KANKAKEE BANCORP INC
Form 10-Q
May 13, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

[X] Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934 For the Quarterly Period Ended March 31, 2003.

or

[_] Transition Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934 For the Transition Period From __________ to __________.

Commission File Number 1-13676

KANKAKEE BANCORP, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	36-3846489
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

310 South Schuyler Avenue, Kankakee, Illinois	60901
(Address of Principal Executive Offices)	(Zip Code)

(815) 937-4440
(Registrant's telephone number, including area code)

Check whether the Issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ___ No X

As of May 13, 2003, there were 932,611 issued and outstanding shares of the Issuer's common stock (exclusive of 817,389 shares of the Issuer's common stock held as treasury stock).

KANKAKEE BANCORP, INC.

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CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (UNAUDITED)
KANKAKEE BANCORP, INC. AND SUBSIDIARY

	March 31, 2003	Dece 2
Assets		
Cash and due from banks	$ 19,321,602	$ 16,
Federal funds sold	22,111,098	19,
Money market funds	3,458,217	11,
Cash and cash equivalents	44,890,917	47,
Certificates of deposit:	50,000	
Securities:		
Investment securities:		
Available-for-sale, at fair value	43,366,715	44,
Held-to-maturity, at cost (fair value: March 31, 2003 $905,271; December 31, 2002 - $1,076,979)	891,761	1,
Total investment securities	44,258,476	45,
Mortgage-backed securities:		
Available-for-sale, at fair value:	33,251,985	38,
Held-to-maturity, at cost (fair value: March 31, 2003 $23,017; December 31, 2002 - $25,525)	23,017	
Total mortgage-backed securities	33,275,002	38,
Loans, net of allowance for losses on loans ($6,576,965 at March 31, 2003; $6,524,306 at December 31, 2002)	360,689,206	384,
Loans held for sale	894,350	
Real estate held for sale	132,765	
Federal Home Loan Bank stock, at cost	2,816,400	2,
Office properties and equipment	10,445,961	10,
Accrued interest receivable	2,669,427	2,
Goodwill	3,065,821	3,
Other intangible assets	956,278	1,
Prepaid expenses and other assets	12,674,669	10,
Total assets	$516,819,272	$546,

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CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (UNAUDITED) (continued)
KANKAKEE BANCORP, INC. AND SUBSIDIARY

	March 31, 2003	Decembe 200
Liabilities and stockholders' equity		
Liabilities:		
Deposits		

Noninterest bearing	$ 33,192,989	$ 28,63
Interest bearing	386,594,901	403,39
Short-term borrowings	800,000	
Long-term borrowings	48,200,000	59,70
Trust preferred debentures	10,000,000	10,00
Advance payments by borrowers for taxes and insurance	2,888,870	1,75
Other liabilities	2,317,156	1,81
Total liabilities	483,993,916	505,29
Stockholders' equity		
Preferred stock, $.01 par value; authorized, 500,000 shares; none outstanding	-	
Common stock, $.01 par value; authorized, 3,500,000 shares; shares issued 1,750,000	17,500	1
Additional paid-in capital	15,039,598	15,03
Retained income, partially restricted	39,712,873	38,51
Treasury stock (817,389 shares at March 31, 2003; 584,119 shares at December 31, 2002), at cost	(23,407,048)	(14,09
Accumulated other comprehensive income	1,462,433	1,63
Total stockholders' equity	32,825,356	41,10
Total liabilities and stockholders' equity	$516,819,272	$546,40

See notes to consolidated financial statements (unaudited).

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)
KANKAKEE BANCORP, INC. AND SUBSIDIARY

	Three Months Ended March 3	
	2003	200
Interest income:		
Loans	$ 6,210,834	$ 6,980,33
Mortgage-backed securities	653,397	588,56
Investment securities and other	469,069	210,88
Total interest income	7,333,300	7,779,77
Interest expense:		
Deposits	2,613,801	3,571,12
Borrowed funds	728,032	361,94
Total interest expense	3,341,833	3,933,07
Net interest income	3,991,467	3,846,70
Provision for losses on loans	66,300	147,96
Net interest income after provision for losses on loans	3,925,167	3,698,73

Other income:		
Net gain on sale of real estate held for sale	26,486	10,20
Net gain on sales of loans held for sale	382,048	237,91
Net gain on sale of branch office	477,843	
Fee income	632,556	590,41
Insurance commissions	5,008	10,79
Other	217,470	110,12
Total other income	1,741,411	959,46
Other expenses:		
Compensation and benefits	1,908,419	1,802,73
Occupancy	339,039	297,74
Furniture and equipment	176,034	148,87
Federal deposit insurance premiums	17,584	18,26
Advertising	105,746	67,92
Provision for losses on foreclosed assets	9,914	6,00
Data processing services	131,748	115,04
Telephone and postage	138,022	136,05
Amortization of intangible assets	37,884	46,01
Other general and administrative	805,149	741,50
Total other expenses	3,669,539	3,380,16
Income before income taxes	1,997,039	1,278,03
Income taxes	626,500	384,84
Net income	$ 1,370,539	$ 893,18
Net income	$ 1,370,539	$ 893,18
Other comprehensive income:		
Change in unrealized gains on available-for-sale securities, net of related income taxes	(168,915)	(366,57
Comprehensive income	$ 1,201,624	$ 526,61
Basic earnings per share	$ 1.28	$ 0.7
Diluted earnings per share	$ 1.28	$ 0.7

See notes to consolidated financial statements (unaudited).

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CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
KANKAKEE BANCORP, INC. AND SUBSIDIARY

	Three Months Ended March 31,	
	2003	2002
Cash flows from operating activities:		
Net income	$ 1,370,539	$ 893,187
Adjustments to reconcile net income to net		

cash provided by operating activities:		
Provision for losses on loans	66,300	147,968
Provisions for losses on real estate held for sale	9,914	6,000
Depreciation and amortization	279,885	259,185
Amortization of investment premiums and discounts, net	31,768	8,709
Accretion of loan fees and discounts	(43,784)	(35,116)
(Increase) decrease in interest receivable	102,056	(85,462)
Increase in interest payable on deposits	22,356	44,484
Net gain on sales of loans	(382,048)	(237,918)
Net gain on sales of real estate held for sale	(26,486)	(10,209)
Federal Home Loan Bank of Chicago, stock dividend	(75,900)	(35,400)
Increase in cash surrender value of Bank Owned Life Insurance	(112,415)	-
Gain on the sale of branch office	(477,843)	-
Other, net	(633,371)	(169,531)
Net cash from operating activities before loan originations and sales	130,971	785,897
Originations on loans held for sale	(15,065,210)	(15,892,028)
Proceeds from sales of loans	14,680,908	16,571,356
Net cash from operating activities	(253,331)	1,465,225
Cash flow from investing activities:		
Investment securities		
Available-for-sale:		
Purchases	(6,905,101)	(4,005,781)
Proceeds from calls and maturities	8,000,000	2,000,000
Held-to-maturity:		
Proceeds from maturities	174,817	-
Mortgage-backed securities:		
Available-for-sale:		
Purchases	-	(30,607,096)
Proceeds from maturities and pay downs	4,637,391	1,221,649
Held-to-maturity:		
Proceeds from maturities and pay downs	2,508	5,509
Proceeds from sales of real estate	157,878	-
Deferred loan fees and costs, net	97,254	(2,124)
Loans originated	(35,753,694)	(37,481,976)
Loans purchased	-	(1,400,000)
Principal collected on loans	52,813,078	36,575,893
Purchases of office properties and equipment, net	(1,440,979)	(506,178)
Purchases of Bank Owned Life Insurance	-	(8,000,000)
Cash transferred to buyer on sale of branch	(12,314,815)	-
Net cash from investing activities	9,468,337	(42,200,104)

See notes to consolidated financial statements (unaudited).

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CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) (continued)
KANKAKEE BANCORP, INC. AND SUBSIDIARY

	Three Months Ended Marc	
	2003	2002
Cash flows from financing activities:		
Net increase in non-certificate of deposit accounts	$ 13,711,978	$ 2,640
Net increase (decrease) in certificate of deposit accounts	(6,504,862)	4,334
Net increase in advance payments by borrowers for taxes and insurance	1,225,766	1,194
Proceeds from short-term borrowings	800,000	
Proceeds from other borrowings	-	37,600
Repayments of other borrowings	(11,500,000)	(5,000
Proceeds from exercise of stock options	-	433
Dividends paid	(174,882)	(147
Purchase of treasury stock	(9,308,045)	(687
Net cash from financing activities	(11,750,045)	40,368
Decrease in cash and cash equivalents	(2,535,039)	(366
Cash and cash equivalents:		
Beginning of period	47,425,956	26,662
End of period	$ 44,890,917	$ 26,296
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest on deposits	$ 2,591,445	$ 3,526
Interest on borrowed funds	$ 610,300	$ 334
Income taxes	$ 150,000	$
Supplemental disclosures of non-cash investing activities:		
Real estate acquired through foreclosure	$ -	$ 63
Decrease in unrealized gains on securities available-for-sale	($254,008)	($551
Decrease in deferred taxes attributable to the unrealized gains on securities available-for-sale	$ 85,093	$ 184
Sale of branch:		
Assets disposed:		
Loans	($6,370,117)	$
Accrued interest receivable	(24,218)	
Premises and equipment	(164,639)	
Other assets	(197,251)	
Liabilities assumed by buyer:		
Non-certificate of deposit accounts	2,161,632	
Certificates of deposit	17,243,008	
Accrued interest payable	68,550	
Escrows on loans	64,005	
Other liabilities	11,688	
Gain on the sale of branch office	(477,843)	
Cash paid	$ 12,314,815	$

See notes to consolidated financial statements (unaudited).

KANKAKEE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2003

Note 1 - Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The statement of condition at December 31, 2002 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. Operating results for the three-month period ended March 31, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. For further information, refer to the consolidated financial statements and footnotes thereto included in the annual report for Kankakee Bancorp, Inc. (the "Company") on Form 10-K for the year ended December 31, 2002.

Note 2 - Earnings Per Share

Basic earnings per share of common stock have been determined by dividing net income for the period by the average number of shares of common stock outstanding. Diluted earnings per share of common stock have been determined by dividing net income for the period by the average number of shares of common stock and common stock equivalents outstanding. Common stock equivalents assume exercise of stock options, and the purchase of treasury stock with the option proceeds at the average market price for the period (when dilutive). The Company has an incentive stock option plan for the benefit of directors, officers and employees. Diluted earnings per share have been determined considering the stock options granted, net of stock options which have been exercised.

	Three months ended March 31,	
	2003	2002
Net income	$1,370,539	$ 893,187
Average outstanding shares of common stock	1,067,164	1,228,699
Average common stock equivalents	1,103	13,776
Total	1,068,267	1,242,475
Basic earnings per share	$ 1.28	$ 0.73
Diluted earnings per share	$ 1.28	$ 0.72

Note 3 - Accounting for Certain Investments in Debt and Equity Securities

At March 31, 2003, stockholders' equity included a positive $1.4 million, which represents the amount by which the market value of the available-for-sale securities and the available-for-sale mortgage-backed securities exceeded the book value, net of income tax of $758,000. An increase in market interest rates during the three months ended March 31, 2003 resulted in a $169,000 decrease in the market value, net of income tax effect, of the available-for-sale securities and the available-for-sale mortgage-backed securities. At the end of 2002, the market value of the available-for-sale securities portfolio exceeded the book value by $1.6 million, net of income tax benefit.

Note 4 - Commitments and Contingencies

The Bank is party to 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 financial guarantees. Those instruments involve, to varying degrees, elements of credit and interest rate risk. The contract or notional amounts of those instruments reflect the extent of involvement the Bank has in particular classes of financial instruments.

The Bank's exposure to credit loss, in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit, is represented by the contractual notional amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Financial instruments whose contract amount represent credit risk follows:

	March 31, 2003	December 31, 2002
Commitments to originate new loans	$ 26,220,000	$ 19,100,000
Commitments to extend credit	28,797,000	31,106,000
Standby letters of credit	1,233,000	1,228,000

Such commitments are recorded in the financial statements when they are funded or related fees are incurred or received. These commitments are principally at variable interest rates.

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 many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Standby letters of credit written are conditional commitments issued by the bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. In the event the customer does not perform in accordance with the terms of the agreement with the third party, the Bank would be required to fund the commitment. The maximum potential amount of future payments the Bank could be required to make is represented by the contractual amount shown in the summary above. If the commitment is funded, the Bank would be entitled to seek recovery from the customer. At March 31, 2003 and December 31, 2002, no amounts have been recorded as liabilities for the Bank's potential obligations under these guarantees.

The Company and the Bank do not engage in the use of interest rate swaps, futures, forwards, or option contracts.

Note 5 - Stock-Based Employee Compensation

The Company had one stock-based employee compensation plan which was in existence for all periods presented. As permitted under accounting principles generally accepted in the United States of America, grants of options under the plan are accounted for under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. Because options granted under the plan had an exercise price equal to market value of the underlying common stock on the date of the grant, no stock-based employee compensation cost is included in determining net income. Stock options were granted to newly elected directors in December 2001 and 2002 and vested immediately. As a result, there was no compensation expense to be recognized for the three months ended March 31, 2003 or 2002, under APB Opinion No. 25 or the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation.

KANKAKEE BANCORP, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The Company is a Delaware company formed in 1992 for the purpose of becoming the savings and loan holding company of KFS Bank, F.S.B. (the "Bank"), the Company's principal subsidiary. The Bank was originally chartered in 1885 as an Illinois savings and loan association and was converted to a federally chartered thrift institution in 1937.

The Company serves the financial needs of families and local businesses in its primary market areas through its main office at 310 South Schuyler Avenue, Kankakee, Illinois and thirteen branch offices located in the communities of Ashkum, Bourbonnais, Bradley, Braidwood, Champaign, Coal City (2), Diamond, Dwight, Herscher, Manteno, Momence and Urbana, Illinois. The Company's business involves attracting deposits from the general public and using such deposits to originate residential mortgage loans and, to a lesser extent, commercial real estate, consumer, commercial business, multi-family and construction loans in its market areas. The Company also invests in investment securities, mortgage-backed securities and various types of short term liquid assets.

ECONOMIC CLIMATE

Over the last 27 months, the Federal Open Market Committee ("the FOMC") lowered its target short-term interest rates by a total of five and one-quarter percentage points. The federal funds target went from 6.50% to 1.25% and the Federal Reserve discount rate went from 6.00% to 0.75%. The federal funds rate is the rate at which financial institutions borrow from each other, while the discount rate is the rate at which member banks borrow from the Federal Reserve. The FOMC cited a slowing economy and recessionary trends as the primary reasons for lowering interest rates. Lower short-term interest rates would tend to stimulate economic activity by reducing the financing costs on borrowed funds for both businesses and individuals.

A slowing economy would usually result in some increase in problem assets, and could possibly result in some increase in loan losses. In a slowing economy or recession, cash flows and profits of commercial customers decrease, which could result in an increase in delinquencies. Additionally, individual borrowers experience cash flow problems from job loss, reduction in investment returns or other causes. This could also result in an increase in delinquencies. Due in part to recent economic conditions, the Company experienced an increase of delinquencies and problem loans. During the last half of 2002, this resulted in a substantial increase in its provision for losses on loans.

Since the beginning of 2003, there have been few fundamental changes in the economic environment. Some economic indicators are pointing toward a recovery, while others are still weak, indicating that the economy remains slow. If the economy does move into a full recovery, then the FOMC would likely increase in its target rates.

The Company had a positive cumulative one-year gap of 10.1% at March 31, 2003. A positive gap indicates that an increase in market interest rates might positively affect net interest income and the results of operations, due to assets maturing, and repricing, from their current rates to higher rates, more quickly than liabilities will mature and reprice to higher rates. Management believes that the Company's current level of interest rate sensitivity is reasonable,

in light of the current market rates and the possibility of increasing market rates. However, significant fluctuations in interest rates may have an adverse effect on the Company's financial condition and results of operations.

INITIATIVES AND SIGNIFICANT EVENTS

During the first quarter of 2003, the Company continued moving ahead with a number of strategies designed to improve profitability and enhance stockholder value, including the sale of the Hoopeston, Illinois branch. The Company continues to evaluate service delivery systems and explore new market areas, evaluating both potential acquisitions and sites for new branches.

Construction of a new branch office in Bradley, Illinois has begun, with completion expected by the end of the third quarter of the year. This new office will replace an existing in-store facility. In addition, office renovations are planned for the branches in Manteno and Momence, Illinois, while possible renovations at other offices are being evaluated. An ATM was installed at the Urbana, Illinois office, and seven additional or replacement ATMs are scheduled for installation during the year.

The Company has also continued to evaluate and improve its organizational structure, including lines of authority, job functions and supervisory responsibilities. As a result of this process, some positions have been eliminated, some new positions have been added and a number of changes in reporting responsibility have been implemented. Fundamental organizational changes at the board level, designed to increase independence and improve corporate governance, have been substantially completed, and the process of conducting a search for a new CEO continues. Some costs associated with these activities are reflected in expenses for the first quarter of 2003.

FINANCIAL CONDITION

Total assets of the Company decreased by $29.6 million, or 5.4%, to $516.8 million at March 31, 2003 from $546.4 million at December 31, 2002.

Cash and cash equivalents decreased by $2.5 million, or 5.3%, from $47.4 million at December 31, 2002 to $44.9 million at March 31, 2003. The decrease was attributable to decreases in deposits and borrowed money, as well as treasury stock purchases.

During the three-month period ended March 31, 2003, net loans receivable decreased by $23.5 million, or 6.1%, from $384.2 million to $360.7 million. This was primarily the result of loan repayments which totaled $52.8 million and the sale of $6.4 million in loans as part of the sale of the Hoopeston, Illinois branch, which were substantially offset by the origination of $24.3 million of real estate loans and the origination of $11.5 million of consumer and commercial business loans.

Loans held for sale increased by $766,000, from $128,000 at December 31, 2002 to $894,000 at March 31, 2003. This was the result of the origination of $15.1 million of loans held for sale, which was partially offset by the sale of $14.7 million of such loans, at a net gain of $382,000. The level of borrower refinancing remained strong through the first quarter of 2003, with interest rates down at levels not seen in decades. Gains on the sale of loans have been greatly enhanced by these factors. We cannot assume that interest rates will remain at current levels or that refinancing volume will continue at current levels.

Securities available-for-sale decreased by $1.1 million, or 2.4%, to $43.4 million at March 31, 2003 from $44.5 million at December 31, 2002 as the result of the maturity or the exercise of call options by issuers on $8.0 million of securities, which was partially offset by purchases of $6.9 million in such securities, and by a minimal net change in market value adjustments.

Mortgage-backed securities available-for-sale decreased by $4.9 million, or 12.9%, to $33.3 million at March 31, 2003 from $38.2 million at December 31, 2002. The decrease resulted from the maturity of $4.6 million of securities, and by the net change in market value adjustments.

Deposits decreased by $12.2 million, or 2.8%, from $432.0 million at December 31, 2002 to $419.8 million at March 31, 2003. During the three month period, $17.2 million in certificate of deposit accounts and $2.2 million in passbook, checking and money market accounts were sold with the Hoopeston, Illinois branch. In addition, there was a $6.5 million decrease in certificate of deposit accounts, a $13.7 million increase in passbook, checking and money market accounts and a small increase in accrued interest on deposits.

Total borrowings decreased by $10.7 million, or 17.9%, from $59.7 million at December 31, 2002 to $49.0 million at March 31, 2003. The decrease was the result of $11.5 million in repayments, which were partially offset by new borrowings of $800,000. Borrowings at March 31, 2003 consisted of $29.8 million in advances from the Federal Home Loan Bank of Chicago, $800,000 in funds drawn down on a line-of-credit and $18.4 million in funds from securities sold under agreement to repurchase. Additionally, there were $10.0 million of trust preferred debentures outstanding at both March 31, 2003 and December 31, 2002.

ASSET/LIABILITY MANAGEMENT

In an attempt to manage its exposure to changes in interest rates, management closely monitors the Company's interest rate risk. The Bank has a funds management committee, consisting of the president, certain vice presidents and the controller of the Bank, which meets weekly and reviews the Bank's interest rate risk position and evaluates its current asset/liability pricing and strategies. This committee adjusts pricing and strategies as needed and makes recommendations to the Bank's board of directors regarding significant changes in strategy. In addition, on a quarterly basis the board reviews the Bank's asset/liability position, including simulations of the effect on the Bank's capital of various interest rate scenarios.

In managing its asset/liability mix, the Company, at times, depending on the relationship between long-term and short-term interest rates, market conditions and consumer preferences, may place somewhat greater emphasis on maximizing its net interest margin than on better matching the interest rate sensitivity of its assets and liabilities in an effort to improve its net income. Management believes that the increased net income resulting from a mismatch in the maturity of its asset and liability portfolios can, during periods of declining or stable interest rates, provide returns that justify the increased exposure to sudden and unexpected increases in interest rates which can result from such a mismatch.

The Company attempts to manage its interest rate risk to the extent consistent with its interest margin objectives through management of the mix of its assets and liabilities in a number of ways, including the following:

- The Company prefers to lend on adjustable rate mortgages ("ARMs") in its one-to-four family residential lending program. However, ARMs are not currently in great demand, and less than 5% of the one-to-four family loans originated during the first quarter of 2003 were ARMs
- The Company has increased originations of commercial business and construction loans having adjustable or floating interest rates, relatively short terms to maturity, or a combination thereof.
- The Company has continued its origination of consumer loans having terms to maturity that are significantly shorter than residential loans.
- The Company regularly reviews its policy on newly originated fixed-rate mortgage loans, as to the question of which loans, if any, should be retained in portfolio versus which should be sold in the secondary market. Trends in the economy, trends in market interest rates, the Company's interest margin and the Company's current asset/liability mix are among the factors considered. Changes resulting from these reviews take effect on a specific calendar date and impact either those loans which are applied for on or after that date, or those loans which are closed on or after that date. During the first quarter of 2003, the Company sold most of the fixed-rate mortgage loans it originated.

The Company currently does not enter into derivative financial instruments including futures, forwards, interest rate risk swaps, option contracts, or other financial instruments with similar characteristics. However, the Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers such as commitments to extend credit and letters of credit.

NON-PERFORMING ASSETS AND ALLOWANCE FOR LOSSES ON LOANS

The Company's non-performing assets increased to $12.5 million, or 2.42%, of total assets at March 31, 2003 from $11.1 million, or 2.03% of total assets at December 31, 2002. This represented an increase of $1.4 million over the three-month period. Changes in individual loan categories are detailed in the following table:

	March 31 2003	December 31 2002	Change
Non-accruing loans:			
Real estate:			
One-to-four family	$ 797	$ 1,115	($318)
Multi family	118	118	-
Commercial	3,039	3,039	-
Construction and development	1,687	1,687	-
Commercial business	859	875	(16)
Total	6,500	6,834	(334)
Accruing loans delinquent 90 days or more:			
Real estate:			
Commercial	3,731	2,516	1,215
Consumer	325	290	35
Commercial business	1,448	633	815
Total	5,504	3,439	2,065
Foreclosed assets	133	316	(183)
Troubled debt restructuring	351	480	(129)
Total non-performing assets	$12,488	$11,069	$1,419

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Non-performing assets are presented on a gross balance basis and the totals have not been reduced by specific reserves.

The ratio of the allowance for losses on loans to non-performing loans decreased to 54.8% as of March 31, 2003 compared to 63.5% as of December 31, 2002. The decrease in this ratio, which excludes foreclosed assets and restructured troubled debt, was the result of the increase of $1.7 million in non-performing loans. Since the end of the first quarter of 2003, there has been a reduction in the balance of non-performing loans as the result of aggressive follow-up on delinquent loans by the Company.

The Company classified $4.9 million of its assets as Special Mention, $5.6 million as Substandard and $4.1 million as Loss as of March 31, 2003. No assets were classified as Doubtful at March 31, 2003. This represents a decrease of $1.1 million in the Special Mention category and a net decrease of $296,000 in the other categories from the December 31, 2002 totals for classified assets. The ratio of classified assets to total assets (including items classified as Special Mention) was 2.83% at March 31, 2003 as compared to 2.93% at December 31, 2002. The ratio of the allowance for losses on loans to classified assets increased to 45.0% as of March 31, 2003 compared to 40.8% as of December 31, 2002.

CRITICAL ACCOUNTING POLICIES

Accounting policies, the implementation of which requires difficult, complex or subjective judgments on the part of management are critical to the Company's financial condition and results of operations, and they may relate to matters that are inherently uncertain. Changes in facts and circumstances can result in material changes in estimates determined under these policies. Changes in interest rates, deterioration in the performance of the economy, changes in laws and regulations and deterioration in the financial condition of borrowers are among those facts and circumstances that could affect the evaluation process. Management believes that the Company's critical accounting policies include determining the allowance for losses on loans.

DISCUSSION ON PROVISION FOR LOSSES ON LOANS

As with many financial institutions, the lagging economy has challenged many companies, including some of the Bank's customers. During the last half of 2002, the Company experienced a significant increase in non-performing loans, most of which related to commercial real estate and real estate development loans. After an extensive evaluation, the Company recorded additions of $3.4 million to reserves for losses on loans during the last half of the year. Issues related to these loans, including a bankruptcy filing, several foreclosures and past due real estate taxes, necessitate ongoing review and evaluation as to the adequacy of reserves. Based on this ongoing review, management has concluded that it is not appropriate at this time to add additional reserves with respect to these identified loans. Management is continuing to examine the loans with the parties involved to determine the best course of action to realize maximum satisfaction of these credits. While non-performing loans increased during the first quarter of 2003, management's review of the loans which became non-performing did not indicate the need to provide additional reserves. Management will continue to monitor and evaluate non-performing assets.

RESULTS OF OPERATIONS
THREE MONTHS ENDED MARCH 31, 2003 AND 2002

Net income for the quarter ended March 31, 2003 was $1.4 million compared to $893,000 for the same period in 2002. This represented a $477,000, or 53.4% increase. The increase in net income resulted from an increase in net interest income of $145,000 (3.8%), an increase in other income of $782,000 (81.5%), which included a $478,000 gain on the sale of a branch

operation, and a decrease in provision for losses on loans of $82,000 (55.2%). These items were partially offset by an increase in other expenses of $289,000 (8.6%) and an increase in income tax expense of $242,000 (62.8%). Basic earnings per share were $1.28 for the quarter ended March 31, 2003 compared to $.73 for the comparable 2002 quarter. Diluted earnings per share were $1.28 for the quarter ended March 31, 2003 compared to $.72 for the comparable 2002 quarter, representing an increase of 77.8%.

Net interest income increased $145,000, or 3.8%, during the quarter ended March 31, 2003, compared to the quarter ended March 31, 2002. The table presented on page 21 ("Table I"), sets forth an analysis of the Company's net interest income for the three-month periods ended March 31, 2003 and 2002.

As Table I indicates, interest income decreased $446,000, or 5.7%, to $7.3

million for the three-month period ended March 31, 2003 compared to the $7.8 million for the same period in 2002. The decrease in interest income was the result of a decrease in the yield earned on interest-earning assets to 6.03% during the 2003 period from 6.71% during the 2002 period, which was partially offset by an increase in the average balance of interest-earning assets to $492.8 million during the 2003 period from $470.4 million during the 2002 period. The increase in the average balance of interest-earning assets was due to increases in balances of mortgage-backed securities, investment securities and other interest-earning assets, which were partially offset by a decrease in balances of loans during the quarter. The decrease in the yield earned on interest-earning assets was the result of decreasing market interest rates during the quarter, which resulted in lower yields on short term assets and a lower yield on the reinvestment of principal repayments and prepayments on loans and on newly originated loans. The decrease in average loans was primarily the result of the refinancing of loans in the mortgage portfolio in the current low interest rate environment. Most such long-term, fixed-rate mortgage loans were sold with servicing retained.

Interest expense decreased $591,000, or 15.0%, to $3.3 million during the first quarter from $3.9 million in the same period in 2002. The decrease in interest expense was the result of a decrease in the average yield on interest-bearing liabilities to 2.75% during the 2003 period from 3.50% during the 2002 period, which was partially offset by an increase in the average outstanding balance of interest-bearing liabilities to $493.0 million during the 2003 period from $455.8 million during the 2002 period. The increase in average interest-bearing liabilities resulted from the implementation of a leveraging strategy, increased use of borrowed funds, and the continuing movement to a sales oriented operation. While the leveraging strategy was implemented in the first quarter of 2002, it was done near the end of that quarter and had minimal impact on average balances. The decrease in the average yield on interest-bearing liabilities resulted from decreasing market interest rates during the last twenty-seven months and continuing improvement in the deposit mix, with a higher ratio of non-certificate deposit accounts.

The provision for losses on loans totaled $66,000 during the first quarter of 2003, compared to $148,000 during the first quarter of 2002. The amount of the provision for losses on loans is determined through regular review of the various elements of the loan portfolio, and by a review of overall adequacy, based on circumstances and factors known at the time of the review.

Other income for the three-month period ended March 31, 2003 increased $782,000, or 81.5%, to $1.7 million compared to $959,000 for the same period in 2002. The increase was attributable to increases of $144,000 (60.6%) in gain on sales of loans held for sale, $107,000 (97.5%) in other income and $42,000 (7.1%) in fee income. In addition, the Company recorded a gain on the sale of a branch banking office in Hoopeston, Illinois totaling $478,000. The $144,000 increase in gain on the sale of loans held for sale was the result of more aggressive pricing and better spreads on the loans sold during the 2003 period compared to the 2002

period. The increase in other income was the result of a full quarter's earnings from the investment in BOLI during 2003 compared to a few days during 2002.

Other expenses for the first quarter of 2003 increased $289,000 or 8.6%, to $3.7 million from $3.4 million for the first quarter of 2002. There were increases of $64,000 (8.6%) in other expenses, $106,000 (5.9%) in compensation and benefits, $41,000 (13.9%) in occupancy expense and $38,000 (55.7%) in advertising. These increases were partially offset by small decreases totaling less than $9,000 in two areas of operating expenses. The increase in compensation and benefits was primarily due to an increase in compensation levels and an increase in employment taxes in the first quarter resulting from the payment in January 2003 of bonuses accrued in and for 2002.

Federal income taxes increased $242,000 to $627,000 for the three-month period ended March 31, 2003, compared to $385,000 for the same period in 2002. The primary reason for this increase was the increase in pre-tax income for the quarter.

LIQUIDITY AND CAPITAL RESOURCES

The Company maintains a certain level of cash and other liquid assets to fund normal volumes of loan commitments, deposit withdrawals and other obligations. The Office of Thrift Supervision (the "OTS") regulations currently require each savings association to maintain sufficient liquidity to ensure its safe and sound operation.

The Company's primary sources of funds are deposits and proceeds from payments of principal and interest on loans and the sale or maturity of investment securities and mortgage-backed securities. Management considers current liquidity and additional sources of funds adequate to meet outstanding liquidity needs.

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of Tangible and Core capital (as defined by the regulations) to tangible assets (as defined) and Total and Tier I capital (as defined) to risk-weighted assets (as defined). Management believes, as of March 31, 2003, that the Bank meets all capital adequacy requirements to which it is subject.

As of the most recent notification from the Office of Thrift Supervision (the "OTS"), categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the table below. There are no conditions or events since that notification that management believes have changed the Bank's category.

	To
	Capit
For Capital	Promp

	Actual		Adequacy Purposes		Actio
	Amount	Ratio	Amount	Ratio	Amoun
	(Dollars in Thousands)				
As of March 31, 2003					
Tangible Captial to Tangible Assets					
KFS Bank, F.S.B.	$36,943	7.25%	$ 7,649	1.50%	N
Core Capital to Tangible Assets					
KFS Bank, F.S.B.	36,943	7.25%	20,396	4.00%	$25,4
Tier I Capital to Risk Weighted Assets					
KFS Bank, F.S.B.	36,943	11.44%	N/A		19,3
Total Capital to Risk Weighted Assets					
KFS Bank, F.S.B.	39,441	12.21%	25,835	8.00%	32,2
As of December 31, 2002					
Tangible Capital to Tangible Assets					
KFS Bank, F.S.B.	35,726	6.73%	7,961	1.50%	N
Core Capital to Tangible Assets					
KFS Bank, F.S.B.	35,726	6.73%	21,230	4.00%	26,5
Tier I Capital to Risk Weighted Assets					
KFS Bank, F.S.B.	35,726	10.57%	N/A		20,2
Total Capital to Risk Weighted Assets					
KFS Bank, F.S.B.	38,785	11.47%	27.040	8.00%	33,8

STOCK REPURCHASE

During the quarter ended March 31, 2003, the Company repurchased 233,270 shares of common stock at a total cost of $9.3 million under the stock repurchase program announced in January 2003. On a cumulative basis, through March 31, 2003, a total of 986,389 shares of common stock of the Company had been purchased under repurchase programs at a total cost of $26.9 million. As of March 31, 2003, the Company held 817,389 shares of its common stock as treasury stock. During the period from March 31, 2003 through May 13, 2003, no additional shares of common stock were repurchased.

STOCK OPTIONS

During the first quarter of 2003, no options on shares of common stock were exercised. At the end of the quarter, there were options outstanding to two individuals on 4,750 shares of stock. Between March 31, 2003 and May 13, 2003, neither individual had given notice of intent to exercise these options.

At the annual meeting of stockholders on April 25, 2003, a proposed stock option plan on 116,500 shares of common stock was approved. On May 1, 2003, options on 2,500 shares of common stock were granted to each director of the Company and the Bank. The exercise price on the 15,000 options granted was set at the closing price of $38.00 per share on May 1, 2003. No options under this plan have been exercised through May 13, 2003.

During the April 2003 organizational meeting of the Board of Directors of the Company, a short-term stock incentive plan was approved, the term of which ran from May 1, 2003 through May 13, 2003. Under the terms of the plan, each director of the Company and of the Bank was given the option to purchase 2,500 shares of common stock at the greater of the current market price or $40.02 per share. Options under this plan totaled 15,000 shares of common stock. Under this plan, directors exercising all of their own options also were given the option to acquire shares under the same terms and conditions, through options not exercised by other directors. No options were exercised during the term of the plan.

DIVIDENDS

On April 24, 2003, a cash dividend of $.15 per share was declared, payable on May 30, 2003 to stockholders of record as of May 14, 2003. The Company has paid a dividend every quarter since the dividend program was instituted in the first quarter of 1995. Future dividends will depend primarily upon earnings, financial condition and need for funds, as well as restrictions imposed by regulatory authorities regarding dividend payments and capital requirements.

CONTROLS AND PROCEDURES

Based upon an evaluation within the 90 days prior to the filing date of this report, the Company's Principal Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect the Company's internal controls subsequent to the date of the evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

SPECIAL NOTE CONCERNING FORWARD-LOOKING STATEMENTS

This document (including information incorporated by reference) contains, and future oral and written statements of the Company and its management may contain, forward-looking statements, within the meaning of such term in the Private Securities Litigation Reform Act of 1995, with respect to the financial condition, results of operations, plans, objectives, future performance and business of the Company. Forward-looking statements, which may be based upon beliefs, expectations and assumptions of the Company's management and on information currently available to management, are generally identifiable by the use of words such as "believe," "expect," "anticipate," "plan," "intend" "estimate," "may," "will," "would," "could," "should" or other similar expressions. Additionally, all statements in this document, including forward-looking statements, speak only as of the date they are made, and the Company undertakes no obligation to update any statement in light of new information or future events.

The Company's ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on the operations and future prospects of the Company and its subsidiaries include, but are not limited to, the following:

- The strength of the United States economy in general and the strength of the local economies in which the Company conducts its operations which may be less favorable than expected and may result in, among other things, a deterioration in the credit quality and value of the Company's assets.
- The economic impact of past and any future terrorist threats and attacks, acts of war or threats thereof, and the response of the United States to any such threats and attacks.

- The effects of, and changes in, federal, state and local laws, regulations and policies affecting banking, securities, insurance and monetary and financial matters.
- The effects of changes in interest rates (including the effects of changes in the rate of prepayments of the Company's assets) and the policies of the Board of Governors of the Federal Reserve System.
- The ability of the Company to compete with other financial institutions as effectively as the Company currently intends due to increases in competitive pressures in the financial services sector.
- The inability of the Company to obtain new customers and to retain existing customers.
- The timely development and acceptance of products and services, including products and services offered through alternative delivery channels such as the Internet.
- Technological changes implemented by the Company and by other parties, including third party vendors, which may be more difficult or more expensive than anticipated or which may have unforeseen consequences to the Company and its customers.
- The ability of the Company to develop and maintain secure and reliable electronic systems.
- The ability of the Company to retain key executives and employees and the difficulty that the Company may experience in replacing key executives and employees in an effective manner.
- Consumer spending and saving habits which may change in a manner that affects the Company's business adversely.
- Business combinations and the integration of acquired businesses which may be more difficult or expensive than expected.
- The costs, effects and outcomes of existing or future litigation.
- Changes in accounting policies and practices, as may be adopted by state and federal regulatory agencies and the Financial Accounting Standards Board.

The ability of the Company to manage the risks associated with the foregoing as well as anticipated. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Additional information concerning the Company and its business, including other factors that could materially affect the Company's financial results, is included in the Company's filings with the Securities and Exchange Commission.

TABLE I
NET INTEREST INCOME ANALYSIS (UNAUDITED)
KANKAKEE BANCORP, INC. AND SUBSIDIARY

			Three Months Ended March	
		2003		
	Average Outstanding Balance	Interest Earned/ Paid	Yield/ Rate	Average Outstandi Balance
			(Dollars in Thousands	
Interest-earning assets:				
Loans receivable (1)	$371,992	$6,211	6.77%	$393,95

Mortgage-backed securities (2)	35,399	469	5.37%	18,90
Investment securities (3)	45,639	506	4.50%	35,67
Other interest-earning assets	37,017	103	1.13%	19,41
FHLB stock	2,789	44	6.40%	2,47
Total interest-earning assets	492,836	7,333	6.03%	470,41
Other assets	41,861			31,40
Total assets	$534,697			$501,82
Interest-bearing liabilities:				
Certificate accounts	$245,966	2,074	3.42%	$250,95
Savings deposits	73,709	231	1.27%	69,75
Demand and NOW deposits	107,329	309	1.17%	96,96
Borrowings	65,950	728	4.48%	38,15
Total interest-bearing liabilities	492,954	3,342	2.75%	455,81
Other liabilities	4,387			4,44
Total liabilities	497,341			460,26
Stockholders' equity	37,356			41,55
Total liabilities and stockholders' equity	$534,697			$501,82
Net interest income		$3,991		
Net interest rate spread			3.28%	
Net earning assets	($118)			$14,59
Net yield on average interest-earning assets (net interest margin)			3.28%	
Average interest-earning assets to average interest-bearing liabilities		99.98%		

(1) Calculated including loans held for sale, and net of deferred loan fees, loan discounts, loans in process and the allowance for losses on loans.
(2) Calculated including mortgage-backed securities available-for-sale.
(3) Calculated including investment securities available-for-sale and certificates of deposit.

KANKAKEE BANCORP, INC.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings - There are no material pending legal proceedings TO which the Company or the Bank is a party other than ordinary routine litigation incidental to their respective businesses.

Item 2. Changes in Securities and Use of Proceeds - None

Item 3. Defaults Upon Senior Securities - None

Item 4. Submission of Matters to a Vote of Security Holders - None

Item 5. Other Information - None

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits - 99.1 - Certification of Principal Executive Officer
99.2 - Certification of Chief Financial Officer

b. Reports on Form 8-K

On January 17, 2003, the Company filed a report on Form 8-K stating under Item 5 that the Company had, on January 17, 2003, issued a news release announcing the implementation of a number of organizational changes intended to comply with the requirements for public companies under the Sarbanes-Oxley Act of 2002, and to ensure both greater independence on the board and stronger leadership from its independent directors. Additionally, it was announced that the Board had received the resignation of the Company's President and CEO and had established a procedure for securing his successor.

On February 3, 2003, the Company filed a report on Form 8-K stating under Item 5 that the Company had, on February 3, 2003, issued a news release announcing its earnings for the quarter ended December 31, 2002, as well as other recent corporate events.

On February 20, 2003, the Company filed a report on Form 8-K stating under Item 5 that the Company, on February 18, 2003, pursuant to a stock buyback program authorized by the Board of Directors of the Company, after being approached by two stockholders offering to sell their shares to the Company, the Company purchased an aggregate of 174,270 shares of its common stock in open market transaction at a purchase price of $40.02 per share, the current market price immediately prior to the transaction. The sellers were Lawrence B. Seidman, and related parties under his control, and Investors of America, Limited Partnership.

On March 13, 2003, the Company filed a report on Form 8-K stating under Item 5 that the Company, on March 10, 2003, pursuant to a stock buyback program authorized by the Board of Directors, repurchased from two stockholders an aggregate of 40,000 share of its common stock in open market transactions at a purchase price of $39.27 per share, the current market price immediately prior to the transaction. The sellers were Tontine Management L.L.C. and Private Capital Management, L.P. Both stockholders' ownership in our common stock exceeded 10% as a result of our repurchases in February, and these latest purchases brought both stockholders' ownership below 10%.

On April 24, 2003, the Company filed a report on Form 8-K pursuant to Item 12 that the Company, on April 24, 2003, issued a news release announcing its earnings for the quarter ended March 31, 2003.

On April 30, 2003, the Company filed a report on Form 8-K stating under Item 5 that the Company, on April 30, 2003, issued a news release announcing a stock dividend, the results of the annual meeting of stockholders and other corporate events.

KANKAKEE BANCORP, INC.

SIGNATURES

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

KANKAKEE BANCORP, INC.
Registrant

Date: May 13, 2003	/s/ CAROL S. HOEKSTRA
	Executive Vice President, Interim COO (Principal Executive Officer)
Date: May 13, 2003	/s/ RONALD J. WALTERS
	Vice President and Treasurer (Principal Financial And Accounting Officer)

I, Carol S. Hoekstra, Executive Vice President, Interim Chief Operating Officer and Principal Executive Officer of the Company, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kankakee Bancorp, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in the Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 13, 2003

/s/ Carol S. Hoekstra

Executive Vice President, Interim COO and
Principal Executive Officer

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I, Ronald J. Walters, Vice President and Treasurer and Principal Financial and Accounting Officer of the Company, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kankakee Bancorp, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in the Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 13, 2003

/s/ Ronald J. Walters

Vice President, Treasurer and
Principal Financial and Accounting Officer