SHORE BANCSHARES INC
Form 10-Q
August 09, 2018

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 the Quarterly Period Ended June 30, 2018

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 0-22345

SHORE BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

Maryland (State or Other Jurisdiction of Incorporation or Organization)	52-1974638 (I.R.S. Employer Identification No.)
28969 Information Lane, Easton, Maryland (Address of Principal Executive Offices)	21601 (Zip Code)

(410) 763-7800

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 periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ 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 the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer	þ
Non-accelerated filer (Do not check if a smaller reporting company)	¨	Smaller reporting company	¨
		Emerging growth company	¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No þ

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: 12,748,273 shares of common stock outstanding as of July 31, 2018.

INDEX

1

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

SHORE BANCSHARES, INC.

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share amounts)

	June 30, 2018 (Unaudited)	December 31, 2017
ASSETS		
Cash and due from banks	$ 19,420	$ 21,534
Interest-bearing deposits with other banks	24,059	10,286
Cash and cash equivalents	43,479	31,820
Investment securities:		
Available-for-sale, at fair value	175,566	196,955
Held to maturity, at amortized cost - fair value of $6,162 (2018) and $6,391 (2017)	6,168	6,247
Equity securities, at fair value	652	-
Loans	1,156,884	1,093,514
Less: allowance for credit losses	(10,121)	(9,781)
Loans, net	1,146,763	1,083,733
Premises and equipment, net	23,307	23,054
Goodwill	27,618	27,618
Other intangible assets, net	4,369	4,719
Other real estate owned, net	1,569	1,794
Other assets	22,223	17,920
TOTAL ASSETS	$ 1,451,714	$ 1,393,860
LIABILITIES		
Deposits:		
Noninterest-bearing	$ 326,634	$ 328,322
Interest-bearing	848,465	874,459
Total deposits	1,175,099	1,202,781
Short-term borrowings	102,741	21,734
Other liabilities	5,759	5,609
TOTAL LIABILITIES	1,283,599	1,230,124

COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, par value $.01 per share; shares authorized - 35,000,000; shares issued and outstanding - 12,747,182 (including 9,933 unvested restricted stock) (2018) and 12,688,224 (including 15,913 unvested restricted stock) (2017)	127	127
Additional paid in capital	65,562	65,256
Retained earnings	106,193	99,662
Accumulated other comprehensive (loss)	(3,767)	(1,309)
TOTAL STOCKHOLDERS' EQUITY	168,115	163,736
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,451,714	$1,393,860

See accompanying notes to Consolidated Financial Statements.

2

SHORE BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(Dollars in thousands, except per share amounts)

	For Three Months Ended June 30,		For Six Months Ended June 30,	
	2018	2017	2018	2017
INTEREST INCOME				
Interest and fees on loans	$12,631	$10,441	$24,675	$19,991
Interest and dividends on investment securities:				
Taxable	982	937	2,003	1,764
Tax-exempt	-	1	-	3
Interest on deposits with other banks	61	70	99	138
Total interest income	13,674	11,449	26,777	21,896
INTEREST EXPENSE				
Interest on deposits	580	538	1,128	1,049
Interest on short-term borrowings	461	11	687	14
Total interest expense	1,041	549	1,815	1,063
NET INTEREST INCOME	12,633	10,900	24,962	20,833
Provision for credit losses	418	974	907	1,401
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	12,215	9,926	24,055	19,432
NONINTEREST INCOME				
Service charges on deposit accounts	947	878	1,852	1,712
Trust and investment fee income	414	372	814	733
Insurance agency commissions	2,151	2,032	4,845	4,851
Other noninterest income	1,028	897	1,958	1,690
Total noninterest income	4,540	4,179	9,469	8,986
NONINTEREST EXPENSE				
Salaries and wages	5,383	4,803	10,856	9,305
Employee benefits	1,369	1,127	2,886	2,367
Occupancy expense	755	629	1,536	1,254
Furniture and equipment expense	275	284	562	517
Data processing	720	1,015	1,617	1,887
Directors' fees	152	102	266	182
Amortization of other intangible assets	239	55	350	88
FDIC insurance premium expense	214	45	419	209
Other real estate owned (income) expense, net	5	108	(41)	163

Legal and professional	505	702	969	1,362
Other noninterest expenses	1,211	1,329	2,870	2,516
Total noninterest expense	10,828	10,199	22,290	19,850
INCOME BEFORE INCOME TAXES	5,927	3,906	11,234	8,568
Income tax expense	1,536	1,554	2,785	3,416
NET INCOME	$4,391	$2,352	$8,449	$5,152
Earnings per common share - Basic	$0.34	$0.19	$0.66	$0.41
Earnings per common share - Diluted	0.34	0.19	0.66	0.41
Dividends paid per common share	0.08	0.05	0.15	0.10

See accompanying notes to Consolidated Financial Statements.

SHORE BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(Dollars in thousands)

	For Three Months Ended June 30,		For Six Months Ended June 30,	
	2018	2017	2018	2017
Net Income	$4,391	$2,352	$8,449	$5,152
Other comprehensive (loss) income:				
Investment securities:				
Unrealized holding (losses) gains on available-for-sale-securities	(550)	723	(3,416)	1,939
Tax effect	149	(302)	942	(780)
Amortization of unrealized loss on securities transferred from available-for-sale to held-to-maturity	8	8	15	16
Tax effect	(2)	(4)	(5)	(8)
Net of tax amount	(395)	425	(2,464)	1,167
Total other comprehensive (loss) income	(395)	425	(2,464)	1,167
Comprehensive income	$3,996	$2,777	$5,985	$6,319

See accompanying notes to Consolidated Financial Statements.

SHORE BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Unaudited)

For the Six Months Ended June 30, 2018 and 2017

(Dollars in thousands)

	Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balances, January 1, 2018	$ 127	$ 65,256	$ 99,662	$ (1,309)	$ 163,736
Cumulative effect adjustment (ASU 2016-01)	-	-	(6)	6	-
Net Income	-	-	8,449	-	8,449
Other comprehensive (loss)	-	-	-	(2,464)	(2,464)
Stock-based compensation	-	306	-	-	306
Cash dividends declared		-	(1,912)	-	(1,912)
Balances, June 30, 2018	$ 127	$ 65,562	$ 106,193	$ (3,767)	$ 168,115
Balances, January 1, 2017	$ 127	$ 64,201	$ 90,964	$ (993)	$ 154,299
Net Income	-	-	5,152	-	5,152
Other comprehensive income	-	-	-	1,167	1,167
Stock-based compensation	-	590	-	-	590
Cash dividends declared	-	-	(1,268)	-	(1,268)
Balances, June 30, 2017	$ 127	$ 64,791	$ 94,848	$ 174	$ 159,940

See accompanying notes to Consolidated Financial Statements.

SHORE BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(Dollars in thousands)

	For Six Months Ended June 30, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$8,449	$5,152
Adjustments to reconcile net income to net cash provided by operating activities:		
Net accretion of acquisition accounting estimates	(310)	-
Provision for credit losses	907	1,401
Depreciation and amortization	1,030	1,132
Net amortization of securities	339	(18)
Stock-based compensation expense	306	590
Deferred income tax expense	558	2,783
(Gains) on sales and valuation adjustments on other real estate owned	(55)	158
Fair value adjustment on equity securities	13	-
Net changes in:		
Accrued interest receivable	473	(190)
Other assets	(4,532)	(2,123)
Accrued interest payable	202	(20)
Other liabilities	(52)	(1,992)
Net cash provided by operating activities	7,328	6,873
CASH FLOWS FROM INVESTING ACTIVITES:		
Proceeds from maturities and principal payments of investment securities available for sale	16,979	20,007
Purchases of investment securities available for sale	-	(56,124)
Purchases of equity securities	(7)	-
Proceeds from maturities and principal payments of investment securities held to maturity	91	304
Net change in loans	(63,740)	(41,323)
Purchases of premises and equipment	(798)	(933)
Proceeds from sales of other real estate owned	280	125
Cash received in branch acquisition (net of cash paid)	-	64,045
Net cash used in investing activities	(47,195)	(13,899)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net changes in:		
Noninterest-bearing deposits	(1,688)	15,301
Interest-bearing deposits	(25,881)	(28,988)
Short-term borrowings	81,007	122

Common stock dividends paid	(1,912)	(1,268)
Net cash provided by (used in) financing activities	51,526	(14,833)
Net increase (decrease) in cash and cash equivalents	11,659	(21,859)
Cash and cash equivalents at beginning of period	31,820	75,938
Cash and cash equivalents at end of period	$43,479	$54,079
Supplemental cash flows information:		
Interest paid	$1,726	$1,083
Income taxes paid	$2,825	$2,000
Unrealized (loss) on securities available for sale	$(3,416)	$(380)
Amortization of unrealized loss on securities transferred from available for sale to held to maturity	$15	$16

See accompanying notes to Consolidated Financial Statements.

6

Shore Bancshares, Inc.

Notes to Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2018 and 2017

(Unaudited)

Note 1 - Basis of Presentation

The consolidated financial statements include the accounts of Shore Bancshares, Inc. and its subsidiaries with all significant intercompany transactions eliminated. The consolidated financial statements conform to accounting principles generally accepted in the United States of America ("GAAP") and to prevailing practices within the banking industry. The accompanying interim financial statements are unaudited; however, in the opinion of management all adjustments necessary to present fairly the consolidated financial position at June 30, 2018, the consolidated results of income and comprehensive income for the three and six months ended June 30, 2018 and 2017, and changes in stockholders' equity and cash flows for the six months ended June 30, 2018 and 2017, have been included. All such adjustments are of a normal recurring nature. The amounts as of December 31, 2017 were derived from the 2017 audited financial statements. The results of operations for the three and six months ended June 30, 2018 are not necessarily indicative of the results to be expected for any other interim period or for the full year. This Quarterly Report on Form 10-Q should be read in conjunction with the Annual Report of Shore Bancshares, Inc. on Form 10-K for the year ended December 31, 2017. For purposes of comparability, certain immaterial reclassifications have been made to amounts previously reported to conform with the current period presentation.

When used in these notes, the term "the Company" refers to Shore Bancshares, Inc. and, unless the context requires otherwise, its consolidated subsidiaries.

Recent Accounting Standards

ASU No. 2016-02, *"Leases (Topic 842)."* This ASU stipulates that a lessee should recognize the assets and liabilities that arise from leases. All leases create an asset and a liability for the lessee in accordance with FASB Concepts Statement No. 6, *Elements of Financial Statement*, and, therefore, recognition of those lease assets and lease liabilities represents an improvement over previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. When measuring assets and liabilities arising from a lease, a lessee (and a lessor) should include payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. Similarly, optional payments to purchase the underlying asset should be included in the measurement of lease assets and lease liabilities only if the lessee is reasonably certain to exercise that purchase option. In addition, also consistent with the previous leases guidance, a lessee (and a lessor) should exclude most variable lease payments in measuring lease assets and lease liabilities, other than those that depend on an index or a rate or are in substance fixed payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. The amendments in this ASU are effective for fiscal years after December 15, 2018, including interim periods within those fiscal years. Early application is permitted upon issuance. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Leases and lessors may not apply a full retrospective transition approach. The Company is currently assessing the impact that ASU No. 2016-02 will have on its consolidated financial statements. The Company has put together a team to inventory all leases and accumulate the lease data necessary to apply the amended guidance.

ASU No. 2016-13, *"Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments."* The amendments in this ASU will replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments affect loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments broaden the information that an entity must consider in developing its expected credit loss estimate for assets measured either collectively or individually. The use of forecasted information incorporates more timely information in the estimate of expected credit losses, which will be more decision useful to users of the financial statements. It is not expected that an entity will need to create an economic forecast over the entire contractual life of long-dated financial assets. Therefore, the amendments will allow an entity to revert to historical loss information that is reflective of the contractual term (considering the effect of prepayments) for periods that are beyond the time frame for which the entity is able to develop reasonable and supportable forecasts. The amendments retain many of the disclosure amendments in Accounting Standards Update No. 2010-20, Receivables (Topic 310): *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses,* updated to reflect the change from an incurred loss methodology to an expected credit loss methodology. Credit losses on available-for-sale debt securities should be measured in a manner similar to current GAAP. However, the amendments require that credit losses be presented as an allowance rather than a write-down. For public entities that are U.S. Securities and Exchange Commission (SEC) filers, the amendments are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. All entities may adopt the amendments earlier as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company believes this ASU will have a significant impact on our consolidated financial statements and the method in which we calculate our credit losses, primarily on loans and held to maturity securities. At this time, the Company has established a project management team which is in the process of developing an adoption process and understanding this pronouncement, evaluating the impact of this pronouncement and researching additional software resources that could assist with the implementation.

ASU No. 2017-04 – In January 2017, FASB issued ASU No. 2017-04, “*Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.”* The ASU simplifies measurement of goodwill and eliminates Step 2 from the goodwill impairment test. The Company should perform its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit’s fair value. The impairment charge is limited to the amount of goodwill allocated to that reporting unit. The amendments in this update are effective for fiscal years beginning after

December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for goodwill impairment tests performed on testing dates after January 1, 2017. The guidance is not expected to have a significant impact on the Company’s financial positions, results of operations or disclosures.

ASU No. 2017-08 – In March 2017, the FASB issued ASU No. 2017-08, *“Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities.”* Under current GAAP, entities normally amortize the premium as an adjustment of yield over the contractual life of the instrument. This guidance shortens the amortization period of certain callable debt securities held at a premium to the earliest call date. This update is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The adoption of ASU No. 2017-08 is not expected to have a material impact on the Company’s consolidated financial statements.

ASU No. 2017-09 – In May 2017, the FASB issued ASU No. 2017-09 *“Stock Compensation, Scope of Modification Accounting.”* This ASU clarifies when changes to the terms of conditions of a share-based payment award must be accounted for as modifications. Companies will apply the modification accounting guidance if the value, vesting conditions or classification of the award changes. The new guidance should reduce diversity in practice and result in fewer changes to the terms of an award being accounted for as modifications, as the guidance will allow companies to make certain non-substantive changes to awards without accounting for them as modifications. It does not change the accounting for modifications. ASU No. 2017-09 is effective for interim and annual reporting periods beginning after December 15, 2017; early adoption is permitted. ASU No. 2017-09 is not expected to have a material impact on the Company’s consolidated financial statements.

ASU 2018-02 – In February 2018, the FASB issued ASU No. 2018-02 “Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.” The amendments provide financial statement preparers with an option to reclassify stranded tax effects within accumulated other comprehensive income to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act (or portion thereof) is recorded. The amendments are effective for all organizations for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. Organizations should apply the proposed amendments either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recognized. The Company has elected to reclassify the stranded income tax effects from the Tax Cuts and Jobs Act in the financial statements for the period ending December 31, 2017. The amount of this reclassification in 2017 was $226 thousand.

ASU 2018-03 - In February 2018, the FASB issued ASU 2018-03, "Technical Corrections and Improvements to Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." The amendments provide targeted improvements to address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. Specifically, the amendments include clarifications related to: measurement elections, transition requirements, and adjustments associated with equity securities without readily determinable fair values; fair value measurement requirements for forward contracts and purchased options on equity securities; presentation requirements for hybrid financial liabilities for which the fair value option has been elected; and measurement requirements for liabilities denominated in a foreign currency for which the fair value option has been elected. The amendments are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years beginning after June 15, 2018. Early adoption is permitted. The adoption of ASU No. 2018-03 is not expected to have a material impact on the Company's consolidated financial statements.

Note 2 – Business Combination

Northwest Bank Branch Acquisition

On May 19, 2017, the Bank purchased three branches from Northwest Bank ("NWBI") located in Arbutus, Elkridge, and Owings Mills, Maryland. Pursuant to the transaction, the Bank acquired $122.9 million in loans and $212.5 million in deposits, as well as the branch premises and equipment. In connection with its purchase of the branches from NWBI, the Bank received a cash payment from NWBI of $64.0 million, which was net of a premium paid on deposits of $17.2 million. In addition to the premium paid on deposits, other costs associated with the acquisition totaled $977 thousand. This acquisition provides the Bank with the opportunity to enhance its footprint in Maryland by extending its branch network across the Chesapeake Bay to the greater Baltimore area communities of Elkridge, Owings Mills and Arbutus.

The Company has accounted for the branch purchases under the acquisition method of accounting in accordance with FASB ASC topic 805, "Business Combinations," whereby the acquired assets and liabilities were recorded by the Bank at their estimated fair values as of their acquisition date.

The acquired assets and assumed liabilities of the NWBI branches were measured at estimated fair value. Management made significant estimates and exercised significant judgement in accounting for the acquisition of the NWBI branches. Management evaluated expected cash flows, prepayment speeds and estimated loss factors to measure fair values for loans. Deposits were valued based upon interest rates, original and remaining terms and maturities, as well as current rates for similar funds in the same markets. Premises were based on recent appraised values, whereas equipment was acquired based on the remaining book value from NWBI, which approximated fair value. Management engaged independent outside experts to provide the fair value estimates. Subsequent to the purchase, Management made a measurement period adjustment for deferred taxes related to intangible assets of $291 thousand.

The following table provides the purchase price as of the acquisition date of May 19, 2017, the identifiable assets acquired and liabilities assumed at their estimated fair values, and the resulting goodwill of $15.0 million recorded from the acquisition:

(in thousands)

Purchase Price Consideration:

Cash consideration	$17,186
Total purchase price for NWBI branch acquisition	$17,186
Assets acquired at fair value:	
Cash and cash equivalents	$81,231
Loans	122,862
Premises and equipment, net	6,326
Core deposit intangible	3,954
Deferred tax assets	291
Total fair value of assets acquired	$214,664
Liabilities assumed at fair value:	
Deposits	$212,456
Other liabilities	7
Total fair value of liabilities assumed	$212,463
Net assets acquired at fair value:	$2,201
Amount of goodwill resulting from acquisition	$14,985

The total amount of goodwill arising from this transaction of $15.0 million is expected to be deductible for tax purposes, pursuant to section 197 of the Internal Revenue Code.

Acquired loans

The following table outlines the contractually required payments receivable, cash flows we expect to receive, accretable yield and carrying value for all NWBI loans as of the acquisition date.

	Contractually Required Payments Receivable	Cash Flows Expected To Be Collected	Accretable FMV Adjustments	Carrying Value of Loans Receivable
Performing loans acquired	$ 125,131	125,131	2,269	$ 122,862

The Company recorded all loans acquired at the estimated fair value on the purchase date with no carryover of the related allowance for loan losses. The Company only acquired loans which were deemed to be performing loans with no signs of credit deterioration.

The Company determined the net discounted value of cash flows on approximately 864 performing loans totaling $125.1 million. The valuation took into consideration the loans' underlying characteristics, including account types, remaining terms, annual interest rates, interest types, past delinquencies, timing of principal and interest payments, current market rates, loan-to-value ratios, loss exposures, and remaining balances. These performing loans were segregated into pools based on loan and payment type. The effect of this fair valuation process was a net accretable discount adjustment of $2.3 million at acquisition.

Note 3 – Earnings Per Share

Basic earnings per common share is calculated by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per common share is calculated by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period, adjusted for the dilutive effect of common stock equivalents (stock-based awards). The following table provides information relating to the calculation of earnings per common share:

	For the Three Months Ended	For the Six Months Ended

(In thousands, except per share data)	June 30, 2018	2017	June 30, 2018	2017
Net Income	$4,391	$2,352	$8,449	$5,152
Weighted average shares outstanding - Basic	12,744	12,681	12,730	12,676
Dilutive effect of common stock equivalents-options	13	21	13	21
Dilutive effect of common stock equivalents-restricted stock units	-	33	-	33
Weighted average shares outstanding - Diluted	12,757	12,735	12,743	12,730
Earnings per common share - Basic	$0.34	$0.19	$0.66	$0.41
Earnings per common share - Diluted	$0.34	$0.19	$0.66	$0.41

There were no weighted average common stock equivalents excluded from the calculation of diluted earnings per share for the three and six months ended June 30, 2018 and 2017.

Note 4 – Investment Securities

The following table provides information on the amortized cost and estimated fair values of investment securities.

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale securities:				
June 30, 2018				
U.S. Government agencies	$ 42,578	$ 7	$ 858	$ 41,727
Mortgage-backed	138,111	132	4,404	133,839
Total	$ 180,689	$ 139	$ 5,262	$ 175,566
December 31, 2017				
U.S. Government agencies	$ 45,806	$ 23	$ 497	$ 45,332
Mortgage-backed	152,198	157	1,390	150,965
Equity	666	-	8	658
Total	$ 198,670	$ 180	$ 1,895	$ 196,955

The Company adopted ASU 2016-01 effective January 1, 2018 and equity securities with an aggregate fair value of $652 thousand at June 30, 2018 are presented separately on the balance sheet. The fair value adjustment recorded through earnings totaled $(13) thousand for the six months ended June 30, 2018.

Held-to-maturity securities:				
June 30, 2018				
U.S. Government agencies	$ 1,766	$ -	$ 10	$ 1,756
States and political subdivisions	1,402	24	-	1,426
Other Debt securities (1)	3,000	-	20	2,980
Total	$ 6,168	$ 24	$ 30	$ 6,162
December 31, 2017				
U.S. Government agencies	$ 1,844	$ 21	$ -	$ 1,865
States and political subdivisions	1,403	47	-	1,450
Other Debt securities (1)	3,000	76	-	3,076
Total	$ 6,247	$ 144	$ -	$ 6,391

(1) On December 15, 2016, the Company bought $3.0 million in subordinated notes with a fixed to floating rate of 6.5% from a local regional bank which it intends to hold to maturity of December 30, 2026.

11

The following tables provide information about gross unrealized losses and fair value by length of time that the individual securities have been in a continuous unrealized loss position at June 30, 2018 and December 31, 2017.

	Less than 12 Months		More than 12 Months		Total	
(Dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2018						
Available-for-sale securities:						
U.S. Government agencies	$34,287	$ 702	$6,845	$ 156	$41,132	$ 858
Mortgage-backed	90,504	2,813	35,001	1,591	125,505	4,404
Total	$124,791	$ 3,515	$41,846	$ 1,747	$166,637	$ 5,262
Held-to-maturity securities:						
U.S. Government agencies	$2,979	$ 20	$1,756	$ 10	$4,735	$ 30

	Less than 12 Months		More than 12 Months		Total	
(Dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2017						
Available-for-sale securities:						
U.S. Government agencies	$37,550	$ 453	$5,956	$ 44	$43,506	$ 497
Mortgage-backed	96,622	700	28,215	690	124,837	1,390
Equity securities	-	-	666	8	666	8
Total	$134,172	$ 1,153	$34,837	$ 742	$169,009	$ 1,895

All of the securities with unrealized losses in the portfolio have modest duration risk, low credit risk, and minimal losses when compared to total amortized cost. The unrealized losses on debt securities that exist are the result of market changes in interest rates since original purchase. Because the Company does not intend to sell these securities and it is not more likely than not that the Company will be required to sell these securities before recovery of their amortized cost bases, which may be at maturity for debt securities, the Company considers the unrealized losses to be temporary. There were eighty-two available-for-sale securities and two held-to-maturity security in an unrealized loss position at June 30, 2018.

The following table provides information on the amortized cost and estimated fair values of investment securities by maturity date at June 30, 2018.

	Available for sale	Held to maturity

(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$8,001	$7,975	$-	$-
Due after one year through five years	34,608	33,748	901	918
Due after five years through ten years	51,945	50,293	3,501	3,488
Due after ten years	86,135	83,550	1,766	1,756
Total	$180,689	$175,566	$6,168	$6,162

The maturity dates for debt securities are determined using contractual maturity dates.

Note 5 – Loans and Allowance for Credit Losses

The Company makes residential mortgage, commercial and consumer loans to customers primarily in Talbot County, Queen Anne's County, Kent County, Caroline County, Dorchester County, Baltimore County and Howard County in Maryland, Kent County, Delaware and Accomack County, Virginia. The following table provides information about the principal classes of the loan portfolio at June 30, 2018 and December 31, 2017.

(Dollars in thousands)	June 30, 2018	December 31, 2017
Construction	$137,318	$125,746
Residential real estate	407,278	399,190
Commercial real estate	497,707	464,887
Commercial	108,229	97,284
Consumer	6,352	6,407
Total loans	1,156,884	1,093,514
Allowance for credit losses	(10,121)	(9,781)
Total loans, net	$1,146,763	$1,083,733

Loans are stated at their principal amount outstanding net of any purchase premiums, deferred fees and costs. Loans included deferred costs, net of deferred fees, of $719 thousand and discounts on acquired loans of $1.7 million at June 30, 2018. Loans included deferred costs, net of deferred fees, of $609 thousand and discounts on acquired loans of $1.8 million at December 31, 2017. Interest income on loans is accrued at the contractual rate based on the principal amount outstanding. Fees charged and costs capitalized for originating loans are being amortized substantially on the interest method over the term of the loan. A loan is placed on nonaccrual (i.e., interest income is no longer accrued) when it is specifically determined to be impaired or when principal or interest is delinquent for 90 days or more, unless the loan is well secured and in the process of collection. Any unpaid interest previously accrued on those loans is reversed from income.

Interest payments received on nonaccrual loans are applied as a reduction of the loan principal balance unless collectability of the principal amount is reasonably assured, in which case interest is recognized on a cash basis. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

A loan is considered impaired if it is probable that the Company will not collect all principal and interest payments according to the loan's contractual terms. An impaired loan may show deficiencies in the borrower's overall financial condition, payment history, support available from financial guarantors and/or the fair market value of collateral. The impairment of a loan is measured at the present value of expected future cash flows using the loan's effective interest rate, or at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. Generally, the Company measures impairment on such loans by reference to the fair value of the collateral. Once the amount of impairment has been determined, the uncollectible portion is charged off. Income on impaired loans is recognized on a cash basis, and payments are first applied against the principal balance outstanding (i.e., placing impaired loans on nonaccrual status). Generally, interest income is not recognized on impaired loans unless the likelihood of further loss is remote. The allowance for credit losses may include specific reserves related to impaired loans. Specific reserves remain until charge offs are made. Impaired loans do not include groups of smaller balance homogenous loans such as residential mortgage and consumer installment loans that are evaluated collectively for impairment. Reserves for probable credit losses related to these loans are based on historical loss ratios and are included in the formula portion of the allowance for credit losses. See additional discussion under the caption “Critical Accounting Policies” in Management’s Discussion and Analysis of Financial Condition and Results of Operations.

A loan is considered a troubled debt restructuring (“TDR”) if a borrower is experiencing financial difficulties and a creditor has granted a concession. Concessions may include interest rate reductions or below market interest rates, principal forgiveness, restructuring amortization schedules and other actions intended to minimize potential losses. Loans are identified to be restructured when signs of impairment arise such as borrower interest rate reduction request, slowness to pay, or when an inability to repay becomes evident. The terms being offered are evaluated to determine if they are more liberal than those that would be indicated by policy or industry standards for similar, untroubled credits. In those situations where the terms or the interest rates are considered to be more favorable than industry standards or the current underwriting guidelines of the Company’s banking subsidiary, Shore United Bank (the “Bank”), the loan is classified as a TDR. All loans designated as TDRs are considered impaired loans and may be on either accrual or nonaccrual status. In instances where the loan has been placed on nonaccrual status, six consecutive months of timely payments are required prior to returning the loan to accrual status.

All loans classified as TDRs which are restructured and accrue interest under revised terms require a full and comprehensive review of the borrower's financial condition, capacity for repayment, realistic assessment of collateral values, and the assessment of risk entered into any workout agreement. Current financial information on the borrower, guarantor, and underlying collateral is analyzed to determine if it supports the ultimate collection of principal and interest. For commercial loans, the cash flows are analyzed, both for the underlying project and globally. For consumer loans, updated salary, credit history and cash flow information is obtained. Current market conditions are also considered. Following a full analysis, the determination of the appropriate loan structure is made.

In the normal course of banking business, risks related to specific loan categories are as follows:

Construction loans – Construction loans are offered primarily to builders and individuals to finance the construction of single family dwellings. In addition, the Bank periodically finances the construction of commercial projects. Credit risk factors include the borrower's ability to successfully complete the construction on time and within budget, changing market conditions which could affect the value and marketability of projects, changes in the borrower's ability or willingness to repay the loan and potentially rising interest rates which can impact both the borrower's ability to repay and the collateral value.

Residential real estate – Residential real estate loans are typically made to consumers and are secured by residential real estate. Credit risk arises from the borrower's continuing financial stability, which can be adversely impacted by job loss, divorce, illness, or personal bankruptcy, among other factors. Also impacting credit risk would be a shortfall in the value of the residential real estate in relation to the outstanding loan balance in the event of a default or subsequent liquidation of the real estate collateral.

Commercial real estate – Commercial real estate loans consist of both loans secured by owner occupied properties and non-owner occupied properties where an established banking relationship exists and involves investment properties for warehouse, retail, and office space with a history of occupancy and cash flow. These loans are subject to adverse changes in the local economy and commercial real estate markets. Credit risk associated with owner occupied properties arises from the borrower's financial stability and the ability of the borrower and the business to repay the loan. Non-owner occupied properties carry the risk of a tenant's deteriorating credit strength, lease expirations in soft markets and sustained vacancies which can adversely impact cash flow.

Commercial – Commercial loans are secured or unsecured loans for business purposes. Loans are typically secured by accounts receivable, inventory, equipment and/or other assets of the business. Credit risk arises from the successful operation of the business which may be affected by competition, rising interest rates, regulatory changes and adverse conditions in the local and regional economy.

Consumer – Consumer loans include home equity loans and lines, installment loans and personal lines of credit. Credit risk is similar to residential real estate loans above as it is subject to the borrower’s continuing financial stability and the value of the collateral securing the loan.

The following tables include impairment information relating to loans and the allowance for credit losses as of June 30, 2018 and December 31, 2017.

(Dollars in thousands)	Construction	Residential real estate	Commercial real estate	Commercial	Consumer	Total
June 30, 2018						
Loans individually evaluated for impairment	$ 3,969	$ 5,692	$ 6,383	$ 333	$ -	$ 16,377
Loans collectively evaluated for impairment	133,349	401,586	491,324	107,896	6,352	1,140,507
Total loans	$ 137,318	$ 407,278	$ 497,707	$ 108,229	$ 6,352	$ 1,156,884
Allowance for credit losses allocated to:						
Loans individually evaluated for impairment	$ 443	$ 201	$ 38	$ 29	$ -	$ 711
Loans collectively evaluated for impairment	2,150	1,949	2,807	2,181	323	9,410
Total allowance	$ 2,593	$ 2,150	$ 2,845	$ 2,210	$ 323	$ 10,121

(Dollars in thousands)	Construction	Residential real estate	Commercial real estate	Commercial	Consumer	Total
December 31, 2017						
Loans individually evaluated for impairment	$ 6,975	$ 6,018	$ 4,967	$ 337	$ -	$ 18,297
Loans collectively evaluated for impairment	118,771	393,172	459,920	96,947	6,407	1,075,217
Total loans	$ 125,746	$ 399,190	$ 464,887	$ 97,284	$ 6,407	$ 1,093,514
Allowance for credit losses allocated to:						
Loans individually evaluated for impairment	$ 500	$ 239	$ 33	$ 33	$ -	$ 805
Loans collectively evaluated for impairment	1,960	2,045	2,561	2,208	202	8,976
Total allowance	$ 2,460	$ 2,284	$ 2,594	$ 2,241	$ 202	$ 9,781

The following tables provide information on impaired loans and any related allowance by loan class as of June 30, 2018 and December 31, 2017. The difference between the unpaid principal balance and the recorded investment is the amount of partial charge-offs that have been taken.

(Dollars in thousands)	Unpaid principal balance	Recorded investment with no allowance	Recorded investment with an allowance	Related allowance	Quarter-to-date average recorded investment	Year-to-date average recorded investment
June 30, 2018						
Impaired nonaccrual loans:						
Construction	$ 3,093	$ 201	$ 2,781	$ 392	$ 2,982	$ 2,987
Residential real estate	1,838	1,589	-	-	1,590	1,504
Commercial real estate	2,500	1,853	-	-	1,853	1,286
Commercial	425	-	333	29	332	344
Consumer	-	-	-	-	-	-
Total	$ 7,856	$ 3,643	$ 3,114	$ 421	$ 6,757	$ 6,121
Impaired accruing TDRs:						
Construction	$ 987	$ 55	$ 932	$ 51	$ 291	$ 1,634
Residential real estate	4,103	1,710	2,393	201	4,839	4,565
Commercial real estate	4,530	1,604	2,926	38	4,541	4,596
Commercial	-	-	-	-	-	-
Consumer	-	-	-	-	-	-
Total	$ 9,620	$ 3,369	$ 6,251	$ 290	$ 9,671	$ 10,795
Total impaired loans:						
Construction	$ 4,080	$ 256	$ 3,713	$ 443	$ 3,273	$ 4,621
Residential real estate	5,941	3,299	2,393	201	6,429	6,069
Commercial real estate	7,030	3,457	2,926	38	6,394	5,882
Commercial	425	-	333	29	332	344
Consumer	-	-	-	-	-	-
Total	$ 17,476	$ 7,012	$ 9,365	$ 711	$ 16,428	$ 16,916

(Dollars in thousands)	Unpaid principal balance	Recorded investment with no allowance	Recorded investment with an allowance	Related allowance	June 30, 2017 Quarter-to-date average recorded investment	Year-to-date average recorded investment
December 31, 2017						
Impaired nonaccrual loans:						
Construction	$3,100	$ 182	$ 2,821	$ 459	$3,153	$ 3,435
Residential real estate	1,620	1,482	-	-	3,870	3,940
Commercial real estate	795	149	-	-	670	696
Commercial	425	-	337	33	115	57
Consumer	-	-	-	-	66	82
Total	$5,940	$ 1,813	$ 3,158	$ 492	$7,874	$ 8,210
Impaired accruing TDRs:						
Construction	$3,972	$ 3,038	$ 934	$ 41	$4,040	$ 4,111
Residential real estate	4,536	2,042	2,494	239	3,409	3,585
Commercial real estate	4,818	4,084	734	33	4,869	4,888
Commercial	-	-	-	-	-	-
Consumer	-	-	-	-	-	-
Total	$13,326	$ 9,164	$ 4,162	$ 313	$12,318	$ 12,584
Total impaired loans:						
Construction	$7,072	$ 3,220	$ 3,755	$ 500	$7,193	$ 7,546
Residential real estate	6,156	3,524	2,494	239	7,279	7,525
Commercial real estate	5,613	4,233	734	33	5,539	5,584
Commercial	425	-	337	33	115	57
Consumer	-	-	-	-	66	82
Total	$19,266	$ 10,977	$ 7,320	$ 805	$20,192	$ 20,794

17

The following tables provide a roll-forward for troubled debt restructurings as of June 30, 2018 and June 30, 2017.

(Dollars in thousands)	1/1/2018 TDR Balance	New TDRs	Disbursements (Payments)	Charge offs	Reclassifications/ Transfer In/(Out)	Payoffs	6/30/2018 TDR Balance	Related Allowance
For six months ended June 30, 2018								
Accruing TDRs								
Construction	$ 3,972	$ -	$ (6)	$ (379)	$ -	$ (2,600)	$ 987	$ -
Residential real estate	4,536	-	(42)	-	(154)	(237)	4,103	-
Commercial real estate	4,818	-	(69)	-	-	(219)	4,530	-
Commercial	-	-	-	-	-	-	-	-
Consumer	-	-	-	-	-	-	-	-
Total	$ 13,326	$ -	$ (117)	$ (379)	$ (154)	$ (3,056)	$ 9,620	$ -
Nonaccrual TDRs								
Construction	$ 2,878	$ -	$ (40)	$ -	$ -	$ -	$ 2,838	$ 392
Residential real estate	-	-	-	-	154	-	154	-
Commercial real estate	83	-	-	-	-	-	83	-
Commercial	337	-	(4)	-	-	-	333	29
Consumer	-	-	-	-	-	-	-	-
Total	$ 3,298	$ -	$ (44)	$ -	$ 154	$ -	$ 3,408	$ 421
Total	$ 16,624	$ -	$ (161)	$ (379)	$ -	$ (3,056)	$ 13,028	$ 421

(Dollars in thousands)	1/1/2017 TDR Balance	New TDRs	Disbursements (Payments)	Charge offs	Reclassifications/ Transfer In/(Out)	Payoffs	6/30/2017 TDR Balance	Related Allowance
For six months ended June 30, 2017								
Accruing TDRs								
Construction	$ 4,189	$ -	$ (18)	$ -	$ -	$ (134)	$ 4,037	$ 13
Residential real estate	3,875	-	(102)	(89)	-	(450)	3,234	145
Commercial real estate	4,936	-	(83)	-	-	-	4,853	75
Commercial	-	-	-	-	-	-	-	-
Consumer	-	-	-	-	-	-	-	-
Total	$ 13,000	$ -	$ (203)	$ (89)	$ -	$ (584)	$ 12,124	$ 233
Nonaccrual TDRs								
Construction	$ 3,818	$ -	$ (872)	$ -	$ (108)	$ -	$ 2,838	$ 580

Residential real estate	1,603	-	(44)	-	-	-	1,559	110
Commercial real estate	83	-	-	-	-	-	83	-
Commercial	-	345	-	-	-	-	345	-
Consumer	-	-	-	-	-	-	-	-
Total	$ 5,504	$ 345	$ (916)	$ -	$ (108)	$ -	$ 4,825	$ 690
Total	$ 18,504	$ 345	$ (1,119)	$ (89)	$ (108)	$ (584)	$ 16,949	$ 923

18

The following tables provide information on loans that were modified and considered TDRs during the six months ended June 30, 2018 and June 30, 2017.

(Dollars in thousands)	Number of contracts	Premodification outstanding recorded investment	Postmodification outstanding recorded investment	Related allowance
TDRs:				
For six months ended June 30, 2018				
Construction	-	$ -	$ -	$ -
Residential real estate	-	-	-	-
Commercial real estate	-	-	-	-
Commercial	-	-	-	-
Consumer	-	-	-	-
Total	-	$ -	$ -	$ -
For six months ended June 30, 2017				
Construction	-	$ -	$ -	$ -
Residential real estate	-	-	-	-
Commercial real estate	1	760	755	-
Commercial	1	462	345	-
Consumer	-	-	-	-
Total	2	$ 1,222	$ 1,100	$ -

During the six months ended June 30, 2018, there were no new TDR's or previously recorded TDR's which were modified.

The following tables provide information on TDRs that defaulted within twelve months of restructuring during the six months ended June 30, 2018 and June 30, 2017. Generally, a loan is considered in default when principal or interest is past due 90 days or more, the loan is placed on nonaccrual, the loan is charged off, or there is a transfer to OREO or repossessed assets.

(Dollars in thousands)	Number of contracts	Recorded investment	Related allowance
TDRs that subsequently defaulted:			
For six months ended June 30, 2018			

Construction	1	$ 379	$ -
Residential real estate	1	154	-
Commercial real estate	-	-	-
Commercial	-	-	-
Consumer	-	-	-
Total	2	$ 533	$ -
For six months ended June 30, 2017			
Construction	-	$ -	$ -
Residential real estate	1	89	-
Commercial real estate	-	-	-
Commercial	-	-	-
Consumer	-	-	-
Total	1	$ 89	$ -

Management uses risk ratings as part of its monitoring of the credit quality in the Company's loan portfolio. The Company added pass/watch credits to an existing pool that included loans that are risk rated as special mention and substandard to be collectively evaluated for impairment for both quantitative and qualitative factors at December 31, 2017. The Company believes that attributing additional reserves to this pool of loans better reflects the perceived risk for the total loan portfolio going forward, due to the significant organic loan growth over the past 24 months, the increase in pass/watch rated credits, and increasing balances/concentrations in certain segments of the loan portfolio. Loans that are identified as special mention, substandard or doubtful are adversely rated. These loans and the pass/watch loans are are assigned higher qualitative factors than favorably rated loans in the calculation of the formula portion of the allowance for credit losses. At June 30, 2018, there were no nonaccrual loans classified as special mention or doubtful and $6.8 million of nonaccrual loans were identified as substandard. Similarly, at December 31, 2017, there were no nonaccrual loans classified as special mention or doubtful and $5.0 million of nonaccrual loans were identified as substandard.

The following tables provide information on loan risk ratings as of June 30, 2018 and December 31, 2017.

(Dollars in thousands)	Pass/Performing	Pass/Watch	Special Mention	Substandard	Doubtful	Total
June 30, 2018						
Construction	$ 102,435	$ 31,647	$-	$ 3,236	$ -	$ 137,318
Residential real estate	363,423	35,838	3,934	4,083	-	407,278
Commercial real estate	377,521	106,739	5,474	7,973	-	497,707
Commercial	83,047	24,159	648	375	-	108,229
Consumer	5,794	555	-	3	-	6,352
Total	$ 932,220	$ 198,938	$ 10,056	$ 15,670	$ -	$ 1,156,884

(Dollars in thousands)	Pass/Performing	Pass/Watch	Special Mention	Substandard	Doubtful	Total
December 31, 2017						
Construction	$ 88,836	$ 30,674	$-	$ 6,236	$ -	$ 125,746
Residential real estate	355,575	34,973	4,456	4,186	-	399,190
Commercial real estate	342,051	109,041	7,420	6,375	-	464,887
Commercial	72,440	24,102	308	434	-	97,284
Consumer	5,260	1,147	-	-	-	6,407
Total	$ 864,162	$ 199,937	$ 12,184	$ 17,231	$ -	$ 1,093,514

The following tables provide information on the aging of the loan portfolio as of June 30, 2018 and December 31, 2017.

Accruing

Total

(Dollars in thousands)	Current	30-59 days past due	60-89 days past due	Greater than 90 days	past due	Nonaccrual	Total
June 30, 2018							
Construction	$134,152	$184	$-	$ -	$184	$ 2,982	$137,318
Residential real estate	405,042	433	214	-	647	1,589	407,278
Commercial real estate	493,503	1,130	1,221	-	2,351	1,853	497,707
Commercial	107,836	60	-	-	60	333	108,229
Consumer	6,329	21	2	-	23	-	6,352
Total	$1,146,862	$1,828	$1,437	$ -	$3,265	$ 6,757	$1,156,884
Percent of total loans	99.1 %	0.2 %	0.1 %	- %	0.3 %	0.6 %	100.0 %

(Dollars in thousands)	Current	Accruing 30-59 days past due	60-89 days past due	Greater than 90 days	Total past due	Nonaccrual	Total
December 31, 2017							
Construction	$122,475	$268	$-	$ -	$268	$ 3,003	$125,746
Residential real estate	394,653	1,589	1,045	421	3,055	1,482	399,190
Commercial real estate	460,998	1,061	2,461	218	3,740	149	464,887
Commercial	96,774	173	-	-	173	337	97,284
Consumer	6,395	6	6	-	12	-	6,407
Total	$1,081,295	$3,097					