META FINANCIAL GROUP INC
Form SC 13G/A
February 17, 2009

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 13G

UNDER THE SECURITIES EXCHANGE ACT OF 1934
(AMENDMENT NO. 2)*

META FINANCIAL GROUP INC.

(NAME OF ISSUER)

COMMON STOCK, $0.01 PAR VALUE PER SHARE

(TITLE OF CLASS OF SECURITIES)

59100U108

(CUSIP NUMBER)

DECEMBER 31, 2008

(DATE OF EVENT WHICH REQUIRES FILING OF THIS STATEMENT)

CHECK THE APPROPRIATE BOX TO DESIGNATE THE RULE PURSUANT TO WHICH THIS SCHEDULE IS FILED:

[X] RULE 13D-1(B)

[ ] RULE 13D-1(C)

[ ] RULE 13D-1(D)

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP NO. 59100U108 SCHEDULE 13G PAGE 2 OF 5 PAGES

1	NAME OF REPORTING PERSON: I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY): Ashford Capital Management, Inc.		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) [_] (b) [_]		
3	SEC USE ONLY		
4	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		5	SOLE VOTING POWER 249,543 shares
		6	SHARED VOTING POWER 0 shares
		7	SOLE DISPOSITIVE POWER 249,543 shares
		8	SHARED DISPOSITIVE POWER 0 shares
9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 249,543 shares		
10	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES* [_]		
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9 9.59%		
12	TYPE OF REPORTING PERSON* IA		

ITEM 1.

(a) Name of Issuer:

Meta Financial Group Inc.

(b) Address of Issuer's Principal Executive Offices:

121 East Fifth Street, Storm Lake, Iowa 50588

ITEM 2.

(a) Name of Person Filing:

Ashford Capital Management, Inc.

(b) Address of Principal Business Office or, if none, Residence:

P.O. Box 4172, Wilmington, DE 19807

(c) Citizenship: A Delaware Corporation

(d) Title of Class of Securities: Common Stock, $0.01 Par Value Per Share

(e) CUSIP Number: 59100U108

ITEM 3. IF THIS STATEMENT IS FILED PURSUANT TO SS.SS.240.13D-1(B) OR 240.13D-2(B) OR (C), CHECK WHETHER THE PERSON FILING IS A:

(a) |_| Broker or dealer registered under section 15 of the Act
(b) |_| Bank as defined in section 3(a)(6) of the Act
(c) |_| Insurance company as defined in section 3(a)(19) of the Act
(d) |_| Investment company registered under section 8 of the Investment Company Act of 1940
(e) |X| An investment adviser in accordance with ss.240.13d-1(b)(1(ii)(E)
(f) |_| An employee benefit plan or endowment fund in accordance with ss.240.13d-1(b)(1)(ii)(F)
(g) |_| A parent holding company or control person in accordance with ss.240.13d-1(b)(1)(ii)(G)
(h) |_| A savings association as defined in section 3(b) of the Federal Deposit Insurance Act
(i) |_| A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940
(j) |_| Group, in accordance with ss.240.13d-1(b)-1(ii)(J)

ITEM 4. OWNERSHIP

Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

(a) Amount Beneficially Owned: 249,543 shares

(b) Percent of Class: 9.59%

The foregoing percentage is calculated based on 2,601,103 shares of Common Stock reported to be outstanding as of December 9, 2008 in the Issuer's Annual Report filed on Form 10-K.

(c) Number of shares as to which such person has:

(i) Sole power to vote or to direct the vote: 249,543 shares

(ii) Shared power to vote or to direct the vote: 0 shares

(iii) Sole power to dispose or to direct the disposition of: 249,543 shares

(iv) Shared power to dispose or to direct the disposition of: 0 shares

ITEM 5. OWNERSHIP OF FIVE PERCENT OR LESS OF A CLASS

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following |_|. N/A

ITEM 6. OWNERSHIP OF MORE THAN FIVE PERCENT ON BEHALF OF ANOTHER PERSON

The shares reported by the Reporting Person, a registered investment advisor, are held in separate individual client accounts, two separate limited partnerships, and three commingled funds.

ITEM 7. IDENTIFICATION AND CLASSIFICATION OF THE SUBSIDIARY WHICH ACQUIRED THE SECURITY BEING REPORTED ON BY THE PARENT HOLDING COMPANY

N/A

ITEM 8. IDENTIFICATION AND CLASSIFICATION OF MEMBERS OF THE GROUP

N/A

ITEM 9. NOTICE OF DISSOLUTION OF GROUP

N/A

ITEM 10. CERTIFICATION

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

CUSIP NO. 59100U108 SCHEDULE 13G PAGE 5 OF 5 PAGES

SIGNATURE

After reasonable inquiry and to the best of its knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: February 14, 2009

ASHFORD CAPITAL MANAGEMENT, INC.

By: /s/ Antony M. Petrucci

Anthony M. Petrucci
Chief Financial Officer and Chief Compliance Officer

were at variable rates and $19.6 million were at fixed rates and $13.3 million have terms that are still being negotiated. Of the $28.5 million in total commitments outstanding at December 31, 2012, $7.7 million were at variable rates and $20.8 million were at fixed rates. Additionally, as of September 30, 2013 and December 31, 2012, the Company had approximately $9.6 million and $180,000, respectively, in commitments to sell residential mortgage loans to third-party investors.

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. Since some of the commitments are expected to expire without being drawn upon, the commitments do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained is based on management's credit evaluation. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment and income producing commercial properties.

25

The Bank enters into commitments to sell residential mortgage loans to reduce interest rate risk on certain residential mortgage loans held for sale and loan commitments which were recorded in the consolidated balance sheets at their fair values. The Bank does not anticipate any material loss as a result of the commitments and contingent liabilities. Residential mortgage loans sold to others are predominantly conventional residential first lien mortgages originated under the Bank's usual underwriting procedures, and are most often sold on a nonrecourse basis. The Bank's agreements to sell residential mortgage loans in the normal course of business usually require certain representations and warranties on the underlying loans sold, related to credit information, loan documentation, collateral, first payment default and insurability, which if subsequently are untrue or breached, could require the Bank to repurchase certain loans affected. There have been no instances of repurchase under representations and warranties.

On August 20, 2013, the Bank entered into an office building lease for approximately 12,500 square feet of space at 101 University Boulevard, in the Cherry Creek neighborhood of Denver. From this location, the Bank will operate a full-service branch, conduct commercial and residential mortgage lending activities, as well as house Bank operations and corporate functions. The lease is for a ten-year term with four five-year optional renewal periods. Lease payments will begin three months after the lease commencement date, which is the earlier of the date of occupancy or January 17, 2014. The space is expected to be ready for occupancy in the first quarter of 2014 at which time the Bank will vacate its corporate offices which are currently being leased on a month-to-month basis.

NOTE 13 — FAIR VALUE

The Company carries its available-for-sale securities, loans held for sale, and interest rate lock commitments at fair value measured on a recurring basis. Fair value measurements are determined based on the assumptions the market participants would use in pricing the asset. See additional discussion regarding fair value measurement in Note 2 under the discussion of our critical accounting policies.

For available-for-sale securities, fair value measurement is obtained from independent pricing services which utilize observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bonds' terms and conditions, among other things. As of September 30, 2013 and December 31, 2012, all of the Company's available-for-sale securities were valued using Level 2 inputs.

For loans held for sale and interest rate lock commitments, fair value measurement is obtained using observable inputs, Level 2 on the fair value hierarchy, including what secondary markets are currently offering for loans with similar characteristics.

Impaired loans are evaluated and valued at the time the loan is identified as impaired, at the lower of cost or fair value. Fair value is measured based on the value of the collateral securing these loans or the present value of expected cash flows and is classified as Level 3 in the fair value hierarchy. Collateral may be real estate and/or business assets including equipment, inventory and/or accounts receivable and is determined based on appraisals performed by qualified licensed appraisers hired by the Company. Appraised and reported values may be adjusted based on management's historical knowledge, changes in market conditions from the time of valuation, and/or management's expertise and knowledge of the client and client's business. Such discounts are typically significant and result in a Level 3 classification of the inputs for determining fair value. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly.

Other real estate owned is valued at the time the loan is foreclosed upon and the asset is transferred to other real estate owned. The value is based primarily on third party appraisals, less costs to sell. The appraisals may be adjusted based on management's historical knowledge, changes in market conditions from the time of valuation, and/or management's

expertise and knowledge of the client and client's business. Such discounts are typically significant and result in a Level 3 classification of the inputs for determining fair value. Other real estate owned is reviewed and evaluated on at least an annual basis for additional impairment and adjusted accordingly.

26

Assets and Liabilities Measured on a Recurring Basis

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

($ in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets at September 30, 2013				
Investment securities, available-for-sale:				
Corporate	$—	$14,112	$—	$14,112
State and municipal	—	18,523	—	18,523
Residential agency MBS/CMOs	—	45,013	—	45,013
Loans held for sale	—	9,672	—	9,672
Interest rate lock commitments	—	136	—	136
Total	$—	$87,456	$—	$87,456
Assets at December 31, 2012				
Investment securities, available-for-sale:				
Corporate	$—	$14,450	$—	$14,450
State and municipal	—	22,117	—	22,117
Residential agency MBS/CMOs	—	48,143	—	48,143
Loans held for sale	—	180	—	180
Total	$—	$84,890	$—	$84,890

There were no transfers in or out of the levels during the periods presented.

Assets and Liabilities Measured on a Nonrecurring Basis

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

($ in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets at September 30, 2013				
Impaired loans (Financial)	$—	$—	$—	$—
Other real estate owned (Non-financial)	$—	$—	$2,300	$2,300
Assets at December 31, 2012				
Impaired loans (Financial)	$—	$—	$—	$—
Other real estate owned (Non-financial)	$—	$—	$1,989	$1,989

There were no impaired loans as of September 30, 2013. All impaired loans as of December 31, 2012 were carried at cost, as the fair value of the expected cash flows exceeded the book value; as such, they are not presented in the table above.

Other real estate owned (OREO) is real property taken by the Company either through foreclosure or through deed in lieu of foreclosure. The fair value of OREO is based on property appraisals adjusted at management's discretion to reflect further decline in fair value since the time the appraisal analysis was completed, if warranted. Therefore, the inputs used to determine the fair value of OREO fall within Level 3. OREO had a carrying amount of $1.8 million at both September 30, 2013 and December 31, 2012, based on the appraisals less reasonable estimated costs to sell and less partial charge-offs recorded in 2011. The change in fair value of OREO properties from December 31, 2012 to September 30, 2013 relates to updated appraisals.

27

The following table provides information describing the valuation process used to determine recurring and nonrecurring fair value measurements categorized within Level 3 of the fair value hierarchy:

Asset Type	Valuation Method	Unobservable Inputs	Range
Impaired Loans	Property appraisals	Management discount for property type and/or recent market volatility	0% - 20% discount
	Discounted cash flow	Estimated loss probability based on management's knowledge of client or client's business	0% - 50% discount
OREO	Property appraisals	Management discount for property type, recent market volatility, and/or management's knowledge of the property	0% - 20% discount

Fair Value of Financial Instruments

Disclosure of fair value information about financial instruments, whether or not recognized in the consolidated balance sheets, for which it is practicable to estimate such value is required by U.S. GAAP. Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instrument. Because no market value exists for a significant portion of the financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature, involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value information is not required to be disclosed for certain financial instruments and all nonfinancial instruments. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the financial instruments held by the Company. Fair value estimates are based on financial instruments both on and off the balance sheet without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Additionally, tax consequences related to the realization of the unrealized gains and losses can have a potential effect on fair value estimates and have not been considered in many of the estimates.

The following methods and assumptions were used to estimate the fair value of significant financial instruments:

Cash and cash equivalents: The carrying amounts of cash, due from banks and federal funds sold approximate their fair values.

Interest-bearing deposits with banks: The carrying amount of interest-bearing deposits with banks is estimated using a discounted cash flow calculation that applies interest rates currently being offered for deposits of similar remaining maturities.

Investment securities: Fair value measurement is obtained from independent pricing services which utilize observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bonds' terms and conditions, among other things.

Loans, net: The fair value of fixed rate loans is estimated by discounting the future cash flows using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. For variable rate loans that

reprice frequently and with no significant change in credit risk, fair values are estimated to be equivalent to carrying values. Variable rate loans that are currently priced at their contractual floor or ceiling, and thus similar to fixed rate loans, are reviewed to determine the interest rate that would be currently offered on similar credits. If the current floor/ceiling rate is equivalent to current market rates, fair value is estimated to be equivalent to carrying value. If the current market rates differ from the loan's current rate, the contractual cash flows are discounted using the current market rate to derive the loan's estimated fair value. Both the estimated fair value and the carrying value have been reduced by specific and general reserves for loan losses.

Loans held for sale: Loans originated and held for sale are carried at fair value which is estimated using secondary market pricing currently being offered on loans with similar characteristics.

Investment in FHLB and Federal Reserve Bank stocks: It is not practical to determine the fair value of bank stocks due to the restrictions placed on the transferability of FHLB stock and Federal Reserve Bank stock.

Bank-owned life insurance: The carrying amount of bank-owned life insurance is based on the cash surrender value of the policies which is a reasonable estimate of fair value.

Accrued interest receivable: The carrying value of interest receivable approximates fair value due to the short period of time between accrual and receipt of payment.

Interest rate lock commitments: The fair value of interest rate lock commitments to originate residential mortgage loans held for sale is primarily based on quoted prices for similar assets in active markets that the Bank has the ability to access.

Deposits: The fair value of noninterest-bearing demand deposits, interest-bearing demand deposits and savings and money market accounts is determined to be the amount payable on demand at the reporting date. The fair value of fixed rate time deposits is estimated using a discounted cash flow calculation that applies interest rates currently being offered for deposits of similar remaining maturities. Carrying value is assumed to approximate fair value for all variable rate time deposits.

Securities sold under agreements to repurchase: The carrying amount of securities sold under agreements to repurchase approximates fair value due to the short-term nature of these agreements, which generally mature within one to four days from the transaction date.

Federal Home Loan Bank advances: Fair value of the Federal Home Loan Bank advances is estimated using a discounted cash flow model based on current market rates for similar types of borrowing arrangements including similar remaining maturities.

Accrued interest payable: The carrying value of interest payable approximates fair value due to the short period of time between accrual and payment.

Loan commitments and letters of credit: The fair values of commitments are estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. The difference between the carrying value of commitments to fund loans or standby letters of credit and their fair values are not significant and, therefore, are not included in the following table.

The carrying amounts and estimated fair values of financial instruments are summarized as follows:

($ in thousands)	Carrying	Fair Value Measurements at September 30, 2013			
Financial Assets:	Value	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$1,822	$1,822	$—	$—	$1,822
Interest-bearing deposits with banks	257	—	271	—	271
Investment securities	77,648	—	77,648	—	77,648
Loans, net	71,541	—	—	73,147	73,147
Loans held for sale	9,672	—	9,672	—	9,672
FHLB and FRB stocks	2,350	—	—	NA	NA
Bank-owned life insurance	4,277	—	—	4,277	4,277
Accrued interest receivable	679	—	475	204	679
Interest rate lock commitments	136	—	136	—	136
Financial Liabilities:					
Deposits, demand, savings and money market	$66,733	$—	$66,733	$—	$66,733
Time deposits	60,639	—	61,273	—	61,273
Securities sold under agreements to repurchase	54	—	54	—	54
FHLB advances	25,447	—	25,598	—	25,598
Accrued interest payable	78	—	78	—	78

($ in thousands)	Carrying	Fair Value Measurements at December 31, 2012			
Financial Assets:	Value	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$2,738	$2,738	$—	$—	$2,738
Interest-bearing deposits with banks	257	—	273	—	273
Investment securities	84,710	—	84,710	—	84,710
Loans, net	58,744	—	—	58,785	58,785
Loans held for sale	180	—	180	—	180
FHLB and FRB stocks	1,189	—	—	NA	NA
Bank-owned life insurance	2,067	—	—	2,067	2,067
Accrued interest receivable	707	—	537	170	707
Financial Liabilities:					
Deposits, demand, savings and money market	$66,963	$—	$66,963	$—	$66,963
Time deposits	57,769	—	58,671	—	58,671
Securities sold under agreements to repurchase	54	—	54	—	54
FHLB advances	8,500	—	8,722	—	8,722
Accrued interest payable	56	—	56	—	56

NOTE 14 — SEGMENT REPORTING

Reportable segments include community banking and residential mortgage banking services. These segments were determined based on the products and services provided and are consistent with the information that is used by the Bank's key decision makers to make operating decisions and to assess the Company's performance. Community banking involves making loans to and generating deposits primarily from individuals and businesses in the Bank's primary market - the six-county Denver metropolitan area. Residential mortgage banking involves the origination of residential loans and subsequent sale of those loans to investors. The residential mortgage banking segment is a strategic business unit that offers different products and services. It is managed separately because the segment appeals to different markets and, accordingly, requires different technology and marketing strategies. The residential mortgage division has five loan production offices in Colorado including Boulder, two locations in Colorado Springs,

the Denver Tech Center and Durango. This segment's most significant revenue item is noninterest income and its most significant expense item is noninterest expense. The Bank does not have other

30

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reportable operating segments. The accounting policies of the mortgage banking division are the same as those described in the summary of critical accounting policies.

The following table presents the financial information from the Bank's two operating segments for the three and nine months ended September 30, 2013.

There were no results presented for the period ended December 31, 2012, as the residential mortgage division was established late in the fourth quarter of 2012 and results of operations for the division were not deemed to be material for that period.

($ in thousands)	Community Banking	Residential Mortgage Banking	Total
Three Months Ended September 30, 2013			
Net interest income	$1,134	$68	$1,202
Provision for loan and lease losses	—	—	—
Total noninterest income	120	1,563	1,683
Total noninterest expense	1,700	1,823	3,523
(Loss) before income taxes	$(446)	$(192)	$(638)
Nine Months Ended September 30, 2013			
Net interest income	$3,227	$149	$3,376
Provision for loan and lease losses	—	—	—
Total noninterest income	573	5,464	6,037
Total noninterest expense	4,149	5,282	9,431
(Loss) / income before income taxes	$(349)	$331	$(18)
Segment Assets			
September 30, 2013	$156,233	$16,064	$172,297
Average Loans			
QTD	$66,725	$13,445	$80,170
YTD	$65,141	$13,306	$78,447

The third quarter 2013 loss for the residential mortgage division was largely driven by the increase in long-term interest rates experienced in the second quarter 2013, which significantly reduced refinancing activity in the third quarter. Refinancing of residential mortgage loans fell from $31.2 million during the second quarter of 2013 to $11.7 million during the third quarter of 2013. Residential mortgage loans funded for the purchase of new homes remained relatively stable at $53.2 million during the second quarter of 2013 and $50.6 million during the third quarter of 2013. We expect refinance activity to remain at low levels over the near-term.

The increased loss experienced during the third quarter of 2013 in the community banking division largely related to the approximately $400,000 of nonrecurring expenses incurred during the quarter in connection with the retirement of our former President and CEO as well as the charge-off of uncollectable receivables associated with one of our two OREO properties.

NOTE 15 — LEGAL CONTINGENCIES

In the ordinary course of our business, we may be party to various legal actions, which we believe are incidental to the operation of our business. In the opinion of management, based upon information currently available to us, any resulting liability from legal actions is not likely to have a materially adverse effect on the Company's consolidated financial position, results of operations or cash flows.

NOTE 16 — SUBSEQUENT EVENTS

On October 30, 2013, the Company announced that it has been approved by the Office of the Comptroller of the Currency to expand its franchise and open a full-service branch in the Cherry Creek neighborhood at 101 University Boulevard in Denver, Colorado. The Bank is targeting to open the new branch during the first quarter of 2014.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis presents the Company's consolidated financial condition as of September 30, 2013 and results of operations for the three and nine months ended September 30, 2013 and 2012. The discussion should be read in conjunction with the financial statements and the notes related thereto which appear elsewhere in this Quarterly Report on Form 10-Q.

Executive Overview

We are a Delaware corporation that was incorporated to organize and serve as the holding company for Solera National Bank, which opened for business in 2007. Solera National Bank is a full-service commercial bank headquartered in Lakewood, Colorado primarily serving the Colorado Front Range. Our main banking office is located at 319 S. Sheridan Blvd., Lakewood, Colorado 80226. Our telephone number is (303) 209-8600.

Earnings are derived primarily from noninterest income earned from gains on the sale of residential mortgage loans and net interest income, which is interest income less interest expense, offset by noninterest expense and provision for loan and lease losses. As the majority of assets are interest-earning and liabilities are interest-bearing, changes in interest rates impact net interest margin. Margin refers to net interest income divided by average interest-earning assets, and is influenced by the level and relative mix of interest-earning assets and interest-bearing liabilities. We manage interest-earning assets and interest-bearing liabilities to reduce the impact of interest rate changes on operating results.

We offer a broad range of commercial and consumer banking services to small and medium-sized businesses, licensed professionals and individuals who are particularly responsive to the personalized service that Solera National Bank provides to its customers. We believe that local ownership and control allows the Bank to serve customers efficiently and effectively. Solera National Bank competes on the basis of providing a unique and personalized banking experience combined with a broad range of services, customized and tailored to fit the individual needs of its clients. While the Bank seeks to serve the entire market, it focuses on serving the local Hispanic and other minority populations which it believes are currently underserved. Since opening the bank in September of 2007, management has successfully executed its strategy of delivering prudent and controlled growth to efficiently leverage the Company's capital and expense base with the goal of achieving sustained profitability.

In December 2012, the Company launched a residential mortgage division with five loan production offices in Colorado including Boulder, two locations in Colorado Springs, the Denver Tech Center and Durango. With the addition of approximately 60 mortgage professionals, the Bank now offers residential mortgage loans, the vast majority of which are sold on the secondary market. In the aftermath of the recent economic recession and the changing regulatory environment, we concluded that a combination of disruption in the residential mortgage lending market, the stringent underwriting standards which followed, and the historically low interest rate environment, presented a significant opportunity to expand our residential mortgage lending capabilities. As of December 31, 2012, the Bank had 63 full-time equivalent employees. That number reached 90 employees during the third quarter 2013.

Since we operate in Colorado, our operating results are significantly influenced by economic conditions in Colorado, particularly the health of the real estate market. Additionally, we are subject to competition from other financial institutions and are impacted by fiscal and regulatory policies of the federal government as well as regulatory oversight by the Office of the Comptroller of the Currency, (the "OCC").

Comparative Results of Operations for the Three Months Ended September 30, 2013 and 2012

The following discussion focuses on the Company's financial condition and results of operations for the three months ended September 30, 2013 compared to the three months ended September 30, 2012.

Net loss for the quarter ended September 30, 2013 was $638,000, or $(0.25) per share, compared to net income of $74,000, or $0.03 per share, for the third quarter of 2012. The $712,000 decrease was primarily the result of a $2.2 million increase in noninterest expense partially offset by a $1.4 million increase in noninterest income. The third quarter 2013 was impacted by approximately $400,000 of nonrecurring expenses in connection with the retirement of our former President and CEO as well as the charge-off of uncollectable receivables associated with one of our two OREO properties. There was a $141,000 improvement in net interest income after the provision for loan and lease losses, primarily due to increased interest income on loans due to a

33

growing portfolio and an increase in loans held for sale generated from the mortgage division, in conjunction with reduced cost of funds. These and other changes are described in more detail in the ensuing discussion.

The following table presents, for the periods indicated, average assets, liabilities and stockholders' equity, as well as the components of net interest income and the resultant annualized yields / costs expressed in percentages.

($ in thousands)	Three Months Ended September 30, 2013				Three Months Ended September 30, 2012			
	Average Balance	Interest	Yield / Cost		Average Balance	Interest	Yield / Cost	
Assets:								
Interest-earning assets:								
Gross loans, net of unearned fees [1] [2]	$68,850	$949	5.47	%	$60,255	$862	5.69	%
Loans held for sale	11,320	112	3.92		—	—	—	
Investment securities [3]	79,738	432	2.15		87,012	505	2.31	
FHLB and FRB stocks	2,362	17	2.94		1,170	11	3.70	
Federal funds sold	1,091	1	0.23		565	1	0.21	
Interest-bearing deposits with banks	257	2	2.94		357	2	2.19	
Total interest-earning assets	163,618	$1,513	3.67	%	149,359	$1,381	3.68	%
Noninterest-earning assets	7,042				6,417			
Total assets	$170,660				$155,776			
Liabilities and Stockholders' Equity:								
Interest-bearing liabilities:								
Money market and savings deposits	$51,797	$61	0.46	%	$56,805	$83	0.58	%
Interest-bearing checking accounts	9,985	18	0.71		8,662	18	0.83	
Time deposits	61,015	192	1.25		57,822	184	1.26	
Other borrowings	102	—	0.41		481	1	1.27	
FHLB advances	23,182	40	0.69		8,561	34	1.56	
Total interest-bearing liabilities	146,081	$311	0.84	%	132,331	$320	0.96	%
Noninterest-bearing checking accounts	5,319				3,129			
Noninterest-bearing liabilities	790				422			
Stockholders' equity	18,470				19,894			
Total liabilities and stockholders' equity	$170,660				$155,776			
Net interest income		$1,202				$1,061		
Net interest spread		2.82	%			2.72	%	
Net interest margin		2.92	%			2.83	%	

(1) The loan average balances and rates include nonaccrual loans.
(2) Net loan expenses of $4,000 and $3,000 for the three months ended September 30, 2013 and 2012, respectively, are included in the yield computation.
(3) Yields on investment securities have not been adjusted to a tax-equivalent basis since the Company does not own any tax-free securities.

The following table presents the dollar amount of changes in interest income and interest expense for the major categories of interest-earning assets and interest-bearing liabilities. The information details the changes attributable to a change in volume (i.e. change in average balance multiplied by the prior-period average rate) and changes attributable to a change in rate (i.e. change in average rate multiplied by the prior-period average balance). There is a component that is attributable to both a change in volume and a change in rate. This component has been allocated proportionately to the rate and volume columns.

($ in thousands)	Three Months Ended September 30, 2013 Compared to Three Months Ended September 30, 2012		
	Net Change	Rate	Volume
Interest income:			
Gross loans, net of unearned fees	$87	$(33)	$120
Loans held for sale	112	—	112
Investment securities	(73)	(33)	(40)
FHLB and FRB stocks	6	(2)	8
Federal funds sold	—	—	—
Interest-bearing deposits with banks	—	—	—
Total interest income	$132	$(68)	$200
Interest expense:			
Money market and savings deposits	$(22)	$(15)	$(7)
Interest-bearing checking accounts	—	(3)	3
Time deposits	8	(2)	10
Other borrowings	(1)	(1)	—
FHLB advances	6	(111)	117
Total interest expense	$(9)	$(132)	$123
Net interest income	$141	$64	$77

Net Interest Income and Net Interest Margin

Net interest income is the difference between interest income, principally from loan and investment security portfolios, and interest expense, principally on customer deposits and borrowings. Net interest income is a significant component of earnings. Changes in net interest income result from changes in volume, spread and margin. Volume refers to the average dollar level of interest-earning assets and interest-bearing liabilities. Spread refers to the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities. Margin refers to net interest income divided by average interest-earning assets, and is influenced by the level and relative mix of interest-earning assets and interest-bearing liabilities.

For the three months ended September 30, 2013, the Company's net interest income increased $141,000, or 13%, compared to the three months ended September 30, 2012 and net interest margin increased 9 basis points from 2.83% to 2.92%. Most notable was the $112,000 increase in interest income from loans held for sale due to the new residential mortgage division and the $87,000 increase in interest income on loans primarily due to the $8.6 million increase in average loan balance during the third quarter 2013 compared to the third quarter 2012. These increases were partially offset by an unfavorable decrease in interest income on investment securities, which decreased $73,000, partially due to a decrease in yield (down 16 basis points) and partially due to a decrease in average balances (down $7.3 million). The average yield on loans decreased 22 basis points from the third quarter a year ago as the Bank continues to be impacted by low interest rates and strong competition for well-qualified borrowers that demand competitive rates.

Although we have experienced decreases in yields on our interest-earning assets, we have also been able to reduce rates on our interest-bearing liabilities which enabled us to increase our net interest spread 10 basis points from 2.72% to 2.82%. Net interest spread is the yield earned on interest-earning assets less the cost of interest-bearing liabilities. Overall, the cost of interest-bearing liabilities decreased 12 basis points from the comparable period in the prior year. Contributing most significantly to this decline was the $22,000 decrease in interest expense related to money market and savings deposits as a result of lowering deposit rates across all balance tiers. The volume of FHLB advances increased significantly during the third quarter of 2013 compared to the same quarter in the prior year primarily to support the Company's increase in loans held for sale. The increases in FHLB advances were from borrowings on an overnight basis at interest rates significantly less than the portfolio average. This resulted in an 87 basis point decrease in the overall cost of FHLB advances.

35

Provision for Loan and Lease Losses

We determine a provision for loan and lease losses that we consider sufficient to maintain an allowance to absorb probable losses inherent in our portfolio as of the balance sheet date. For additional information concerning this determination, see the section of this discussion and analysis captioned Financial Condition, Allowance for Loan and Lease Losses.

During the third quarters of 2013 and 2012, we did not recognize any provision for loan and lease losses reflecting improved asset quality. See additional discussion below under Financial Condition, Loan Portfolio.

Noninterest Income

Noninterest income for the quarter ended September 30, 2013 was $1.7 million, an increase of $1.4 million from $329,000 for the third quarter 2012. The most notable increase in noninterest income for the quarter was due to $1.6 million of gains on residential mortgage loans sold to secondary market investors. The Company sold securities for gains of $49,000 during the third quarter 2013 compared to $289,000 during the third quarter 2012.

The following table summarizes the Bank's residential mortgage loan activity during the third quarter of 2013. It should be noted the Bank's mortgage division was formed during the fourth quarter of 2012 so no material activity occurred before the first quarter of 2013.

($ in thousands)	For the Quarter Ended September 30, 2013	
Gain on Loans Sold	$1,563	
% Gain on Loans Sold	2.24	%
Residential Mortgage Loans Originated	$62,265	
Residential Mortgage Loans Sold	$69,699	
Purpose of Loan: [1]		
Purchase	81.2	%
Refinance	18.8	%

[1] indicates the percentage of loans originated during the period

Although we anticipate the slowdown in refinance activity experienced during the third quarter 2013 to continue, due to the rise in longer-term interest rates, the housing market in Colorado is vibrant. As such, purchase volumes are expected to be in-line with previous quarters.

Noninterest Expense

Our total noninterest expense for the quarter ended September 30, 2013 was $3.5 million, which was $2.2 million, or 168%, higher than the $1.3 million for the quarter ended September 30, 2012. The reasons for this increase are discussed in more detail below.

Employee Compensation and Benefits
Employee compensation and benefit expense increased $1.8 million from third quarter 2012 due to an additional 64 employees, (from an average of 26 full-time equivalent employees during the third quarter of 2012 to an average of 90 for the third quarter of 2013). In addition, we incurred approximately $220,000 of nonrecurring expenses associated with the departure of our former Chief Executive Officer including additional costs associated with the accelerated vesting of his stock options. The third quarter 2013 was also impacted by an additional $70,000 of expense associated

with the accelerated vesting of restricted stock granted to officers of the Company's residential mortgage division.

Occupancy

Occupancy expense increased $137,000 due to the addition of five locations associated with the residential mortgage division. During the third quarter of 2013, the Bank entered into a new office building lease agreement which is expected to commence during the first quarter of 2014. This space will replace our corporate offices and from this

36

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location we will operate a full-service branch, conduct commercial and residential mortgage lending activities, as well as house Bank operations and corporate functions. Occupancy expense is expected to increase in 2014 given the expansion of Bank premises.

Professional Fees
Professional fees increased $34,000, or 28%, primarily due to the timing of outsourced internal audits which occurred primarily during the third quarter 2013 compared to the first quarter of 2012.

Other General and Administrative Expenses:

($ in thousands)	Three Months Ended September 30,		Increase/
Other general and administrative expenses:	2013	2012	(Decrease)
Data processing	$148	$83	$65
Other loan expenses	82	11	71
Marketing and promotions	54	46	8
Directors’ fees	35	27	8
Regulatory and reporting fees	32	30	2
Telephone/communication	29	12	17
FDIC assessment	24	33	(9)
Travel and entertainment	23	12	11
OREO expense	20	11	9
Printing, stationery and supplies	17	8	9
Core deposit intangible amortization	17	—	17
Insurance	14	12	2
Dues and memberships	13	10	3
Postage and shipping	9	3	6
Training, education and conferences	9	2	7
ATM and debit card fees	8	4	4
Franchise taxes	4	3	1
Operating losses / legal settlements	139	127	12
Miscellaneous other	3	4	(1)
Total	$680	$438	$242

The most significant changes in other general and administrative expenses included increases of:

A) $71,000 in other loan expense related to costs incurred to underwrite residential mortgage loans;

B) $65,000 in data processing due primarily to the licensing and operating costs of the software applications used for the residential mortgage division;

C) $17,000 in telephone and communication expense and $9,000 in printing, stationery and supplies both related to our five new residential mortgage locations;

D) $17,000 associated with the amortization of our core deposit intangible related to the acquisition of deposit accounts in June 2013;

E) $11,000 in travel and entertainment correlated to an increase in loan demand for both the community bank division and the residential mortgage division;

F) $9,000 of OREO expenses which are expected to continue to impact our operating results in the near term as we incur costs such as taxes, insurance, repairs and maintenance, among others, on two properties;

G) $8,000 in marketing and promotion expenses primarily due to advertising costs associated with our residential mortgage division;

H) $8,000 in directors' fees due to an increase in the number of committee meetings held during the third quarter 2013 primarily in conjunction with the hiring of our new CEO;

I) $7,000 in training, education and conferences primarily associated with increased costs for personnel training which correlates with our increase in employees.

37

Operating losses and legal settlements in the third quarter of 2013 relates to the charge-off of accounts receivable associated with one of our OREO properties. The $127,000 in the third quarter of 2012 relates to the settlement of a legal action.

These increases were partially offset by a decrease of $9,000 in FDIC fees due to lower assessment rates. All other general and administrative costs remained relatively stable.

Income Taxes

No federal or state tax expense was recorded for the three months ended September 30, 2013 and 2012, based upon net operating loss carry-forwards that can be used to offset approximately $3.7 million and $3.3 million, respectively, of taxable income for federal tax purposes. Since it is uncertain when the Company will achieve sustained profitability, the deferred tax benefit accumulated to date has a full valuation allowance so that the net deferred tax benefit at September 30, 2013 and December 31, 2012 was $0.

Comparative Results of Operations for the Nine Months Ended September 30, 2013 and 2012

The following discussion focuses on the Company’s financial condition and results of operations for the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012.

Net loss for the nine months ended September 30, 2013 was $18,000, or $(0.01) per share, compared to net income of $168,000, or $0.07 per share, for the nine months ended September 30, 2012. The $186,000 decrease was primarily the result of a $5.8 million dollar increase in noninterest expenses partially offset by a $5.3 million increase in noninterest income due in part to the approximately $450,000 of nonrecurring expenses incurred during 2013 in connection with the retirement of our former President and CEO, the charge-off of uncollectable receivables associated with one of our two OREO properties and costs incurred to integrate the deposits from our second-quarter deposit acquisition. There was a $320,000 improvement in net interest income after the provision for loan and lease losses, primarily due to increased interest income on loans due to a growing portfolio and an increase in loans held for sale generated from the residential mortgage division, in conjunction with reduced cost of funds. These and other changes are described in more detail in the ensuing discussion.

The following table presents, for the periods indicated, average assets, liabilities and stockholders’ equity, as well as the components of net interest income and the resultant annualized yields / costs expressed in percentages.

($ in thousands)	Nine Months Ended September 30, 2013				Nine Months Ended September 30, 2012			
	Average Balance	Interest	Yield / Cost		Average Balance	Interest	Yield / Cost	
Assets:								
Interest-earning assets:								
Gross loans, net of unearned fees [1] [2]	$66,135	$2,607	5.27	%	$57,047	$2,437	5.71	%
Loans held for sale	12,312	327	3.55		—	—	—	
Investment securities [3]	78,421	1,289	2.20		85,416	1,548	2.42	
FHLB and FRB stocks	2,000	51	3.41		1,155	29	3.34	
Federal funds sold	530	1	0.23		640	2	0.22	
Interest-bearing deposits with banks	257	5	2.94		375	6	2.09	
Total interest-earning assets	159,655	$4,280	3.58	%	144,633	$4,022	3.71	%
Noninterest-earning assets	8,266				5,755			
Total assets	$167,921				$150,388			
Liabilities and Stockholders' Equity:								
Interest-bearing liabilities:								
Money market and savings deposits	$52,849	$182	0.46	%	$57,444	$278	0.65	%
Interest-bearing checking accounts	8,811	48	0.73		8,845	55	0.84	
Time deposits	59,265	555	1.25		52,619	531	1.35	
Other borrowings	124	—	0.50		532	4	1.13	
FHLB advances	21,813	119	0.73		7,865	98	1.66	
Total interest-bearing liabilities	142,862	$904	0.85	%	127,305	$966	1.01	%
Noninterest-bearing checking accounts	4,923				3,162			
Noninterest-bearing liabilities	682				413			
Stockholders' equity	19,454				19,508			
Total liabilities and stockholders' equity	$167,921				$150,388			
Net interest income		$3,376				$3,056		
Net interest spread		2.74	%			2.70	%	
Net interest margin		2.83	%			2.82	%	

(1) The loan average balances and rates include nonaccrual loans.
(2) Net loan expenses of $36,000 and net loan fees of $3,000 for the nine months ended September 30, 2013 and 2012, respectively, are included in the yield computation.
(3) Yields on investment securities have not been adjusted to a tax-equivalent basis since the Company does not own any tax-free securities.

The following table presents the dollar amount of changes in interest income and interest expense for the major categories of interest-earning assets and interest-bearing liabilities. The information details the changes attributable to a change in volume (i.e. change in average balance multiplied by the prior-period average rate) and changes attributable to a change in rate (i.e. change in average rate multiplied by the prior-period average balance). There is a component that is attributable to both a change in volume and a change in rate. This component has been allocated proportionately to the rate and volume columns.

Table 2

($ in thousands)	Nine Months Ended September 30, 2013 Compared to Nine Months Ended September 30, 2012		
	Net Change	Rate	Volume
Interest income:			
Gross loans, net of unearned fees	$170	$(157)	$327
Loans held for sale	327	—	327
Investment securities	(259)	(137)	(122)
FHLB and FRB stocks	22	—	22
Federal funds sold	(1)	—	(1)
Interest-bearing deposits with banks	(1)	(1)	—
Total interest income	$258	$(295)	$553
Interest expense:			
Money market and savings deposits	$(96)	$(76)	$(20)
Interest-bearing checking accounts	(7)	(7)	—
Time deposits	24	(30)	54
Other borrowings	(4)	(2)	(2)
FHLB advances	21	(10)	31
Total interest expense	$(62)	$(125)	$63
Net interest income	$320	$(170)	$490

Net Interest Income and Net Interest Margin

For the nine months ended September 30, 2013, the Company's net interest income increased $320,000, or 10%, compared to the nine months ended September 30, 2012 contributing to a 1 basis point increase in net interest margin which was 2.83% for the nine months ended September 30, 2013. Most notable was the $327,000 increase in interest income from loans held for sale due to the new residential mortgage division and the $170,000 increase in interest income on loans primarily due to the $9.1 million increase in average loan balance for the nine months ended September 30, 2013 compared to the same period in the prior year. These increases were partially offset by an unfavorable decrease in interest income on investment securities, which decreased $259,000, primarily due to a decrease in yield (down 22 basis points) but also partially due to a decrease in average balances (down $7.0 million). The decline in the yield on investment securities from the prior year is primarily attributable to principal payments received on mortgage-backed securities which were reinvested in lower yielding securities. The average yield on loans decreased 44 basis points from a year ago as the Bank continues to be impacted by low interest rates and strong competition for well-qualified borrowers that demand competitive rates.

Although we experienced decreases in yields on our interest-earning assets, we were also able to reduce rates on our interest-bearing liabilities which enabled us to improve our net interest spread to 2.74% for the nine months ended September 30, 2013 from 2.70% for the same period of the prior year. Overall, the cost of interest-bearing liabilities decreased 16 basis points from the prior year. Contributing most significantly to this decline was the $96,000 decrease in interest expense related to money market and savings deposits as a result of lowering deposit rates across

all balance tiers. The volume of FHLB advances increased significantly during 2013, primarily to support the Company's increase in loans held for sale. The increases in FHLB advances were from borrowings on an overnight basis at interest rates significantly less than the portfolio average. This resulted in a 93 basis point decrease in the overall cost of FHLB advances. Additionally, the Bank had an increase in time deposits, which, on average, increased $6.6 million to further support the increase in loans.

Provision for Loan and Lease Losses

We determine a provision for loan and lease losses that we consider sufficient to maintain an allowance to absorb probable losses inherent in our portfolio as of the balance sheet date. For additional information concerning this determination, see the section of this discussion and analysis captioned Financial Condition, Allowance for Loan and Lease Losses.

During the first nine months of 2013 and 2012, we did not recognize any provision for loan and lease losses reflecting improved asset quality. See additional discussion below under Financial Condition, Loan Portfolio.

Noninterest Income

Noninterest income for the nine months ended September 30, 2013 was $6.0 million, an increase of $5.3 million from $697,000 for the nine months ended September 30, 2012. The most notable increase in noninterest income was due to the $5.5 million of gain on residential mortgage loans sold to secondary market investors. Additionally, the Company recognized $112,000 of gains on the sale of the guaranteed portion of SBA 7(a) loans. The Company sold securities for gains of $294,000 during the first nine months of 2013 compared to $569,000 during the first nine months of 2012.

The following table summarizes the Bank's residential mortgage loan activity during the first nine months of 2013. It should be noted the Bank's mortgage division was formed during the fourth quarter of 2012 so no material activity existed before the first quarter of 2013.

($ in thousands)	Nine Months Ended September 30, 2013	
Gain on Loans Sold	$5,464	
% Gain on Loans Sold	2.88	%
Residential Mortgage Loans Originated	$198,663	
Residential Mortgage Loans Sold	$189,469	
Purpose of Loan: [1]		
Purchase	68.4	%
Refinance	31.6	%

[1] indicates the percentage of loans originated during the period

Although we anticipate the slowdown in refinance activity experienced during the third quarter 2013 to continue, due to the rise in longer-term interest rates, the housing market in Colorado is vibrant. As such, purchase volumes are expected to be in-line with previous quarters.

Noninterest Expense

Our total noninterest expense for the nine months ended September 30, 2013 was $9.4 million, which was $5.8 million, or 163%, higher than the $3.6 million for the nine months ended September 30, 2012. The reasons for this increase are discussed in more detail below.

Employee Compensation and Benefits

Employee compensation and benefit expense increased $4.7 million due to an additional 61 employees, (from an average of 25 full-time equivalent employees during 2012 to an average of 86 for 2013). Additionally, during the third quarter 2013, we incurred approximately $220,000 of nonrecurring expenses associated with the departure of our former Chief Executive Officer including additional costs associated with the accelerated vesting of his stock options.

Additionally, we incurred an additional $70,000 of expense during 2013 associated with the accelerated vesting of restricted stock granted to officers of the Company's residential mortgage division.

Occupancy

Occupancy expense increased $410,000 due to the addition of five locations associated with the residential mortgage division. During the third quarter of 2013, the Bank entered into a new office building lease agreement which is expected to commence during the first quarter of 2014. This space will replace our corporate offices and from this location we will operate a full-service branch, conduct commercial and residential mortgage lending activities, as well

41

as house Bank operations and corporate functions. Occupancy expense is expected to increase in 2014 given the expansion of Bank premises.

Professional Fees

Professional fees increased $49,000, or 14%, due to higher information technology consulting and other consulting expenses, partially offset by lower legal fees.

Other General and Administrative Expenses:

($ in thousands)	Nine Months Ended September 30,		Increase/
Other general and administrative expenses:	2013	2012	(Decrease)
Data processing	$452	$242	$210
Other loan expenses	244	63	181
Marketing and promotions	154	94	60
Regulatory and reporting fees	101	103	(2)
FDIC assessment	89	129	(40)
Directors' fees	84	69	15
Telephone/communication	81	36	45
Travel and entertainment	77	35	42
Printing, stationery and supplies	62	21	41
Training, education and conferences	47	7	40
OREO expense	44	44	—
Insurance	40	36	4
Dues and memberships	36	25	11
Postage and shipping	25	10	15
Core deposit intangible amortization	22	—	22
ATM and debit card fees	17	12	5
Franchise taxes	8	8	—
Operating losses / legal settlements	159	137	22
Miscellaneous other	9	13	(4)
Total	$1,751	$1,084	$667

The most significant changes in other general and administrative expenses included increases of:

A) $210,000 in data processing due to the licensing and operating costs of the software applications used for the residential mortgage division as well as a nonrecurring charge of $50,000 incurred to integrate the deposits acquired from a branch of Liberty Savings Bank, FSB during the second quarter of 2013;

B) $181,000 in other loan expense related to costs incurred to underwrite residential mortgage loans;

C) $60,000 in marketing and promotion expenses primarily due to advertising costs associated with our residential mortgage division and partially due to increased business development efforts;

D) $45,000 in telephone and communication expense, $41,000 in printing, stationery and supplies and $15,000 in postage and shipping all related to our five new residential mortgage locations;

E) $42,000 in travel and entertainment correlated to an increase in loan demand for both the community bank division and the residential mortgage division;

F) $40,000 in training, education and conferences primarily associated with the increase in number of employees and the integration of the mortgage division employees;

G) $22,000 associated with the amortization of our core deposit intangible related to the acquisition of deposit accounts in June 2013;

Operating losses and legal settlements in 2013 primarily relate to the charge-off of accounts receivable associated with one of our OREO properties. The $137,000 of losses in 2012 primarily relates to the settlement of a legal action.

These increases were partially offset by a decrease of $40,000 in FDIC fees due to lower assessment rates. All other general and administrative costs remained relatively stable.

Income Taxes

No federal or state tax expense was recorded for the nine months ended September 30, 2013 and 2012, based upon net operating loss carry-forwards that can be used to offset approximately $3.7 million and $3.3 million, respectively, of taxable income for federal tax purposes. Since it is uncertain when the Company will achieve sustained profitability, the deferred tax benefit accumulated to date has a full valuation allowance so that the net deferred tax benefit at September 30, 2013 and December 31, 2012 was $0.

Financial Condition

At September 30, 2013, the Company had total assets of $172.3 million, a $18.4 million, or 12% increase from $153.9 million in total assets at December 31, 2012 primarily due to: a $13.0 million, or 21.7%, increase in gross loans, a $9.5 million increase in loans held for sale, and a $2.0 million additional investment in bank-owned life insurance, partially offset by an 8.3% decline in investment securities, which were reduced to help fund the growth in loans.

As of September 30, 2013, stockholders' equity was $18.3 million, a $1.7 million decrease versus $19.9 million at December 31, 2012. The decrease was primarily due to the $2.0 million decrease in other comprehensive income related to changes in the fair value of available-for-sale securities and the $237,000 of stock-based compensation expense related to the Company's stock incentive plan for the nine months ended September 30, 2013.

Key Ratios

Ratio	September 30, 2013		December 31, 2012	
Return on Average Assets	—	%	0.19	%
Return on Average Equity	(0.12	)%	1.43	%
Average Equity to Average Assets	11.59	%	12.95	%

Federal Home Loan Bank (FHLB) and Federal Reserve Bank Stocks

At September 30, 2013, the Bank had a total of $2.4 million invested in FHLB and Federal Reserve Bank stocks carried at cost consisting of $501,600 in Federal Reserve Bank stock and $1.8 million in FHLB stock. These investments allow the Bank to conduct business with these entities. As of September 30, 2013, the Federal Reserve Bank stock was yielding an average annual rate of 6.0% and the FHLB stock was yielding an average annual rate of 2.4%.

Investment Securities

Our investment portfolio serves as a source of interest income, a source of liquidity and a management tool for managing interest rate sensitivity. We manage our investment portfolio according to a written investment policy approved by our Board of Directors.

At September 30, 2013, the Bank's investment portfolio consisted of available-for-sale securities of $77.6 million. See Note 3 - Investments, of the Unaudited Condensed Notes to Consolidated Financial Statements, for information on the composition, maturities and fair value of the portfolio.

43

Loan Portfolio

The following table presents the composition of our loan portfolio (excluding residential mortgage loans held for sale) by category as of the dates indicated:

($ in thousands)	September 30, 2013		December 31, 2012	
	Amount	% of Total	Amount	% of Total
Commercial real estate	$45,462	63 %	$38,230	68 %
Commercial and industrial	9,870	14	9,383	11
Residential real estate	14,100	19	10,608	19
Construction and land development	1,012	1	791	2
Consumer	2,151	3	620	—
GROSS LOANS	72,595	100 %	59,632	100 %
Deferred loan expenses / (fees)	47		175	
Allowance for loan and lease losses	(1,101)		(1,063)	
LOANS, NET	$71,541		$58,744	

As of September 30, 2013, gross loans were $72.6 million, an increase of $13.0 million, or 21.7%, from $59.6 million at December 31, 2012. Net loans were 41.5% and 38.2% of total assets at September 30, 2013 and December 31, 2012, respectively. The following table compares the Bank's loan activity during the first nine months of 2013 with the activity from the first nine months of 2012. The strong loan demand during the first nine months of 2013 is indicative of the improving economy and enhanced business development efforts.

	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Beginning Balance - Gross Loans	$59,632	$55,645
New originations	24,853	12,442
Total principal payments	(11,890)	(6,423)
Ending Balance - Gross Loans	$72,595	$61,664
Principal balance of loans purchased	$413	$4,500
Principal balance of SBA 7(a) loans sold	$1,386	$150
Gain on SBA 7(a) loans sold	$112	$25

The Company’s loan portfolio generally consists of loans to borrowers within Colorado that is primarily secured by real estate located in Colorado. This makes the value of the portfolio more susceptible to declines in real estate values and other changes in economic conditions in Colorado. To mitigate this risk, no single borrower can be approved for a loan over the Bank’s current legal lending limit of approximately $2.7 million.

Management may renew loans at maturity when requested by a customer whose financial strength appears to support such a renewal or when such a renewal appears to be in the best interest of the Bank. The Bank requires payment of accrued interest in such instances and may adjust the rate of interest, require a principal reduction, or modify other terms of the loan at the time of renewal.

The following tables set forth information at September 30, 2013 and December 31, 2012, regarding the dollar amount of loans maturing in the Bank’s portfolio based on the contractual terms to maturity. The tables do not give effect to potential prepayments or contractual principal payments.

44

($ in thousands)	September 30, 2013				
	<1 Year	1 - 5 Years	5 – 15 Years	Over 15 Years	Total Loans
Commercial real estate	$6,807	$9,394	$29,113	$148	$45,462
Commercial and industrial	1,771	3,594	3,770	735	9,870
Residential real estate	2,144	134	1,322	10,500	14,100
Construction and land development	914	98	—	—	1,012
Consumer	15	480	12	1,644	2,151
Gross Loans Receivable	$11,651	$13,700	$34,217	$13,027	$72,595

($ in thousands)	December 31, 2012				
	<1 Year	1 - 5 Years	5 – 15 Years	Over 15 Years	Total Loans
Commercial real estate	$2,383	$8,618	$27,079	$150	$38,230
Commercial and industrial	1,529	3,999	3,362	493	9,383
Residential real estate	900	470	1,173	8,065	10,608
Construction and land development	628	163	—	—	791
Consumer	10	499	3	108	620
Gross Loans Receivable	$5,450	$13,749	$31,617	$8,816	$59,632

Nonperforming Loans, Leases and Assets

Nonperforming assets consist of loans and leases on nonaccrual status, loans 90 days or more past due and still accruing interest, loans that have been restructured resulting in a reduction or deferral of interest or principal, other real estate owned (OREO), and other repossessed assets.

The following table summarizes information regarding nonperforming assets:

($ in thousands)	September 30, 2013		December 31, 2012	
Nonaccrual loans and leases	$—		$13	
Other impaired loans	—		—	
Total nonperforming loans	—		13	
Other real estate owned	1,776		1,776	
Substandard assets	1,116		—	
Total nonperforming assets	$2,892		$1,789	
Nonperforming loans	$—		$13	
Allocated allowance for loan and lease losses to nonperforming loans	—		—	
Net investment in nonperforming loans	$—		$13	
Accruing loans past due 90 days or more	$—		$—	
Loans past due 30-89 days	$800		$147	
Loans charged-off, year-to-date	$7		$88	
Recoveries, year-to-date	(45	)	(84	)
Net (recoveries) charge-offs, year-to-date	$(38	)	$4	
Allowance for loan and lease losses	$1,101		$1,063	
Allowance for loan and lease losses to gross loans	1.52	%	1.78	%
Allowance for loan and lease losses to nonaccrual loans	NM[1]		NM[1]	
Allowance for loan and lease losses to nonperforming loans	NM[1]		NM[1]	
Nonaccrual loans to loans, net of deferred fees/expenses	—	%	0.02	%
Loans 30-89 days past due to loans, net of deferred fees/expenses	1.10	%	0.25	%
Nonperforming assets to total assets	1.68	%	1.16	%

(1) Not meaningful due to the insignificant amount of nonperforming loans at September 30, 2013 and December 31, 2012.

The Company had substandard assets, not including substandard loans, totaling $1.1 million as of September 30, 2013 representing the amortized cost of two corporate bond positions in Dell, Inc. The corporate credit rating on Dell, Inc. was lowered during the third quarter 2013 by Standards and Poor's rating service to below investment grade due the company's proposed leveraged buy-out which was consummated in the fourth quarter of 2013. Management does not believe these investments are other than temporarily impaired and management intents to hold these investments until recovery of value, which may be until maturity.

Federal regulations require that each insured financial institution classify its assets on a regular basis. In addition, in connection with examinations of insured institutions, regulatory examiners have authority to identify problem assets and, if appropriate, classify them. The Bank has established three classifications for potential problem assets: “substandard,” “doubtful” and “loss.” Loans classified as “substandard” are those loans with well-defined weaknesses, such that future capacity to repay the loan has been negatively impacted. Loans classified as “doubtful” are those loans that have characteristics similar to substandard loans, but the weaknesses have moved to the point where complete collection of the obligation from all sources is unlikely and a portion of the principal may be charged-off. Although loans classified as substandard do not duplicate loans classified as doubtful, both substandard and doubtful loans may include some loans that are past due at least 90 days, are on nonaccrual status or have been restructured. Loans classified as “loss” are those loans that are in the process of being charged-off. At September 30, 2013, the Bank had substandard loans totaling $3.2 million, and no loans classified as doubtful or loss. Of the $3.2 million in substandard loans, none were 30 days or more past due. As of December 31, 2012, the Bank had $4.6 million classified as

substandard and no loans classified as doubtful or loss.

Allowance for Loan and Lease Losses

Implicit in Solera National Bank's lending activities is the fact that loan losses will be experienced and that the risk of loss will vary with the type of loan being made and the creditworthiness of the borrower over the term of the loan. To reflect the currently

46

perceived risk of loss associated with the loan portfolio, additions are made to the allowance for loan and lease losses in the form of direct charges against income to ensure that the allowance is available to absorb possible loan losses. The Bank's allowance for estimated loan and lease losses is based on a number of quantitative and qualitative factors. Factors used to assess the adequacy of the allowance for loan and lease losses are established based upon management's assessment of the credit risk in the portfolio, historical loan loss, changes in the size, composition and concentrations of the loan portfolio, general economic conditions, and changes in the legal and regulatory environment, among others. In addition, because the Bank has a limited history on which to base future loan losses, a comparison of peer group allowance ratios to gross loans is made with the intention of maintaining similar levels of reserves.

Provisions for loan and lease losses may be provided both on a specific and general basis. Specific and general valuation allowances are increased by provisions charged to expense and decreased by charge-offs of loans, net of recoveries. Specific allowances are provided for impaired loans for which the expected loss is measurable. General valuation allowances are provided based on a formula that incorporates the factors discussed above. The Bank periodically reviews the assumptions and formula by which additions are made to the specific and general valuation allowances for losses in an effort to refine such allowances in light of the current status of the aforementioned factors.

The amount of the allowance equals the cumulative total of the provisions made from time to time, reduced by loan charge-offs and increased by recoveries of loans previously charged-off. The allowance was $1.1 million, or 1.52% of outstanding principal as of September 30, 2013. We did not recognize any provision expense during the first nine months of 2013 or 2012, reflecting continually improving asset quality.

The following table sets forth the allowance for loan and lease losses activity for the three and nine months ended September 30, 2013 and 2012:

($ in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Balance at beginning of period	$1,088	$1,009	$1,063	$1,067
Provision charged to expense	—	—	—	—
Loans charged-off:				
Commercial real estate	—	—	(7)	—
Commercial and industrial	—	—	—	(85)
Residential real estate	—	—	—	—
Construction and land development	—	—	—	—
Consumer	—	—	—	(3)
Total loans charged-off	—	—	(7)	(88)
Recoveries on loans previously charged-off:				
Commercial real estate	—	—	—	—
Commercial and industrial	1	10	5	10
Residential real estate	12	14	40	44
Construction and land development	—	—	—	—
Consumer	—	—	—	—
Total recoveries	13	24	45	54
Balance at end of period	$1,101	$1,033	$1,101	$1,033
Annualized net charge-offs (recoveries) to average gross loans	(0.03)%	(0.16)%	(0.08)%	0.08%

Credit and loan decisions are made by management and the Board of Directors' Credit Committee in conformity with loan policies established by the Board of Directors. The Bank's practice is to charge-off any loan or portion of a loan

when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral, the loan's classification as a loss, or other reasons.

47

Off-Balance-Sheet Arrangements

In the ordinary course of business, the Company enters into various off-balance-sheet commitments and other arrangements to extend credit that are not reflected in the consolidated balance sheets of the Company. The business purpose of these off-balance-sheet commitments is the routine extension of credit. The total amounts of off-balance-sheet financial instruments with credit risk were $40.2 million and $28.5 million as of September 30, 2013 and December 31, 2012, respectively, including $16.4 million and $16.7 million, respectively, in interest rate lock commitments for residential mortgage loans that had been committed but not yet funded. At the time the Bank enters into the interest rate lock commitment with the customer, the Bank simultaneously enters into a forward sales commitment with the secondary market investor locking the price on the subsequent sale of the loan thereby mitigating the Bank's exposure to interest rate risk. These interest rate lock commitments, when closed and funded, become loans held for sale on the Bank's balance sheet. These loans are held on the Bank's balance sheet for generally less than 30 days until sold to the investor at the previously-agreed price.

The remaining commitment balances represent commitments to lend to a customer as long as there is no violation of any condition established in the commitment contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Commitments also include revolving lines of credit arrangements and unused commitments for commercial and real estate secured loans. Since many of the commitments are expected to expire without being drawn upon, the commitments do not necessarily represent future cash requirements.

The Company faces the risk of deteriorating credit quality of borrowers to whom a commitment to extend credit has been made; however, no significant credit losses are expected from these commitments and arrangements.

Borrowings

The Bank is a member of the Federal Home Loan Bank of Topeka (FHLB) and, as a regular part of its business, obtains advances from this FHLB. Overnight advances bear interest at a variable rate while all other advances bear interest at a fixed rate. All advances are collateralized by certain securities pledged by the Bank and some of the Bank's qualifying loans. The Bank's authorized borrowing line with the FHLB is capped at 40% of total assets, subject to the availability of sufficient collateral to pledge against such borrowings. As of September 30, 2013, the Bank had $7.5 million in fixed-rate borrowings from the FHLB with varying maturity dates between April 2014 and November 2017 and a weighted-average effective interest rate of 1.72%. As of December 31, 2012, the Bank had $8.5 million in fixed-rate borrowings from the FHLB with varying maturity dates between April 2013 and November 2017 and a weighted-average effective interest rate of 1.57%. Additionally, the Bank had $17.9 million in variable-rate, overnight borrowings at 0.18% as of September 30, 2013. The Bank is using overnight borrowings at FHLB to fund residential mortgage loans which are held for sale. The Bank had no overnight borrowings from the FHLB as of December 31, 2012.

Capital Resources and Capital Adequacy Requirements

The risk-based capital regulations established and administered by the federal banking regulatory agencies are applicable to Solera National Bank. Risk-based capital guidelines are designed to make regulatory capital requirements more sensitive to differences in risk profiles among banks, to account for off-balance-sheet exposure, and to minimize disincentives for holding liquid assets. Under the regulations, assets and off-balance-sheet items are assigned to broad risk categories, each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance-sheet items. Under the prompt corrective action regulations, to be adequately capitalized a bank must maintain minimum ratios of total capital to risk-weighted assets of 8.0%, Tier 1 capital to risk-weighted assets of 4.0%, and Tier 1 capital to total average assets of 4.0%. Failure to meet these

capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on Solera National Bank's financial statements.

A well-capitalized institution must maintain a minimum ratio of total capital to risk-weighted assets of at least 10.0%, a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, and a minimum ratio of Tier 1 capital to total average assets of at least 5.0% and must not be subject to any written order, agreement, or directive requiring it to meet or maintain a specific capital level.

The following table summarizes the ratios of the Bank and the regulatory minimum capital requirements at September 30, 2013:

($ in thousands)	Risk-based Tier 1	Total capital	Leverage Tier 1
Actual regulatory capital	$16,710	$17,811	$16,710
Well-capitalized requirement	6,701	11,168	8,521
Excess regulatory capital	$10,009	$6,643	$8,189
Capital ratios	15.0 %	16.0 %	9.8 %
Minimum capital requirement	4.0 %	8.0 %	4.0 %
Well-capitalized requirement	6.0 %	10.0 %	5.0 %

On July 9, 2013, bank regulators approved the final rule to implement the Basel III regulatory capital reforms. The final rule becomes effective for the Bank beginning on January 1, 2015, as we are considered a non-advanced approaches bank. The final rule minimizes the impact on smaller, less complex financial institutions, although it does increase both the quantity and quality of capital required to be held in order to meet the minimum capital requirements. Based on management's initial review, we expect to exceed all capital requirements under the new rule. Some key highlights of the final rule as they pertain to the Bank include:

- A one-time irrevocable option to permanently exclude accumulated other comprehensive income from inclusion in regulatory capital.
- The residential mortgage risk-weighting approach in the notice of proposed rulemaking was removed in the final rule. Institutions will continue to use the existing risk-weighting approach.

Liquidity

The Board of Directors intends to retain earnings to promote growth, build capital and recover any losses incurred in prior periods. Accordingly, we do not expect to receive dividends from the Bank, or to pay dividends to our stockholders, in the foreseeable future. In addition, banks and bank holding companies are subject to certain regulatory restrictions on the payment of cash dividends.

The Bank’s liquidity is monitored by its staff, the Asset Liability Committee and the Board of Directors, who review historical funding requirements, the current liquidity position, sources and stability of funding, marketability of assets, options for attracting additional funds, and anticipated future funding needs, including the level of unfunded commitments.

The Bank’s primary sources of funds are retail and commercial deposits, loan and securities repayments, other short-term borrowings, and other funds provided by operations. While scheduled loan repayments and maturing investments are relatively predictable, deposit flows and early loan prepayments are more influenced by interest rates, general economic conditions, and competition. The Bank will maintain investments in liquid assets based upon management’s assessment of (1) the need for funds, (2) expected deposit flows, (3) yields available on short-term liquid assets, and (4) objectives of the asset/liability management program.

During the second quarter 2013, the Bank assumed approximately $6 million of customer deposits, excluding certificates of deposit, from another bank's nearby branch. This increase in deposits enhanced the Bank's liquidity.

Additionally, the Bank is a member of the Certificate of Deposit Account Registry Service (“CDARS®”) program. Through CDARS®, the Bank’s customers can increase their FDIC insurance by up to $50 million through

reciprocal deposit accounts. This is accomplished by the Bank entering into reciprocal depository relationships with other member banks. The individual customer's large deposit is broken into amounts below the $250,000 FDIC-insured amount and placed with other banks that are members of the network. The reciprocal member bank issues deposits in amounts that ensure the entire deposit is eligible for FDIC insurance. These sources provide secondary liquidity to the Bank to service its depositors' needs. As of September 30, 2013 and December 31, 2012, the Bank had $7.6 million and $6.2 million, respectively, in CDARS® deposits.

As loan demand increases, greater pressure will be exerted on the Bank's liquidity. The Bank does not intend to aggressively pursue lending opportunities if sufficient funding sources (e.g., deposits, Federal Funds, etc.) are not available. Additionally, management does not anticipate the need to access capital markets to obtain additional liquidity in the near term, nor will the

Bank seek to attract volatile, non-local deposits with above market interest rates. As of September 30, 2013 and December 31, 2012, the Bank's loan to deposit ratio was 57% and 48%, respectively.

The Bank is a member of the FHLB of Topeka, which gives the Bank access to a secured line of credit with approximately $68.9 million of available funding as of September 30, 2013, subject to the availability of sufficient collateral to pledge against such borrowings. Additionally, the Bank has approved, unsecured federal funds purchase lines totaling $9.1 million with three correspondent banks. These lines either expire during 2013, or can be terminated at any time; however, it is not anticipated that these lines will be terminated and the Bank expects to be approved for new lines once the existing lines expire. The Bank also has the ability to borrow at the Federal Reserve Discount Window on a secured basis. As of September 30, 2013, the Company had no outstanding borrowings on these lines.

The Company had cash and cash equivalents of $1.8 million, or 1.1% of total assets, at September 30, 2013. Additionally, the Company had $77.6 million in available-for-sale investment securities, or 45.1% of total assets, at September 30, 2013. Management believes the Bank will have adequate liquidity to meet anticipated future funding needs.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, the Company is not required to provide the information required by this Item.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Management is responsible for maintaining effective disclosure controls and procedures. As of the end of the period covered by this Quarterly Report on Form 10-Q, management evaluated the effectiveness and operation of the Company’s disclosure controls and procedures (as defined in Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)). Based on that evaluation, both the Company’s Principal Executive Officer and Principal Accounting and Chief Financial Officer have concluded that the Company’s disclosure controls and procedures are effective to ensure that the information required to be disclosed by the Company in reports that are filed or submitted under the Exchange Act are recorded, processed, summarized and reported to management within the time periods specified in the Securities and Exchange Commission’s rules and forms and that such information is accumulated and communicated to management as appropriate to allow timely decisions regarding disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in internal controls over financial reporting during the Company’s last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Not applicable.

ITEM 1A. RISK FACTORS

As a smaller reporting company, the Company is not required to provide the information required by this Item.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

Please see the exhibit index following the signature page of this Report.

SIGNATURES

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

SOLERA NATIONAL BANCORP, INC.
(Registrant)

Dated: November 8, 2013

/s/ John P. Carmichael
John P. Carmichael
President and Chief Executive Officer
(Principal Executive Officer)

Dated: November 8, 2013

/s/ Robert J. Fenton
Robert J. Fenton
Executive Vice President, Chief Financial Officer
(Principal Accounting and Financial Officer)

52

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
3.1	Certificate of Amendment to the Certificate of Incorporation of Solera National Bancorp, Inc. dated June 3, 2013 (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed on June 6, 2013).
3.2 (ii)	Amended and Restated Bylaws dated July 15, 2013 (incorporated by reference to Exhibit 3.2(ii) to the Company's Form 8-K filed on July 31, 2013).
31.1*	Certification of Chief Executive Officer.
31.2*	Certification of Chief Financial Officer.
32.1*	Certification Pursuant to Rule 13a-14(b) of the Securities Exchange Act and 18 U.S.C. §1350.
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase
101.LAB**	XBRL Taxonomy Extension Label Linkbase
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase
101.DEF**	XBRL Taxonomy Extension Definition Linkbase document
(*)	Filed herewith.
(**)	Pursuant to applicable securities laws and regulations, we are deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and are not subject to liability under any anti-fraud provisions of the federal securities laws as long as we have made a good faith attempt to comply with the submission requirements and promptly amend the interactive data files after becoming aware that the interactive data files fail to comply with the submission requirements. In accordance with Rule 406T of Regulation S-T, the information in these exhibits is furnished and deemed not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such filing.

53