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EMCLAIRE FINANCIAL CORP
Form 10QSB
November 12, 2002

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

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For Quarter Ended: September 30, 2002

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

Commission File Number: 000-18464

EMCLAIRE FINANCIAL CORP.

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

Pennsylvania

25-1606091

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

612 Main Street, Emlenton, PA 16373

(Address of principal executive offices)

(724) 867-2311

(Issuer's telephone number)

(Former name, former address and former fiscal year, if changed since last report)

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by the court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

Number of shares of issuer's common stock outstanding as of October 31, 2002:

Common Stock, \$1.25 par value

1,332,835

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Emclaire Financial Corp. and Subsidiary
 Consolidated Balance Sheets
 As of September 30, 2002 (Unaudited) and December 31, 2001
 (Dollar amounts in thousands, except share data)

	September 30, 2002 (unaudited)	December 31, 2001
Assets		
Cash and due from banks	\$7,790	\$7,127
Interest-earning deposits in banks	148	620
Federal funds sold	-	1,410

Cash and cash equivalents	7,938	9,157
Securities available for sale	48,572	38,695
Securities held to maturity; fair value of \$29 and \$61	30	60
Loans receivable, net of allowance for loan losses of \$1,493 and \$1,464	167,517	160,540
Federal bank stocks, at cost	1,338	1,261
Bank-owned life insurance	4,000	-
Accrued interest receivable	1,294	1,251
Premises and equipment	3,476	3,388
Intangible assets	1,628	1,737
Prepaid expenses and other assets	717	628

Total assets	\$236,510	\$216,717
=====		
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits	\$203,711	\$189,470
Borrowed funds	8,761	5,000
Accrued interest payable	460	480
Accrued expenses and other liabilities	834	656

Total liabilities	213,766	195,606

Stockholders' Equity:		
Preferred stock, \$1.00 par value, 3,000,000 shares authorized; none issued	-	-
Common stock, \$1.25 par value, 12,000,000 shares authorized; 1,395,852 shares issued and 1,332,835 shares		

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outstanding	1,745	1,745
Additional paid-in capital	10,871	10,871
Treasury stock, at cost; 63,017 shares	(971)	(971)
Retained earnings	9,928	9,094
Accumulated other comprehensive income	1,171	372
	-----	-----
Total stockholders' equity	22,744	21,111
	-----	-----
Total liabilities and stockholders' equity	\$236,510	\$216,717
	=====	=====

See accompanying notes to consolidated financial statements.

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Emclaire Financial Corp. and Subsidiary
Consolidated Income Statements
For the three and nine months ended September 30, 2002 and 2001 (Unaudited)
(Dollar amounts in thousands, except share data)

	Three months ended September 30,		Nine months ended September 30,	
	2002	2001	2002	2001
	-----	-----	-----	-----
Interest and dividend income:				
Loans receivable	\$3,099	\$3,172	\$9,346	\$9,496
Securities:				
Taxable	371	311	1,122	904
Exempt from federal income tax	146	92	424	267
Federal bank stocks	13	21	41	61
Deposits with banks and federal funds sold	24	65	55	236
	-----	-----	-----	-----
Total interest income	3,653	3,661	10,988	10,964
	-----	-----	-----	-----
Interest expense:				
Deposits	1,243	1,494	3,704	4,626
Borrowed funds	59	-	176	32
	-----	-----	-----	-----
Total interest expense	1,302	1,494	3,880	4,658
	-----	-----	-----	-----
Net interest income	2,351	2,167	7,108	6,306
Provision for loan losses	90	36	291	118
	-----	-----	-----	-----
Net interest income after provision for loan losses	2,261	2,131	6,817	6,188
	-----	-----	-----	-----
Noninterest income:				
Service fees	243	237	704	697
Gain on sale of loans held for sale	39	-	39	-

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Other	75	106	252	296
Total noninterest income	357	343	995	993
Noninterest expense:				
Compensation and employee benefits	986	946	2,985	2,809
Premises and equipment, net	274	261	862	811
Intangible amortization expense	12	69	109	207
Other	501	491	1,599	1,491
Total noninterest expense	1,773	1,767	5,555	5,318
Net income before provision for income taxes	845	707	2,257	1,863
Provision for income taxes	264	216	663	560
Net income	\$581	\$491	\$1,594	\$1,303
Net income per share	\$0.44	\$0.37	\$1.20	\$0.98
Dividends per share	\$0.19	\$0.17	\$0.57	\$0.51
Weighted average common shares outstanding	1,332,835	1,332,835	1,332,835	1,332,835

See accompanying notes to consolidated financial statements.

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Emclaire Financial Corp. and Subsidiary
Consolidated Statement of Changes in Stockholders' Equity
For the nine months ended September 30, 2002 (Unaudited)
(Dollar amounts in thousands)

	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accu O Comp Inco
Balance at December 31, 2001	\$1,745	\$10,871	\$ (971)	\$9,094	
Comprehensive income:					
Net income	-	-	-	1,594	
Change in net unrealized gain on securities available for sale, net of taxes of \$411	-	-	-	-	
Comprehensive income					
Dividends paid	-	-	-	(760)	

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	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Other Inco
Balance at September 30, 2002	\$1,745	\$10,871	\$ (971)	\$9,928	
Balance at December 31, 2001	\$1,745	\$10,871	\$ (971)	\$9,094	
Comprehensive income:					
Net income	-	-	-	1,594	
Change in net unrealized gain on securities available for sale, net of taxes of \$411	-	-	-	-	
Comprehensive income					
Dividends paid	-	-	-	(760)	
Balance at September 30, 2002	\$1,745	\$10,871	\$ (971)	\$9,928	

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See accompanying notes to consolidated financial statements.

Emclaire Financial Corp. and Subsidiary
 Consolidated Statements of Cash Flows
 For the nine months ended September 30, 2002 and 2001 (Unaudited)
 (Dollar amounts in thousands)

For the nine months en
 September 30,
 2002 2001

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Operating activities:

Net income	\$	1,594	\$	1,
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization for premises and equipment		355		
Provision for loan losses		291		
Amortization of premiums and accretion of discounts, net		173		
Gain on sale of loans held for sale		(39)		
Amortization of intangible assets		109		
Decrease (increase) in accrued interest receivable		(43)		
Decrease (increase) in prepaid expenses and other assets		(89)		
Increase (decrease) in accrued interest payable		(20)		
Increase (decrease) in accrued expenses and other liabilities		178		
Originations of loans held for sale		(1,259)		
Proceeds from sale of loans held for sale		1,298		
Other		(417)		
Net cash provided by operating activities		2,131		1,
Lending and Investing Activities:				
Loan originations, net of principal collections		(7,367)		(8,
Purchases of securities available for sale		(28,960)		(7,
Purchases of Federal bank stocks		(77)		
Purchase of Bank-owned life insurance		(4,000)		
Repayments, maturities and calls of securities available for sale		20,225		7,
Principal repayments of securities held to maturity		30		
Purchases of premises and equipment		(443)		
Net cash used in lending and investing activities		(20,592)		(8,
Deposit and Financing Activities:				
Net increase in deposits		14,241		12,
Net increase (decrease) in borrowed funds		3,761		(2,
Dividends paid on common stock		(760)		
Net cash provided by deposit and financing activities		17,242		10,
Net increase in cash equivalents		(1,219)		3,
Cash equivalents at beginning of period		9,157		8,
Cash equivalents at end of period		\$ 7,938		\$ 12,
Supplemental information:				
Interest paid		\$ 3,900		\$ 4,
Income taxes paid		545		

See accompanying notes to consolidated financial statements.

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Emclaire Financial Corp. (the Corporation) is a Pennsylvania corporation and bank holding company that provides a full range of retail and commercial financial products and services to customers in western Pennsylvania through its wholly owned subsidiary bank, the Farmers National Bank of Emlenton (the Bank), a national banking association. The consolidated financial statements contained herein include the accounts of the Corporation and the Bank, which operate as one operating segment. All inter-company amounts have been eliminated.

The accompanying unaudited consolidated financial statements for the interim periods include all adjustments, consisting of normal recurring accruals, which are necessary, in the opinion of management, to fairly reflect the Corporation's financial position and results of operations. Additionally, these consolidated financial statements for the interim periods have been prepared in accordance with instructions for the Securities and Exchange Commission's Form 10-QSB and therefore do not include all information or footnotes necessary for a complete presentation of financial condition, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America. For further information, refer to the audited consolidated financial statements and footnotes thereto for the year ended December 31, 2001, as contained in the Corporation's 2001 Annual Report to Stockholders.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses and deferred tax assets. The results of operations for interim quarterly or year to date periods are not necessarily indicative of the results that may be expected for the entire year or any other period. Certain amounts previously reported may have been reclassified to conform to the current year's financial statement presentation.

2. Net Income Per Share

The Corporation maintains a simple capital structure with no common stock equivalents. Earnings per share computations are based on the weighted average number of common shares outstanding for the respective reporting periods.

3. Comprehensive Income

Total comprehensive income was comprised of the following for the three and nine-month periods ended September 30:

In thousands	Three Months Ended September 30,		Nine months Ended September 30,	
	2002	2001	2002	2001
Net income	\$ 581	\$ 491	\$1,594	\$ 1,303
Change in net unrealized gain on securities available for sale, net of taxes	355	281	799	490
Comprehensive income	\$ 936	\$ 772	\$2,393	\$ 1,793

4. Securities

The following table summarizes the Corporation's securities as of the respective dates:

(In thousands)	Amortized cost	Unrealized gains	Unrealized losses	Fair value

Available for sale:				

September 30, 2002:				
U.S. Government securities	\$17,485	\$392	\$ (5)	\$17,872
Municipal securities	15,416	529	(23)	15,922
Corporate securities	12,927	392	(15)	13,304
Equity securities	971	503	-	1,474
	-----	-----	-----	-----
	\$46,799	\$1,816	\$ (43)	\$48,572
	=====	=====	=====	=====
December 31, 2001:				
U.S. Government securities	\$12,978	\$441	\$ (14)	\$13,405
Municipal securities	11,919	24	(176)	11,767
Corporate securities	12,264	157	(115)	12,306
Equity securities	971	246	-	1,217
	-----	-----	-----	-----
	\$38,132	\$868	\$ (305)	\$38,695
	=====	=====	=====	=====
Held to maturity:				

September 30, 2002:				
Mortgage-backed securities	\$30	\$-	\$ (1)	\$29
	-----	-----	-----	-----
	\$30	\$-	\$ (1)	\$29
	=====	=====	=====	=====
December 31, 2001:				
Mortgage-backed securities	\$60	\$1	\$-	\$61
	-----	-----	-----	-----
	\$60	\$1	\$-	\$61
	=====	=====	=====	=====

5. Loans Receivable

The Corporation's loans receivable as of the respective dates are summarized as follows:

(In thousands)	September 30 2002	December 31, 2001

Mortgage loans:		

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Residential first mortgage	\$84,707	\$84,974
Home equity	18,978	15,445
Commercial real estate	31,112	26,470
	-----	-----
	134,797	126,889
Other loans:		
Consumer	13,222	16,141
Commercial business	20,991	18,974
	-----	-----
	34,213	35,115
	-----	-----
Total gross loans	169,010	162,004
Less allowance for loan losses	1,493	1,464
	-----	-----
	\$167,517	\$160,540
	=====	=====

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6. Deposits

The Corporation's deposits as of the respective dates are summarized as follows:

(Dollar amounts in thousands)

Type of accounts	September 30, 2002			December 31, 2001	
	Weighted average rate	Amount	%	Weighted average rate	Amount
Noninterest-bearing deposits	-	\$33,338	16.4%	-	\$29,237
Interest-bearing demand deposits	1.12%	70,888	34.8%	1.32%	69,665
Time deposits	4.08%	99,485	48.8%	4.83%	90,568
		-----			-----
	2.38%	\$203,711	100.0%	2.79%	\$189,470
		=====			=====

7. Goodwill

On January 1, 2002, the Corporation adopted the Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets." This statement changed the accounting for goodwill from an amortization method to an impairment-only approach. Thus amortization of goodwill, including goodwill recorded in past business combinations, ceased upon adoption of this statement. However, this statement did not amend SFAS No. 72, "Accounting for Certain Acquisitions of Banking or Thrift Institutions," which required recognition and amortization of unidentified intangible assets relating to the acquisitions of certain financial institutions or branches thereof.

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In October 2002, the FASB issued SFAS No. 147, "Acquisitions of Certain Financial Institutions," which amends and reconsiders certain provisions of SFAS No. 72. This statement addresses the financial accounting and reporting for the acquisition of all or part of a financial institution. The statement provides that unidentified intangible assets associated with branch acquisitions, considered a business combination under the provisions of SFAS No. 141, "Business Combinations," should be reclassified as goodwill and accounted for under the provisions of SFAS No. 142. This statement is effective on October 1, 2002, with earlier application permitted.

In September 2002, the Corporation adopted SFAS No. 147. At September 30, 2002, the Corporation had \$484,000 in SFAS No. 72 unidentified intangible assets that were reclassified to goodwill. In connection with the adoption of SFAS No. 147, the Corporation reversed amortization expense of \$24,000 that was recognized during 2002. This previously recognized amortization expense was reversed in the third quarter of 2002.

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Had SFAS No. 142 and SFAS No. 147 been in effect for all periods presented, previously reported net income and net income per share would have been as follows:

In thousands, except per share data	Three Months Ended September 30,		Nine months Ended September 30,	
	2002	2001	2002	2001
Net income:				
Reported net income	\$ 581	\$ 491	\$ 1,594	\$ 1,303
Add back goodwill amortization	-	32	-	97
Adjusted net income	\$ 581	\$ 523	\$ 1,594	\$ 1,400
Net income per share:				
Reported net income per share	\$ 0.44	\$ 0.37	\$ 1.20	\$ 0.98
Add back goodwill amortization	-	0.02	-	0.07
Adjusted net income per share	\$ 0.44	\$ 0.39	\$ 1.20	\$ 1.05

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

This section discusses the consolidated financial condition and results of

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operations of Emclaire Financial Corp. (the Corporation) and its wholly owned subsidiary bank, the Farmers National Bank of Emlenton (the Bank), for the three and nine-month periods ended September 30, 2002 and should be read in conjunction with the accompanying consolidated financial statements and notes presented on pages 1 through 8.

Discussions of certain matters in this Report on Form 10-QSB may constitute forward-looking statements within the meaning of the Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), and as such, may involve risks and uncertainties. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies, and expectations, are generally identifiable by the use of words or phrases such as "believe", "plan", "expect", "intend", "anticipate", "estimate", "project", "forecast", "may increase", "may fluctuate", "may improve" and similar expressions of future or conditional verbs such as "will", "should", "would", and "could". These forward-looking statements relate to, among other things, expectations of the business environment in which the Corporation operates, projections of future performance, potential future credit experience, perceived opportunities in the market, and statements regarding the Corporation's mission and vision. The Corporation's actual results, performance, and achievements may differ materially from the results, performance, and achievements expressed or implied in such forward-looking statements due to a wide range of factors. These factors include, but are not limited to, changes in interest rates, general economic conditions, the demand for the Corporation's products and services, accounting principles or guidelines, legislative and regulatory changes, monetary and fiscal policies of the US Government, US Treasury, and Federal Reserve, real estate markets, competition in the financial services industry, attracting and retaining key personnel, performance of new employees, regulatory actions, changes in and utilization of new technologies, and other risks detailed in the Corporation's reports filed with the Securities and Exchange Commission (SEC) from time to time, including the Annual Report on Form 10-KSB for the fiscal year ended December 31, 2001. These factors should be considered in evaluating the forward-looking statements, and undue reliance should not be placed on such statements. The Corporation does not undertake, and specifically disclaims any obligation, to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statements.

CHANGES IN FINANCIAL CONDITION

General. The Corporation's total assets increased \$19.8 million or 9.1% to \$236.5 million at September 30, 2002 from \$216.7 million at December 31, 2001. This net increase was primarily the result of increases in securities and loans receivable of \$9.9 million and \$7.0 million, respectively, as well as the funding of Bank-owned life insurances premiums totaling \$4.0 million, partially offset by a decrease in cash and cash equivalents of \$1.2 million. The increase in total assets reflects a corresponding increase in total liabilities and total stockholders' equity of \$18.2 million or 9.3% and \$1.6 million or 7.7%, respectively. The increase in total liabilities was primarily the result of an increase in deposits and borrowed funds of \$14.2 million and \$3.8million, respectively. This increase in deposits and borrowings funded the Corporation's asset growth for the period. The increase in stockholders' equity was primarily the result of increases in retained earnings and accumulated other comprehensive income of \$834,000 and \$799,000, respectively.

Cash and cash equivalents. Cash and cash equivalents decreased \$1.2 million or 13.3% to \$7.9 million at September 30, 2002 from \$9.2 million at December 31, 2001. The net decrease between September 30, 2002 and December 31, 2001 can be attributed primarily to the increase in the Corporation's securities and loan portfolios during the period.

Securities. The Corporation's securities portfolio increased \$9.9 million or

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25.5% to \$48.6 million at September 30, 2002 from \$38.7 million at December 31, 2001. This net increase was primarily the result of security purchases of \$29.0 million, during the nine months ended September 30, 2002. Partially offsetting the increase in the portfolio resulting from purchases were security maturities and calls of \$20.2 million, during the period.

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Security purchases were comprised of U.S. government agency, tax-free municipal and corporate securities of \$11.0 million, \$4.2 million and \$13.8 million, respectively. Security maturities and calls were comprised of U.S. government agency, tax-free municipal and corporate securities of \$6.5 million, \$700,000 and \$13.3 million, respectively. Corporate securities that were purchased and that matured during the period included primarily short-term commercial paper utilized to manage interest-earned on funds maintained for liquidity purposes. At September 30, 2002, the Corporation maintained \$3.0 million in commercial paper that is scheduled to mature within two months.

Loans receivable. Net loans receivable increased \$7.0 million or 4.4% to \$167.5 million at September 30, 2002 from \$160.5 million at December 31, 2001. This increase was comprised of an increase in mortgage loans of \$7.9 million or 6.2%, partially offset by a decrease in other loans of \$902,000 or 2.6% during the nine months ended September 30, 2002. This overall increase in loans receivable can be attributed primarily to higher customer demand for loans in the current lower interest rate environment as well as the introduction of new consumer mortgage loan products.

During the second quarter of 2002, management identified and designated \$1.3 million of residential mortgage loans for sale in the secondary market. These loans were originated for sale and met certain interest rate and term parameters established by management in connection with managing the Corporation's asset and liability mix and interest rate risk. The loans were originated during the first half of 2002 and the sale of these loans occurred in July 2002.

Non-performing assets. Non-performing assets include non-accrual loans and real estate acquired through foreclosure. Non-performing assets amounted to \$1.6 million or 0.66% and \$1.3 million or 0.57% of total assets at September 30, 2002 and December 31, 2001, respectively.

Bank-owned life insurance (BOLI). On September 30, 2002, the Corporation purchased \$4.0 million in BOLI premiums to fund single premium life insurance policies on twenty officers and employees of the Bank. In addition to providing life insurance coverage whereby the Bank as well as the officers and employees receive life insurance benefits, the appreciation of the cash surrender value of the BOLI will serve to offset and finance existing and future employee benefit costs. The BOLI premium paid will preliminarily yield approximately 5.40% in tax-free non-cash appreciation on an annual basis.

Deposits. Total deposits increased \$14.2 million or 7.5% to \$203.7 million at September 30, 2002 from \$189.5 million at December 31, 2001. This increase was comprised of increases in noninterest bearing, interest bearing and time deposits of \$4.1 million, \$1.2 million, and \$8.9 million, respectively. The general increase in deposits during the period can be attributed primarily to: (1) an overall movement of funds in the marketplace by customers from mutual fund and stock investments into FDIC insured bank deposits as a result of recent national economic instability, and (2) the Corporation's development and promotion of new depository products including money market accounts and special certificate of deposit programs, among other initiatives.

Borrowed funds. Borrowed funds increased \$3.8 million to \$8.8 million at September 30, 2002 from \$5.0 million at December 31, 2002. This increase in

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borrowed funds is comprised of overnight advances from the Federal Home Loan Bank of Pittsburgh (FHLB) used to fund municipal securities purchased during late September 2002. These overnight advances will be replaced by a \$5.0 million FHLB term advance committed to be funded on October 31, 2002. The Corporation is utilizing these funds to support \$5.0 million in municipal securities purchased during September and October 2002.

Stockholders' equity. Stockholders' equity increased \$1.6 million or 7.7% to \$22.7 million at September 30, 2002 from \$21.1 million at December 31, 2001. This increase was principally the result of an increase in retained earnings of \$834,000, comprised of net income of \$1.6 million offset by dividends paid of \$760,000, and an increase in accumulated other comprehensive income of \$799,000.

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RESULTS OF OPERATIONS

Comparison of Results for the Three-Month Periods Ended September 30, 2002 and 2001

General. The Corporation reported net income of \$581,000 and \$491,000 for the three months ended September 30, 2002 and 2001, respectively. The \$90,000 or 18.3% increase in net income for the three months ended September 30, 2002, as compared to the three months ended September 30, 2001, was attributable to an increase in net interest income and noninterest income of \$184,000 and \$14,000 respectively, partially offset by increases in the provision for loan losses, noninterest expense and the provision for income taxes of \$54,000, \$6,000 and \$48,000, respectively.

Average Balance Sheet and Yield/Rate Analysis. The following table sets forth, for periods indicated, information concerning the total dollar amounts of interest income from interest-earning assets and the resultant average yields, the total dollar amounts of interest expense on interest-bearing liabilities and the resulting average costs, net interest income, interest rate spread and the net interest margin earned on average interest-earning assets. For purposes of this table, average loan balances include non-accrual loans and exclude the allowance for loan losses, and interest income includes accretion of net deferred loan fees. Interest and yields on tax-exempt loans and securities (tax-exempt for federal income tax purposes) are shown on a fully tax equivalent basis.

(Dollar amounts in thousands)

	Three months ended September 30,				
	2002		2001		
	Average Balance	Interest	Yield / Rate	Average Balance	Interest
Interest-earning assets:					
Loans	168,163	\$3,099	7.37%	\$156,767	\$3,172
Securities, taxable	31,179	371	4.76%	19,984	311
Securities, tax exempt	12,396	207	6.68%	7,698	134
	43,575	578	5.31%	27,682	445

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Interest-earning cash equivalents	4,765	24	2.01%	7,547	65
Federal bank stocks	1,338	13	3.89%	1,261	21
	6,103	37	2.43%	8,808	86
Total interest-earning assets	217,841	3,714	6.82%	193,257	3,703
Cash and due from banks	6,660			6,437	
Other noninterest-earning assets	6,076			5,395	
Total assets	\$230,577	\$3,714	6.44%	\$205,089	\$3,703
Interest-bearing liabilities:					
Interest-bearing demand deposits	\$72,545	\$209	1.15%	\$66,623	\$225
Time deposits	95,806	1,034	4.32%	85,949	1,269
	168,351	1,243	2.95%	152,572	1,494
Borrowed funds, term	5,000	57	4.56%	-	-
Borrowed funds, overnight	427	2	1.87%	-	-
	5,427	59	4.35%	-	-
Total interest-bearing liabilities	173,778	1,302	3.00%	152,572	1,494
Noninterest-bearing demand deposits	32,884	-	-	30,449	
Funding and cost of funds	206,662	1,302	2.52%	183,021	1,494
Other noninterest-bearing liabilities	1,439			1,171	
Total liabilities	208,101			184,192	
Stockholders' equity	22,476			20,897	
Total liabilities and stockholders' equity	\$230,577	\$1,302	2.52%	\$205,089	\$1,494
Net interest income		\$2,412			\$2,209
Interest rate spread (difference between weighted average rate on interest-earning assets and interest-bearing liabilities)			3.82%		
Net interest margin (net interest income as a percentage of average interest-earning assets)			4.43%		

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Analysis of Changes in Net Interest Income. The following table analyzes the changes in interest income and interest expense in terms of: (1) changes in volume of interest-earning assets and interest-bearing liabilities and (2) changes in yields and rates. The table reflects the extent to which changes in the Corporation's interest income and interest expense are attributable to changes in rate (change in rate multiplied by prior year volume), changes in volume (changes in volume multiplied by prior year rate) and changes attributable to the combined impact of volume/rate (change in rate multiplied by change in volume). The changes attributable to the combined impact of volume/rate are allocated on a consistent basis between the volume and rate variances. Changes in interest income on loans and securities reflect the changes in interest income on a fully tax equivalent basis.

(In thousands)	Three months ended September 30, 2002 versus 2001 Increase (decrease) due to		
	Volume	Rate	Total
<hr style="border-top: 1px dashed black;"/>			
Interest income:			
Loans	\$221	\$(294)	\$(73)
Securities	221	(88)	133
Interest-earning cash equivalents	(19)	(22)	(41)
Federal bank stocks	1	(9)	(8)
Total interest-earning assets	424	(413)	11
Interest expense:			
Deposits	143	(394)	(251)
Borrowed funds	59	-	59
Total interest-bearing liabilities	202	(394)	(192)
Net interest income	\$222	\$(19)	\$203

Net interest income. Net interest income on a tax equivalent basis increased \$203,000 or 9.2% to \$2.4 million for the three months ended September 30, 2002, compared to \$2.2 million for the same period in the prior year. This increase can be attributed to an increase in interest income of \$11,000 and a decrease in interest expense of \$192,000.

Interest income. Interest income on a tax equivalent basis increased \$11,000 to \$3.71 million for the three months ended September 30, 2002, compared to \$3.70 million for the same period in the prior year. This net increase in interest income can be attributed to an increase in interest earned on securities of \$133,000, partially offset by a decrease in interest earned on loans, cash equivalents and federal bank stocks of \$73,000, \$41,000 and \$8,000, respectively.

Contributing to the increase in net interest income was an increase in average

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interest-earning assets of \$24.5 million or 12.7% to \$217.8 million for the three months ended September 30, 2002, compared to \$193.3 million for the same period in the prior year. The increase in average interest-earning assets can be attributed to increases in average loans receivable and average securities of \$11.4 million and \$15.9 million, respectively, partially offset by a decrease in interest-earning cash equivalents of \$2.8 million. Average loans receivable increased to \$168.2 million and average securities increased to \$43.6 million during the three months ended September 30, 2002, compared to \$156.7 million and \$27.7 million, respectively, during the same period in the prior year. Partially offsetting the increase in interest income due to the increase in volume of interest-earning assets was a decrease in the yield on interest earning assets of 84 basis points to 6.82% for the three months ended September 30, 2002, compared to 7.66% for the same period in the prior year. The yield on average loans, securities and interest-earning deposits decreased to 7.37%, 5.31% and 2.01%, respectively, during the three months ended September 30, 2002, compared to 8.09%, 6.42%, and 3.45%, respectively, for the same period in the prior year.

Interest expense. Interest expense decreased \$192,000 or 12.9% to \$1.3 million for the three months ended September 30, 2002, compared to \$1.5 million for the same period in the prior year. This decrease in interest expense can be attributed to a 92 basis point decline in the interest rate on average interest-bearing liabilities to 3.00% during the three months ended September 30, 2002, compared to 3.92% for the same period in the prior year. The average cost of deposits decreased to 2.95% during the three months ended September 30, 2002, compared to 3.92% for the same period in the prior year.

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The decrease in interest expense due to rate was partially offset by an increase in the average balance of interest-bearing liabilities, as average interest-bearing deposits and borrowed funds increased to \$168.3 million and \$5.4 million, respectively, during the three months ended September 30, 2002, compared to \$152.6 million and \$-0-, respectively, during the same period in the prior year.

Provision for loan losses. The Corporation records provisions for loan losses to bring the total allowance for loan losses to a level deemed adequate to cover probable losses inherent in the loan portfolio. In determining the appropriate level of allowance for loan losses, management considers historical loss experience, the present and prospective financial condition of borrowers, current and prospective economic conditions (particularly as they relate to markets where the Corporation originates loans), the status of non-performing assets, the estimated underlying value of the collateral and other factors related to the collectibility of the loan portfolio. The \$54,000 increase in the Corporation's provision for loans losses between the three-month periods ended September 30, 2002 and 2001 was the result of adjusting the allowance for loans losses to levels adequate to cover probable losses at September 30, 2002 based on management's periodic review of the collectibility of loans in light of the factors noted above.

Noninterest income. Noninterest income increased \$14,000 or 4.1% to \$357,000 during the three months ended September 30, 2002, compared to \$343,000 during the same period in the prior year. This increase can principally be attributed the \$39,000 gain on the sale of loans held for sale during the quarter ended September 30, 2002, partially offset by a slight decrease in other noninterest income. Service fees and other noninterest income, comprised primarily of fees on depository accounts, general transactional income, certain loan transaction costs and other miscellaneous income, remained relatively stable between the three months ended September 30, 2002 and the same period in the prior year.

Noninterest expense. Noninterest expense increased \$6,000 to \$1.773 million

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during the three months ended September 30, 2002, compared to \$1.767 million during the same period in the prior year. This increase in noninterest expense can be attributed to increases in compensation and employee benefits, premises and equipment and other expenses of \$40,000, \$13,000 and \$10,000, respectively, partially offset by a decrease in intangible amortization expense of \$57,000. See "Note 7 - Goodwill" on page 7.

Compensation and employee benefits expense increased \$40,000 or 4.2% to \$986,000 during the three months ended September 30, 2002, compared to \$946,000 for the same period in the prior year. This increase can be attributed primarily to normal and expected salary and benefit cost increases and increased management and employee incentive costs between the two periods, partially offset by lower levels of full-time equivalent employees.

Premises and equipment costs increased \$13,000 or 5.0% to \$274,000 during the three months ended September 30, 2002, compared to \$261,000 for the same period in the prior year. This increase can be attributed to the realization of certain bank equipment repairs and branch office improvement expenditures during the past year.

Other noninterest expense increased \$10,000 or 2.0% to \$501,000 during the three months ended September 30, 2002, compared to \$491,000 for the same period in the prior year. This increase can primarily be attributed to increased professional fee and telephone cost expenses between the two periods. Professional fees increased as a result of the Corporation retaining a transfer agent during late 2001, costs associated with the recently announced dividend reinvestment plan and expanded regulatory financial reporting requirements.

Provision for income taxes. The provision for income taxes increased \$48,000 or 22.2% to \$264,000 for the three months ended September 30, 2002, compared to \$216,000 for the same period in the prior year. This increase is a direct result of the increase in net income before taxes between the two periods, partially offset by a decrease in the Corporation's effective tax rate as a result of increased investment in tax-free municipal securities.

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Comparison of Results for the Nine-month Periods Ended September 30, 2002 and 2001

General. The Corporation reported net income of \$1.6 million and \$1.3 million for the nine months ended September 30, 2002 and 2001, respectively. The \$291,000 or 22.3% increase in net income for the nine months ended September 30, 2002, as compared to the nine months ended September 30, 2001, was attributable to increases in net interest income and noninterest income of \$802,000 and \$2,000, respectively, partially offset by increases in the provision for loan losses, noninterest expense and the provision for income taxes of \$173,000, \$237,000 and \$103,000, respectively.

Average Balance Sheet and Yield/Rate Analysis.

(Dollar amounts in thousands)

Nine months ended September 30,
2002 2001

	Average Balance	Interest	Yield / Rate	Average Balance	Interest	

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Interest-earning assets:

Loans	\$166,413	\$9,346	7.49%	\$153,818	\$9,496
Securities, taxable	29,160	1,122	5.13%	19,431	904
Securities, exempt from Federal tax	11,789	602	6.81%	7,513	387
	40,949	1,724	5.61%	26,944	1,291
Interest-earning cash equivalents	4,390	55	1.67%	7,281	236
Federal bank stocks	1,308	41	4.18%	1,250	61
	5,698	96	2.25%	8,531	297
Total interest-earning assets	213,060	11,166	6.99%	189,293	11,084
Cash and due from banks	5,554			6,225	
Other noninterest-earning assets	5,493			5,481	
Total assets	\$224,107	\$11,166	6.64%	\$200,999	\$11,084

Interest-bearing liabilities:

Interest-bearing demand deposits	\$71,636	\$613	1.14%	\$64,806	\$776
Time deposits	92,628	3,091	4.45%	84,730	3,850
	164,264	3,704	3.01%	149,536	4,626
Borrowed funds, term	5,000	175	4.67%	733	32
Borrowed funds, overnight	115	1	1.16%	-	-
	5,115	176	4.59%	733	32
Total interest-bearing liabilities	169,379	3,880	3.05%	150,269	4,658
Noninterest-bearing demand deposits	31,390	-	-	29,073	-
Total financial liabilities/cost of funds	200,769	3,880	2.58%	179,342	4,658
Other noninterest-bearing liabilities	1,442			1,240	
Total liabilities	202,211			180,582	
Stockholders' equity	21,896			20,417	
Total liabilities and stockholders' equity	\$224,107	\$3,880	2.58%	\$200,999	\$4,658

Net interest income \$7,286 \$6,426

Interest rate spread (difference between
weighted average rate on interest-earning 3.94%

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assets and interest-bearing liabilities)

Net interest margin (net interest
income as a percentage of average
interest-earning assets) 4.56%

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Analysis of Changes in Net Interest Income.

(In thousands)

Nine months ended September 30,
2002 versus 2001
Increase (decrease) due to

	Volume	Rate	Tot
Interest income:			
Loans	\$744	\$(894)	\$(150)
Securities	605	(172)	433
Interest-earning cash equivalents	(71)	(110)	(181)
Federal bank stocks	3	(23)	(20)
Total interest-earning assets	1,281	(1,199)	882
Interest expense:			
Deposits	423	(1,345)	(922)
Borrowed funds	152	(8)	144
Total interest-bearing liabilities	575	(1,353)	(739)
Net interest income	\$706	\$154	\$860

Net interest income. Net interest income on a tax equivalent basis increased \$860,000 or 13.4% to \$7.3 million for the nine months ended September 30, 2002, compared to \$6.4 million for the same period in the prior year. This increase can be attributed to an increase in interest income of \$82,000 and a decrease in interest expense of \$778,000.

Aside from changes in the volume and rates of interest-earning assets and interest-bearing liabilities discussed herein, \$93,000 of the increase in net interest income between the periods can be attributed to the payoff of a previously non-performing commercial real estate loan in March 2002 that had been on non-accrual status. In connection with the loan payoff, the Corporation received all principal and interest due under the contractual terms of the loan agreement and therefore interest collected was recorded as loan interest income during the current period.

Interest income. Interest income on a tax equivalent basis increased \$82,000 to

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\$11.2 million for the nine months ended September 30, 2002, compared to \$11.1 million for the same period in the prior year. This net increase in interest income can be attributed to the aforementioned \$93,000 collection and recognition of interest on a non-performing commercial real estate loan and an increase in interest earned on securities of \$433,000; partially offset by decreases in interest earned on loans, cash equivalents and federal bank stocks of \$150,000, \$181,000 and \$20,000, respectively.

Contributing to the increase in net interest income was an increase in average interest-earning assets of \$23.8 million or 12.6% to \$213.1 million for the nine months ended September 30, 2002, compared to \$189.3 million for the same period in the prior year. The increase in average interest-earning assets can be attributed to increases in average loans receivable and average securities of \$12.6 million and \$14.0 million, respectively, partially offset by a decrease in interest-earning cash equivalents of \$2.9 million. Average loans receivable increased to \$166.4 million and average securities increased to \$40.9 million during the nine months ended September 30, 2002, compared to \$153.8 million and \$26.9 million, respectively, during the same period in the prior year. Partially offsetting the increase in interest income due to the increase in volume of interest-earning assets was a decrease in the yield on interest earning assets of 82 basis points to 6.99% for the nine months ended September 30, 2002, compared to 7.81% for the same period in the prior year. The yield on average loans, securities and interest-earning cash equivalents decreased to 7.49%, 5.61% and 1.67%, respectively, during the nine months ended September 30, 2002, compared to 8.23%, 6.39%, and 4.32%, respectively, for the same period in the prior year.

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Interest expense. Interest expense decreased \$778,000 or 16.7% to \$3.9 million for the nine months ended September 30, 2002, compared to \$4.7 million for the same period in the prior year. This decrease in interest expense can be attributed to a 108 basis point decline in the interest rate on average interest-bearing liabilities to 3.05% during the nine months ended September 30, 2002, compared to 4.13% for the same period in the prior year. The average cost of deposits and borrowed funds decreased to 3.01% and 4.59%, respectively, during the nine months ended September 30, 2002, compared to 4.12% and 5.82%, respectively, for the same period in the prior year.

The decrease in interest expense due to rate was partially offset by an increase in the average balance of interest-bearing liabilities as average interest-bearing deposits and borrowed funds increased to \$164.3 million and \$5.1 million, respectively, during the nine months ended September 30, 2002, compared to \$149.5 million and \$733,000, respectively, during the same period in the prior year.

Provision for loan losses. The \$173,000 increase in the Corporation's provision for loans losses between the nine-month periods ended September 30, 2002 and 2001 was the result of adjusting the allowance for loans losses to levels adequate to cover probable losses at September 30, 2002 based on management's periodic review of the collectibility of loans.

Noninterest income. Noninterest income increased \$2,000 to \$995,000 for the nine months ended September 30, 2002 compared to \$993,000 for the same period in the prior year. This increase can be attributed to the aforementioned gain on the sale of loans held for sale partially offset by a lower volume of customer service fees between the two periods.

Noninterest expense. Noninterest expense increased \$237,000 or 4.5% to \$5.6 million during the nine months ended September 30, 2002, compared to \$5.3 million during the same period in the prior year. This increase in noninterest

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expense can be attributed to increases in compensation and employee benefits, premises and equipment and other expenses of \$176,000, \$51,000 and \$108,000, respectively, partially offset by a decrease in intangible amortization expense of \$98,000.

Compensation and employee benefits expense increased \$176,000 or 6.3% to \$3.0 million during the nine months ended September 30, 2002, compared to \$2.8 million for the same period in the prior year. This increase can be attributed primarily to normal and expected salary and benefit cost increases and increased management and employee incentive costs between the two periods, partially offset by lower levels of full-time equivalent employees.

Other noninterest expense increased \$108,000 or 7.24% to \$1.6 million during the nine months ended September 30, 2002, compared to \$1.5 million for the same period in the prior year. This increase can primarily be attributed to increased professional fee and telephone cost expenses between the two periods. Professional fees increased as a result of the Corporation retaining a transfer agent during late 2001, costs associated with the recently announced dividend reinvestment plan and expanded regulatory financial reporting requirements.

Provision for income taxes. The provision for income taxes increased \$103,000 or 18.4% to \$663,000 for the nine months ended September 30, 2002, compared to \$560,000 for the same period in the prior year. This increase is a direct result of the increase in net income before taxes between the two periods, partially offset by a decrease in the Corporation's effective tax rate as a result of increased investment in tax-free municipal securities during the latter half of 2001.

LIQUIDITY

The Corporation's primary sources of funds generally have been deposits obtained through the offices of the Bank, borrowings from the FHLB, and amortization and prepayments of outstanding loans and maturing securities. During the nine months ended September 30, 2002, the Corporation used its sources of funds primarily to fund loan commitments and, to a lesser extent, purchase securities. As of such date, the Corporation had outstanding loan commitments, including undisbursed loans and amounts available under credit lines, totaling \$16.2 million, and standby letters of credit totaling \$636,000.

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At September 30, 2002, time deposits amounted to \$99.5 million or 48.8% of the Corporation's total consolidated deposits, including approximately \$33.2 million, which were scheduled to mature within the next year. Management of the Corporation believes that it has adequate resources to fund all of its commitments, that all of its commitments will be funded as required by related maturity dates and that, based upon past experience and current pricing policies, it can adjust the rates of time deposits to retain a substantial portion of maturing liabilities.

Aside from liquidity available from customer deposits or through sales and maturities of securities, the Corporation has alternative sources of funds such as a line of credit and term borrowing capacity from the FHLB and, to a limited and rare extent, the sale of loans. At September 30, 2002, the Corporation's borrowing capacity with the FHLB, net of funds borrowed, was \$96.4 million.

Management is not aware of any conditions, including any regulatory recommendations or requirements, which would adversely impact its liquidity or its ability to meet funding needs in the ordinary course of business.

RECENT REGULATORY DEVELOPMENTS

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On July 30, 2002, President Bush signed into law new legislation that addresses accounting oversight and corporate governance. The new law creates a five-member oversight board appointed by the Securities and Exchange Commission (SEC) that will set standards for accountants and have investigative and disciplinary powers. The new legislation bars accounting firms from providing a number of consulting services to audit clients and requires accounting firms to rotate partners among client assignments every five years. The new legislation also increases penalties for financial crimes, requires expanded disclosure of corporate operations and internal controls, enhances controls on and reporting of insider trading, expands the SEC's budget, and places statutory separations between investment bankers and analysts. Various aspects of the new legislation are dependent upon subsequent rulemaking by the SEC. Management is currently evaluating what impacts the new legislation will have upon the Corporation. The Corporation utilizes its external attestation auditor only for audit services and assistance with the preparation of tax returns.

Item 3. Controls and Procedures

- (a) The Corporation maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Corporation's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Corporation's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rule 13a-14(c).

Within 90 days prior to the date of this report, the Corporation carried out an evaluation, under the supervision and with the participation of the Corporation's management, including the Corporation's Chief Executive Officer and the Corporation's Chief Financial Officer, of the effectiveness of the design and operation of the Corporation's disclosure controls and procedures. Based on the foregoing, the Corporation's Chief Executive Officer and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures were effective.

- (b) There have been no significant changes in the Corporation's internal controls or in other factors that could significantly affect the internal controls subsequent to the date the Corporation completed its evaluation

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Corporation is involved in various legal proceedings occurring in the ordinary course of business. It is the opinion of management, after consultation with legal counsel, that these matters will not materially effect the Corporation's consolidated financial position or results of operations.

Item 2. Changes in Securities

None.

Item 3. Defaults Upon Senior Securities

None.

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

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None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 99.1 CEO Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002

Exhibit 99.2 CFO Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K

None.

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Signatures

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

EMCLAIRE FINANCIAL CORP.

Date: November 8, 2002

By: /s/ David L. Cox

David L. Cox
Chairman of the Board,
President and Chief Executive Officer

Date: November 8, 2002

By: /s/ William C. Marsh

William C. Marsh
Treasurer/Secretary
(Principal Financial and Accounting Officer)

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Certification of the Principal Executive Officer
(Section 302 of the Sarbanes-Oxley Act of 2002)

I, David L. Cox, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Emclaire Financial Corp. (the Corporation);
2. Based on my knowledge, this quarterly report does not contain any

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untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Corporation as of, and for, the periods presented in this quarterly report;
4. The Corporation's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Corporation and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the Corporation, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the Corporation's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The Corporation's other certifying officer and I have disclosed, based on our most recent evaluation, to the Corporation's auditors and the audit committee of Corporation's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Corporation's ability to record, process, summarize and report financial data and have identified for the Corporation's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Corporation's internal controls; and
6. The Corporation's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 8, 2002

By: /s/ David L. Cox

David L. Cox
Chairman of the Board,
President and Chief Executive Officer

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Certification of the Principal Financial Officer (Section 302 of the Sarbanes-Oxley Act of 2002)

I, William C. Marsh, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Emclaire Financial Corp. (the Corporation);
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Corporation as of, and for, the periods presented in this quarterly report;
4. The Corporation's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Corporation and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the Corporation, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the Corporation's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The Corporation's other certifying officer and I have disclosed, based on our most recent evaluation, to the Corporation's auditors and the audit committee of Corporation's board of directors (or persons performing the equivalent function):
 - d) all significant deficiencies in the design or operation of internal controls which could adversely affect the Corporation's ability to record, process, summarize and report financial data and have identified for the Corporation's auditors any material weaknesses in internal controls; and
 - e) any fraud, whether or not material, that involves management or other employees who have a significant role in the Corporation's internal controls; and
6. The Corporation's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

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Date: November 8, 2002

By: /s/ William C. Marsh

William C. Marsh
Treasurer/Secretary
(Principal Financial and Accounting Officer)