Dart Financial Corporation 84th Annual Report 2008

Our People *are the* Dart *difference*

DART BANK

MASON • HOLT/S. LANSING • GRAND LEDGE

February 5, 2009

To Our Shareholders and Friends:

The net profit for 2008 was $1,304,929 or $2.17 per share. This produced a return on average equity of 5.6%. This return was similar to 2007 when earnings per share amounted to $2.20 per share and the return on average equity was 5.8%. This is the first year in which our financial results are reported for Dart Financial Corporation, the holding company that was formed with your approval. The holding company structure, as you know, will allow for greater flexibility in our operations.

Total dividends paid to shareholders in 2008 were $1,020,000. This was $180,000 less than 2007. The reduction is due to the need to strengthen Capital due to our growth. We had total asset growth of 11% during the year or $26.9 million—the largest dollar increase in the history of your bank! Too, we are a well-capitalized bank according to standards used by our regulators.

While not satisfied with our net profit there were notable achievements during 2008. In addition to our growth in assets, improvements occurred with our net interest margin, as well as increases in our loan and investment totals. Also, our costs were exceedingly well controlled, up slightly more than 1%, and almost entirely due to the one-time costs of approximately $50,000 for forming the holding company.

You will notice a substantial change in our Holt–South Lansing bank. Local designers and contractors have totally transformed the interior. We will be anxious to learn what you think when you attend the Annual Meeting. We are very pleased with the result.

As shared with you in our 2007 *Annual Report,* increases in our problem loans continue to challenge us. In response we have made organizational changes in our loan department that devote resources to working with affected borrowers. As you review the *Annual Report* you will note the large increase in our loan loss reserve. We have increased this reserve by nearly 42% over the prior year and this will serve our need for future shortfalls while collecting these loans. We are continuing to increase this reserve.

No doubt you have read or heard about the U.S. Treasury Department's capital investments in many of our nation's banks. In releasing funds to banks, under the Troubled Asset Relief Program, it is the government's position that the banks should use these funds to make new loans. The Treasury Department feels that increased lending by banks is the path out of the recession. The Board has studied the provisions of this program very closely. However, Dart Bank has increased lending in each of the last three years, has strong capital and ample liquidity. The Board has decided not to accept this form of capital.

Trading in our shares has been very limited during the past year and because of this, statements as to average price are not meaningful. A price level would seem to be in the $50 to $55 range at this time. This price range is substantially above the book value of our shares whereas the share prices of publicly traded Michigan bank stocks have continued to fall dramatically to levels below their book values.

In last year's *Annual Report* we featured several of our clients who told of ways we differ from other banks. These differences we call "The Dart Difference." In the pages of this report we feature photographs and statements from another important contributor to this difference—our fellow

Peter Kubacki, Rollin Dart, and Richard Cheney

employees. During this past year a number of informal meetings were held with our employees. The intent of these meetings was to put in writing what we consider to be our primary values. We believe, that as an organization, we have lived and practiced all of the values that are shown on the list. The meetings allowed every employee to voice his or her opinion and the result is the list you see. You will find these values printed on the same page as our mission statement within this report. We will continue to meet to insure that we keep these values alive.

This year's Annual Meeting will begin at 6:30 p.m. on March 24, 2009 at our Delhi–South Lansing bank. The refreshments that you enjoy will be served at the conclusion of our meeting. Our managers and directors enjoy this opportunity to meet and get to know you better.

Warmest wishes to all.

Sincerely,

Peter Kubacki	Richard Cheney	Rollin Dart, CRO
President and CEO	Chairman of the Board	Chairman Emeritus

From Our Employees

When asked what The Dart Difference meant to them, these were some of our employees' responses:

Always give more to the customer than what they expect to get.

—Kendra Waldie, Personal Banker, Grand Ledge Office

It's not so much that the customer is always right, it's that I always treat my customers right!

—Debbie Shunk-Gillam, Lead Teller, Mason

Knowing that I provided The Dart Difference is receiving a note from my customer, that is new to the area and new to the bank, thanking me for all the opportunities I have opened up for them.

—Devin Lavengood, Grand Ledge Office Manager

I make The Dart Difference by working with people, not dealing with them.

—Faith Easton, Customer Service Representative, Delhi

I always try to make sure that the loan solution I suggest to my customer is the one that will best satisfy their need at the moment and long term.

—Sharon Thompson, AVP

A while back a customer was late getting here at Delhi to complete an auto loan. I was walking out at around 5:15 and the customer stopped me, apologized, and asked if he was "too late"...I called Trina from the parking lot and she said "bring 'em in, we'll take care of it."

—Scott Cornell, IT Officer

My customers are also my friends. I like to pay attention to what they need on a personal level, as well as financial, and provide helpful information to them.

—Melanie Dart

One comment that I have heard repeatedly is "It's so nice to call a financial institution where real people answer the telephone."
—Sheila Pawlowski

When customers call late in the afternoon, close to closing time, I've often heard them say, "I know you're getting ready to go home so I'll try not to take up too much time." My statement back to them is, "You are the reason I'm here, please take your time." They always seem so surprised by that statement. It makes me wonder if, when they are calling other places close to closing time, they are made to feel rushed as if they are "holding up" the person answering the phone. The Dart Difference here is our last customer of the day gets the same customer service as the first customer of the day.
—Diana Ebare, Customer Service Center

I feel a sense of accomplishment each time a customer leaves with a smile.
—Gretchen Warner, Customer Service Representative, Holt

I believe that I make The Dart Difference because I take my time and listen to my customers' needs, to make them feel comfortable.
—Deb Fedewa, Customer Service Representative, Holt

I go the extra mile to ensure my customers' experience with Dart Bank is a great experience and that they will tell others about it.
—Trina Austin, Assistant Manager, Holt Office

By learning about the customer (their history/stories) that have helped them achieve their goals, allows me to understand them, helps me to build trust and a great relationship. This, to me, is the foundation of customer service.
—Miranda Cloud, Customer Service Representative

Five-Year Comparative Balance Sheets

	As of December 31,				
Assets	2008	2007	2006	2005	2004
Cash and due from banks	$ 4,909,218	$ 4,284,852	$ 6,298,695	$ 6,126,503	$ 6,317,780
Federal funds sold	7,166,099	867,385	6,236,975	5,989,026	6,437,000
Cash and cash equivalents	12,075,317	5,152,237	12,535,670	12,115,529	12,754,780
Interest-bearing deposits	3,859,549	4,254,749	4,759,890	3,672,119	994,485
Investment securities	49,998,254	47,007,182	54,525,455	57,055,257	54,585,664
Federal Home Loan Bank stock	1,305,000	765,900	765,900	770,700	754,800
Net loans	186,624,645	171,604,594	148,078,954	135,489,709	137,783,300
Premises and equipment, net	4,886,299	4,798,834	4,742,780	4,887,563	3,901,995
Accrued interest receivable	1,204,076	1,214,897	1,133,872	1,028,221	997,758
Foreclosed and repossessed assets	89,700	345,226	502,800	830,954	706,506
Bank-owned life insurance	5,270,881	3,641,400	–	–	–
Other assets	1,392,077	1,049,443	980,858	1,321,354	1,203,794
	$ 266,705,798	$ 239,834,462	$ 228,026,179	$ 217,171,406	$ 213,683,082
Liabilities and Shareholders' Equity					
Deposits					
Interest-bearing	$ 186,377,318	$ 175,157,715	$ 173,904,503	$ 162,867,332	$ 160,226,486
Noninterest-bearing	29,196,922	29,023,918	28,817,781	28,810,011	27,754,176
	215,574,240	204,181,633	202,722,284	191,677,343	187,980,662
FHLB advances	26,100,000	11,100,000	1,100,000	2,100,000	2,100,000
Accrued interest payable	566,422	723,497	713,313	567,274	503,583
Deferred compensation	341,910	384,819	406,691	411,651	415,338
Other liabilities	322,313	333,209	344,769	427,609	540,315
	242,904,885	216,723,158	205,287,057	195,183,877	191,539,898
Shareholders' equity					
Common stock	17,000,000	17,000,000	17,000,000	17,000,000	17,000,000
Retained earnings	6,423,506	6,138,577	6,017,256	5,154,972	4,486,226
Accumulated other comprehensive income (loss)	377,407	(27,273)	(278,134)	(167,443)	656,958
	23,800,913	23,111,304	22,739,122	21,987,529	22,143,184
Total liabilities and shareholders' equity	$ 266,705,798	$ 239,834,462	$ 228,026,179	$ 217,171,406	$ 213,683,082

	Years Ended December 31,				
Interest and dividend income	2008	2007	2006	2005	2004
Loans, including fees	$12,121,214	$11,539,619	$10,219,867	$ 9,267,563	$ 9,053,299
Investment securities	2,191,921	2,514,460	2,596,323	2,549,557	2,622,073
Federal funds sold and other	241,406	476,864	336,080	343,085	108,901
	14,554,541	14,530,943	13,152,270	12,160,205	11,784,273
Interest expense					
Deposits	5,858,200	6,834,067	5,669,805	4,631,101	3,960,196
FHLB advances and other	746,300	299,696	62,373	60,744	62,347
	6,604,500	7,133,763	5,732,178	4,691,845	4,022,543
Net interest income	7,950,041	7,397,180	7,420,092	7,468,360	7,761,730
Provision for (reduction of provision for) loan losses	1,457,685	595,710	(476,685)	123,280	647,749
Net interest income after provision for loan losses	6,492,356	6,801,470	7,896,777	7,345,080	7,113,981
Noninterest income	1,694,516	1,384,515	1,183,474	1,124,095	901,649
Noninterest expense					
Compensation and benefits	3,634,680	3,592,009	3,529,286	3,342,030	3,074,338
Occupancy and equipment	891,180	934,693	1,031,648	879,799	767,716
Office supplies	164,230	207,043	147,021	183,500	149,750
Charitable contributions	95,371	85,698	94,095	100,432	110,600
Other	1,791,482	1,689,221	1,666,917	1,657,668	1,282,391
	6,576,943	6,508,664	6,468,967	6,163,429	5,384,795
Income before federal income taxes	1,609,929	1,677,321	2,611,284	2,305,746	2,630,835
Federal income taxes	305,000	356,000	639,000	557,000	670,000
Net income	$ 1,304,929	$ 1,321,321	$ 1,972,284	$ 1,748,746	$ 1,960,835

Rehmann

Rehmann Robson
675 Robinson Rd.
Jackson, MI 49203
Ph: 517.787.6503
Fx: 517.788.8111
www.rehmann.com

INDEPENDENT AUDITORS' REPORT

February 19, 2009

Shareholders and Board of Directors
Dart Financial Corporation
Mason, Michigan

We have audited the accompanying consolidated balance sheets of ***Dart Financial Corporation*** as of December 31, 2008 and 2007, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ***Dart Financial Corporation*** as of December 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Rehmann Robson

NEXIA INTERNATIONAL

CPAs • Business Consultants • Financial Advisors

ASSETS	December 31, 2008	December 31, 2007
Cash and due from banks	$ 4,909,218	$ 4,284,852
Federal funds sold	7,166,099	867,385
Cash and cash equivalents	**12,075,317**	**5,152,237**
Interest-bearing deposits	3,859,549	4,254,749
Investment securities:		
Available-for-sale, at estimated fair value	48,345,810	44,241,294
Held-to-maturity (estimated fair value of $1,702,865 at December 31, 2008 and 2,821,323 at December 31, 2007)	1,652,444	2,765,888
Federal Home Loan Bank stock, at cost	1,305,000	765,900
Net loans	186,624,645	171,604,594
Premises and equipment, net	4,886,299	4,798,834
Accrued interest receivable	1,204,076	1,214,897
Foreclosed and repossessed assets	89,700	345,226
Bank-owned life insurance	5,270,881	3,641,400
Other assets	1,392,077	1,049,443
Total assets	**$ 266,705,798**	**$ 239,834,462**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Interest bearing	$ 186,377,318	$ 175,157,715
Noninterest bearing	29,196,922	29,023,918
Total deposits	**215,574,240**	**204,181,633**
FHLB advances	26,100,000	11,100,000
Accrued interest payable	566,422	723,497
Deferred compensation	341,910	384,819
Other liabilities	322,313	333,209
Total liabilities	**242,904,885**	**216,723,158**
Commitments and contingencies (Notes 14, 15, 16, and 17)		
Shareholders' equity		
Common stock, issued without par; 1,000,000 shares authorized, 600,000 shares issued and outstanding	17,000,000	17,000,000
Retained earnings	6,423,506	6,138,577
Accumulated other comprehensive income (loss)	377,407	(27,273)
Total shareholders' equity	**23,800,913**	**23,111,304**
Total liabilities and shareholders' equity	**$ 266,705,798**	**$ 239,834,462**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Income

	Year Ended December 31,	
	2008	**2007**
Interest income		
Loans, including fees	$12,121,214	$11,539,619
Investment securities	2,191,921	2,514,460
Federal funds sold and other	241,406	476,864
Total interest income	**14,554,541**	**14,530,943**
Interest expense		
Interest expense on deposits	5,858,200	6,834,067
Interest expense on FHLB advances and other	746,300	299,696
Total interest expense	**6,604,500**	**7,133,763**
Net interest income	**7,950,041**	**7,397,180**
Provision for loan losses	1,457,685	595,710
Net interest income after provision for loan losses	**6,492,356**	**6,801,470**
Noninterest income	**1,694,516**	**1,384,515**
Noninterest expenses		
Compensation and benefits	3,634,680	3,592,009
Occupancy and equipment	891,180	934,693
Office supplies	164,230	207,043
Charitable contributions	95,371	85,698
Other	1,791,482	1,689,221
Total noninterest expenses	**6,576,943**	**6,508,664**
Income before federal income taxes	**1,609,929**	**1,677,321**
Federal income taxes	305,000	356,000
Net income	**$ 1,304,929**	**$ 1,321,321**
Net income per basic share of common stock	**$ 2.17**	**$ 2.20**

The accompanying notes are an integral part of these consolidated financial statements.

	Year Ended December 31, 2008	2007
Unrealized holding gains on available-for-sale securities arising during the year	$ 613,165	$ 387,919
Reclassification adjustment for realized gains included in net income	-	(7,841)
Other comprehensive income before federal income taxes	613,165	380,078
Deferred federal income taxes related to other comprehensive income	(208,485)	(129,217)
Other comprehensive income	404,680	250,861
Net income	1,304,929	1,321,321
Comprehensive income	**$ 1,709,609**	**$ 1,572,182**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

	Common Stock (Note 20)	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balances, January 1, 2007	**$ 17,000,000**	**$ 6,017,256**	**$ (278,134)**	**$ 22,739,122**
Comprehensive income	-	1,321,321	250,861	1,572,182
Cash dividends ($2.00 per share)	-	(1,200,000)	-	(1,200,000)
Balances, December 31, 2007	**17,000,000**	**6,138,577**	**(27,273)**	**23,111,304**
Comprehensive income	-	1,304,929	404,680	1,709,609
Cash dividends ($1.70 per share)	-	(1,020,000)	-	(1,020,000)
Balances, December 31, 2008	**$ 17,000,000**	**$ 6,423,506**	**$ 377,407**	**$ 23,800,913**

The accompanying notes are an integral part of these consolidated financial statements.

	Year Ended December 31, 2008	2007
Cash flows from operating activities		
Net income	$ 1,304,929	$ 1,321,321
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	465,718	416,175
Provision for loan losses	1,457,685	595,710
Increase in cash surrender value of BOLI	(229,481)	(41,400)
Deferred federal income tax benefit	(263,000)	(156,000)
Gain on sales of investments	-	(7,841)
Gain on sales of loans	(35,051)	(9,263)
Proceeds from sales of loans	5,445,584	1,360,036
Loss on disposals of property and equipment	-	3,932
Loss on sale of foreclosed assets	5,270	45,089
Net amortization of premiums on investments	65,799	79,795
Changes in operating assets and liabilities which (used) provided cash		
Accrued interest receivable and other assets	(422,111)	(218,642)
Accrued interest payable and other liabilities	(210,880)	(23,248)
Net cash provided by operating activities	**7,584,462**	**3,365,664**
Cash flows from investing activities		
Activity in available-for-sale securities		
Purchases	(18,361,933)	(6,492,386)
Sales, maturities, calls, and prepayments	14,804,930	13,782,458
Maturities, calls, and prepayments of held-to-maturity securities	1,113,296	536,325
Purchase of bank-owned life insurance	(1,400,000)	(3,600,000)
Net change in interest-bearing deposits	395,200	505,141
Loan principal originations and collections, net	(22,019,969)	(25,715,434)
Purchases and construction of premises and equipment	(408,369)	(380,346)
Proceeds from sales of foreclosed assets	381,956	355,796
Purchases of FHLB stock	(539,100)	-
Net cash used in investing activities	**(26,033,989)**	**(21,008,446)**
Cash flows from financing activities		
Acceptances and withdrawals of deposits, net	11,392,607	1,459,349
Proceeds from FHLB advances	15,000,000	13,000,000
Repayments of FHLB advances	-	(3,000,000)
Dividends paid	(1,020,000)	(1,200,000)
Net cash provided by financing activities	**25,372,607**	**10,259,349**
Net increase (decrease) in cash and cash equivalents	**6,923,080**	**(7,383,433)**
Cash and cash equivalents, beginning of year	5,152,237	12,535,670
Cash and cash equivalents, end of year	**$ 12,075,317**	**$ 5,152,237**

The accompanying notes are an integral part of these consolidated financial statements.

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business and Concentrations of Risk

The consolidated financial statements include the accounts of Dart Financial Corporation, a registered bank holding company (the "Corporation"), and its wholly-owned subsidiary The Dart Bank (the "Bank") (see Note 20) and the Bank's subsidiaries, The Dart Mortgage Company, LLC and TDB Services, Inc. The Dart Mortgage Company, LLC is a mortgage banking company which is 99% owned by the Bank and 1% owned by TDB Services, Inc. TDB Services, Inc. is owned 100% by the Bank and its only business activity is its 1% ownership in The Dart Mortgage Company, LLC. All significant intercompany balances and transactions have been eliminated in consolidation.

The Bank is an independently-owned community bank engaged in the business of retail and commercial banking services through its three full-service offices located in Mason, Holt, and Grand Ledge. Active competition, principally from other commercial banks, savings banks, and credit unions, exists in all of the Bank's primary markets. The Bank's results of operations can be significantly affected by changes in interest rates or changes in the automotive and agricultural industries which comprise a significant portion of the local economic environment.

The Bank's primary deposit products are interest and noninterest bearing checking accounts, savings accounts, and time deposits, and its primary lending products are real estate mortgages and commercial and consumer loans. Note 3 further describes the types of lending in which the Bank engages and Note 7 provides additional information on deposits. Note 2 describes the types of securities in which the Bank invests. The Bank does not have any significant concentrations to any one industry, customer, or depositor.

The Bank is a state chartered bank and is a member of the Federal Deposit Insurance Corporation ("FDIC") Bank Insurance Fund. The Bank is subject to the regulations and supervision of the FDIC and state regulators and undergoes periodic examinations by these regulatory authorities. The Corporation (see Note 20) is further subject to regulations of the Federal Reserve Board governing bank holding companies.

Summary of Significant Accounting Policies

Accounting policies used in preparation of the accompanying consolidated financial statements conform to predominant banking industry practices and are based on generally accepted accounting principles. The principles which materially affect the determination of the financial position or results of operations of the Corporation and its subsidiaries are summarized below.

Use of Estimates

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated balance sheet and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relates to the determination of the allowance for loan losses and the fair values of certain investment securities.

Fair Value Measurements

On January 1, 2008, the Corporation adopted Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurement* ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States, and enhances disclosures about fair value measurements. The Corporation elected to delay the application of SFAS 157 to nonfinancial assets and nonfinancial liabilities, as allowed by Financial Accounting Standards Board ("FASB") Staff Position ("FSP") SFAS 157-2. FSP SFAS 157-3 clarifies the application of SFAS 157 in a market that is not active. SFAS 157 (as amended) applies whenever other financial reporting standards require (or permit) assets or liabilities to be measured at fair value and, therefore, does not expand the use of fair value in any new circumstances. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction (i.e., not a forced transaction, such as a liquidation or distressed sale) between market participants at the measurement date. SFAS 157 (as amended) clarifies that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. SFAS 157 (as amended) requires fair value measurements to be separately disclosed by level within the fair value hierarchy. For assets and liabilities recorded at fair value, it is the Corporation's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements for those financial instruments for which there is an active market. In cases where the market for a financial asset or liability is not active, the Corporation includes appropriate risk adjustments that market participants would make for nonperformance and liquidity risks when developing fair value measurements. Fair value measurements for assets and liabilities for which limited or no observable market data exists are accordingly based primarily upon estimates, are often calculated based on the economic and competitive environment, the characteristics of the asset or liability and other factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the results of current or future values. The initial adoption of SFAS 157 did not have any impact on the Corporation's consolidated financial position or results of operations. For a further discussion of SFAS 157, refer to Note 18 to the consolidated financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts due from banks, and federal funds sold. Generally, federal funds are sold for a one-day period. The Bank maintains deposit accounts in various financial institutions which generally exceed FDIC insured limits or are not insured.

Interest-Bearing Deposits

Interest-bearing deposits in banks represent certificates of deposit that mature within 5 years and are carried at cost.

Investment Securities

Securities that the Bank has the positive intent and ability to hold to maturity are classified as "held-to-maturity" and recorded at amortized cost. All other securities are classified as "available-for-sale" and recorded at fair value, with unrealized gains and losses, net of the effect of deferred income taxes, excluded from earnings and reported as a net amount in other comprehensive income.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other-than-temporary are reflected in earnings as realized losses. In determining whether other-than-temporary impairment exists, management considers several factors, including 1) the length of time and extent to which fair value has been less than cost, 2) the financial condition and near-term prospects of the issuer, and 3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for anticipated recovery in fair value. Gains or losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Restricted Investments

The Bank is a member of the Federal Home Loan Bank System and is required to invest in capital stock of the Federal Home Loan Bank of Indianapolis ("FHLB"). The amount of the required investment is based upon the balance of the Bank's outstanding home mortgage loans or advances from the Federal Home Loan Bank and is carried at cost plus the value assigned to stock dividends.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is determined to be surrendered when 1) the assets have been isolated from the Bank, 2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and 3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Loans and Related Income

Loans that the Bank has the positive intent and ability to hold for the foreseeable future or until maturity or pay-off are generally reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loan losses, and any unamortized deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct loan origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

The accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Personal loans are typically charged off no later than 120 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on non-accrual or charged-off at an earlier date if collection of principal and interest is considered doubtful.

All interest accrued in the current year but not collected for loans that are placed on non-accrual or charged-off status is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured. For impaired loans not classified as nonaccrual, interest income continues to be accrued over the term of the loan based on the principal amount outstanding.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectability of the loan balance is confirmed. Subsequent recoveries, if any, are generally credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific, general, and unallocated components. The specific component relates to loans that are classified as doubtful, substandard, or special mention. For such loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is generally maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Bank does not separately identify individual consumer and residential loans for impairment disclosures, unless such loans are the subject of a restructuring agreement.

Loan Servicing

Servicing assets are recognized as separate assets when mortgaging servicing rights are acquired through purchase or through sale of financial assets. Generally, purchased servicing rights are capitalized at the cost to acquire the rights. For sales of mortgage loans, a portion of the cost of originating the loan is allocated to the servicing right based on relative fair value. Fair value is estimated based generally on market prices for comparable mortgage servicing contracts, when available. Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Servicing assets or liabilities are amortized in proportion to and over the period of net servicing income or net servicing loss and are assessed for impairment or increased obligation based on fair value of rights compared to amortized cost at each reporting date. Impairment is determined by stratifying rights into tranches based on predominant risk characteristics, such as interest rate, loan type, and investor type. Impairment is recognized through a valuation allowance for an individual tranche, to the extent that fair value is less than the capitalized amount for the tranche. If the Bank later determines that all or a portion of the impairment no longer exists for a particular tranche, a reduction of the allowance may be recorded as an increase to income. Capitalized servicing rights are reported in other assets on the consolidated balance sheets.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income.

Foreclosed and Repossessed Assets

Assets acquired through, or in lieu of, loan foreclosure or repossession are held for sale and are initially recorded at fair value at the date of transfer, establishing a new cost basis. Subsequent to foreclosure or repossession, valuations are periodically performed by management and the assets are carried at the lower of the carrying amount or fair value less costs to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net expenses from foreclosed assets.

Premises and Equipment

Land is carried at cost. Buildings and equipment are carried at cost, less accumulated depreciation. Depreciation is computed principally by the straight-line method based upon the useful lives of the related assets which generally range from 3 to 40 years. Maintenance, repairs, and minor alterations are charged to current operations as expenditures occur and major improvements are capitalized.

Bank-Owned Life Insurance

Effective October 2007 and February 2008, the Bank purchased insurance policies on the lives of certain key officers. Bank-owned life insurance is reported at its cash surrender value, or the amount that can be realized, as of the date of the consolidated balance sheets (see Note 11).

Off-Balance-Sheet Credit-Related Financial Instruments

In the ordinary course of business, the Bank enters into commitments to extend credit, including commitments under commercial letters of credit and standby letters of credit. Such financial instruments are considered to be guarantees; however, as the amount of the liability related to such guarantees on the commitment date is considered insignificant, these commitments are generally recorded only when they are funded.

Income Taxes

Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the federal income tax effects of the temporary differences between the book and tax bases of various assets and liabilities and gives current recognition to changes in federal income tax rates and laws.

Net Income Per Share

Net income per basic share of common stock represents income available to common stockholders divided by the weighted-average number of common shares outstanding, which was 600,000 shares during each year.

2. INVESTMENT SECURITIES

The amortized cost and fair value of non-trading investment securities, including gross unrealized gains and losses, are as follows as of December 31:

2008	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale				
Government-sponsored enterprises	$ 11,704,456	$ 158,012	$ 2,345	$11,860,123
State and municipal	19,008,798	251,170	108,498	19,151,470
Mortgage-backed securities	17,059,719	294,689	20,191	17,334,217
Total available-for-sale	**47,772,973**	**703,871**	**131,034**	**48,345,810**
Held-to-Maturity				
State and municipal	1,465,946	44,588	-	1,510,534
Mortgage-backed securities	186,498	5,966	133	192,331
Total held-to-maturity	**1,652,444**	**50,554**	**133**	**1,702,865**
Total	**$ 49,425,417**	**$ 754,425**	**$131,167**	**$50,048,675**

2007	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale				
Government-sponsored enterprises	$ 13,861,306	$ 46,026	$ 33,971	$ 13,873,361
Corporate bonds	250,133	3,416	-	253,549
State and municipal	12,294,207	101,864	81,744	12,314,327
Mortgage-backed securities	17,875,976	62,384	138,303	17,800,057
Total available-for-sale	**44,281,622**	**213,690**	**254,018**	**44,241,294**
Held-to-Maturity				
State and municipal	2,514,050	48,396	-	2,562,446
Mortgage-backed securities	251,838	7,204	165	258,877
Total held-to-maturity	2,765,888	55,600	165	2,821,323
Total	**$ 47,047,510**	**$ 269,290**	**$254,183**	**$ 47,062,617**

Investment securities with carrying values of approximately $26,754,000 and $17,562,000 at December 31, 2008 and 2007, respectively, were pledged to secure public deposits or for other purposes as permitted or required by law.

The amortized cost and fair values of available-for-sale securities and held-to-maturity securities by contractual maturity at December 31, 2008 is summarized as follows:

	Amortized Cost	Fair Value
Available-for-Sale		
Due in one year or less	$ -	$ -
Due after one year through five years	3,126,779	3,231,077
Due after five years through ten years	7,971,452	8,000,732
Due after ten years	19,615,023	19,779,784
Subtotal	30,713,254	31,011,593
Mortgage-backed securities	17,059,719	17,334,217
Total	**$47,772,973**	**$48,345,810**

	Amortized Cost	Fair Value
Held-to-Maturity		
Due in one year or less	$ 511,946	$ 517,738
Due after one year through five years	288,000	301,567
Due after five years through ten years	481,000	501,061
Due after ten years	185,000	190,168
Subtotal	1,465,946	1,510,534
Mortgage-backed securities	186,498	192,331
Total	**$ 1,652,444**	**$ 1,702,865**

Because of their variable payments, mortgage-backed securities are not reported by a specific maturity group. Proceeds from sales of available-for-sale securities amounted to $ -0- and $2,191,099 in 2008 and 2007, respectively. Gross realized gains amounted to $ -0- and $7,841 in 2008 and 2007, respectively. There were no gross realized losses during either year.

Management evaluates investment securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to, among other factors, (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the positive intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Information pertaining to securities with unrealized losses aggregated by investment category and the length of time that individual securities have been in a continuous loss position is summarized as follows at December 31:

	Less Than Twelve Months		Over Twelve Months		
2008	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Total Unrealized Losses
Securities available-for-sale					
Government-sponsored enterprises	$ 2,345	$ 1,565,890	$ -	$ -	$ 2,345
State and municipal	81,710	4,645,149	26,788	470,506	108,498
Mortgage-backed securities	16,341	2,088,092	3,850	913,640	20,191
Total securities available-for-sale	**$ 100,396**	**$ 8,229,131**	**$ 30,638**	**$ 1,384,146**	**$ 131,034**

2008	Less Than Twelve Months Unrealized Losses	Less Than Twelve Months Fair Value	Over Twelve Months Unrealized Losses	Over Twelve Months Fair Value	Total Unrealized Losses
Securities held-to-maturity					
Mortgage-backed securities	$ 133	$ 73,595	$ -	$ -	$ 133
2007					
Securities available-for-sale					
Government-sponsored enterprises	$ 2,847	$ 4,035,120	$ 31,124	$ 3,169,201	$ 33,971
State and municipal	38,813	3,124,080	42,931	1,497,397	81,744
Mortgage-backed securities	-	-	138,303	11,545,145	138,303
Total securities available-for-sale	**$ 41,660**	**$ 7,159,200**	**$ 212,358**	**$ 16,211,743**	**$ 254,018**
Securities held-to-maturity					
Mortgage-backed securities	$ 165	$ 35,327	$ -	$ -	$ 165

At December 31, 2008, the Bank had two debt securities in a position of unrealized losses with aggregate depreciation of 5% or more of the Bank's amortized cost basis. The Bank has the positive intent and ability to hold these available-for-sale investment securities until maturity or forecasted market recovery, and full collection of amounts due according to the contractual terms of the debt is expected by management; therefore, the Bank does not consider these investments to be other-than-temporarily impaired at December 31, 2008.

3. LOANS

The Bank grants commercial, consumer, and residential mortgage loans to customers primarily in certain South Central Michigan counties, principally Ingham, Eaton, and Clinton. The ability of the Bank's debtors to honor their contracts is generally dependent upon the real estate and general economic conditions in this area. While substantially all of the consumer and residential loans are secured by various forms of collateral including real estate and consumer property, with commercial loans secured primarily by business assets and personal guarantees, borrower cash flow is the primary source of repayment. A small portion of loans are unsecured.

Major loan classifications are summarized as follows as of December 31:

	2008	2007
Mortgage loans on real estate		
Residential 1-4 family	$ 66,142,586	$ 65,546,381
Commercial	88,054,375	68,354,369
Construction	5,192,710	8,342,577
Equity lines of credit	3,149,301	5,065,963
Total mortgage loans on real estate	162,538,972	147,309,290
Commercial	18,987,651	18,723,838
Consumer installment loans	7,671,392	7,395,532
Total loans	189,198,015	173,428,660
Less		
Allowance for loan losses	2,550,000	1,800,000
Net deferred loan origination fees	23,370	24,066
Net loans	**$186,624,645**	**$171,604,594**

At December 31, 2008 scheduled maturities of loans with fixed rates of interest are summarized as follows:

One year or less	$ 18,329,165
One to five years	95,911,533
Over five years	46,914,113
Total	**$161,154,811**

Variable rate loans of $28,043,204 reprice annually or more frequently.

The following is a summary of information pertaining to impaired and non-accrual loans as of December 31 or for the year then ended:

	2008	2007
Impaired loans:		
Total impaired loans with a valuation allowance	$ 2,190,427	$ 1,167,097
Valuation allowance related to impaired loans	$ 611,035	$ 274,106
Average investment in impaired loans	$ 2,475,251	$ 528,674
Interest income recognized on impaired loans	$ 118,208	$ 84,995
Interest income recognized on a cash basis on impaired loans	$ 97,750	$ 87,366
Nonperforming loans:		
Loans on nonaccrual status	$ 4,117,183	$ 1,265,576
Loans past due over 90 days still on accrual	$ -	$ 495,741

No additional funds were committed to be advanced in connection with impaired loans.

Nonperforming loans include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

4. ALLOWANCE FOR LOAN LOSSES

The following is a summary of the changes in the allowance for loan losses during the years ended December 31:

	2008	2007
Balance, beginning of year	**$ 1,800,000**	**$ 1,700,000**
Loans charged off	(794,409)	(587,124)
Recoveries	86,724	91,414
Net charge offs	(707,685)	(495,710)
Provision for loan losses	1,457,685	595,710
Balance, end of year	**$ 2,550,000**	**$ 1,800,000**

5. LOAN SERVICING

The Bank services loans for others which generally consists of collecting mortgage payments, maintaining escrow accounts, disbursing payments to investors and taxing authorities, and processing foreclosures. Loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of mortgages and other loans serviced for others were approximately $19,625,000 and $15,974,000 at December 31, 2008 and 2007, respectively.

The net carrying values of mortgage servicing rights were approximately $95,000 and $86,000 at December 31, 2008 and 2007, respectively. The activity pertaining to mortgage servicing rights was not significant during 2008 or 2007.

6. PREMISES AND EQUIPMENT

A summary of the cost and accumulated depreciation of premises and equipment is as follows at December 31:

	2008	2007
Land and improvements	$ 2,002,710	$ 1,890,441
Buildings and improvements	3,935,986	3,797,035
Furniture and equipment	3,070,761	2,966,181
Total premises and equipment	9,009,457	8,653,657
Less accumulated depreciation	4,123,158	3,854,823
Premises and equipment, net	**$ 4,886,299**	**$ 4,798,834**

Depreciation expense amounted to $320,904 and $320,360 in 2008 and 2007, respectively.

7. DEPOSITS

The following is a summary of the distribution of deposits at December 31:

	2008	2007
Interest bearing		
NOW accounts	$ 15,159,079	$ 13,738,114
Savings	55,460,262	47,363,399
Time, $100,000 and over	52,265,421	50,571,283
Other time	63,492,556	63,484,919
Total interest bearing	186,377,318	175,157,715
Noninterest bearing demand	29,196,922	29,023,918
Total deposits	**$215,574,240**	**$204,181,633**

Interest expense on time deposits issued in denominations of $100,000 or more was $2,183,216 and $2,445,081 in 2008 and 2007, respectively.

Scheduled maturities of time deposits for each of the five years succeeding December 31, 2008 and thereafter are summarized as follows:

2009	$ 57,197,489
2010	29,272,189
2011	10,230,272
2012	8,582,728
2013	10,321,880
Thereafter	153,419
Total	**$115,757,977**

8. FHLB ADVANCES

Federal Home Loan Bank advances are collateralized by a blanket lien on all qualified 1-to-4 family whole mortgage loans and U.S. government agency securities with combined carrying values of approximately $55,248,000 and $16,471,000 at December 31, 2008 and 2007, respectively. During 2008, the Bank increased the amount of collateral pledged to the FHLB to increase the Bank's borrowing limit to create the possibility of additional liquidity. Required principal payments are $1,000,000 in 2009, $5,000,000 in 2010, $8,000,000 in 2011, $5,000,000 in 2012, $7,000,000 in 2013, and $100,000 in 2021. Interest is charged on these advances at fixed annual rates ranging from 2.74% to 4.92%. At December 31, 2008, the Bank also had $7,000,000 in borrowing availability under short-term lines of credit.

9. FEDERAL INCOME TAXES

The provision for federal income taxes consists of the following components for the years ended December 31:

	2008	2007
Currently payable	$ 568,000	$ 512,000
Deferred benefit	(263,000)	(156,000)
Total provision	**$ 305,000**	**$ 356,000**

A reconciliation of the provision for federal income taxes and the amount computed by applying the statutory federal income tax rates to income before federal income taxes is as follows for the years ended December 31:

	2008	2007
Income taxes at statutory rate	$ 547,000	$ 570,000
Effect of tax-exempt interest income	(225,000)	(245,000)
Effect of nondeductible interest expense	31,000	43,000
Other reconciling amounts	(48,000)	(12,000)
Income taxes reported	**$ 305,000**	**$ 356,000**

The components of the net deferred tax asset included within other assets resulted from the following temporary differences between the carrying amounts of assets and liabilities for federal income tax and financial reporting purposes as of December 31:

	2008	2007
Deferred tax assets:		
Allowance for loan losses	$ 697,701	$ 417,881
Deferred compensation	116,249	130,838
Unrealized loss on available-for-sale securities	-	13,712
Other	156,279	89,025
Total deferred tax assets	**970,229**	**651,456**
Deferred tax liabilities:		
Premises and equipment	(320,788)	(259,398)
Mortgage servicing rights	(32,096)	(29,297)
Prepaid expenses	(40,854)	(35,558)
FHLB stock	(25,645)	(25,645)
Unrealized gain on available-for-sale securities	(194,765)	-
Total deferred tax liabilities	**(614,148)**	**(349,898)**
Net deferred tax asset	**$ 356,081**	**$ 301,558**

In July 2006, the Financial Accounting Standards Board issued Interpretation No, 48, *Accounting for Uncertainty in Income Taxes* ("FIN No. 48"), an interpretation of Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*. FIN No. 48 seeks to reduce the significant diversity in practice associated with financial statement recognition and measurement in accounting for income taxes and prescribes a recognition threshold and measurement attribute for disclosure of tax positions taken or expected to be taken on an income tax return, in order for those tax provisions to be recognized in the Bank's financial statements. The adoption of FIN No. 48 in 2007 had no effect on the Corporation's financial statements for either 2008 or 2007.

The Corporation and its subsidiaries are subject to U.S. federal income tax. The Corporation is no longer subject to examination by taxing authorities for years before 2005. The Corporation does not expect the total amount of unrecognized tax benefits to significantly increase in the next twelve months.

The Corporation recognizes interest and/or penalties related to income tax matters in income tax expense. The Corporation does not have any amounts accrued for interest and penalties at December 31, 2008 and is not aware of any claims for such amounts by federal income tax authorities.

10. NONINTEREST INCOME

Noninterest income consists of the following amounts for the years ended December 31:

	2008	2007
Fees and service charges	$ 1,236,010	$ 1,155,175
Gain on loans sold	35,051	9,263
Other	423,455	220,077
Total noninterest income	**$ 1,694,516**	**$ 1,384,515**

11. EMPLOYEE BENEFIT PLANS

Profit Sharing

The Bank sponsors a profit sharing plan covering employees who work 1,000 or more hours per year, have one or more years of continuous service, and who are 21 or older. Contributions to the plan are based on a percentage of eligible salaries, limited to the amount deductible for federal income tax purposes. Contributions to the profit sharing plan are determined annually by the Board of Directors. The cost of the plan was $122,000 and $119,000 in 2008 and 2007, respectively.

Deferred Compensation

The Bank also maintains two executive deferred compensation plans for certain officers and directors. The first plan includes participants that elected to defer compensation over eight years in exchange for a predetermined benefit after retirement. During 2003, a second plan was implemented to fund a defined contribution for selected employees at the discretion of the Board of Directors. Plan expenses are allocated over years of service or based upon the current amount of the defined contributions. Expense for these plans was approximately $22,000 and $24,000 in 2008 and 2007, respectively.

Bank-Owned Life Insurance

Effective October 2007, the Bank invested $3,600,000 in a single premium, bank-owned, endorsement split-dollar, whole life insurance program. Effective February 2008, the Bank invested $1,400,000 in a separate single premium, bank-owned, endorsement split-dollar, whole life insurance program. Bank-owned life insurance is an alternative investment vehicle, generally non-liquid, which may produce additional earnings to offset, and later fund, various employee supplemental benefit expenses. The cash surrender value of these policies were approximately $5,271,000 and $3,641,000 at December 31, 2008 and 2007, respectively. The earnings on the policies are not taxed unless withdrawn or surrendered prior to the death of the insured. The increase in cash surrender value of the policies, which was approximately $229,000 and $41,000 in 2008 and 2007, respectively, is included in noninterest income in the accompanying consolidated statements of income.

As of December 31, 2008, the nature and amount of benefits promised by the Bank to the covered officers had not yet been finalized. If determined to be necessary based on the nature and amount of benefits promised by the Bank (once finalized), an accrued liability would begin to be recorded effective the later of the date the employee benefits are specified, or January 1, 2009.

12. RELATED PARTY TRANSACTIONS

Loans

In the ordinary course of business, the Bank grants loans to certain directors and executive officers and their affiliates. Annual activity approximated the following amounts during the years ended December 31:

	2008	2007
Beginning balance, January 1	$ 1,865,000	$ 1,324,000
New loans	238,000	1,682,000
Repayments	(332,000)	(1,141,000)
Ending balance, December 31	**$ 1,771,000**	**$ 1,865,000**

Deposits

Deposits of Bank directors and executive officers and their affiliates were approximately $1,621,000 and $1,743,000 at December 31, 2008 and 2007, respectively.

Leases

Through mid-2007, the Bank leased operational office space from a Director of the Corporation. Rent expense was $ -0- and $18,205 in 2008 and 2007, respectively.

The Bank rents storage space on a month-to-month basis from another Director of the Corporation for approximately $4,000 annually.

13. SUPPLEMENTAL CASH FLOWS INFORMATION

Non-Cash Investing Activities

During 2008 and 2007 collateral was foreclosed and repossessed related to loans receivable of approximately $132,000 and $243,000, respectively, which amounts were then transferred to foreclosed and repossessed assets.

Other Cash Flows Information

Cash paid for interest and federal income taxes amounted to the following during the years ended December 31:

	2008	2007
Interest	$ 6,761,575	$ 7,123,579
Federal income taxes	$ 775,441	$ 545,800

14. OFF-BALANCE SHEET ACTIVITIES

Credit-Related Financial Instruments

The Bank is a party to credit related financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit, and commercial letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. The Bank's exposure to credit loss is represented by the contractual amount of these commitments. The Bank follows the same credit policy in making commitments, including collateral, as it does for on-balance sheet instruments; no significant losses are anticipated as a result of these commitments.

At December 31, 2008 and 2007, the following financial instruments were outstanding whose contract amounts represent credit risk:

	Contract Amount	
	2008	2007
Unfunded commitments under lines of credit	$ 19,133,778	$ 21,061,032
Commitments to grant loans	9,415,145	11,408,691
Commitments under overdraft protection agreements	3,405,379	3,449,314
Commercial and standby letters of credit	158,364	154,400

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Bank, is based on management's credit evaluation of the customer.

Unfunded commitments under commercial lines-of-credit, revolving credit lines, and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines-of-credit are generally uncollateralized and usually contain a specified maturity date and may not be drawn upon to the total extent to which the Bank is committed.

Commercial and standby letters-of-credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those letters-of-credit are primarily issued to support public and private borrowing arrangements. Essentially all letters-of-credit issued have expiration dates within one year. The credit risk involved in issuing letters-of-credit is essentially the same as that involved in extending loan facilities to customers. The Bank generally holds collateral supporting those commitments if deemed necessary and at December 31, 2008 and 2007 such collateral amounted to approximately $201,000 and $180,000, respectively. Guarantees that are not derivative contracts are recorded on the Bank's consolidated balance sheet at their fair value at inception. The Bank considers standby letters of credit to be guarantees; however, since the amount of the estimated liability related to such guarantees on the commitment date is not significant, a liability related to such guarantees is not recognized at December 31, 2008.

15. ON BALANCE SHEET DERIVATIVE INSTRUMENTS

Interest Rate Risk Management – Derivative Instruments not Designated as Hedging Instruments

Certain derivative instruments do not, or are not designated to, meet Statement of Financial Accounting Standards No. 133 hedging requirements. These undesignated derivative instruments are recognized on the consolidated balance sheet at fair value, with changes in fair value recorded in other noninterest income.

Derivative Loan Commitments

Mortgage loan commitments are referred to as derivative loan commitments if the loan that will result from exercise of the commitment will be held for sale upon funding. The Bank enters into commitments to fund residential mortgage loans at specified times in the future, with the intention that these loans will subsequently be sold in the secondary market. A mortgage loan commitment binds the Bank to lend funds to a potential borrower at a specified interest rate and within a specified period of time, generally up to 60 days after inception of the rate-lock.

Outstanding derivative loan commitments expose the Bank to the risk that the price of the loans arising from exercise of the loan commitment might decline from inception of the rate lock to funding of the loan due to increases in mortgage interest rates. If interest rates increase, the value of these loan commitments decreases. Conversely, if interest rates decrease, the value of these loan commitments increases. The notional amount of undesignated mortgage loan commitments was approximately $ -0- and $87,000 at December 31, 2008 and 2007, respectively.

Forward Loan Sale Commitments

To protect against the price risk inherent in derivative loan commitments, the Bank utilizes both "mandatory delivery" and "best efforts" forward loan sale commitments to mitigate the risk of potential decreases in the values of loans that would result from the exercise of the derivative loan commitments.

With a "mandatory delivery" contract, the Bank commits to deliver a certain principal amount of mortgage loans to an investor at a specified price on or before a specified date. If the Bank fails to deliver the amount of mortgages necessary to fulfill the commitment by the specified date, it is obligated to pay a "pair-off" fee, based on then-current market prices, to the investor to compensate the investor for the shortfall.

With a "best efforts" contract, the Bank commits to deliver an individual mortgage loan of a specified principal amount and quality to an investor if the loan to the underlying borrower closes. Generally, the price the investor will pay the seller for an individual loan is specified prior to the loan being funded (e.g., on the same day the lender commits to lend funds to a potential borrower).

The Bank expects that these forward loan sale commitments will experience changes in fair value opposite to the change in fair value of derivative loan commitments. The notional amount of undesignated forward loan sale commitments was $ -0- and $87,000 at December 31, 2008 and 2007, respectively.

The fair values of the rate-lock loan commitments related to the origination or acquisition of mortgage loans that will be held for sale and the forward loan sale commitments are deemed insignificant by management and, accordingly, are not recognized in these consolidated financial statements.

Collateral Requirements

To reduce credit risk related to the use of derivative instruments, the Bank might deem it necessary to obtain collateral. The amount and nature of the collateral obtained is based on the Bank's credit evaluation of the customer. If the counterparty does not have the right and ability to redeem the collateral or the Bank is permitted to sell or re-pledge the collateral on short notice, the Bank records the collateral on the consolidated balance sheet at fair value with a corresponding obligation to return it.

16. REGULATORY REQUIREMENTS

Capital Requirements

The Corporation (on a consolidated basis) and the Bank are subject to various regulatory capital requirements, including restrictions on dividends, administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporation's and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, capital, and certain off-balance-sheet items as defined in the regulations and calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measurements established by regulation to ensure capital adequacy require the Corporation and the Bank to maintain minimum amounts and ratios (set forth in the following table) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and Tier 1 capital to average assets (as defined). Management believes, as of December 31, 2008 and 2007, that the Corporation (on a proforma basis in 2007) and the Bank met all capital adequacy requirements to which they are subject.

As of December 31, 2008, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, an institution must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the following tables. There are no conditions or events since the notification that management believes have changed the Bank's category. The Bank's actual capital amounts and ratios as of December 31, 2008 and 2007 are also presented in the table.

As of December 31, 2008	Actual Amount	Actual Ratio	Minimum Capital Requirement Amount	Minimum Capital Requirement Ratio	Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions Amount	Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions Ratio
			(Dollars in thousands)			
Total capital to risk weighted assets						
Consolidated	$ 25,656	13.81%	$ 14,867	8.0%	$ N/A	N/A%
The Dart Bank	25,647	13.80	14,867	8.0	18,585	10.0
Tier 1 capital to risk weighted assets						
Consolidated	23,330	12.55	7,434	4.0	N/A	N/A
The Dart Bank	23,321	12.55	7,434	4.0	11,151	6.0
Tier 1 capital to average assets						
Consolidated	23,330	8.92	10,461	4.0	N/A	N/A
The Dart Bank	23,321	8.92	10,461	4.0	13,076	5.0
As of December 31, 2007 (see Note 20)						
Total capital to risk weighted assets						
Consolidated (Proforma)	$ 24,852	14.85%	$ 13,389	8.0%	$ N/A	N/A%
The Dart Bank	24,852	14.85	13,389	8.0	16,737	10.0
Tier 1 capital to risk weighted assets						
Consolidated (Proforma)	23,052	13.77	6,695	4.0	N/A	N/A
The Dart Bank	23,052	13.77	6,695	4.0	10,042	6.0
Tier 1 capital to average assets						
Consolidated (Proforma)	23,052	9.63	9,572	4.0	N/A	N/A
The Dart Bank	23,052	9.63	9,572	4.0	11,965	5.0

Restrictions on Cash and Amounts Due from Banks

The Bank is required by regulatory agencies to maintain legal cash reserves based on the level of certain customer deposits. Required reserve balances were $930,000 and $868,000 at December 31, 2008 and 2007, respectively.

Regulatory Capital Transfers

During 2008 and 2007, prior to the reorganization described in Note 20, the Bank effected capital transfers of $3,000,000 and $4,000,000, respectively, from retained earnings to common stock in order to increase its legal lending limit.

17. CONTINGENCIES

Litigation

The Corporation may be party to litigation arising during the normal course of business. There were no claims outstanding as of December 31, 2008 that in management's opinion would have a material effect on the consolidated financial statements.

Environmental Issues

As a result of acquiring real estate in foreclosure proceedings, the Bank is subject to potential claims and possible legal proceedings involving environmental matters. No such claims have been asserted at December 31, 2008.

18. FAIR VALUE

The Corporation utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Investments in available-for-sale securities, trading securities, derivatives (if material), and certain liabilities are recorded at fair value on a recurring basis. Additionally, from time to time, the Corporation may be required to record at fair value other assets on a nonrecurring basis, such as held-for-sale loans, investments in foreclosed assets, mortgage servicing rights, and certain other assets and liabilities. These nonrecurring fair value adjustments typically involve the application of lower of cost or market accounting or write-downs of individual assets.

Fair Value Hierarchy

Under SFAS 157, the Corporation groups assets and liabilities at fair value into three categories, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability.

Following is a description of the valuation methodologies used for assets and liabilities recorded at fair value.

Investment Securities: Investment securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss and liquidity assumptions. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets, and money market funds. Level 2 securities include mortgage-backed securities issued by government-sponsored entities, municipal bonds, and corporate debt securities traded in active markets. Securities classified as Level 3 include securities in less liquid markets, including illiquid markets in some instances.

Loans: The Corporation does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and an allowance for loan losses is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment in accordance with SFAS No. 114, *Accounting by Creditors for Impairment of a Loan* ("SFAS 114"). The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, enterprise value, liquidation value, and discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. At December 31, 2008, substantially all of the total impaired loans were evaluated based on the fair value of the collateral. Impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, the Corporation reports the impaired loan as nonrecurring Level 2. When a current appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Corporation reports the impaired loan as nonrecurring Level 3.

Loan Servicing Rights: Loan servicing rights are subject to impairment testing. A valuation model, which utilizes a discounted cash flow analysis using interest rates and prepayment speed assumptions currently quoted for comparable instruments and a discount rate determined by management, is used for impairment testing. If the valuation model reflects a value less than the carrying value, loan servicing rights are adjusted to fair value through a valuation allowance as determined by the model. As such, the Company classifies loan servicing rights subjected to nonrecurring fair value adjustments as Level 3.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The table below presents the recorded amount of assets and liabilities measured at fair value on a recurring basis:

December 31, 2008	Total	Level 1	Level 2	Level 3
Investment securities	$ 48,345,810	$ -	$48,345,810	$ -

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

The following table presents the carrying value of those assets measured at fair value on a nonrecurring basis, for which impairment was recognized in the current year.

December 31, 2008	Total Carrying Value	Level 1	Level 2	Level 3
Loans (1)	$ 2,190,427	$ -	$ 2,190,427	$ -

(1) Impaired loans, which are measured for impairment using the fair value of the collateral for collateral dependent loans, had a carrying amount of $2,801,462, resulting in an additional provision for loan losses of $611,035 for the year.

19. FAIR VALUES OF ALL FINANCIAL INSTRUMENTS

Disclosure of the estimated fair values of financial instruments, which differ from their carrying values, often requires the use of estimates. In cases where quoted market prices are not available, the Corporation uses present value techniques to estimate the fair values of financial instruments. These valuation methods require considerable judgment, and the resulting estimates of fair value can be significantly affected by the assumptions made and methods used. Accordingly, the estimated amounts provided herein do not necessarily indicate amounts which could be realized in a current exchange. Furthermore, as the Corporation typically holds the majority of its financial instruments until maturity, it does not expect to realize all of the estimated amounts disclosed. The disclosures also do not include estimated fair value amounts for items which are not defined as financial instruments, but which have significant value. These include such items as core deposit intangibles, the future earnings of significant customer relationships, and the value of other fee-generating businesses. The Corporation believes the imprecision of an estimate could be significant.

Following is a description of the methods and assumptions used in estimating fair value disclosures for financial instruments:

Cash and Cash Equivalents

The carrying amounts of cash and short-term instruments approximate fair values.

Interest Bearing Deposits in Banks

The carrying amounts of interest-bearing deposits maturing within ninety days approximate their fair values. Fair values of other interest-bearing deposits are estimated using discounted cash flow analysis based on current rates for similar types of deposits.

Investment Securities and Federal Home Loan Bank (FHLB) Stock

Fair values for securities, excluding Federal Home Loan Bank Stock, are generally based on quoted market prices, as described in Note 18. The carrying value of Federal Home Loan Bank Stock approximates fair value.

Loans Receivable

For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. Fair values for other loans (e.g., real estate mortgage, agricultural, commercial, and installment) are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. The resulting amounts are adjusted to estimate the effect of declines, if any, in the credit quality of borrowers since the loans were originated. Fair values for non-performing loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable.

Accrued Interest Receivable

The carrying amounts reported on the consolidated statements of financial position for accrued interest receivable approximate their fair value.

Interest and Noninterest Bearing Deposit Liabilities

The fair values for demand deposits (i.e., interest and noninterest bearing checking, savings, and money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). Fair values for interest-bearing deposits (time deposits) with defined maturities are based on the discounted value of contractual cash flows, using interest rates currently being offered for deposits of similar maturities. The fair values for variable-interest rate certificates of deposit approximate their carrying value.

Mortgage Servicing Rights

Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flow analysis.

FHLB Borrowings

The fair values of the Bank's FHLB borrowings are estimated using discounted cash flow analyses based on the Bank's current incremental borrowing rates for similar types of borrowing arrangements.

Accrued Interest

The carrying amounts reported on the consolidated balance sheets approximate fair values.

Off-Balance Sheet Credit-Related Instruments

The Bank's unused loan commitments, standby letters of credit and undisbursed loans have no carrying amount and have been estimated to have no realizable fair value. Historically, a majority of the unused loan commitments have not been drawn upon and, generally, the Bank does not receive fees in connection with these commitments.

The carrying values and estimated fair values of financial instruments are summarized as follows (in thousands) as of December 31:

	2008		2007	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets				
Cash and due from banks	$ 4,909	$ 4,909	$ 4,285	$ 4,285
Federal funds sold	7,166	7,166	867	867
Interest-bearing deposits with banks	3,860	3,895	4,255	4,259
Investment securities	49,998	50,049	47,007	47,063
Loans, net	186,625	191,255	171,605	173,068
FHLB stock	1,305	1,305	766	766
Mortgage servicing rights	94	94	86	86
Accrued interest receivable	1,204	1,204	1,215	1,215
Financial liabilities				
Noninterest bearing deposits	186,377	186,377	175,158	175,158
Interest bearing deposits	29,197	30,021	29,024	29,439
FHLB advances	26,100	26,641	11,100	11,100
Accrued interest payable	566	566	723	723

For further information regarding the Corporation's determination of fair value, including financial instruments recorded at fair value under SFAS 157, refer to Note 18.

20. REORGANIZATION AND RECAPITALIZATION

In November 2007, Dart Financial Corporation was formed to operate as a registered bank holding company. As part of the reorganization and recapitalization plan, all of the 600,000 issued and outstanding shares of The Dart Bank common stock ($5 par value) were exchanged on a share-for-share basis for Corporation (no par value) common stock on July 1, 2008. The reorganization was recorded at net book value and, accordingly, there was no change in carrying amounts.

For the earliest period presented in these consolidated financial statements, common stock and additional paid-in capital have been restated to reflect the recapitalization as follows:

	Common Stock		Additional Paid-in	Retained
	Shares	Amount	Capital	Earnings
January 1, 2007 balances, as previously reported	600,000	$ 3,000,000	$ 7,000,000	$ 13,017,256
Share-for-share exchange of common stock	-	7,000,000	(7,000,000)	-
Retroactive reclassification of Bank regulatory transfers effected in 2008 and 2007 prior to the reorganization	-	7,000,000	-	(7,000,000)
January 1, 2007 balances, as restated	**600,000**	**$ 17,000,000**	**$ -**	**$ 6,017,256**

* * * * *

Terrance Augustine	*Commercial Loan Officer*
Trina Austin	*Assistant Manager/Holt*
Debra Borst	*Accounting Officer*
Colleen Briggs	*Consumer Lender*
Scott Cameron	*Credit Analyst*
Michelle Carpenter	*Office Manager/Mason*
Scott Cornell	*IT Officer*
Melanie Dart	*Personal Banker III*
Rollin Dart	*Chairman Emeritus/Community Relations Officer*
Mark Emmert	*Vice President*
Craig Goble	*Vice President*
Cindy Hamilton	*Vice President*
Kimberly Harless	*Office Manager/Holt*
Mark Howe	*Vice President*
Tammy Jenks	*Assistant Manager/Grand Ledge*
Peter Kubacki	*President and CEO*
Devin Lavengood	*Office Manager/Grand Ledge*
Nanette Listing	*Assistant Vice President*
Debra Miles	*Vice President*
John Morris	*Commercial Loan Officer*
Sally Rae	*Executive Vice President*
Karla Spoor	*Assistant Vice President*
Sharon Thompson	*Assistant Vice President*
Mary Tressel	*Special Assets Officer*
Timothy Walling	*Vice President*
Jacob Walters	*Senior Credit Analyst*
Susan Webster	*Loan Operations Officer*

Continuing Education 2008

Terrance Augustine
SBA Lenders Conference
Underwriting and Collections Conference
MBA Business Lending Conference
GSB: Nine Steps to Better Loan Pricing—Part 1

Trina Austin
Handling Power of Attorney Documents
Managing Change Effectively

Britney Barry
Principles of Banking

Debra Borst
MBA IRS Tax Reporting and Withholding
Microsoft Word Pack Training
ProfitStar: Training

Colleen Briggs
2008 FHLBI Community Lending Initiatives
Underwriting and Collections Conference

Elfie Cairns
Underwriting and Collections Conference

Scott Cameron
MBA Credit Analysis for Small Business Lending
GSB: Nine Steps to Better Loan Pricing
Commercial Real Estate Appraisals

Michelle Carpenter
60+ Fraud Target Teleconference

Miranda Cloud
MBA Advanced Distribution Issues

Melanie Dart
Sales Workshop I

Faith Easton
Handling Power of Attorney Documents
MACB Conference
MBA Advanced Distribution Issues

Diana Ebare
Microsoft Word Pack Training

Mark Emmert
Managing Change Effectively
Senior Lender Forum
MACB Lending Symposium
Symposium on Banking Issues During Challenging Times
Advanced Loan Workout Roundtable
Statement Analyzer Workshop
MBA Michigan Banking Summit
MBA Grass Roots Delegation
GSB: Nine Steps to Better Loan Pricing
Baker Hill Summit
MBA: Managing Commercial Real Estate Portfolio

Deborah Fedewa
MBA Advanced Distribution Issues

Crystal Gabrielse
First Time Supervisor Skills

Craig Goble
Construction Lending
GSB: Nine Steps to Better Loan Pricing

Cindy Hamilton
Bank Secrecy Act School
ACH Risk and Compliance
Banking and White Collar Crime Conference
MBA Audit and Compliance Conference
BSA/AML Boot Camp

Kim Harless
Customer Experience Matters!
Human Resources Management
Managing Regulatory Risk
Behavioral Principles for Improving Productivity
Alternative Investment Products
Trusts and Estates
Managing Conflict at Work
Bank Regulation
Perry School of Banking

Mark Howe
Excel Level 2
Construction Lending
Lansing Management Conference
MBA Business Lending Conference
SBA Lenders Conference
Motivation Skills for Managers
Nine Steps to Better Loan Pricing

Tammy Jenks
Handling Power of Attorney Documents
Beyond the Essentials: Moving IRA Assets
IRA Essentials

Natasha Kirchmeier
Excel Level 2
Microsoft Word Pack Training
MACB Conference

Peter Kubacki
Employee Incentive and Motivational Strategies
MBA Bank Management Conference
MACB Conference

Amy Lane
Microsoft Office Training
Excel 2000: Level 1

Devin Lavengood
Achieving Success in Any Market
MBA: HMDA
MACB Conference

Nanette Listing
IRA Essentials
Excel Level 2
ACH Risk and Compliance
Banking and White Collar Crime Conference
TPA Payments
BSA/AML Boot Camp
60+ Fraud Target Teleconference
ACH Concepts Conference
Microsoft Word Pack Training
ACH Rules That Impact Community Banks

MBA Advanced Distribution Issues

BankersOnline: Depository Banks Perspective

Angela McPhail

Handling Power of Attorney Documents

IRA Essentials

Teri Meyers

Handling Power of Attorney Documents

Debra Miles

CFO Forum

Impromptu Introduction Training

MuniBond Insurer

Community Bank Insurance

MBA Annual Financial Management Conference

18th Annual Financial Institutions Conference

ProfitStar: Training

Rebecca Moore

Excel Level 2

John Morris

SBA Lenders Conference

Underwriting and Collections Conference

GSB: Nine Steps to Better Loan Pricing

Teri Myers

MBA: IRA Essentials

MBA: Advanced Distribution Issues

Heather Newman

Handling Power of Attorney Documents

Underwriting and Collections Conference

Tara Owens

Handling Power of Attorney Documents

MBA: HMDA

Sandy Petherbridge

Underwriting and Collections Conference

MSHDA Single Family Loan Closing Workshop

Jill Raab

Underwriting and Collections Conference

Microsoft Word Pack Training

Sally Rae

MBA Senior Marketing Forum

Managing Change Effectively

Employee Incentive and Motivational Strategies

Branch Administrator Forum

MBA Bank Marketing Conference

Michigan Association of Bankers—Industry Change

Graduate School of Banking

Microsoft Word Pack Training

Ulices Rosa

Handling Power of Attorney Documents

Lori Sallek

Underwriting and Collections Conference

Lori Simon

Handling Power of Attorney Documents

Karla Spoor

HR Directors Forum

Managing Change Effectively

Employee Incentive and Motivational Strategies

Excel Level 2

Employment Law Seminar

COBRA Resources—COBRA and HR Training

Microsoft Word Pack Training

SHRM State Conference

Sharon Thompson

Managing Change Effectively

Excel Level 2

Mortgagebot Partner Conference

Underwriting and Collections Conference

Fraud, Compliance and Agency Update Seminar

Debra Town

Underwriting and Collections Conference

Mary Tressel

Essential Coaching and Mentoring Skills

The Management Conference

Real Estate Settlement Procedures Act

Alternatives to Foreclosure

Managing Foreclosures

Underwriting and Collections Conference

Kendra Waldie

Beyond the Essentials: Moving IRA Assets

Principles of Banking

Handling Power of Attorney Documents

Kevin Waldie

Underwriting and Collections Conference

Statement Analyzer Workshop

Commercial Real Estate Appraisals

Tim Walling

GSB: Nine Steps to Better Loan Pricing

Michigan Agricultural Credit Conference

Heather Walters

Impromptu Introduction Training

Jacob Walters

Excel Level 3

Statement Analyzer Workshop

GSB: Nine Steps to Better Loan Pricing

Baker Hill Summit

MACB Conference

Commercial Real Estate Appraisals

Gretchen Warner

Handling Power of Attorney Documents

Susan Webster

Underwriting and Collections Conference

Statement Analyzer Workshop

Microsoft Word Pack Training

Motivation Skills for Managers

MSHDA Single Family Loan Closing Workshop

	Years of Service
Norene Akom, *Operations*	40
Joy Allaire, *Operations*	11
Shannon Arnett, *Operations*	
Terrance Augustine, *Lending*	3
Trina Austin, *Customer Service*	8
Britney Barry, *Operations*	2
Carol Bird, *Operations*	33
Debra Borst, *Administration*	24
Colleen Briggs, *Lending*	29
Pennie Brownlee, *Operations*	6
Elfriede Cairns, *Lending*	7
Scott Cameron, *Lending*	
Jennifer Campbell, *Operations*	3
Michelle Carpenter, *Administration*	16
Miranda Cloud, *Customer Service*	2
Scott Cornell, *Administration*	3
Alicia Cosgray, *Operations*	
Douglas Crips, *Operations*	1
Melanie Dart, *Customer Service*	3
Rollin Dart, *Administration*	46
John Dodge, *Operations*	
Faith Easton, *Customer Service*	4
Diana Ebare, *Operations*	23
Lindsey Edmiston, *Operations*	
Mark Emmert, *Administration*	4
Ed Evert, *Operations*	6
Loretta Farnsworth, *Lending*	44
Deborah Fedewa, *Customer Service*	
Robin Ferrin, *Operations*	
Crystal Gabrielse, *Operations*	
Craig Goble, *Lending*	21
Jamie Guardiola, *Customer Service*	
Cindy Hamilton, *Administration*	3
Kimberly Harless, *Administration*	3
Melissa Hathaway, *Administration*	
Larry Howe, *Operations*	10
Mark Howe, *Lending*	23
Jon Howland-Dart, *Operations*	
Connie Ireland, *Operations*	15
Janice Jacobs, *Operations*	2
Tammy Jenks, *Customer Service*	4
Cathy Kinney, *Operations*	
Natasha Kirchmeier, *Operations*	6

	Years of Service
Peter Kubacki, *Administration*	1
Andrea Lake, *Customer Service*	
Amy Lane, *Operations*	4
Stephanie LaPratt, *Operations*	8
Devin Lavengood, *Administration*	2
Nanette Listing, *Administration*	3
Sally Mangles, *Operations*	10
Vicie McClung, *Operations*	11
Angela McPhail, *Customer Service*	4
Michelle Memenga, *Customer Service*	
Debra Miles, *Administration*	21
Becky Moore, *Operations*	5
John Morris, *Lending*	3
Teri Myers, *Customer Service*	1
Heather Newman, *Customer Service/Lending*	2
Shannon Orlowski, *Operations*	2
Tara Owens, *Operations*	10
Sheila Pawlowski, *Operations*	2
Sandi Petherbridge, *Operations*	
Jill Raab, *Operations*	10
Sally Rae, *Administration*	31
Mary Ribby, *Operations*	10
Lori Sallek, *Lending*	4
Debbie Shunk-Gillam, *Operations*	
Diana Soule, *Operations*	12
Karla Spoor, *Administration*	17
Lori Stid, *Operations*	
Sharon Thompson, *Administration*	29
Barb Titus, *Administration*	22
Debra Town, *Operations*	8
Mary Tressel, *Lending*	11
Devon Upton, *Operations*	29
Kendra Waldie, *Customer Service*	2
Kevin Waldie, *Operations*	1
Timothy Walling, *Lending*	
Heather Walters, *Operations*	8
Jacob Walters, *Lending*	2
Gretchen Warner, *Customer Service*	1
Susan Webster, *Administration*	
Judi Wentland, *Operations*	6
Mahvish Yunus, *Operations*	2

Dart Bank has a written Affirmative Action Compliance Plan on equal employment opportunity. It is designed to provide guidance to management with respect to the bank's commitment to full implementation of its Equal Opportunity/Affirmative Action policy.

Donations 2008 (Partial List)

Alzheimer's Association

American Cancer Society

American Red Cross

Angel House (Child and Family Services)

Boy Scouts of America

Camp Highfields

Capital Area Community Services, Inc.

Capital Area Humane Society

CARE

CareFree Medical and Dental

Chosen Vision

Church World Service

City Rescue Mission of Lansing

Doctors Without Borders

Eaton Community Hospice

Father John's Fund, Inc.

Grand Ledge Emergency Assistance

Grand Ledge Music Boosters

Greater Lansing Housing Coalition

Habitat for Humanity

Haven House

Holt Community Food Bank

Holt Education Foundation

Junior Achievement

Lansing Area Safety Council

Lansing Community College Foundation

Lansing Symphony Orchestra

Loaves & Fishes Ministry

Mason Area Historical Society

Mason Public Schools Educational Foundation

Meals On Wheels

Michigan Council on Economic Education

Michigan Harvest Gathering

Mother Teresa House

Muscular Dystrophy Association

Oak Park YMCA—Invest in Youth

Old Newsboys Association

Prison Fellowship Ministries

Salvation Army

Siren/Eaton Shelter

South Side Community Kitchen

The Hundred Club

United Way

Volunteers of America

WKAR Public Radio

World Vision

Young Life

Youth Haven Ranch

RICHARD L. CHENEY
Chairman

MELANIE S. DART
Vice Chairman

PETER A. KUBACKI
President and CEO

JOHN O. GRETTENBERGER

MARK S. HENNE

BLAKE D. MULDER

JOHN L. NOUD

DARWIN L. SHAVER

Our Mission

Our primary purposes are to meet the financial needs

of our banking communities,

protect and increase the value of stockholders' investments,

and serve the community in financial and non-financial ways.

Our bank acknowledges the interdependence of all mankind in the world

and reaches out beyond local areas in times of need.

We are committed to creating a workplace that nurtures the well-being

and growth of our employees.

Dart Bank Values

Community • Hard Work • Honesty

Integrity • Loyalty • Relationships

Respect • Stability • Teamwork

Mason Office
368 S. Park Street
P.O. Box 40
Mason, MI 48854-0040
(517) 676-3661

Grand Ledge
1020 Charlevoix
Grand Ledge, MI 48837
(517) 622-3278

Holt/S. Lansing
2469 N. Cedar Street
Holt, MI 48842-2103
(517) 694-5083

The Administration Building
314 S. Park Street
Mason, MI 48854-1659
(517) 676-3661

www.dartbank.com