

REPUBLIC FIRST BANCORP INC
Form 10-Q
August 06, 2010

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

FORM 10-Q

(Mark one)

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: 000-17007

REPUBLIC FIRST BANCORP, INC.
(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of incorporation or organization)

23-2486815
(I.R.S. Employer Identification No.)

50 South 16th Street, Philadelphia, Pennsylvania
(Address of principal executive offices)

19106
(Zip code)

215-735-4422
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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 Yes No

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any, every Interactive Data File Required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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 definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer	Accelerated filer <input checked="" type="checkbox"/>
Non-Accelerated filer	Smaller reporting company

(Do not check if a 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 6, 2010, there were 25,965,443 shares of Issuer’s Common Stock issued and outstanding.

REPUBLIC FIRST BANCORP, INC. AND SUBSIDIARY
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

Republic First Bancorp, Inc. and Subsidiary
Consolidated Balance Sheets
June 30, 2010 and December 31, 2009
(dollars in thousands, except share data)
(unaudited)

	June 30, 2010	December 31, 2009
ASSETS		
Cash and due from banks	\$8,134	\$10,864
Interest bearing deposits with banks	7,199	36,007
Federal funds sold	55	8,747
Cash and cash equivalents	15,388	55,618
Investment securities available for sale, at fair value	173,507	185,404
Investment securities held to maturity, at amortized cost (fair value of \$158 and \$165, respectively)	146	155
Restricted stock, at cost	6,836	6,836
Loans receivable (net of allowance for loan losses of \$10,276 and \$12,841, respectively)	658,812	680,977
Premises and equipment, net	23,761	24,490
Other real estate owned, net	10,647	13,611
Accrued interest receivable	3,555	3,957
Bank owned life insurance	12,475	12,373
Other assets	29,176	25,221
Total Assets	\$934,303	\$1,008,642
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits:		
Demand – non-interest bearing	\$117,169	\$125,618
Demand – interest bearing	64,636	52,919
Money market and savings	311,790	327,103
Time less than \$100,000	119,861	144,622
Time over \$100,000	191,755	232,632
Total Deposits	805,211	882,894
Short-term borrowings	9,149	-
FHLB Advances	-	25,000
Accrued interest payable	2,167	1,826
Other liabilities	6,539	6,182
Subordinated debt	22,476	22,476
Total Liabilities	845,542	938,378

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Shareholders' Equity

Preferred stock, par value \$0.01 per share: 10,000,000 shares authorized; no shares issued as of June 30, 2010 and December 31, 2009	-	-
Common stock par value \$0.01 per share, 50,000,000 shares authorized; shares issued 26,081,938 as of June 30, 2010 and 11,081,938 as of December 31, 2009	261	111
Additional paid in capital	105,156	77,086
Retained earnings (accumulated deficit)	(13,367)	(2,450)
Treasury stock at cost (416,303 shares)	(3,099)	(3,099)
Stock held by deferred compensation plan	(809)	(709)
Accumulated other comprehensive gain/(loss)	619	(675)
Total Shareholders' Equity	88,761	70,264
Total Liabilities and Shareholders' Equity	\$934,303	\$1,008,642

(See notes to unaudited consolidated financial statements)

Republic First Bancorp, Inc. and Subsidiary
Consolidated Statements of Operations
For the Three and Six Months Ended June 30, 2010 and 2009
(dollars in thousands, except per share data)
(unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Interest income:				
Interest and fees on loans	\$8,675	\$9,863	\$17,434	\$19,853
Interest and dividends on taxable investment securities	1,435	945	2,977	1,972
Interest and dividends on tax-exempt investment securities	108	108	222	216
Interest on federal funds sold and other interest-earning assets	16	19	36	22
Total interest income	10,234	10,935	20,669	22,063
Interest expense:				
Demand- interest bearing	125	75	207	140
Money market and savings	912	1,374	1,962	2,475
Time less than \$100,000	656	1,166	1,375	2,360
Time over \$100,000	583	1,014	1,269	2,321
Other borrowings	447	514	936	1,117
Total interest expense	2,723	4,143	5,749	8,413
Net interest income	7,511	6,792	14,920	13,650
Provision for loan losses	10,750	8,250	16,250	13,050
Net interest income after provision for loan losses	(3,239)	(1,458)	(1,330)	600
Non-interest income:				
Loan advisory and servicing fees	96	63	153	290
Service fees on deposit accounts	251	364	533	665
Net other-than-temporary impairment losses on investments recognized in earnings (includes total other-than-temporary impairment losses of \$(620) and \$828, net of \$843 and \$(456) and \$167 and \$127, net of \$9 and \$72 recognized in other comprehensive income for the three and six months ended June 30, 2010 and June 30, 2009, respectively, before taxes)	(223)	(176)	(372)	(199)
Gain on sale of other real estate owned	46	-	246	-
Bank owned life insurance income	51	59	102	132
Other non-interest income	33	72	67	146
Total non-interest income	254	382	729	1,034
Non-interest expenses:				

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Salaries and employee benefits	2,988	3,075	5,918	6,633
Occupancy	975	752	2,496	1,439
Depreciation and amortization	486	373	968	708
Legal	418	321	953	680
Write down of other real estate owned	397	-	885	1,319
Other real estate owned	15	49	67	152
Advertising	30	34	95	58
Data processing	235	223	453	482
Insurance	373	154	535	328
Professional fees	379	495	890	956
Regulatory assessments and costs	562	596	1,073	767
Taxes, other	217	246	443	498
Other operating expenses	878	901	1,582	1,684
Total non-interest expense	7,953	7,219	16,358	15,704
Loss before benefit for income taxes	(10,938)	(8,295)	(16,959)	(14,070)
Benefit for income taxes	(3,883)	(2,860)	(6,042)	(4,875)
Net loss	\$(7,055)	\$(5,435)	\$(10,917)	\$(9,195)
Net loss per share:				
Basic	\$(0.60)	\$(0.51)	\$(0.98)	\$(0.86)
Diluted	\$(0.60)	\$(0.51)	\$(0.98)	\$(0.86)

(See notes to unaudited consolidated financial statements)

Republic First Bancorp, Inc. and Subsidiary
Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2010 and 2009
(dollars in thousands)
(unaudited)

	Six Months Ended June 30,	
	2010	2009
Cash flows from operating activities		
Net loss	\$(10,917)	\$(9,195)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Provision for loan losses	16,250	13,050
Write downs on other real estate owned	885	1,319
Gain on sale of other real estate owned	(246)	-
Depreciation and amortization	968	708
Deferred compensation plan distributions and transfers	-	839
Share based compensation	120	137
Impairment charges on investment securities	372	199
Amortization of premiums/(discounts) on investment securities	27	(108)
Increase in value of bank owned life insurance	(102)	(132)
Increase in accrued interest receivable and other assets	(4,145)	(4,184)
Increase in accrued interest payable and other liabilities	698	996
Net cash provided by operating activities	3,910	3,629
Cash flows from investing activities		
Proceeds from maturities and calls of securities:		
Available for sale	13,384	9,060
Held to maturity	9	39
Net decrease in loans	5,252	26,887
Net proceeds from sale of other real estate owned	2,988	-
Premises and equipment expenditures	(239)	(9,093)
Net cash provided by investing activities	21,394	26,893
Cash flows from financing activities		
Net proceeds from stock offering	28,100	-
Net proceeds from exercise of stock options	-	166
Stock purchases for deferred compensation plan	(100)	-
Net (decrease)/increase in demand, money market and savings deposits	(12,045)	93,695
Net decrease in time deposits	(65,638)	(24,226)
Net decrease in other borrowings	(25,000)	-
Net increase/(decrease) in short term borrowings	9,149	(77,309)
Net cash used in financing activities	(65,534)	(7,674)
Net (decrease)/increase in cash and cash equivalents	(40,230)	22,848
Cash and cash equivalents, beginning of period	55,618	34,418
Cash and cash equivalents, end of period	\$ 15,388	\$ 57,266

Supplemental disclosure:

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Interest paid	\$5,428	\$7,247
Non-cash transfers from loans to other real estate owned	663	2,755

(See notes to unaudited consolidated financial statements)

Republic First Bancorp, Inc. and Subsidiary
Consolidated Statements of Changes in Shareholders' Equity
For the Six Months Ended June 30, 2010 and 2009
(dollars in thousands, except share data)
(unaudited)

	Common Stock	Additional Paid in Capital	Retained Earnings (Accumulated Deficit)	Treasury Stock	Stock Held by Deferred Compensation Plan	Accumulated Other Comprehensive Income (Loss)	Total Shareholder's Equity
Balance January 1, 2010	\$111	\$77,086	\$ (2,450)	\$(3,099)	\$ (709)	\$ (675)	\$ 70,264
Net loss			(10,917)				(10,917)
Other comprehensive income, net of tax:							
Unrealized gain on securities (pre-tax \$1,648)						1,056	1,056
Reclassification adjustment for impairment charge (pre-tax \$372)						238	238
							1,294
Total comprehensive loss							(9,623)
Shares issued under common stock offering (15,000,000 shares)	150	27,950					28,100
Stock-based compensation		120					120
Stock purchases for deferred compensation plan (24,489 shares)					(100)		(100)
Balance June 30, 2010	\$261	\$105,156	\$ (13,367)	\$(3,099)	\$ (809)	\$ 619	\$ 88,761
	Common Stock	Additional Paid in Capital	Retained Earnings (Accumulated Deficit)	Treasury Stock	Stock Held by Deferred Compensation Plan	Accumulated Other Comprehensive Loss	Total Shareholder's Equity

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Balance January 1, 2009	\$110	\$76,629	\$ 8,455	\$(3,099)	\$(1,377)	\$(1,391)	\$ 79,327
Net loss			(9,195)				(9,195)
Other comprehensive loss, net of tax:							
Unrealized loss on securities (pre-tax \$148)						(95)	(95)
Reclassification adjustment for impairment charge (pre-tax \$199)						128	128
							33
Total comprehensive loss							(9,162)
Cumulative effect adjustment:							
Reclassify non-credit component of previously recognized OTTI			537			(537)	-
Stock-based compensation		137					137
Options exercised (34,287 shares)	1	165					166
Deferred compensation plan distribution					839		839
Balance June 30, 2009	\$111	\$76,931	\$(203)	\$(3,099)	\$(538)	\$(1,895)	\$ 71,307

(See notes to unaudited consolidated financial statements)

Republic First Bancorp, Inc. and Subsidiary
Notes to Consolidated Financial Statements (unaudited)

Note 1. Basis of Presentation

Republic First Bancorp, Inc. (the “Company”) is a corporation incorporated under the laws of the Commonwealth of Pennsylvania and a registered bank holding company. The Company offers a variety of retail and commercial banking services to individuals and businesses throughout the Greater Philadelphia and Southern New Jersey area through its wholly-owned subsidiary, Republic First Bank (“Republic”). The Company also has three unconsolidated subsidiaries, which are statutory trusts established by the Company in connection with its sponsorship of three separate issuances of trust preferred securities.

The Company and Republic encounter vigorous competition for market share in the geographic areas they serve from bank holding companies, national, regional and other community banks, thrift institutions, credit unions and other non-bank financial organizations, such as mutual fund companies, insurance companies and brokerage companies.

The Company and Republic are subject to regulations of certain state and federal agencies. These regulatory agencies periodically examine the Company and Republic for adherence to laws and regulations. As a consequence, the cost of doing business may be affected.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Republic. The Company follows accounting standards set by the Financial Accounting Standards Board (“FASB”). The FASB sets accounting principles generally accepted in the United States of America (“U.S. GAAP”) that are followed to ensure consistent reporting of financial condition, results of operations, and cash flows.

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information and with the instructions to United States Securities and Exchange Commission (“SEC”) Form 10-Q and Article 10 of SEC Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for financial statements for a complete fiscal year. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six month periods ended June 30, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. All significant inter-company accounts and transactions have been eliminated in the consolidated financial statements. The Company has evaluated subsequent events through the date of issuance of the financial data included herein.

On November 7, 2008, the Board of Directors of Republic First Bancorp, Inc. (“the Company”) approved an agreement and plan of merger, pursuant to which the Company would be merged with and into Metro Bancorp, Inc. (“Metro”) formerly known as Pennsylvania Commerce Bancorp, Inc., subject to the receipt of regulatory approvals and the satisfaction of other customary closing conditions. On March 15, 2010 the Company and Metro announced that their respective boards of directors had voted to terminate the merger agreement due to uncertainties over the regulatory approval of the applications for the merger. During the first quarter 2010, the Company recorded costs in the amount of \$400,000 for legal fees and underwriting services directly related to the termination of the merger agreement. In addition, \$600,000 of costs associated with future branch development were expensed as a result of the termination of the merger agreement.

Note 2. Common Stock Offering

On June 24, 2010, in an underwritten public offering the Company sold 15 million shares of common stock at \$2.00 per share. Gross proceeds of \$30.0 million were reduced by \$1.4 million in underwriting expenses, \$379,000 in legal expenses, and \$82,000 in other expenses. The net proceeds of approximately \$28.1 million from the offering will be used for general corporate purposes, including implementing the Company's retail and rebranding strategies, renovating its stores and adding new branches.

Note 3. Summary of Significant Accounting Policies

Risks and Uncertainties

The earnings of the Company depend primarily on the earnings of Republic. The earnings of Republic are dependent primarily upon the level of net interest income, which is the difference between interest earned on its interest-earning assets, such as loans and investments, and the interest paid on its interest-bearing liabilities, such as deposits and borrowings. Accordingly, the Company's results of operations are subject to risks and uncertainties surrounding the Republic's exposure to changes in the interest rate environment.

Prepayments on residential real estate mortgage and other fixed rate loans and mortgage-backed securities vary significantly, and may cause significant fluctuations in interest margins.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates are made by management in determining the allowance for loan losses, carrying values of other real estate owned, assessment of other than temporary impairment ("OTTI") of investment securities, impairment of restricted stock and the realization of deferred income tax assets. Consideration is given to a variety of factors in establishing these estimates.

In estimating the allowance for loan losses, management considers current economic conditions, diversification of the loan portfolio, delinquency statistics, results of internal loan reviews, borrowers' perceived financial and managerial strengths, the adequacy of underlying collateral, if collateral dependent, or present value of future cash flows, and other relevant factors. Because the allowance for loan losses and carrying value of other real estate owned are dependent, to a great extent, on the general economy and other conditions that may be beyond the Company's and Republic's control, the estimates of the allowance for loan losses and the carrying values of other real estate owned could differ materially in the near term.

In estimating OTTI of investment securities, securities are evaluated on at least a quarterly basis, and more frequently when market conditions warrant such an evaluation, to determine whether a decline in their value is other than temporary. To determine whether a loss in value is other than temporary, management utilizes criteria such as the reasons underlying the decline, the magnitude and duration of the decline, the intent to hold the security and the likelihood of the Company not being required to sell the security prior to an anticipated recovery in the fair value. The term "other than temporary" is not intended to indicate that the decline is permanent, but indicates that the prospect for a near-term recovery of value is not necessarily favorable, or that there is a lack of evidence to support a realizable value equal to or greater than the carrying value of investment. Once a decline in value is determined to be other than temporary, the value of the security is reduced and a corresponding charge to earnings is recognized.

In estimating impairment of restricted stock, management's determination of whether these investments are impaired is based on the assessment of the ultimate recoverability of the cost rather than by recognizing temporary declines in value. The determination of whether a decline affects the ultimate recoverability of the cost is influenced by criteria such as (1) the significance of the decline in net assets of the Federal Home Loan Bank of Pittsburgh ("FHLB") and the length of time this situation has persisted, (2) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance of the FHLB, and (3) the impact of

legislative and regulatory changes on institutions and accordingly, on the customer base of the FHLB.

In evaluating the Company's ability to recover deferred tax assets, management considers all available positive and negative evidence, including the Company's past operating results and the Company's forecast of future taxable income. In determining future taxable income, management makes assumptions for the amount of taxable income, the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. These assumptions require management to make judgments about the Company's future taxable income and are consistent with the plans and estimates management uses to manage the Company's business. Any reduction in estimated future taxable income may require the Company to record a valuation allowance against its deferred tax assets. An increase in the valuation allowance would result in additional income tax expense in the period and could have a significant impact on the Company's future earnings.

Stock-Based Compensation

The Company maintains the Amendment and Restatement No. 3 of the Stock Option Plan and Restricted Stock Plan of Republic First Bancorp, Inc. (“Plan”), under which the Company may grant options, restricted stock or stock appreciation rights to the Company’s employees, directors, and certain consultants. Under the terms of the Plan, 1.5 million shares of common stock, plus an annual increase equal to the number of shares needed to restore the maximum number of shares that may be available for grant under the Plan to 1.5 million shares, are available for such grants. As of June 30, 2010, the only grants under the Plan have been option grants. The Plan provides that the exercise price of each option granted equals the market price of the Company’s stock on the date of the grant. Any option granted vests within one to five years and has a maximum term of ten years.

The Company utilizes a Black-Scholes option pricing model to determine the fair market value of stock options. In 2010, the following assumptions were utilized: a dividend yield of 0%; expected volatility of 33.67%; a risk-free interest rate of 3.14% to 3.46%; and an expected life of 7.0 years. In 2009 the following assumptions were utilized: a dividend yield of 0%; expected volatility of 26.45% to 27.61%; a risk-free interest rate of 1.99% to 2.72%; and an expected life of 7.0 years. A dividend yield of 0% is utilized, because cash dividends have never been paid. The expected life reflects a 3 to 4 year “all or nothing” vesting period, the maximum ten-year term and review of historical behavior. The volatility was based on Bloomberg’s seven-year volatility calculation for “FRBK” stock. The risk-free interest rate is based on the seven year Treasury bond. No options vested during the three months ended June 30, 2010 and options to purchase 6,050 options vested during the three months ended March 31, 2009. Expense is recognized ratably over the period required to vest. There were 328,700 unvested options at January 1, 2010 with a fair value of \$907,000 with \$564,000 of that amount remaining to be recognized as expense. At June 30, 2010, there were 456,000 unvested options with a fair value of \$1.2 million with \$677,000 of that amount remaining to be recognized as expense. At that date, the intrinsic value of the 672,000 options outstanding was \$1,000, while the intrinsic value of the 215,604 exercisable (vested) was also \$1,000.

Compensation expense of \$78,000 and \$120,000 was recognized during the three and six months ended June 30, 2010, respectively. Compensation expense of \$68,000 and \$137,000 was recognized during the three and six months ended June 30, 2009, respectively. For each of these periods, a 35% assumed tax benefit for the Plan was utilized in making the calculations.

Earnings per Share

Earnings per share (“EPS”) consists of two separate components: basic EPS and diluted EPS. Basic EPS is computed by dividing net income (loss) by the weighted average number of common shares outstanding for each period presented. Diluted EPS is calculated by dividing net income (loss) by the weighted average number of common shares outstanding plus dilutive common stock equivalents (“CSEs”). CSEs consist of dilutive stock options granted through the Company’s stock options plan and convertible securities related trust preferred securities issued in 2008. In the diluted EPS computation, the after tax interest expense on the trust preferred securities issuance is added back to the net income. For the three and six months ended June 30, 2010 and 2009, the effect of CSEs and the related add back of after tax interest expense was considered anti-dilutive and therefore is not included in the EPS calculation. For the three and six months ended June 30, 2010 and 2009, the Company included no stock options in calculating diluted EPS due to a net loss from operations.

The calculation of EPS for the three and six months ended June 30, 2010 and 2009 is as follows (in thousands, except per share amounts):

	Three Months Ended June		Six Months Ended June	
	30,	30,	30,	30,
	2010	2009	2010	2009
Net loss	\$(7,055)	\$(5,435)	\$(10,917)	\$(9,195)
Weighted average shares outstanding	11,707	10,656	11,142	10,644
Net loss per share – basic and diluted	\$(0.60)	\$(0.51)	\$(0.98)	\$(0.86)

Recent Accounting Pronouncements

In March 2010, the FASB issued ASU 2010-11, Derivatives and Hedging (Topic 815): Scope Exception Related to Embedded Credit Derivatives. The FASB believes this ASU clarifies the type of embedded credit derivative that is exempt from embedded derivative bifurcation requirements. Specifically, only one form of embedded credit derivative qualifies for the exemption - one that is related only to the subordination of one financial instrument to another. As a result, entities that have contracts containing an embedded credit derivative feature in a form other than such subordination may need to separately account for the embedded credit derivative feature.

The amendments in ASU 2010-11 are effective for each reporting entity at the beginning of its first fiscal quarter beginning after June 15, 2010. We have adopted this guidance during the quarter ended June 30, 2010 and it did not have a material effect on our financial position or results of operations.

In July 2010, the FASB issued ASU 2010-20, Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses. The FASB believes that this guidance will help investors assess the credit risk of a company's receivables portfolio and the adequacy of its allowance for credit losses held against the portfolios by expanding credit risk disclosures.

This ASU requires more information about the credit quality of financing receivables in the disclosures to financial statements, such as aging information and credit quality indicators. Both new and existing disclosures must be disaggregated by portfolio segment or class. The disaggregation of information is based on how a company develops its allowance for credit losses and how it manages its credit exposure.

The amendments in this Update apply to all public and nonpublic entities with financing receivables. Financing receivables include loans and trade accounts receivable. However, short-term trade accounts receivable, receivables measured at fair value or lower of cost or fair value, and debt securities are exempt from these disclosure amendments.

The effective date of ASU 2010-20 differs for public and nonpublic companies. For public companies, the amendments that require disclosures as of the end of a reporting period are effective for periods ending on or after December 15, 2010. The amendments that require disclosures about activity that occurs during a reporting period are effective for periods beginning on or after December 15, 2010. We do not expect the adoption of this guidance to have a material effect on our financial position or results of operations.

Note 4: Legal Proceedings

The Company and Republic are from time to time parties (plaintiff or defendant) to lawsuits in the normal course of business. While any litigation involves an element of uncertainty, management, after reviewing pending actions with its legal counsel, is of the opinion that the liability of the Company and Republic, if any, resulting from such actions will not have a material effect on the financial condition or results of operations of the Company and Republic.

Note 5: Segment Reporting

The Company has one reportable segment: community banking. The community bank segment primarily encompasses the commercial loan and deposit activities of Republic, as well as consumer loan products in the area surrounding its branches.

Note 6: Comprehensive Loss

Total comprehensive loss, which for the Company included net income and changes in unrealized gains and losses on the Company's available for sale securities, was \$4.5 and \$5.4 million, respectively for the three months ended June 30, 2010 and 2009, respectively. For the six months ended June 30, 2010 and 2009, total comprehensive loss was \$9.6 and \$9.2 million, respectively.

Note 7: Investment Securities

A summary of the amortized cost and market value of securities available for sale and securities held to maturity at June 30, 2010 and December 31, 2009 is as follows (dollars in thousands):

	At June 30, 2010			
	Amortized	Gross	Gross	Fair Value
	Cost	Unrealized	Unrealized	
		Gains	Losses	
Mortgage-backed securities/CMOs	\$ 130,556	\$ 4,628	\$(1)	\$ 135,183
Municipal securities	10,456			