CHEMUNG FINANCIAL CORP
Form 10-Q
November 07, 2008

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 Quarterly period ended **SEPTEMBER 30, 2008**

Or

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

Commission File No. 0-13888

CHEMUNG FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

New York	16-1237038
(State or other jurisdiction of incorporation or organization)	I.R.S. Employer Identification No.

One Chemung Canal Plaza, Elmira, NY	14901
(Address of principal executive offices)	(Zip Code)

(607) 737-3711 or (800) 836-3711

(Registrant's telephone number, including area code)

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 a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	[ ]	Non-accelerated filer	[ ]
Accelerated filer	[X]	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: X

The number of shares of the registrant's common stock, $.01 par value, outstanding on October 31, 2008 was 3,510,886.

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CHEMUNG FINANCIAL CORPORATION AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1: Financial Statements

CHEMUNG FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	SEPTEMBER 30, 2008	DECEMBER 31, 2007
	------------	------------
ASSETS		
Cash and due from financial institutions	$ 26,431,162	$ 29,095,659
Interest-bearing deposits in other financial institutions	1,069,820	282,676
	------------	------------
Total cash and cash equivalents	27,500,982	29,378,335
	------------	------------
Securities available for sale, at estimated fair value	196,023,633	165,321,115
Securities held to maturity, estimated fair value of $8,545,586 at September 30, 2008 and $4,575,465 at December 31, 2007	8,172,067	4,479,815
Federal Home Loan Bank and Federal Reserve Bank Stock, at cost	4,104,450	5,901,550
Loans, net of deferred origination fees and costs, and unearned income	572,836,903	539,522,490
Allowance for loan losses	(8,744,086)	(8,452,819)
	------------	------------
Loans, net	564,092,817	531,069,671
	------------	------------
Loans held for sale	110,933	39,400
Premises and equipment, net	24,003,747	23,220,106
Goodwill	9,137,929	1,516,666
Other intangible assets, net	6,253,764	5,629,776
Other assets	23,319,648	22,317,085

	------------	------------
Total assets	$862,719,970	$788,873,519
	============	============
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest-bearing	$153,373,477	$145,491,880
Interest-bearing	503,795,862	427,108,049
	------------	------------
Total deposits	657,169,339	572,599,929
	------------	------------
Securities sold under agreements to repurchase	64,855,357	31,212,292
Federal Home Loan Bank term advances	20,000,000	20,000,000
Federal Home Loan Bank overnight advances	21,100,000	62,400,000
Accrued interest payable	1,388,607	1,292,442
Dividends payable	877,414	879,682
Other liabilities	9,371,011	12,374,224
	------------	------------
Total liabilities	774,761,728	700,758,569
	------------	------------
Shareholders' equity:		
Common stock, $.01 par value per share, 10,000,000 shares authorized; 4,300,134 issued at September 30, 2008 and December 31, 2007	43,001	43,001
Additional-paid-in capital	22,865,419	22,801,241
Retained earnings	85,207,674	81,029,531

Treasury stock, at cost (793,563 shares at September 30, 2008; 781,481 shares at December 31, 2007)	(20,448,466)	(20,138,214)
Accumulated other comprehensive income	290,614	4,379,391
	------------	------------
Total shareholders' equity	87,958,242	88,114,950
	------------	------------
Total liabilities and shareholders' equity	$862,719,970	$788,873,519
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See accompanying notes to unaudited consolidated financial statements.

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CHEMUNG FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	Nine Months Ended		Three Months Ended	
	-------------------		---------------------	
	September 30,		September 30,	
	-------------		--------------	
INTEREST	2008	2007	2008	2007
AND DIVIDEND INCOME				
	------	------	------	------
Loans, including fees	$27,613,035	$26,594,888	$ 9,271,191	$ 9,375,715
Taxable securities	5,798,393	5,239,309	2,138,013	1,736,153
Tax exempt securities	585,786	619,053	220,332	187,455
Federal funds sold	67,930	55,053	563	2,444

Interest-bearing deposits	17,486	11,799	1,448	3,992
	-----------	-----------	-----------	-----------
Total interest and dividend income	34,082,630	32,520,102	11,631,547	11,305,759
	-----------	-----------	-----------	-----------
INTEREST EXPENSE				
Deposits	9,062,392	10,522,145	2,741,932	3,518,864
Borrowed funds	1,051,183	1,478,963	339,120	706,982
Securities sold under agreements to repurchase	1,389,968	1,392,972	563,938	468,874
	-----------	-----------	-----------	-----------
Total interest expense	11,503,543	13,394,080	3,644,990	4,694,720
	-----------	-----------	-----------	-----------
Net interest income	22,579,087	19,126,022	7,986,557	6,611,039
Provision for loan losses	850,000	850,000	425,000	250,000
	-----------	-----------	-----------	-----------
Net interest income after provision for loan losses	21,729,087	18,276,022	7,561,557	6,361,039
	-----------	-----------	-----------	-----------
Other operating income:				
Trust & investment services income	5,108,979	4,546,192	1,613,962	1,808,486
Service charges on deposit accounts	3,773,194	3,431,011	1,336,271	1,251,237
Net gain on securities transactions	589,456	9,680	-	-

Net gain on sales of loans held for sale	90,772	-	33,220	-
Credit card merchant earnings	1,186,092	1,231,720	437,150	459,241
Gain on sale of other real estate	-	671,923	-	15,600
Other	2,509,928	2,442,103	765,364	736,819
	-----------	-----------	-----------	-----------
Total other operating income	13,258,421	12,332,629	4,185,967	4,271,383
	-----------	-----------	-----------	-----------
Other operating expenses:				
Salaries and wages	9,868,813	9,085,521	3,385,931	3,097,262
Pension and other employee benefits	1,717,120	1,519,383	528,962	567,681
Net occupancy expenses	3,000,729	2,425,941	979,116	801,936
Furniture and equipment expenses	1,487,031	1,461,219	478,668	421,641
Data processing expense	3,111,226	2,844,269	1,059,054	998,869
Amortization of intangible assets	934,678	445,567	260,917	187,796
Other	4,703,458	4,634,383	1,440,226	1,396,162
	-----------	-----------	-----------	-----------
Total other operating expenses	24,823,055	22,416,283	8,132,874	7,471,347
	-----------	-----------	-----------	-----------
Income before income tax expense	10,164,453	8,192,368	3,614,650	3,161,075
Income tax expense	3,347,011	2,521,435	1,211,040	1,007,930
	-----------	-----------	-----------	-----------
Net income	$ 6,817,442	$ 5,670,933	$ 2,403,610	$ 2,153,145
	===========	===========	===========	===========

Weighted average shares outstanding	3,596,219	3,594,576	3,592,087	3,583,432
	===========	===========	===========	===========
Basic and diluted earnings per share	$1.90	$1.58	$0.67	$0.60
	===========	===========	===========	===========

See accompanying notes to unaudited consolidated financial statements.

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CHEMUNG FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(UNAUDITED)

	Common Stock	Additional paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total
	--------	----------	-----------	------------	------------	----------
Balances at December 31, 2006	$ 43,001	$22,652,405	$77,183,407	$(19,496,106)	$ 1,915,554	$82,298,261
Comprehensive Income:						
Net income	-	-	5,670,933	-	-	5,670,933
Change in unrealized gain on securities AFS, net	-	-	-	-	1,782,827	1,782,827
Change in funded status of Employers' Accounting for Defined Benefit Pension and Other Benefit Plans, net	-	-	-	-	46,103	46,103

Total comprehensive income						7,499,863
Restricted stock units for directors' deferred compensation plan	-	63,235	-	-	-	63,235
Cash dividends declared ($.72 per share)	-	-	(2,533,577)	-	-	(2,533,577)
Distribution of 7,334 shares of treasury stock for directors' compensation	-	54,265	-	187,017	-	241,282
Distribution of 1,230 shares restricted stock units for directors' deferred compensation plan	-	(27,659)	-	31,476	-	3,817
Distribution of 1,000 shares of treasury stock for employee compensation	-	3,250	-	25,750	-	29,000
Purchase of 36,813 shares of treasury stock	-	-	-	(1,141,908)	-	(1,141,908)
	---------	-----------	-----------	-------------	-----------	-----------
Balances at September 30, 2007	$ 43,001	$22,745,496	$80,320,763	$(20,393,771)	$ 3,744,484	$86,459,973
	=========	===========	===========	=============	===========	===========

Balances at December 31, 2007	$ 43,001	$22,801,241	$81,029,531	$(20,138,214)	$ 4,379,391	$88,114,950
Comprehensive Income:						
Net income	-	-	6,817,442	-	-	6,817,442
Change in unrealized gain on securities AFS, net	-	-	-	-	(4,088,620)	(4,088,620)
Change in funded status of Employers' Accounting for Defined Benefit Pension and Other Benefit Plans, net	-	-	-	-	(157)	(157)

Total comprehensive income						2,728,665
Restricted stock units for directors' deferred compensation plan	-	75,758	-	-	-	75,758
Cash dividends declared ($.75 per share)	-	-	(2,639,299)	-	-	(2,639,299)
Distribution of 8,227 shares of treasury stock for directors' compensation	-	12,180	-	212,010	-	224,190
Distribution of 1,321 shares of treasury stock for employee	-	958	-	34,042	-	35,000

compensation						
Distribution of 1,273 shares of treasury stock for directors' deferred compensation plan	-	(30,818)	-	32,818	-	2,000
Sale of 5,000 shares of treasury stock	-	6,100	-	128,900	-	135,000
Purchase of 27,903 shares of treasury stock	-	-	-	(718,022)	-	(718,022)
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Balances at September 30, 2008	$ 43,001	$22,865,419	$85,207,674	$(20,448,466)	$ 290,614	$87,958,242
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See accompanying notes to unaudited consolidated financial statements.

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CHEMUNG FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)	Nine Months Ended	
	September 30,	
CASH FLOWS FROM OPERATING ACTIVITIES:	2008	2007
	-----	-----
Net income	$ 6,817,442	$ 5,670,933
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of intangible assets	934,678	445,567
Provision for loan losses	850,000	850,000
Depreciation and amortization of fixed assets	1,986,058	1,931,757

Amortization of premiums on securities, net	(4,990)	41,332
Accretion of deferred gain on sale of credit cards	-	(77,569)
Gains on sales of loans held for sale, net	(90,772)	-
Proceeds from sales of loans held for sale	2,997,289	-
Loans originated and held for sale	(2,978,050)	-
Net loss (gain) on sale of other real estate owned	2,497	(656,849)
Net gain on securities transactions	(589,456)	(9,680)
(Increase) decrease in other assets	(808,904)	165,552
Increase in accrued interest payable	96,165	123,858
Expense related to restricted stock units for directors' deferred compensation plan	75,758	63,235
Expense related to employee stock compensation	35,000	29,000
(Decrease) increase in other liabilities	(447,470)	1,440,835
Origination of student loans	(3,409,921)	(5,556,491)
Proceeds from sales of student loans	7,647,892	4,897,836
	-----------	-----------
Net cash provided by operating activities	13,113,216	9,359,316
	-----------	-----------
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of and principal collected on securities available for sale	58,049,751	29,732,854
Proceeds from maturities of and principal collected on securities held to maturity	1,199,969	3,507,917
Purchases of securities available for sale	(94,826,153)	(10,100,000)
Purchases of securities held to maturity	(4,892,221)	(1,457,650)
Purchase of Federal Home Loan Bank and Federal Reserve Bank stock	(16,499,900)	(17,542,800)
Redemption of Federal Home Loan Bank and Federal Reserve Bank stock	18,297,000	16,254,000

Purchases of premises and equipment	(2,509,287)	(2,260,468)
Cash paid for purchase of trust business	-	(5,301,983)
Net cash received in branch acquisition	43,542,640	-
Cash paid for purchase of Cascio Financial Strategies	(250,000)	-
Proceeds from sale of other real estate owned	22,823	2,406,048
Net increase in loans	(25,869,159)	(65,381,803)
	-----------	------------
Net cash used by investing activities	(23,734,537)	(50,143,885)
	-----------	------------
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in demand deposits, NOW accounts, savings accounts, and insured money market accounts	24,420,777	(1,709,056)
Net (decrease) increase in time deposits and individual retirement accounts	(4,795,284)	18,769,336
Net increase in securities sold under agreements to repurchase	33,643,065	1,581,437
Proceeds from Federal Home Loan Bank overnight advances	21,100,000	35,000,000
Repayments of Federal Home Loan Bank overnight advances	(62,400,000)	(7,900,000)
Purchase of treasury stock	(718,022)	(1,141,908)
Sale of treasury stock	135,000	-
Cash dividends paid	(2,641,568)	(2,540,459)
	-----------	-----------
Net cash provided by financing activities	8,743,968	42,059,350
	-----------	-----------
Net (decrease) increase in cash and cash equivalents	(1,877,353)	1,274,781
Cash and cash equivalents, beginning of period	29,378,335	26,590,274
	-----------	-----------
Cash and cash equivalents, end of period	$27,500,982	$27,865,055

	===========	===========
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	$11,407,378	$13,270,222
	===========	===========
Income Taxes	$ 3,320,850	$ 30,972
	===========	===========
Supplemental disclosure of non-cash activity:		
Transfer of loans to other real estate owned	$ 218,980	$ 27,200
	===========	===========

See accompanying notes to unaudited consolidated financial statements.

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CHEMUNG FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

Chemung Financial Corporation (the "Corporation"), through its wholly owned subsidiaries, Chemung Canal Trust Company (the "Bank") and CFS Group, Inc., a financial services company, provides a wide range of banking, financing, fiduciary and other financial services to its local market area. The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries. All material intercompany accounts and transactions are eliminated in consolidation.

The data in the consolidated balance sheet as of December 31, 2007 was derived from the audited consolidated financial statements in the Corporation's 2007 Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission on March 13, 2008. That data, along with the other interim financial information presented in the consolidated balance sheets, statements of income, shareholders' equity and comprehensive income, and cash flows should be read in conjunction with the audited consolidated financial statements, including the notes thereto, contained in the 2007 Annual Report on Form 10-K. Amounts in prior periods' consolidated interim financial statements are reclassified whenever necessary to conform to the current period's presentation.

The consolidated financial statements included herein reflect all adjustments which are, in the opinion of management, of a normal recurring nature and necessary to present fairly the Corporation's financial position as of September 30, 2008 and December 31, 2007, and results of operations for the three-month and nine-month periods ended September 30, 2008 and 2007, and changes in shareholders' equity and cash flows for the nine-month periods ended September 30, 2008 and 2007. The results for the periods presented are not necessarily indicative of results to be expected for the entire fiscal year or any other interim period.

2.

Earnings Per Share

Earnings per share were computed by dividing net income by 3,596,219 and 3,594,576 weighted average shares outstanding for the nine-month periods ended September 30, 2008 and 2007, respectively and 3,592,087 and 3,583,432 weighted average shares outstanding for the three-month periods ended September 30,2008 and 2007, respectively. Issuable shares (such as those related to directors' restricted stock units and directors' stock compensation) are considered outstanding and are included in the computation of basic earnings per share as they are earned. There were no dilutive common stock equivalents during the nine-month periods ended September 30, 2008 or 2007.

3. Recently Adopted Accounting Standards

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements*. This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This Statement establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. The standard is effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued Staff Position (FSP) 157-2, *Effective Date of FASB Statement No. 157*. This FSP delays the effective date of FAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The impact of adoption was not material.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. The standard provides companies with an option to report selected financial assets and liabilities at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The Corporation did

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not elect the fair value option for any financial assets or financial liabilities as of January 1, 2008, the effective date of the standard, therefore there was no impact upon adoption.

4. Fair Value

Statement 157 establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) or identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2:

Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3:

Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair values of securities available for sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs), matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs), or significant unobservable inputs including the use of management's internal assumptions about future cash flows and discount rates adjusted for credit and liquidity risk when relevant observable market data does not exist (Level 3 inputs). The Corporation measures impairment of collateralized loans based on the estimated fair value of the collateral less estimated costs to sell, incorporating assumptions that experienced parties might use in estimating the value of such collateral (Level 3 inputs).

Assets and liabilities measured at fair value on a recurring basis are summarized below:

		Fair Value Measurement at September 30, 2008 Using		
Assets:	September 30, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available for sale securities	$196,023,633	$ 10,849,743	$182,348,889	$ 2,825,000

Assets and liabilities measured at fair value on a non-recurring basis are summarized below:

	September 30, 2008	Fair Value Measurement at September 30, 2008 Using Significant Unobservable Inputs (Level 3)
Assets:	------------	------------------------------------
Impaired Loans	$ 1,926,523	$ 1,926,523
	============	============

Impaired loans had a carrying amount of $2,285,871, with a valuation allowance of $359,348 at September 30, 2008.

5. Business Combinations

On March 14, 2008, the Bank completed the acquisition of three branches from Manufacturers and Traders Trust Company ("M&T") in the New York counties of Broome and Tioga. This acquisition was accounted for as a business combination in accordance with Statement of Financial Accounting Standards No. 141 ("SFAS No. 141"). This acquisition represented an expansion of our presence in both Broome and Tioga counties, an opportunity to add to our

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client base, and provided an additional funding source to support future growth. In this transaction, the Bank made a cash payment of approximately $8.4 million, assumed approximately $64.6 million of deposits and acquired $12.6 million in loans. The results of operation of the acquired branches are included in the Corporation's consolidated financial statements from the date of acquisition. Estimated fair values of the assets and liabilities acquired are being finalized. However, based on initial estimates, the identified intangible asset from this acquisition is a core deposit intangible of $1.1 million which is being amortized over 10 years. Goodwill resulting from the acquisition was $7.6 million. Pro forma financial information is not presented based on management's conclusion that the impact to the Corporation's consolidated results is not material.

On May 30, 2008, CFS Group, Inc. ("CFS"), the Corporation's financial services subsidiary, completed the acquisition of the client relationships of Cascio Financial Strategies from Joseph M. Cascio Sr. This acquisition was accounted for as a business combination in accordance with Statement of Financial Accounting Standards No. 141 ("SFAS No. 141"). Cascio Financial Strategies was founded in 1985, and provided financial planning, investment and tax preparation services to more than 700 clients. This acquisition adds significantly to the client base of CFS, as well as adding tax preparation to the financial services offered by CFS, providing a source of additional fee income to the Corporation. The results of operation of the acquired business are included in the Corporation's consolidated financial statements from the date of acquisition. The identifiable intangible assets from this acquisition are a purchased client relationship intangible and a covenant not to compete totaling $500 thousand, which are being amortized over 5 years.

6. Intangible Assets

The following table presents information relative to the Corporation's core deposit intangible ("CDI") related to the acquisition of deposits from the Resolution Trust Company in 1994:

	At September 30, 2008	At December 31, 2007
Original core deposit intangible	$ 5,965,794	$ 5,965,794
Less: Accumulated amortization	5,700,647	5,402,357
Carrying amount	$ 265,147	$ 563,437

Amortization expense for the nine months ended September 30, 2008 and 2007 related to the CDI was $298,290. As of September 30, 2008, the remaining amortization period for the Corporation's CDI was approximately 0.67 years. The estimated amortization expense is $397,719 for the year ending December 31, 2008, with $165,718 in amortization expense in 2009.

The following table presents information relative to the Corporation's CDI related to the acquisition of three former M&T Bank branch offices on March 14, 2008. The Corporation assumed approximately $64.6 million of deposits and acquired $12.6 million in loans:

	At September 30, 2008
Original core deposit intangible	$ 1,058,667
Less: Accumulated amortization	112,283
Carrying amount	$ 946,384

Amortization expense for the nine months ended September 30, 2008 related to the CDI was $112,283. The remaining amortization period is approximately 9.37 years. The following table represents the estimated amortization expense based on a 10 year accelerated method:

Year	Estimated Expense
-----	----------------
2008	$ 160,404
2009	$ 176,444
2010	$ 157,196
2011	$ 137,948
2012	$ 118,699
2013	$ 99,450
2014	$ 80,202
2015	$ 60,954
2016	$ 41,705
2017	$ 2,457
2018	$ 3,208

Total	$1,058,667
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The following table presents information relative to the Corporation's purchase of the trust business of Partners Trust Financial Group, Inc. on May 3, 2007. At that time, the Corporation acquired $351 million of trust assets under administration at fair value:

	At September 30, 2008	At December 31, 2007
	------------------	-----------------
Original customer relationship intangible	$ 5,301,983	$ 5,301,983
Less: Accumulated amortization	726,417	235,644
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Carrying amount	$ 4,575,566	$ 5,066,339
	============	============

Amortization expense for the nine months ended September 30, 2008 related to the customer relationship intangible was $490,773. As of September 30, 2008, the remaining amortization period was approximately 12.94 years. The estimated amortization expense is $579,139 for the year ending December 31, 2008 and $353,466 for each of the years ending December 31, 2009 through December 31, 2020, with $245,608 in amortization expense in 2021.

The following table presents information relative to the Corporation's wholly owned subsidiary, CFS Group Inc., acquisition of Cascio Financial Strategies on May 13, 2008:

	At September 30, 2008

Original customer relationship intangible	$ 500,000
Less: Accumulated amortization	33,333

Carrying amount	$ 466,667
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