

THE DART DIFFERENCE



Contents

Letter to Shareholders	2
Customer Profiles.....	4
2007 Management Team.....	7
Five-Year Summary.....	8
Independent Auditors' Report.....	10
Consolidated Financial Statements, 2007 and 2006	11
Continuing Education 2007	42
Dart Bankers	44
Donations 2007	46
Board of Directors	47
In Memory of Bill Dunlap.....	48
Mission Statement	Inside Back Cover



Peter Kubacki



Richard Cheney



Rollin Dart

February 7, 2008

Dear Friends—Shareholders of Dart Bank:

The net profit for 2007 was \$1,321,321 producing an Earnings Per Share of \$2.20 and a Return on Average Equity of 5.8%. Earnings Per Share for the year of 2006 was \$3.29 and Return on Average Equity was 8.8%. The two years, 2006 and 2007, were similar from an operational earnings standpoint. The net profits differed, however, in that \$477,000 of pre-tax income last year was due to a recovery on a large loan loss that occurred several years ago. In the year just completed nearly \$600,000 was expensed for our protection against loan losses.

Total dividends of \$1,200,000 were paid during 2007, an increase of \$90,000 over and above that paid in 2006. Our Capital Ratio at the end of 2007 was 9.64% compared to 9.97% the previous year-end. Dart Bank remains a well-capitalized bank.

We are not happy with our showing for the year just ended. Michigan's stagnant economy and an unfortunate interest rate environment created a challenging year to say the least. Growth in total assets of 5.2% approximated our growth for the year 2006. Loan dollars outstanding were increased by 15.9%. The increase, due to the hard work of your people, may very well constitute a record increase for any one year of our operation. Our lenders have done an excellent job of expanding relationships with existing clients and bringing new clients to the bank.

The news has been filled with stories recently about lenders who have created problems with the over-extension of mortgages that are considered sub-prime. The increase in foreclosures and loan losses caused by these sub-prime lenders has depressed prices and the demand for residential housing, and that has had a definite impact in our market-place. The Dart Bank has a very traditional approach to lending and banking in general. We lend to local people we know using time-tested standards. We only invest in securities of the highest quality. We are seeing an increase in delinquencies and in the level of our non-performing loans. We will act responsibly and work with these borrowers on an individual basis to work things out as well as we can for our customers.

The year of 2007 just completed has been one of significant change in management leadership and in your Board of Directors. Joan Bauer, Jack Davis and Rollin Dart ceased as active members of the board. Further, Ron Rhoades, who had acted as Chief Executive Officer, Chairman and Director, retired altogether. These were significant milestones for Dart Bank. We wish them all well and thank them for the many years of wise counsel and effort in guiding your bank. Our new Chief Executive Officer and President, Peter Kubacki, assumed the reins on

March 1, 2007. In addition you elected Mark Henne, Blake Mulder and John Grettenberger to our Board of Directors. These gentlemen, with those directors who are continuing, will, hopefully, guide our bank for many years to come. Though not having official directorship duties, Rollin remains active in the role of Chairman Emeritus, attends board meetings, participates and acts in an advisory capacity. Also, you can most always find him in one of our banks or another.

In this year's annual report we feature clients of Dart Bank from each of the three communities we serve. Each will describe what makes us different, and we label this the "Dart Difference." Hopefully, in the stories they tell, you will see the traits and values that make us different from other banks.

Our shares traded nineteen times during 2007. Prices ranged between \$45.00 and \$70.00. The average price per share was \$50.82. This average price per share reflected a reduction of 18.3% from last year. While the drop in average sale price is disappointing, the value of bank stocks in general, and Michigan bank stocks in particular, has fallen more dramatically. The ten largest publicly traded banks in Michigan showed a decline of 47% in the value of their stock during 2007. As you know, we maintain a list of potential purchasers of our stock and this is always provided to anyone that wishes to sell their shares.

Prior to receiving this *Annual Report* you will have received materials relating to the intended formation of a one-bank holding company to be called Dart Financial Corporation. We feel confident you will seriously consider making this important, proposed change in our structure.

Our Annual Meeting will begin at 6:30 p.m. on March 25, 2008, at the Delhi-South Lansing bank. As is our tradition, delicious food will follow the meeting. This is an excellent opportunity for all of us, shareholders, managers, and directors, to get to know each other.

Warmest wishes to all.

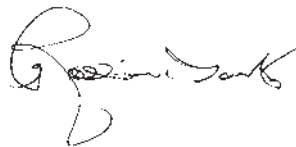
Sincerely,



Peter Kubacki
President and CEO



Richard Cheney
Chairman of the Board



Rollin Dart, C.E.
Community Relations
Officer



Name: Jamie and Scott Robinson

Location: Mason

The Difference: Local People, Local Decisions

When we dreamed of opening a bookstore in beautiful downtown Mason ten years ago, we brought our business idea to Mark Howe at Dart Bank.

Even though the Courthouse Square was full of empty storefronts, Mark and others at Dart Bank could see that a couple of local people might make a go of a new business. The Dart Difference also helped us add a café to a completely renovated building that we moved our bookstore to after just four years in business.

Dart Bank is our independent community bank of choice for our business ventures. We have experienced excitement and support for expanding Bestsellers Books & Coffee and soon The Vault—an independent deli, gourmet food and wine store—which is located in the building Dart Bank occupied for nearly 40 years.

We believe the future of all independent businesses is supporting a Shop Local mentality that will keep the distinct character of the town you live in. We don't want our home town to become the next cookie-cutter version of big box stores, franchises and chain stores. We appreciate that Dart Bank has vision for specialty retailers.

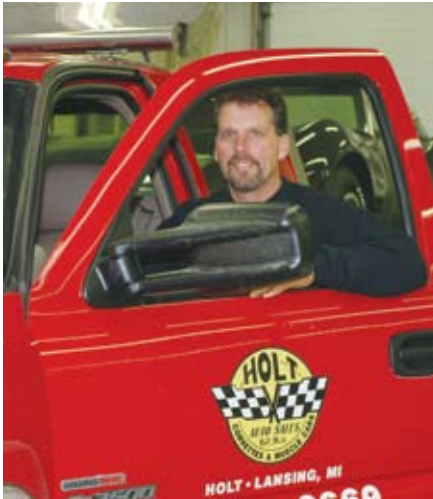
"We appreciate that Dart Bank has vision for specialty retailers."

Dart Bank is different than the jumbo credit unions and non-locally owned banks. They are involved in the community and give resources and time to many local organizations. We have worked together at many service and fund-raising events with Dart Bank staff.

The Dart Difference—an independent bank that can make decisions based on the character of individuals as well as the financial situations. The treasure at Dart Bank is more than what you may find in their vault; it is truly the people and community-based ideals they embrace.

Scott and Jamie Robinson





Name: Steve Hanks

Location: Holt

*"They were different;
they believed in me
and gave me
a chance."*

The Difference: Long-Term Relationships

I was scared to death and without a job. I knew I wanted to start my own business. It was 1980, and I went to several banks in the area looking for a \$10,000.00 loan to start a dealership.

After visiting several banks in the area, I felt like I had a disease. Nobody wanted to help by granting me a loan.

I then came to Dart Bank. Someone had told me of Ron Rhoades, and being a smaller bank that they would listen to me.

I then found myself sitting in front of Ron Rhoades, the loan officer at that time. He listened to my plan, he was interested, and Dart Bank granted me my first loan. They were different; they believed in me and gave me a chance.

I not only found my bank but found great friendships that have continued to grow for over 29 years. It is amazing. I will never forget the day Rollin came around the corner from his office and offered me an opportunity to buy my first bank stock. I had wanted stock for some time and also knew it was not easy to obtain, but was a great investment that I have entrusted the bank with as much as they have trusted my business and me.

I believe in Dart Bank and what they did and do for me. I have felt good about sending business to the bank and knowing they would be taken care of as I have been.

I have never quit appreciating what I have.

Steve Hanks
Owner, Holt Auto Sales





Name: Bill Tanasse
Location: Grand Ledge

"At Dart you're definitely treated like your business really matters."

The Difference: Customers are Our #1 Priority

Sometimes being a small locally owned business makes it challenging to receive quality service from your bank. Unlike other banks, Dart Bank makes sure to take care of their customers and work hard to build and maintain solid relationships, with speed and efficiency. They make sure all of your banking needs are taken care of, from the smallest auto loan and deposit account to large commercial real estate and development financing. As far as Dart is concerned, no loan is too small for a valued customer.

One day I called my loan officer, Terrance, to see if Dart was at all interested in financing vehicles, since other institutions are usually only interested in financing the types of loans they are currently seeking, with no regard for your relationship and what you as a customer really need. It is difficult in this age of the mega-banks to get service tailored to your needs. At Dart you're definitely treated like your business really matters.

By the end of the day, Terrance had driven the loan documents to the auto dealership and I drove off the lot that day with Key Builders' newest truck. This was a small insignificant loan to some other banks, but not to Dart. Anything that you do as a business is significant to them. They truly are there to help ensure the sustainability of Key Builders and other businesses in the community, during good times and bad. That's the Dart Difference!

Bill Tanasse, President
Key Builders Inc.



Terrance Augustine	<i>Loan Officer</i>
Trina Austin.....	<i>Assistant Manager/Holt</i>
Debra Borst.....	<i>Accounting Officer</i>
Colleen Briggs.....	<i>Indirect Loan Manager</i>
Michelle Carpenter.....	<i>Office Manager/Mason</i>
Melanie Dart.....	<i>Personal Banker III</i>
Rollin Dart.....	<i>Chairman Emeritus/Community Relations Officer</i>
Mark Emmert	<i>Vice President</i>
Craig Goble.....	<i>Vice President</i>
Roy Halfmann.....	<i>Information Technology Officer</i>
Cindy Hamilton.....	<i>Audit and Compliance Officer</i>
Kimberly Harless	<i>Office Manager/Holt</i>
Mark Howe	<i>Vice President</i>
David Kosbar	<i>Loan Officer</i>
Peter Kubacki.....	<i>President and CEO</i>
Devin Lavengood	<i>Office Manager/Grand Ledge</i>
Nanette Listing.....	<i>Deposit Operations Officer</i>
Debra Miles.....	<i>Vice President</i>
John Morris	<i>Loan Officer</i>
Tara Owens.....	<i>Assistant Manager/Mason</i>
Sally Rae.....	<i>Vice President</i>
Karla Spoor	<i>Assistant Vice President</i>
Sharon Thompson	<i>Assistant Vice President</i>
Mary Tressel	<i>Loan Operations Officer</i>
Jacob Walters.....	<i>Credit Analyst</i>
Amy Wheeler.....	<i>Assistant Manager/Grand Ledge</i>

Five-Year Comparative Balance Sheets

As of December 31,

Assets	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Cash and due from banks	\$ 4,284,852	\$ 6,298,695	\$ 6,126,503	\$ 6,317,780	\$ 6,025,927
Federal funds sold	867,385	6,236,975	5,989,026	6,437,000	–
Cash and cash equivalents	5,152,237	12,535,670	12,115,529	12,754,780	6,025,927
Interest-bearing deposits	4,254,749	4,759,890	3,672,119	994,485	696,390
Investment securities	47,007,182	54,525,455	57,055,257	54,585,664	63,789,134
Federal Home Loan Bank stock	765,900	765,900	770,700	754,800	721,600
Net loans	171,604,594	148,078,954	135,489,709	137,783,300	141,746,965
Premises and equipment, net	4,798,834	4,742,780	4,887,563	3,901,995	2,579,746
Accrued interest receivable	1,214,897	1,133,872	1,028,221	997,758	1,121,218
Foreclosed and repossessed assets	345,226	502,800	830,954	706,506	701,972
Other assets	4,690,462	980,858	1,321,354	1,203,794	1,558,078
	<u>\$ 239,834,462</u>	<u>\$ 228,026,179</u>	<u>\$ 217,171,406</u>	<u>\$ 213,683,082</u>	<u>\$ 218,941,030</u>
Liabilities and Shareholders' Equity					
Deposits					
Interest-bearing	\$ 175,157,715	\$ 173,904,503	\$ 162,867,332	\$ 160,226,486	\$ 166,190,304
Noninterest-bearing	29,023,918	28,817,781	28,810,011	27,754,176	28,905,282
	<u>204,181,633</u>	<u>202,722,284</u>	<u>191,677,343</u>	<u>187,980,662</u>	<u>195,095,586</u>
FHLB advances	11,100,000	1,100,000	2,100,000	2,100,000	100,000
Accrued interest payable	723,497	713,313	567,274	503,583	591,395
Deferred compensation	384,819	406,691	411,651	415,338	418,800
Other liabilities	333,209	344,769	427,609	540,315	932,120
	<u>216,723,158</u>	<u>205,287,057</u>	<u>195,183,877</u>	<u>191,539,898</u>	<u>197,137,901</u>
Shareholders' equity					
Common stock	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Surplus	11,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Retained earnings	9,138,577	13,017,256	12,154,972	11,486,226	10,725,391
Accumulated other comprehensive (loss) income	(27,273)	(278,134)	(167,443)	656,958	1,077,738
	<u>23,111,304</u>	<u>22,739,122</u>	<u>21,987,529</u>	<u>22,143,184</u>	<u>21,803,129</u>
Total liabilities and shareholders' equity	<u>\$ 239,834,462</u>	<u>\$ 228,026,179</u>	<u>\$ 217,171,406</u>	<u>\$ 213,683,082</u>	<u>\$ 218,941,030</u>

Five-Year Comparative Statements of Income

	Years Ended December 31,				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Interest and dividend income					
Loans, including fees	\$ 11,539,619	\$ 10,219,867	\$ 9,267,563	\$ 9,053,299	\$ 9,486,512
Investment securities	2,514,460	2,596,323	2,549,557	2,622,073	3,127,429
Federal funds sold and other	476,864	336,080	343,085	108,901	85,552
	<hr/> 14,530,943	<hr/> 13,152,270	<hr/> 12,160,205	<hr/> 11,784,273	<hr/> 12,699,493
Interest expense					
Deposits	6,834,067	5,669,805	4,631,101	3,960,196	5,133,000
FHLB advances and other	299,696	62,373	60,744	62,347	3,258
	<hr/> 7,133,763	<hr/> 5,732,178	<hr/> 4,691,845	<hr/> 4,022,543	<hr/> 5,136,258
Net interest income	7,397,180	7,420,092	7,468,360	7,761,730	7,563,235
Provision for (reduction of provision for) loan losses	595,710	(476,685)	123,280	647,749	867,689
Net interest income after provision for loan losses	<hr/> 6,801,470	<hr/> 7,896,777	<hr/> 7,345,080	<hr/> 7,113,981	<hr/> 6,695,546
Noninterest income	1,384,515	1,183,474	1,124,095	901,649	1,193,224
Noninterest expense					
Compensation and benefits	3,592,009	3,529,286	3,342,030	3,074,338	2,928,382
Occupancy and equipment	934,693	1,031,648	879,799	767,716	652,405
Office supplies	207,043	147,021	183,500	149,750	188,000
Charitable contributions	85,698	94,095	100,432	110,600	149,069
Other	1,689,221	1,666,917	1,657,668	1,282,391	1,178,274
	<hr/> 6,508,664	<hr/> 6,468,967	<hr/> 6,163,429	<hr/> 5,384,795	<hr/> 5,096,130
Income before federal income taxes	1,677,321	2,611,284	2,305,746	2,630,835	2,792,640
Federal income taxes	356,000	639,000	557,000	670,000	692,000
Net income	<hr/> <hr/> \$ 1,321,321	<hr/> <hr/> \$ 1,972,284	<hr/> <hr/> \$ 1,748,746	<hr/> <hr/> \$ 1,960,835	<hr/> <hr/> \$ 2,100,640



REHMANN ROBSON
Certified Public Accountants
A member of THE REHMANN GROUP



INDEPENDENT AUDITORS' REPORT
February 19, 2008

Shareholders and Board of Directors
The Dart Bank
Mason, Michigan

We have audited the accompanying consolidated balance sheets of **The Dart Bank** as of December 31, 2007 and 2006, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of **The Dart Bank** as of December 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

675 Robinson Road · P.O. Box 449 · Jackson, MI 49204 · Phone 517.787.6503 · Fax 517.788.8111 · www.rehmann.com

ASSETS	December 31,	
	2007	2006
Cash and due from banks	\$ 4,284,852	\$ 6,298,695
Federal funds sold	867,385	6,236,975
Cash and cash equivalents	5,152,237	12,535,670
Interest-bearing deposits	4,254,749	4,759,890
Investment securities	47,007,182	54,525,455
Federal Home Loan Bank stock, at cost	765,900	765,900
Net loans	171,604,594	148,078,954
Premises and equipment, net	4,798,834	4,742,780
Accrued interest receivable	1,214,897	1,133,872
Foreclosed and repossessed assets	345,226	502,800
Other assets	4,690,843	980,858
Total assets	\$ 239,834,462	\$ 228,026,179
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Interest bearing	\$ 175,157,715	\$ 173,904,503
Noninterest bearing	29,023,918	28,817,781
Total deposits	204,181,633	202,722,284
FHLB advances	11,100,000	1,100,000
Accrued interest payable	723,497	713,313
Deferred compensation	384,819	406,691
Other liabilities	333,209	344,769
Total liabilities	216,723,158	205,287,057
Commitments and contingencies (Notes 14, 15, 16 and 17)		
Shareholders' equity		
Common stock, \$5 par value; 600,000 shares authorized, issued and outstanding	3,000,000	3,000,000
Additional paid-in capital	11,000,000	7,000,000
Retained earnings	9,138,577	13,017,256
Accumulated other comprehensive loss	(27,273)	(278,134)
Total shareholders' equity	23,111,304	22,739,122
Total liabilities and shareholders' equity	\$ 239,834,462	\$ 228,026,179

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

Consolidated Statements of Income

	Year Ended December 31,	
	2007	2006
Interest income		
Loans, including fees	\$ 11,539,619	\$ 10,219,867
Investment securities	2,514,460	2,596,323
Federal funds sold and other	476,864	336,080
Total interest income	14,530,943	13,152,270
Interest expense		
Interest expense on deposits	6,834,067	5,669,805
Interest expense on FHLB advances and other	299,696	62,373
Total interest expense	7,133,763	5,732,178
Net interest income	7,397,180	7,420,092
Provision for (reduction of provision for) loan losses	595,710	(476,685)
Net interest income after provision for loan losses	6,801,470	7,896,777
Noninterest income	1,384,515	1,183,474
Noninterest expenses		
Compensation and benefits	3,592,009	3,529,286
Occupancy and equipment	934,693	1,031,648
Office supplies	207,043	147,021
Charitable contributions	85,698	94,095
Other	1,689,221	1,666,917
Total noninterest expenses	6,508,664	6,468,967
Income before federal income taxes	1,677,321	2,611,284
Federal income taxes	356,000	639,000
Net income	\$ 1,321,321	\$ 1,972,284
Net income per basic share of common stock	\$ 2.20	\$ 3.29

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

Consolidated Statements of Comprehensive Income

	Year Ended December 31,	
	2007	2006
Unrealized holding gains (losses) on available-for-sale securities arising during the year	\$ 387,919	\$ (101,347)
Reclassification adjustment for realized gains included in net income	(7,841)	(65,357)
Other comprehensive income (loss) before income tax (expense) benefit	380,078	(166,704)
Income tax (expense) benefit related to other comprehensive income (loss)	(129,217)	56,013
Other comprehensive income (loss)	250,861	(110,691)
Net income	1,321,321	1,972,284
 Comprehensive income	 \$ 1,572,182	 \$ 1,861,593

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

Consolidated Statements of Changes in Shareholders' Equity

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balances, January 1, 2006	\$ 3,000,000	\$ 7,000,000	\$ 12,154,972	\$ (167,443)	\$ 21,987,529
Comprehensive income	-	-	1,972,284	(110,691)	1,861,593
Cash dividends (\$1.85 per share)	-	-	(1,110,000)	-	(1,110,000)
Balances, December 31, 2006	3,000,000	7,000,000	13,017,256	(278,134)	22,739,122
Comprehensive income	-	-	1,321,321	250,861	1,572,182
Regulatory capital transfer	-	4,000,000	(4,000,000)	-	-
Cash dividends (\$2.00 per share)	-	-	(1,200,000)	-	(1,200,000)
Balances, December 31, 2007	\$ 3,000,000	\$ 11,000,000	\$ 9,138,577	\$ (27,273)	\$ 23,111,304

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

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2007	2006
Cash flows from operating activities		
Net income	\$ 1,321,321	\$ 1,972,284
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	416,175	455,518
Provision for (reduction of provision for) loan losses	595,710	(476,685)
Increase in cash surrender value of BOLI	(41,400)	-
Deferred income taxes (benefit)	(156,000)	234,000
Gain on sales of investments	(7,841)	(65,357)
Gain on sales of loans	(9,263)	(7,031)
Proceeds from sales of loans	1,360,036	1,037,500
Loss on disposals of property and equipment	3,932	-
Loss on sale of foreclosed assets	45,089	10,178
Net amortization of premiums on investments	79,795	110,874
Changes in operating assets and liabilities which (used) provided cash		
Accrued interest receivable and other assets	(218,642)	205,913
Accrued interest payable and other liabilities	(23,248)	58,239
Net cash provided by operating activities	3,365,664	3,535,433
Cash flows from investing activities		
Activity in available-for-sale securities		
Purchases	(6,492,386)	(8,985,448)
Sales, maturities, calls, and prepayments	13,782,458	10,637,486
Maturities, calls, and prepayments of held-to-maturity securities	536,325	665,543
Purchase of bank owned life insurance	(3,600,000)	-
Net change in interest-bearing deposits	505,141	(1,087,771)
Loan principal originations and collections, net	(25,715,434)	(13,151,029)
Purchases and construction of premises and equipment	(380,346)	(232,784)
Proceeds from sales of foreclosed assets	355,796	98,970
Proceeds from redemption of FHLB stock	-	4,800
Net cash used in investing activities	(21,008,446)	(12,050,233)
Cash flows from financing activities		
Acceptances and withdrawals of deposits, net	1,459,349	11,044,941
Proceeds from FHLB advances	13,000,000	-
Repayments of FHLB advances	(3,000,000)	(1,000,000)
Dividends paid	(1,200,000)	(1,110,000)
Net cash provided by financing activities	10,259,349	8,934,941
Net (decrease) increase in cash and cash equivalents	(7,383,433)	420,141
Cash and cash equivalents, beginning of year	12,535,670	12,115,529
Cash and cash equivalents, end of year	\$ 5,152,237	\$ 12,535,670

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

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business and Concentrations of Risk

The consolidated financial statements include the accounts of **The Dart Bank** (the “Bank”) and the Bank’s subsidiaries, The Dart Mortgage Company, LLC and TDB Services, Inc. The Dart Mortgage Company, LLC is a mortgage banking company which is 99% owned by the Bank and 1% owned by TDB Services, Inc. TDB Services, Inc. is owned 100% by the Bank and its only business activity is its 1% ownership in The Dart Mortgage Company, LLC. All significant intercompany balances and transactions have been eliminated in consolidation. The Bank consolidates subsidiaries in which it holds directly or indirectly more than 50% of the voting rights or where it exercises control.

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

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

The Bank is a state chartered bank and is a member of the Federal Deposit Insurance Corporation (“FDIC”) Bank Insurance Fund. The Bank is subject to the regulations and supervision of the FDIC and state regulators and undergoes periodic examinations by these regulatory authorities.

Summary of Significant Accounting Policies

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

Use of Estimates

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

Cash and Cash Equivalents

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

Interest-Bearing Deposits

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

Investment Securities

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

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

Restricted Investments

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

Transfers of Financial Assets

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

Loans and Related Income

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

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

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

Allowance for Loan Losses

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

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

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

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

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

Loan Servicing

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

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

Foreclosed and Repossessed Assets

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

Premises and Equipment

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

Bank Owned Life Insurance (BOLI)

Effective October 1, 2007, the Bank purchased insurance policies on the lives of certain key officers. Bank owned life insurance is reported at its cash surrender value, or the amount that can be realized, as of the date of the consolidated balance sheets, and is included in other assets on the December 31, 2007 consolidated balance sheet (see Note 11).

Off-Balance-Sheet Credit-Related Financial Instruments

In the ordinary course of business, the Bank enters into commitments to extend credit, including commitments under commercial letters of credit and standby letters of credit. Such financial instruments are recorded only when they are funded.

Income Taxes

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

Net Income Per Share

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

Reclassifications

Certain amounts as reported in the 2006 consolidated financial statements have been reclassified to conform with the 2007 presentation.

2. INVESTMENT SECURITIES

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

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

<u>2006</u>	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Available-for-Sale				
Government-sponsored enterprises	\$ 15,738,103	\$ 39,063	\$114,374	\$ 15,662,792
Corporate bonds	250,303	5,588	-	255,891
State and municipal	13,239,348	86,990	25,276	13,301,062
Mortgage-backed securities	<u>22,414,727</u>	<u>9,420</u>	<u>421,817</u>	<u>22,002,330</u>
Total available-for-sale	<u>51,642,481</u>	<u>141,061</u>	<u>561,467</u>	<u>51,222,075</u>
Held-to-Maturity				
State and municipal	2,918,137	49,948	404	2,967,681
Mortgage-backed securities	<u>385,243</u>	<u>8,536</u>	<u>17</u>	<u>393,762</u>
Total held-to-maturity	<u>3,303,380</u>	<u>58,484</u>	<u>421</u>	<u>3,361,443</u>
Total	<u>\$ 54,945,861</u>	<u>\$ 199,545</u>	<u>\$561,888</u>	<u>\$ 54,583,518</u>

Investment securities with carrying values of approximately \$17,562,000 and \$22,704,000 at December 31, 2007 and 2006, respectively, were pledged to secure public deposits or for other purposes as permitted or required by law.

The amortized cost and fair value of held-to-maturity securities and available-for-sale securities by contractual maturity at December 31, 2007 is as follows:

	<u>Amortized Cost</u>	<u>Fair Value</u>
Available-for-Sale		
Due in one year or less	\$ 3,385,899	\$ 3,384,391
Due after one year through five years	5,609,041	5,618,422
Due after five years through ten years	10,422,055	10,496,851
Due after ten years	<u>6,988,651</u>	<u>6,941,573</u>
Subtotal	26,405,646	26,441,237
Mortgage-backed securities	<u>17,875,976</u>	<u>17,800,057</u>
Total	<u>\$44,281,622</u>	<u>\$44,241,294</u>

	<u>Amortized Cost</u>	<u>Fair Value</u>
Held-to-Maturity		
Due in one year or less	\$ 1,027,154	\$ 1,031,343
Due after one year through five years	712,896	723,132
Due after five years through ten years	514,000	534,842
Due after ten years	<u>260,000</u>	<u>273,129</u>
	2,514,050	2,562,446
Subtotal		
Mortgage-backed securities	<u>251,838</u>	<u>258,877</u>
Total	<u>\$ 2,765,888</u>	<u>\$ 2,821,323</u>

Because of their variable payments, mortgage-backed securities are not reported by a specific maturity group. Proceeds from sales of available-for-sale securities amounted to \$2,191,099 and \$3,179,448 in 2007 and 2006, respectively. Gross realized gains amounted to \$7,841 and \$65,357 in 2007 and 2006, respectively. There were no gross realized losses during either year.

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

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

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

	<u>Less Than Twelve Months</u>		<u>Over Twelve Months</u>		<u>Total Unrealized Losses</u>
	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	
<u>2007</u>					
Securities held-to-maturity					
Mortgage-backed securities	<u>\$ 165</u>	<u>\$ 35,327</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 165</u>
<u>2006</u>					
Securities available-for-sale					
Government-sponsored enterprises	\$ 25,241	\$ 3,991,308	\$ 89,133	\$ 5,936,999	\$ 114,374
State and municipal	12,723	2,218,011	12,553	1,357,300	25,276
Mortgage-backed securities	<u>7,059</u>	<u>2,536,619</u>	<u>414,758</u>	<u>18,721,136</u>	<u>421,817</u>
Total securities available-for-sale	<u>\$ 45,023</u>	<u>\$ 8,745,938</u>	<u>\$ 516,444</u>	<u>\$ 26,015,435</u>	<u>\$ 561,467</u>
Securities held-to-maturity					
State and municipal	\$ 139	\$ 34,861	\$ 265	\$ 69,735	\$ 404
Mortgage-backed securities	<u>17</u>	<u>8,789</u>	<u>-</u>	<u>-</u>	<u>17</u>
Total securities held-to-maturity	<u>\$ 156</u>	<u>\$ 43,650</u>	<u>\$ 265</u>	<u>\$ 69,735</u>	<u>\$ 421</u>

At December 31, 2007, no debt securities had unrealized losses with aggregate depreciation of 5% or more from the Bank's amortized cost basis. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and industry analysts' reports. Since management believes the Bank has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available-for-sale, no declines are deemed to be other than temporary.

3. LOANS

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

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

	<u>2007</u>	<u>2006</u>
Mortgage loans on real estate		
Residential 1-4 family	\$ 65,546,381	\$ 60,645,796
Commercial	68,354,369	56,438,257
Construction	8,342,577	4,319,112
Equity lines of credit	<u>5,065,963</u>	<u>2,893,506</u>
Total mortgage loans on real estate	147,309,290	124,296,671
Commercial	18,723,838	18,320,558
Consumer installment loans	<u>7,395,532</u>	<u>7,184,352</u>
Total loans	173,428,660	149,801,581
Less		
Allowance for loan losses	1,800,000	1,700,000
Net deferred loan origination fees	<u>24,066</u>	<u>22,627</u>
Net loans	<u>\$171,604,594</u>	<u>\$148,078,954</u>

At December 31, 2007 scheduled maturities of loans with fixed rates of interest are summarized as follows:

One year or less	\$ 8,233,069
One to five years	72,954,427
Over five years	<u>53,691,946</u>
Total	<u>\$134,879,442</u>

Variable rate loans of \$38,549,218 reprice annually or more frequently.

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

	<u>2007</u>	<u>2006</u>
Impaired loans:		
Total impaired loans with a valuation allowance	<u>\$ 1,167,097</u>	<u>\$ 794,075</u>
Valuation allowance related to impaired loans	<u>\$ 274,106</u>	<u>\$ 257,991</u>
Average investment in impaired loans	<u>\$ 528,674</u>	<u>\$ 766,634</u>
Interest income recognized on impaired loans	<u>\$ 84,995</u>	<u>\$ 313,526</u>
Interest income recognized on a cash basis on impaired loans	<u>\$ 87,366</u>	<u>\$ 285,552</u>
Nonperforming loans:		
Loans on nonaccrual status	<u>\$ 1,265,576</u>	<u>\$ 898,019</u>
Loans past due over 90 days still on accrual	<u>\$ 495,741</u>	<u>\$ 327,003</u>

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

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

4. ALLOWANCE FOR LOAN LOSSES

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

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 1,700,000	\$ 1,985,000
Loans charged off	(587,124)	(442,212)
Recoveries	<u>91,414</u>	<u>633,897</u>
Net (charge offs) recoveries	(495,710)	191,685
Provision for (reduction of provision for) loan losses	<u>595,710</u>	<u>(476,685)</u>
Balance, end of year	<u>\$ 1,800,000</u>	<u>\$ 1,700,000</u>

5. LOAN SERVICING

The Bank services loans for others which generally consists of collecting mortgage payments, maintaining escrow accounts, disbursing payments to investors and taxing authorities, and processing foreclosures. Loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of mortgages and other loans serviced for others were approximately \$15,974,000 and \$16,138,000 at December 31, 2007 and 2006, respectively.

The net carrying values of mortgage servicing rights were approximately \$86,000 and \$110,000 at December 31, 2007 and 2006, respectively. The activity pertaining to mortgage servicing rights was not significant during 2007 or 2006.

6. PREMISES AND EQUIPMENT

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

	<u>2007</u>	<u>2006</u>
Land and improvements	\$ 1,890,441	\$ 1,889,681
Buildings and improvements	3,797,035	3,698,711
Furniture and equipment	<u>2,966,181</u>	<u>2,738,127</u>
Total premises and equipment	8,653,657	8,326,519
Less accumulated depreciation	<u>3,854,823</u>	<u>3,583,739</u>
Premises and equipment, net	<u>\$ 4,798,834</u>	<u>\$ 4,742,780</u>

Depreciation expense amounted to \$320,360 and \$328,609 in 2007 and 2006, respectively.

7. DEPOSITS

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

	<u>2007</u>	<u>2006</u>
Interest bearing		
NOW accounts	\$ 13,738,114	\$ 12,447,923
Savings	47,363,399	45,104,214
Time, \$100,000 and over	50,571,283	55,191,819
Other time	<u>63,484,919</u>	<u>61,160,547</u>
Total interest bearing	175,157,715	173,904,503
Noninterest bearing demand	<u>29,023,918</u>	<u>28,817,781</u>
Total deposits	<u>\$204,181,633</u>	<u>\$202,722,284</u>

Interest expense on time deposits issued in denominations of \$100,000 or more was \$2,445,081 and \$2,115,431 in 2007 and 2006, respectively.

Scheduled maturities of time deposits for each of the five years succeeding December 31, 2007 and thereafter are summarized as follows:

2008	\$ 85,126,170
2009	16,497,795
2010	3,821,024
2011	3,067,490
2012	5,389,253
Thereafter	<u>154,470</u>
Total	<u>\$ 114,056,202</u>

8. FHLB ADVANCES

Federal Home Loan Bank advances are collateralized by a blanket lien on all qualified 1-to-4 family whole mortgage loans and U.S. government agency securities with combined carrying values of approximately \$16,471,000 and \$20,500,000 at December 31, 2007 and 2006, respectively. Required principal payments are \$1,000,000 in 2009, \$5,000,000 in 2010, \$5,000,000 in 2012, and \$100,000 in 2021. Interest is charged on these advances at fixed annual rates ranging from 3.45% to 4.92%. At December 31, 2007, the Bank also had \$15,875,000 in borrowing availability under short-term lines of credit.

9. FEDERAL INCOME TAXES

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

	<u>2007</u>	<u>2006</u>
Currently payable	\$ 512,000	\$ 405,000
Deferred (benefit) expense	<u>(156,000)</u>	<u>234,000</u>
Total provision	<u>\$ 356,000</u>	<u>\$ 639,000</u>

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

	<u>2007</u>	<u>2006</u>
Income taxes at statutory rate	\$ 570,000	\$ 888,000
Effect of tax-exempt interest income	(245,000)	(240,000)
Effect of nondeductible interest expense	43,000	29,000
Other reconciling amounts	<u>(12,000)</u>	<u>(38,000)</u>
Income taxes reported	<u>\$ 356,000</u>	<u>\$ 639,000</u>

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

	<u>2007</u>	<u>2006</u>
Deferred tax assets:		
Allowance for loan losses	\$ 417,881	\$ 215,340
Deferred compensation	130,838	138,275
Unrealized loss on available-for-sale securities	13,712	142,938
Other	<u>89,025</u>	<u>84,734</u>
Total deferred tax assets	<u>651,456</u>	<u>581,287</u>
Deferred tax liabilities:		
Premises and equipment	(259,398)	(192,093)
Mortgage servicing rights	(29,297)	(37,553)
Prepaid expenses	(35,558)	(38,923)
FHLB stock	<u>(25,645)</u>	<u>(37,934)</u>
Total deferred tax liabilities	<u>(349,898)</u>	<u>(306,503)</u>
Net deferred tax asset	<u>\$ 301,558</u>	<u>\$ 274,784</u>

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

The Bank and its subsidiaries are subject to U.S. federal income tax. The Bank is no longer subject to examination by taxing authorities for years before 2004. The Bank does not expect the total amount of unrecognized tax benefits to significantly increase in the next twelve months.

The Bank recognizes interest and/or penalties related to income tax matters in income tax expense. The Bank does not have any amounts accrued for interest and penalties at December 31, 2007 and is not aware of any claims for such amounts by federal income tax authorities.

10. NONINTEREST INCOME

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

	<u>2007</u>	<u>2006</u>
Fees and service charges	\$ 1,155,175	\$ 971,412
Gain on loans sold	9,263	7,031
Other	<u>220,077</u>	<u>205,031</u>
Total noninterest income	<u>\$ 1,384,515</u>	<u>\$1,183,474</u>

11. EMPLOYEE BENEFIT PLANS

Profit Sharing

The Bank sponsors a profit sharing plan covering employees who work 1,000 or more hours per year, have one or more years of continuous service, and who are 21 or older. Contributions to the plan are based on a percentage of eligible salaries, limited to the amount deductible for federal income tax purposes. Contributions to the profit sharing plan are determined annually by the Board of Directors. The cost of the plan was \$119,000 and \$177,500 in 2007 and 2006, respectively.

Deferred Compensation

The Bank also maintains two executive deferred compensation plans for certain officers and directors. The first plan includes participants that elected to defer compensation over eight years in exchange for a predetermined benefit after retirement. During 2003, a second plan was implemented to fund a defined contribution for selected employees at the discretion of the Board of Directors. Plan expenses are allocated over years of service or based upon the current amount of the defined contributions. Expense for these plans was approximately \$24,000 and \$23,000 in 2007 and 2006, respectively.

Bank Owned Life Insurance

Effective October 1, 2007, the Bank invested \$3,600,000 in a single premium, bank-owned, endorsement split-dollar, whole life insurance program. Bank owned life insurance is an alternative investment vehicle, generally non-liquid, which may produce additional earnings to offset, and later fund, various employee supplemental benefit expenses. The cash surrender value of these policies, which approximates \$3,641,000 at December 31, 2007, is included in other assets on the consolidated balance sheets. The earnings on the policies are not taxed unless withdrawn or surrendered prior to the death of the insured. The increase in cash surrender value of the policies is recognized as income in the accompanying consolidated statements of income.

To date, no compensation expense has been required to be recognized in the Company's financial statements to accrue the mortality and related costs of maintaining the life insurance policies in effect during the covered officers' postretirement periods.

Emerging Issues Task Force ("EITF") Issue No. 06-4, *Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements*, ratified by the FASB, requires that policyholders recognize a liability for any postretirement benefits provided through the Bank's program. As of December 31, 2007, the nature and amount of benefits promised by the Bank to the covered officers had not yet been finalized. An accrued liability would begin to be recorded effective the later of the date the employee benefits are specified, or January 1, 2008.

12. RELATED PARTY TRANSACTIONS**Loans**

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

	<u>2007</u>	<u>2006</u>
Beginning balance	\$1,324,000	\$1,954,000
New loans	1,682,000	27,000
Repayments	<u>(1,141,000)</u>	<u>(657,000)</u>
Ending balance	<u>\$1,865,000</u>	<u>\$1,324,000</u>

Deposits

Deposits of Bank directors and executive officers and their affiliates were approximately \$1,743,000 and \$2,380,000 at December 31, 2007 and 2006, respectively.

Leases

Through mid-2007, the Bank leased operational office space from a Director of the Bank. Rent expense was \$18,205 and \$43,479 in 2007 and 2006, respectively.

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

13. SUPPLEMENTAL CASH FLOWS INFORMATION**Non-Cash Investing Activities**

During 2007 and 2006 collateral was foreclosed and repossessed related to loans receivable of approximately \$243,000 and \$9,000, respectively, which amounts were then transferred to foreclosed and repossessed assets. During 2006, computer software in the amount of \$48,958 was transferred from premises and equipment to other assets.

Other Cash Flows Information

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

	<u>2007</u>	<u>2006</u>
Interest	\$ 7,123,579	\$ 5,586,139
Income taxes	\$ 545,800	\$ 351,730

14. OFF-BALANCE SHEET ACTIVITIES**Credit-Related Financial Instruments**

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

At December 31, 2007 and 2006, the following financial instruments were outstanding whose contract amounts represent credit risk:

	<u>Contract Amount</u>	
	<u>2007</u>	<u>2006</u>
Unfunded commitments under lines of credit	\$ 21,061,032	\$ 17,090,414
Commitments to grant loans	11,408,691	2,968,887
Commitments under overdraft protection agreements	3,449,314	3,997,487
Commercial and standby letters of credit	154,400	43,549

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

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

Commercial and standby letters-of-credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those letters-of-credit are primarily issued to support public and private borrowing arrangements. Essentially all letters-of-credit issued have expiration dates within one year. The credit risk involved in issuing letters-of-credit is essentially the same as that involved in extending loan facilities to customers. The Bank generally holds collateral supporting those commitments if deemed necessary and at December 31, 2007 and 2006 such collateral amounted to approximately \$180,000 and \$84,000, respectively. Guarantees that are not derivative contracts are recorded on the Bank's consolidated balance sheet at their fair value at inception. The Bank considers standby letters of credit to be guarantees, and the Bank had no liability recorded related to such guarantees at December 31, 2007.

15. ON-BALANCE SHEET DERIVATIVE INSTRUMENTS

Interest Rate Risk Management – Derivative Instruments Not Designated As Hedging Instruments

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

Derivative Loan Commitments

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

Outstanding derivative loan commitments expose the Bank to the risk that the price of the loans arising from exercise of the loan commitment might decline from inception of the rate lock to funding of the loan due to increases in mortgage interest rates. If interest rates increase, the value of these loan commitments decreases. Conversely, if interest rates decrease, the value of these loan commitments increases. The notional amount of undesignated mortgage loan commitments was approximately \$87,000 and \$ -0- at December 31, 2007 and 2006, respectively.

Forward Loan Sale Commitments

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

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

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

The Company expects that these forward loan sale commitments will experience changes in fair value opposite to the change in fair value of derivative loan commitments. The notional amount of undesignated forward loan sale commitments was \$87,000 and \$ -0- at December 31, 2007 and 2006, respectively.

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

Collateral Requirements

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

16. REGULATORY REQUIREMENTS

Capital Requirements

The Bank is subject to various regulatory capital requirements, including restrictions on dividends, administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and 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 their assets, liabilities, capital, and certain off-balance-sheet items as defined in the regulations and calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measurements established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the following table) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and Tier 1 capital to average assets (as defined). Management believes, as of December 31, 2007 and 2006, that the Bank met all capital adequacy requirements to which they are subject.

As of December 31, 2007, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, an institution must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the following tables. There are no conditions or events since the notification that management believes have changed the Bank's category. The Bank's actual capital amounts and ratios as of December 31, 2007 and 2006 are also presented in the table.

December 31, 2007	<u>Actual</u>		<u>Minimum Capital Requirement</u>		<u>Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
	(Dollars in thousands)					
Total Capital to Risk Weighted Assets	\$ 24,852	14.85%	\$ 13,389	8.0 %	\$ 16,737	10.0%
Tier 1 Capital to Risk Weighted Assets	23,052	13.77	6,695	4.0	10,042	6.0
Tier 1 Capital to Average Assets	23,052	9.63	9,572	4.0	11,965	5.0

December 31, 2006	<u>Actual</u>		<u>Minimum Capital Requirement</u>		<u>Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
	(Dollars in thousands)					
Total Capital to Risk Weighted Assets	\$ 24,606	16.86%	\$ 11,676	8.0%	\$ 14,595	10.0%
Tier 1 Capital to Risk Weighted Assets	22,906	15.69	5,838	4.0	8,757	6.0
Tier 1 Capital to Average Assets	22,906	10.17	9,010	4.0	11,263	5.0

Restrictions on Cash and Amounts Due from Banks

The Bank is required by regulatory agencies to maintain legal cash reserves based on the level of certain customer deposits. Required reserve balances were \$868,000 and \$766,000 at December 31, 2007 and 2006, respectively.

Regulatory Capital Transfer

During 2007, the Bank effected a transfer of \$4,000,000 from retained earnings to additional paid-in capital in order to increase its legal lending limit.

17. CONTINGENCIES

Litigation

The Bank is party to litigation arising during the normal course of business. In the opinion of management, based on consultation with legal counsel, the resolution of such litigation is not expected to have a material effect on the consolidated financial statements.

Environmental Issues

As a result of acquiring real estate in foreclosure proceedings, the Bank is subject to potential claims and possible legal proceedings involving environmental matters. No such claims have been asserted at December 31, 2007.

18. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Bank's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. The fair values of certain financial instruments and all nonfinancial instruments are excluded from disclosure. These include, among other elements, the estimated earning power of core deposit accounts, the trained work force, customer goodwill, and similar items. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Bank.

The following methods and assumptions were used by the Bank in estimating fair value disclosures for financial instruments:

Cash and Cash Equivalents

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

Interest-Bearing Deposits in Banks

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

Investment Securities

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

Loans Receivable

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

Deposit Liabilities

The fair values for demand deposits (e.g., interest and noninterest bearing checking, savings, and money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). Approximately 44% and 43% of the Bank's deposits at December 31, 2007 and 2006, respectively, have fair values equal to carrying values. The carrying amounts for variable rate, fixed-term money market accounts, and certificates of deposit and other variable time deposits approximate their fair values at the reporting date. Fair values for fixed rate certificates of deposit and other time deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered for deposits of similar remaining maturities to a schedule of aggregated expected monthly maturities on time deposits.

Mortgage Servicing Rights

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

Long-Term Borrowings

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

Accrued Interest

The carrying amounts of accrued interest approximate fair values.

Off-Balance-Sheet Credit-Related Instruments

Fair values for off-balance sheet, credit-related financial instruments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties credit standing. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates.

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

	<u>2007</u>		<u>2006</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Financial assets				
Cash and cash equivalents	\$ 5,152	\$ 5,152	\$ 12,536	\$ 12,536
Interest-bearing deposits	4,255	4,259	4,760	4,831
Investment securities	47,007	47,063	54,525	54,584
Loans, net	171,605	173,068	148,079	148,293
Federal Home Loan Bank stock	766	766	766	766
Accrued interest receivable	1,215	1,215	1,134	1,134
Financial liabilities				
Deposits	204,182	204,597	202,722	202,559
FHLB advances	11,100	11,100	1,100	1,100
Accrued interest payable	723	723	713	713

* * * * *

Joy Allaire

Word Basics
Beginning Microsoft Excel

Terrance Augustine

Michigan SBA Lenders' Conference
MBA/RMA Commercial Lending School
Business Lending Conference

Trina Austin

Introduction to Mortgage Lending

Ann Avona

Principles of Banking
How to Supervise Bad Attitudes and Negative Behaviors

Debbie Borst

ProfitStar Beyond Basics

Pennie Brownlee

Beginning Microsoft Excel

Jennifer Campbell

Synergy Document Management Administration

Michelle Carpenter

Achieving Personal Excellence

Kellie Christopher

General Accounting
Beginning Microsoft Excel

Miranda Cloud

IRA Essentials Seminar

Melanie Dart

Developing a Business Development Strategy and Plan for Prospects

Faith Easton

IRA Essentials Seminar

Diana Ebare

How to Deliver Exceptional Customer Service

Mark Emmert

Senior Lender Forums
Economic Update 2007
Legislators and Lenders Day at the Capitol
Handling Right of Setoff
Understanding and Using Personal and Business Tax Returns
Repossession and Sale of Collateral
Managing the Commercial Real Estate Portfolio

Roy Halfmann

Managing Multiple Priorities, Projects, and Deadlines
CIF 20/20 Health Savings Accounts IRA Overview
Synergy Batch OCR Administration and User Training
Bank Operations and Technology Conference
Impromptu Training

Cindy Hamilton

New Suspicious Activity Report
Internal Bank Auditors Conference
Your Bank's Risk Assessment Responsibilities: BSA, IT, Authentication, CIS
Bank Compliance Institute

Kim Harless

Second Year Perry School of Banking

Kendra Horstman

IRA Essentials Seminar

Mark Howe

Michigan SBA Lenders' Conference
Lending to Self-Employed Individuals and Small Business Owners
Understanding and Using Personal and Business Tax Returns
Retail Lending Conference
MCDC/SBA 504 Loan Program Training
Business Development for Community Bankers

Tammy Jenks

Economics for Bankers
Consumer Lending

Carrie Johnson

Principles of Banking
Economics for Bankers (AIB)

Diane Johnston

Beginning Microsoft Excel

Natasha Kirchmeier

How to Supervise Bad Attitudes and Negative Behaviors

Dave Kosbar

Fraud Prevention and Examination

Pete Kubacki

Legislators and Lenders Day
at the Capitol

Marketing and Sales
Management Boot Camp

Stephanie LaPratt

Handling Right of Setoff

Devin Lavengood

Evaluating the Self-Employed
Borrower

The Art of Evaluating
the Appraisal

Nanette Listing

The Latest Buzz on the
Payments Biz

How to Deliver Exceptional
Customer Service

Excel Advanced

Sally Mangles

How to Be a Dynamic Trainer

Word Basics

Management Skills for
First-Time Supervisors

Heather McNamara

Impromptu Training

Debra Miles

CFO Forums

Your Bank's Risk Assessment
Responsibilities: BSA, IT,
Authentication, CIS

Overview of Michigan
Business Tax

The Current Credit Environment

Michigan Business Tax Seminar

CPA/Financial Institutions
Conference

Funds Management Conference

Becky Moore

Beginning Microsoft Excel

John Morris

Understanding and Using
Personal and Business
Tax Returns

Katie Murray

Synergy General Administration

NetTeller

NetTeller—Cash Management

Teri Myers

IRA Essentials Seminar

Heather Newman

Principles of Banking

Consumer Lending

General Accounting

Tara Owens

Achieving Personal Excellence

IRA Update:
Beyond the Essentials

Sally Rae

Strategies of Branching

Marketing Forums

How to Run a High-Results
Sales Meeting

First Year Graduate School
of Banking

Information Security
Risk Management

Achieving Personal Excellence

Ulices Rosa

IRA Essentials Seminar

Karla Spoor

HR Forums

Employment Law 2007

COBRA 2007

Warner Norcross & Judd
Human Resources Seminar

What's New with Blue Cross

How to Supervise Bad Attitudes
and Negative Behaviors

MI SHRM Conference

DOL Retirement Plan
Compliance

Ashtyn Thompson

How to Supervise Bad Attitudes
and Negative Behaviors

Mary Tressel

Handling Right of Setoff

RESPA, Review and Update

Repossession and Sale
of Collateral

Consumer Fraud

Jacob Walters

Cash Flow and Business
Financial Statements

Understanding and Using
Personal and Business
Tax Returns

Appraisal Review Seminar

Amy Wheeler

Strengthening Your People Skills

How to Supervise Bad Attitudes
and Negative Behaviors

	Years of Service
Norene Akom, <i>Operations</i>	39
Joy Allaire, <i>Operations</i>	10
Terrance Augustine, <i>Lending</i>	2
Trina Austin, <i>Customer Service</i>	7
Ann Avona, <i>Operations</i>	2
Jerry Baker, <i>Courier</i>	2
Britney Barry, <i>Operations</i>	1
Mary Jane Beaune, <i>Operations</i>	33
Carol Bird, <i>Operations</i>	32
Mary Bitonti, <i>Operations</i>	1
Debra Borst, <i>Accounting Officer</i>	23
Colleen Briggs, <i>Lending</i>	28
Pennie Brownlee, <i>Operations</i>	5
Elfriede Cairns, <i>Lending</i>	6
Jennifer Campbell, <i>Operations</i>	2
Michelle Carpenter, <i>Administration</i>	15
Miranda Cloud, <i>Customer Service</i>	1
Scott Cornell, <i>Operations</i>	2
Chelsea Craft, <i>Operations</i>	
Doug Crips, <i>Courier</i>	
Andrea Daines, <i>Operations</i>	
Melanie Dart, <i>Customer Service</i>	2
Rollin Dart, <i>Administration</i>	45
Faith Easton, <i>Customer Service</i>	3
Diana Ebare, <i>Operations</i>	22
Mark Emmert, <i>Administration</i>	3
Ed Evert, <i>Operations</i>	5
Loretta Farnsworth, <i>Lending</i>	43
Craig Goble, <i>Lending</i>	20
Roy Halfmann, <i>Operations</i>	2
Cindy Hamilton, <i>Audit</i>	2
Kimberly Harless, <i>Administration</i>	2
Kendra Horstman, <i>Customer Service</i>	1
Larry Howe, <i>Courier</i>	9
Mark Howe, <i>Lending</i>	22
Connie Ireland, <i>Operations</i>	14
Janice Jacobs, <i>Operations</i>	1
Tammy Jenks, <i>Customer Service</i>	3
Carrie Johnson, <i>Operations</i>	2
Natasha Kirchmeier, <i>Operations</i>	5
Michele Klemens, <i>Operations</i>	
Jennifer Koenig, <i>Operations</i>	1
David Kosbar, <i>Lending</i>	3

	Years of Service
Peter Kubacki, Administration.....	
Amy Lane, Customer Service.....	3
Stephanie LaPratt, Operations.....	7
Devin Lavengood, Lending.....	2
Nanette Listing, Operations.....	2
Sally Mangles, Operations.....	9
Vicie McClung, Operations.....	10
Heather McNamara, Operations.....	7
Angela McPhail, Customer Service.....	3
Debra Miles, Administration.....	20
Rebecca Moore, Operations.....	4
John Morris, Lending.....	2
Teri Myers, Customer Service.....	
Heather Newman, Customer Service.....	1
Shannon Orlowski, Operations.....	1
Tara Owens, Customer Service.....	9
Sheila Pawlowski, Operations.....	1
Jill Raab, Lending.....	9
Sally Rae, Administration.....	30
Mary Ribby, Operations.....	9
Bette-Jo Rogers, Operations.....	7
Ulices Rosa, Customer Service.....	
Lorinda Sallek, Lending.....	3
Lori Simon, Customer Service.....	1
Diana Soule, Operations.....	11
Karla Spoor, Administration.....	16
Sarina Strang, Operations.....	
Sharon Thompson, Lending.....	28
Barbara Titus, Operations.....	21
Debra Town, Operations.....	7
Rebecca Trent, Operations.....	
Mary Tressel, Operations.....	10
Devon Upton, Operations.....	28
Katie VanLiew, Operations.....	7
Kevin Waldie, Operations.....	
Jacob Walters, Lending.....	1
Gretchen Warner, Customer Service.....	
Judi Wentland, Operations.....	5
Amy Wheeler, Customer Service.....	14
David Whitfield, Administration.....	1
Mahvish Yunus, Operations.....	1

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

Donations 2007 (Partial List)

Alzheimer's Association	Lansing Community College Foundation
American Cancer Society	Loaves & Fishes Ministry
American Red Cross	March of Dimes—WalkAmerica
Angel House (Child and Family Services)	Mason Area Historical Society
Boy Scouts of America	Mason Educational Foundation
Camp Highfields	Meals On Wheels
Capital Area Community Services, Inc.	Michigan Council on Economic Education
Capital Area Humane Society	Michigan Harvest Gathering
CARE	Muscular Dystrophy Association
Church World Service	Oak Park YMCA—Invest in Youth
City Rescue Mission of Lansing	Old Newsboys Association
Doctors Without Borders	Prison Fellowship Ministries
Eaton Community Hospice	Salvation Army
Father John's Fund, Inc.	South Side Community Kitchen
Grand Ledge Emergency Assistance	The Carter Center
Greater Lansing Housing Coalition	The Hundred Club
Greater Lansing Symphony Orchestra	United Way
Habitat for Humanity	WKAR Public Radio
Haven House	World Vision
Holt Community Food Bank	Young Life
Holt Education Foundation	Youth Haven Ranch
Junior Achievement	
Lansing Area Safety Council	



RICHARD L. CHENEY
Chairman



MELANIE S. DART
Vice Chairman



PETER A. KUBACKI
President and CEO



JOHN O. GRETTEMBERGER



MARK S. HENNE



BLAKE D. MULDER



JOHN L. NOUD



DARWIN L. SHAVER



A cause of much sadness during the year 2007 was the passing of our dear friend, Billy Dunlap. Following retirement from his lifetime career, he came to us to serve as courier and he continued in this capacity for 20 years. Billy, with his kind and sensitive nature, quickly became a friend to all. It wasn't just a job for Billy. He looked forward, from week to week, to the time he would be spending with his friends. Billy liked to say that he was getting in his 40 hours during the two days he worked. He was never hatless unless attending special occasions. Billy's warmth and kindness will remain in our hearts for as long as we live.

Our Mission

*Our primary purposes are to meet the financial needs
of our banking communities,*

*protect and increase the value of stockholders' investments,
and serve the community in financial and non-financial ways.*

*Our bank acknowledges the interdependence of all mankind in the world
and reaches out beyond local areas in times of need.*

*We are committed to creating a workplace that nurtures the well-being
and growth of our employees.*

