EAGLE BANCORP INC
Form 10-Q
May 11, 2009
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2009

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 0-25923

Eagle Bancorp, Inc.
(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	52-2061461 (I.R.S. Employer Identification No.)
7815 Woodmont Avenue, Bethesda, Maryland (Address of principal executive offices)	20814 (Zip Code)

(301) 986-1800
(Registrant's telephone number, including area code)

N/A
(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 [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 definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ]	Accelerated filer [x]	Non-accelerated filer [ ]	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]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of May 8, 2009, the registrant had 12,745,118 shares of Common Stock outstanding.

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Item 1 – Financial Statements

EAGLE BANCORP, INC.
Consolidated Balance Sheets
March 31, 2009 and December 31, 2008
(dollars in thousands, except per share data)

ASSETS	March 31, 2009 (unaudited)	December 31, 2008 (audited)
Cash and due from banks	$ 27,322	$ 27,157
Federal funds sold	6,147	191
Interest bearing deposits with banks and other short-term investments	3,538	2,489
Investment securities available for sale, at fair value	158,976	169,079
Loans held for sale	2,832	2,718
Loans	1,267,958	1,265,640
Less allowance for credit losses	(19,051)	(18,403)
Loans, net	1,248,907	1,247,237
Premises and equipment, net	9,488	9,666
Deferred income taxes	10,878	11,106
Bank owned life insurance	12,564	12,450
Other real estate owned	3,289	909
Other assets	11,833	13,825
TOTAL ASSETS	$ 1,495,774	$ 1,496,827
LIABILITIES		
Deposits:		
Noninterest bearing demand	$ 232,725	$ 223,580
Interest bearing transaction	47,840	54,801
Savings and money market	303,022	271,791
Time, $100,000 or more	256,506	249,516
Other time	308,625	329,692
Total deposits	1,148,718	1,129,380
Customer repurchase agreements and federal funds purchased	120,918	98,802
Other short-term borrowings	10,000	55,000
Long-term borrowings	62,150	62,150
Other liabilities	9,459	9,124
Total liabilities	1,351,245	1,354,456
STOCKHOLDERS' EQUITY		
Preferred stock, par value $.01 per share, shares authorized 1,000,000, Series A, $1,000 per share liquidation preference, shares issued and outstanding 38,235 and 38,235 respectively, discount of $1,809 and $1,892, respectively, net	36,374	36,312
Common stock, $.01 par value; shares authorized 50,000,000, shares issued and outstanding 12,745,118 (2009) and 12,714,355 (2008)	127	127
Warrants	1,892	1,892
Additional paid in capital	76,958	76,822
Retained earnings	26,486	24,866
Accumulated other comprehensive income	2,692	2,352

Total stockholders' equity	144,529	142,371
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,495,774	$ 1,496,827

See notes to consolidated financial statements.

EAGLE BANCORP, INC.
Consolidated Statements of Operations
For the Three Month Periods Ended March 31, 2009 and 2008 (unaudited)
(dollars in thousands, except per share data)

Interest Income	2009	2008
Interest and fees on loans	$ 18,113	$ 12,880
Interest and dividends on investment securities	1,929	1,052
Interest on balances with other banks and short-term investments	19	43
Interest on federal funds sold	6	39
Total interest income	20,067	14,014
Interest Expense		
Interest on deposits	5,557	4,428
Interest on customer repurchase agreements and federal funds purchased	281	394
Interest on other short-term borrowings	40	190
Interest on long-term borrowings	726	402
Total interest expense	6,604	5,414
Net Interest Income	13,463	8,600
Provision for Credit Losses	1,566	720
Net Interest Income After Provision For Credit Losses	11,897	7,880
Noninterest Income		
Service charges on deposits	738	358
Gain on sale of loans	131	127
Gain on sale of investment securities	132	10
Increase in the cash surrender value of bank owned life insurance	114	116
Other income	317	329
Total noninterest income	1,432	940
Noninterest Expense		
Salaries and employee benefits	5,305	3,640
Premises and equipment expenses	1,875	1,080
Marketing and advertising	315	81
Data processing	547	340
Legal, accounting and professional fees	590	170
FDIC insurance and regulatory assessments	476	126
Other expenses	1,185	771
Total noninterest expense	10,293	6,208
Income Before Income Tax Expense	3,036	2,612
Income Tax Expense	961	961
Net Income	2,075	1,651
Preferred Stock Dividends and Discount Accretion	583	-
Net Income Available to Common Shareholders	$ 1,492	$ 1,651
Earnings Per Common Share		
Basic	$ 0.12	$ 0.15
Diluted	$ 0.12	$ 0.15
Dividends Declared Per Common Share	$ -	$ 0.0545

See notes to consolidated financial statements.

EAGLE BANCORP, INC.
Consolidated Statements of Cash Flows
For the Three Month Periods Ended March 31, 2009 and 2008 (unaudited)
(dollars in thousands, except per share data)

	2009	2008
Cash Flows From Operating Activities:		
Net income	$ 2,075	$ 1,651
Adjustments to reconcile net income to net cash		
provided by (used in) operating activities:		
Provision for credit losses	1,566	720
Depreciation and amortization	580	332
Gains on sale of loans	(131)	(127)
Origination of loans held for sale	(10,405)	(10,423)
Proceeds from sale of loans held for sale	10,422	10,782
Increase in cash surrender value of BOLI	(114)	(116)
Gain on sale of investment securities	(132)	(10)
Stock-based compensation expense	136	33
Excess tax benefit from exercise of non-qualified stock options	-	(132)
Decrease in other assets	159	268
Increase in other liabilities	335	705
Net cash provided by operating activities	4,491	3,683
Cash Flows From Investing Activities:		
(Increase) decrease in interest bearing deposits with other banks		
and short term investments	(1,049)	2,260
Purchases of available for sale investment securities	(6,366)	(5,351)
Proceeds from maturities of available for sale securities	1,000	2,755
Proceeds from sale/call of available for sale securities	15,601	8,010
Net increase in loans	(3,236)	(42,894)
Bank premises and equipment acquired	(402)	(76)
Net cash provided by (used in) investing activities	5,548	(35,296)
Cash Flows From Financing Activities:		
Increase in deposits	19,338	54,804
Increase (decrease) in customer repurchase agreements and		
federal funds purchased	22,116	(14,681)
Decrease in other short-term borrowings	(45,000)	-
Increase in long-term borrowings	-	10,000
Payment of dividends on preferred stock	(372)	-
Issuance of common stock	-	424
Excess tax benefit from exercise of non-qualified stock options	-	132
Payment of dividends and payment in lieu of fractional shares	-	(588)
Net cash (used in) provided by financing activities	(3,918)	50,091
Net Increase In Cash And Due From Banks	6,121	18,478
Cash And Due From Banks At Beginning Of Period	27,348	15,652
Cash and Due from Banks At End Of Period	$ 33,469	$ 34,130

Supplemental Cash Flows Information:				
Interest paid	$	6,244	$	5,124
Income taxes paid	$	306	$	675
Non-Cash Investing Activities				
Transfers from loans to other real estate owned	$	2,380	$	-

See notes to consolidated financial statements.

EAGLE BANCORP, INC.
Consolidated Statements of Changes in Stockholders' Equity
For the Three Month Periods Ended March 31, 2009 and 2008 (unaudited)
(dollars in thousands, except per share data)

	Preferred Stock	Common Stock	Warrants	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, January 1, 2009	$ 36,312	$ 127	$ 1,892	$ 76,822	$ 24,866	$ 2,352	$ 142,371
Comprehensive Income							
Net Income					2,075		2,075
Other comprehensive income:							
Unrealized gain on securities available for sale (net of taxes)						424	424
Less: reclassification adjustment for gains net of taxes of $48 included in net income						(84)	(84)
Total Comprehensive Income				`			2,415
Preferred stock dividends ($9.72 per share)					(372)		(372)
Stock-based compensation				136			136
Preferred stock issued pursuant to:							
Issuance costs	(21)						(21)
Discount accretion	83				(83)		-
Balance, March 31, 2009	$ 36,374	$ 127	$ 1,892	$ 76,958	$ 26,486	$ 2,692	$ 144,529
Balance, January 1, 2008	$ -	$ 97	$ -	$ 52,290	$ 28,195	$ 584	$ 81,166
Comprehensive Income							
Net Income					1,651		1,651
Other comprehensive income:							
Unrealized gain on securities available for sale (net of taxes)						725	725
Less: reclassification adjustment for gains net of taxes of $4 included in net income						(6)	(6)
Total Comprehensive Income				`			2,370
Cash Dividend ($0.0545 per share)					(588)		(588)
Shares issued under dividend reinvestment plan -					.		
22,134 shares				261			261
Stock-based compensation				33			33
Exercise of options for 46,803 shares of common stock	-	1	-	162			163
Tax benefit on non-qualified options exercise				132			132
Balance, March 31, 2008	$ -	$ 98	$ -	$ 52,878	$ 29,258	$ 1,303	$ 83,537

See notes to consolidated financial statements.

EAGLE BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months Ended March 31, 2009 and 2008 (unaudited)

1. BASIS OF PRESENTATION

The consolidated financial statements of Eagle Bancorp, Inc. (the "Company") included herein are unaudited. The consolidated financial statements reflect all adjustments, consisting only of normal recurring accruals that in the opinion of Management, are necessary to present fairly the results for the periods presented. The amounts as of and for the year ended December 31, 2008 were derived from audited consolidated financial statements. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. There have been no significant changes to the Company's Accounting Policies as disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2008. The Company believes that the disclosures are adequate to make the information presented not misleading. The results of operations for the three months ended March 31, 2009 are not necessarily indicative of the results of operations to be expected for the remainder of the year, or for any other period. Certain reclassifications have been made to amounts previously reported to conform to the classifications made in 2009.

2. NATURE OF OPERATIONS

The Company, through EagleBank, its bank subsidiary (the "Bank"), conducts a full service community banking business, primarily in Montgomery County, Maryland, Washington, D.C. and Fairfax County in Northern Virginia. On August 31, 2008, the Company completed the acquisition of Fidelity & Trust Financial Corporation ("Fidelity") and Fidelity & Trust Bank ("F&T Bank"). The primary financial services offered by the Bank include real estate, commercial and consumer lending, as well as traditional deposit and repurchase agreement products. The Bank is also active in the origination and sale of residential mortgage loans and the origination of small business loans. The guaranteed portion of small business loans is typically sold through the Small Business Administration, in a transaction apart from the loan's origination. The Bank currently offers its products and services through thirteen banking offices and various electronic capabilities, including remote deposit services. Eagle Commercial Ventures, LLC ("ECV"), a direct subsidiary of the Company provides subordinated financing for the acquisition, development and construction of real estate projects, where the primary financing is provided by the Bank. Refer to Note 4 - Higher Risk Lending – Revenue Recognition below.

3. CASH FLOWS

For purposes of reporting cash flows, cash and cash equivalents include cash and due from banks, and federal funds sold (items with an original maturity of three months or less).

4. HIGHER RISK LENDING – REVENUE RECOGNITION

The Company has occasionally made higher risk acquisition, development, and construction ("ADC") loans that entail higher risks than ADC loans made following normal underwriting practices ("higher risk loan transactions"). These higher risk loan transactions are made through the Company's subsidiary, ECV. This activity is limited as to individual transaction amount and total exposure amounts based on capital levels and is carefully monitored. The loans are carried on the balance sheet at amounts outstanding and meet the loan classification requirements of the Accounting Standards Executive Committee ("AcSEC") guidance reprinted from the CPA Letter, Special Supplement, dated February 10, 1986 (also referred to as Exhibit 1 to AcSEC Practice Bulletin No. 1). Additional interest earned on these higher risk loan transactions (as defined in the individual loan agreements) is recognized as realized under the provisions contained in Exhibit 1 to AcSEC Practice Bulletin No.1 and Staff Accounting Bulletin No. 101 (Revenue Recognition in Financial Statements). The additional interest is included as a component of noninterest income. The Bank had one higher risk lending transaction, amounting to $1.7 million and $1.8 million, outstanding as of March 31, 2009 and December 31, 2008, respectively.

5. OTHER REAL ESTATE OWNED (OREO)

Assets acquired through loan foreclosure are held for sale and are initially recorded at the lower of cost or fair value less estimated selling costs when acquired, establishing a new cost basis. The new basis is supported by recent appraisals. Costs after acquisition are generally expensed. If the fair value of the asset declines, a write-down is recorded through expense. The valuation of foreclosed assets is subjective in nature and may be adjusted in the future because of changes in economic conditions or review by regulatory examiners.

6. INVESTMENT SECURITIES AVAILABLE FOR SALE

Amortized cost and estimated fair value of securities available for sale are summarized as follows:

March 31, 2009 (dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U. S. Government agency securities	$ 59,467	$ 1,711	$ -	$ 61,178
Mortgage backed securities - GSEs	81,070	3,048	-	84,118
Municipal bonds	5,060	-	217	4,843
Federal Reserve and Federal Home Loan Bank stock	8,470	-	-	8,470
Other equity investments	396	-	29	367
	$ 154,463	$ 4,759	$ 246	$ 158,976

December 31, 2008 (dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U. S. Government agency securities	$ 71,837	$ 2,197	$ 5	$ 74,029
Mortgage backed securities - GSEs	77,242	2,559	31	79,770
Municipal bonds	5,061	-	353	4,708
Federal Reserve and Federal Home Loan Bank stock	9,599	-	-	9,599
Other equity investments	1,396	-	423	973
	$ 165,135	$ 4,756	$ 812	$ 169,079

Gross unrealized losses and fair value by length of time that the individual available securities have been in a continuous unrealized loss position are as follows:

March 31, 2009 (dollars in thousands)	Estimated Fair Value	Less than 12 months	More than 12 months	Gross Unrealized Losses
Municipal bonds	$ 4,843	$ 217	$ -	$ 217
Other equity investments	149	29	-	29
	$ 4,992	$ 246	$ -	$ 246

December 31, 2008 (dollars in thousands)	Estimated Fair Value	Less than 12 months	More than 12 months	Gross Unrealized Losses
U. S. Government agency securities	$ 4,480	$ 5	$ -	$ 5
Mortgage backed securities - GSEs	7,715	31	-	31
Municipal bonds	4,707	353	-	353
Other equity investments	576	423	-	423
	$ 17,478	$ 812	$ -	$ 812

The unrealized losses that exist are the result of changes in market interest rates since original purchases. Except for one municipal bond issue which has an underlying rating of AA, all of the remaining bonds are rated AAA. The weighted average duration of debt securities, which comprise 94% of total investment securities, is relatively short at 1.8 years. These factors, coupled with the Company's ability and intent to hold these investments for a period of time sufficient to allow for any anticipated recovery in fair value substantiates that the unrealized losses are temporary in nature.

7. INCOME TAXES

The Company employs the liability method of accounting for income taxes as required by Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes." Under the liability method, deferred tax assets and liabilities are determined based on differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities (i.e., temporary differences) and are measured at the enacted rates that will be in effect when these differences reverse. The Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" in the first quarter of 2007. The Company utilizes statutory requirements for its income tax accounting, and avoids risks associated with potentially problematic tax positions that may incur challenge upon audit, where an adverse outcome is more likely than not. Therefore, no provisions are made for either uncertain tax positions or accompanying potential tax penalties and interest for underpayments of income taxes in the Company's tax reserves. In accordance with SFAS No.109, the Company may establish a reserve against deferred tax assets in those cases where realization is less than certain.

8. EARNINGS PER SHARE

The calculation of net income per common share for the three months ended March 31 was as follows:

(dollars and shares in thousands)	2009	2008
Basic:		
Net income allocable to common stockholders	$ 1,492	$ 1,651
Average common shares outstanding	12,743	10,759
Basic net income per common share	$ 0.12	$ 0.15
Diluted:		
Net income allocable to common stockholders	$ 1,492	$ 1,651
Average common shares outstanding	12,743	10,759
Adjustment for common share equivalents	51	91
Average common shares outstanding-diluted	12,794	10,850
Diluted net income per common share	$ 0.12	$ 0.15

Per share amounts and the number of outstanding shares have been adjusted to give effect to the 10% stock dividend paid on October 1, 2008.

There were 1,616,466 and 325,518 common share equivalents at March 31, 2009 and March 31, 2008, respectively, that were excluded from the diluted net income per common share computation because their effects were anti-dilutive.

9. STOCK-BASED COMPENSATION

The Company maintains the 1998 Stock Option Plan ("1998 Plan") and the 2006 Stock Plan ("2006 Plan"). No additional options may be granted under the 1998 Plan. ..

The 2006 Plan provides for the issuance of awards of incentive options, nonqualifying options, restricted stock and stock appreciation rights with respect to up to 650,000 shares to selected key employees and members of the Board. Option awards were made with an exercise price equal to the market price of the Company's shares at the date of grant.

In January 2009, the Company awarded options to purchase 315,437 shares of common stock and 30,763 shares of restricted stock to employees, senior officers and to a Director. Of the total options awarded, 263,700 have a ten-year term and vest in five substantially equal installments beginning on the first year anniversary of the date of grant. The remaining options have a ten-year term and vest over a four-year period beginning on the seventh year anniversary of the date of grant. The restricted stock is service based, which vest in five substantially equal installments beginning on the first year anniversary of the date of grant. The restricted stock is being recognized as compensation expense over a five-year period based on the market value of shares at the date of grant.

The fair value of each option grant and other equity based award is estimated on the date of grant using the Black-Scholes option pricing model with the assumptions as shown in the table below used for grants during the three months ended March 31, 2009 and the twelve months ended December 31, 2008 and 2007.

Below is a summary of changes in shares under option (split adjusted) for the three months ended March 31, 2009. The information excludes restricted stock unit awards.

As of 1/1/2009	Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value
Outstanding	1,029,067	$ 13.01	-	$ 2.57	-
Vested	800,058	13.05	-	2.43	-
Nonvested	229,009	12.85	-	3.07	-
Period Activity					
Issued	315,437	$ 6.34	-	$ 1.99	-
Exercised	-	-	-	-	-
Forfeited	1,596	13.50	-	2.56	-
Expired	659	12.66	-	2.36	-
As of 3/31/2009					
Outstanding	1,342,249	$ 11.44	5.54	$ 2.44	$ 327,206
Vested	865,128	13.04	4.10	2.44	327,086
Nonvested	477,121	8.53	8.14	2.44	120

Outstanding: Range of Exercise Prices	Stock Options Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life
$2.98 - $8.10	560,972	$ 5.90	6.58
$8.11 - $11.07	250,675	10.25	5.20
$11.08 - $15.43	250,863	13.01	4.32
$15.44 - $26.86	279,739	22.21	4.84
	1,342,249	11.44	5.54

Exercisable: Range of Exercise Prices	Stock Options Exercisable	Weighted-Average Exercise Price
$2.98 - $8.10	222,189	$ 5.05
$8.11 - $11.07	248,674	10.25
$11.08 - $15.43	134,838	12.93
$15.44 - $26.86	259,427	22.62
	865,128	13.04

Assumptions:

	Three Months Ended March 31, 2009	Year Ended 2008	Year Ended 2007
Expected Volatility	25.9% - 25.9%	23.7% - 78.5%	18.5% - 24.4%
Weighted-Average Volatility	25.90%	35.47%	20.12%
Expected Dividends	0.0%	0.8%	1.4%
Expected Term (In years)	7.0 - 8.5	0.1 - 9.0	3.1 - 4.0
Risk-Free Rate	0.83%	2.54%	4.73%
Weighted-Average Fair Value (Grant date)	$ 1.99	$ 1.30	$ 4.40

Total intrinsic value of options exercised:	$ -
Total fair value of shares vested:	$ 203,016
Weighted-average period over which nonvested awards are expected to be recognized:	3.02 years

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The expected lives are based on the "simplified" method allowed by SAB No. 107, whereby the expected term is equal to the midpoint between the vesting date and the end of the contractual term of the award.

Included in salaries and employee benefits the Company recognized $136 thousand ($0.01 per share) and $33 thousand ($0.00 per share) in share based compensation expense for the three months ended March 31, 2009 and 2008, respectively. As of March 31, 2009 there was $1.3 million of total unrecognized compensation cost related to non-vested equity awards under the Company's various share based compensation plans. The $1.3 million of unrecognized compensation expense is being amortized over the remaining requisite service (vesting) periods through 2018.

10. NEW ACCOUNTING PRONOUNCEMENTS

Recent Accounting Pronouncements Adopted

In December 2007, the Financial Accounting Standards Board ("FASB") issued SFAS 141(R), "Business Combinations (Revised 2007) ("SFAS 141R"). SFAS 141R replaces SFAS 141, "Business Combinations," and applies to all transactions and other events in which one entity obtains control over one or more other businesses. SFAS 141R requires an acquirer, upon initially obtaining control of another entity, to recognize the assets, liabilities and any non-controlling interest in the acquiree at fair value as of the acquisition date. Contingent consideration is required to be recognized and measured at fair value on the date of acquisition rather than at a later date when the amount of that consideration may be determinable beyond a reasonable doubt. This fair value approach replaces the cost-allocation process required under SFAS 141 whereby the cost of an acquisition was allocated to the individual assets acquired and liabilities assumed based on their estimated fair value. SFAS 141R requires acquirers to expense acquisition-related costs as incurred rather than allocating such costs to the assets acquired and liabilities assumed, as was previously the case under SFAS 141. Under SFAS 141R, the requirements of SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities," would have to be met in order to accrue for a restructuring plan in purchase accounting. Pre-acquisition contingencies are to be recognized at fair value, unless it is a non-contractual contingency that is not likely to materialize, in which case, nothing should be recognized in purchase accounting and, instead, that contingency would be subject to the probable and estimable recognition criteria of SFAS 5, "Accounting for Contingencies." SFAS 141R is expected to have a significant impact on the Company's accounting for business combinations closing on or after January 1, 2009.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB Statement No. 51. ("SFAS 160"). SFAS 160 amends Accounting Research Bulletin (ARB) No. 51, "Consolidated Financial Statements," to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 clarifies that a non-controlling interest in a subsidiary, which is sometimes referred to as minority interest, is an ownership interest in the consolidated entity that should be reported as a component of equity in the consolidated financial statements. Among other requirements, SFAS 160 requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest. It also requires disclosure, on the face of the consolidated income statement, of the amounts of consolidated net income attributable to the parent and to the non-controlling interest. SFAS 160 was effective for the Company on January 1, 2009 and did not have a significant impact on the Company's financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" ("SFAS 161"). SFAS 161 is intended to enhance the current disclosure framework previously required for derivative instruments and hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" to include how and why an entity uses derivative instruments, how derivative instruments and related hedge items are accounted for and their impact on an entity's financial positions, results of operations, and cash flows. This standard is effective for fiscal years and interim periods beginning after

November 15, 2008, with early adoption encouraged. The Company does not currently utilize derivative instruments, and therefore, SFAS 161 did not have a materia