financial reporting during the period covered by this quarterly report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents

Part II. OTHER INFORMATION

Item 6. Exhibits

(a) Exhibits:

<u>Exhibit #</u>	<u>Description</u>
3(i)	Certificate of Incorporation, incorporated herein by reference to Exhibit 3.1 to the Registration Statement on Form S-1, Registration No. 33-69522, dated September 25, 1993, and amended on November 3, 1993
3(ii)	Bylaws, incorporated herein by reference to Exhibit 3.2 to the Registration Statement on Form S-1, Registration No. 33-69522, dated September 25, 1993 and amended on November 3, 1993.
10.1	Employment Agreement between KS Bank, Inc. and Harold T. Keen, dated January 12, 2004, incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-QSB filed May 13, 2004.
10.2	Employment Agreement between KS Bank, Inc. and Earl W. Worley, Jr., dated January 12, 2004, incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-QSB filed May 13, 2004.
11	See the Consolidated Statement of Operations (Unaudited) and Note B of the Notes to Consolidated Financial Statements set forth at page 4 and page 6, respectively, of the this Quarterly Report for the Statement Regarding Computation of Per Share Earnings.
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)
32.1	Certification by the Chief Executive Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification by the Chief Financial Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Table of Contents

SIGNATURES

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

KS BANCORP, INC.

Date: November 12, 2004

By: /s/ Harold T. Keen

Harold T. Keen
President and Chief Executive Officer

Date: November 12, 2004

By: /s/ Earl W. Worley, Jr.

Earl W. Worley, Jr.
Chief Financial Officer

- 12 -