ENTERPRISE BANCORP INC /MA/
Form 10-Q
November 07, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2014

Commission File Number: 001-33912
Enterprise Bancorp, Inc.
(Exact name of registrant as specified in its charter)

Massachusetts	04-3308902
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
222 Merrimack Street, Lowell, Massachusetts	01852
(Address of principal executive offices)	(Zip code)

(978) 459-9000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) x Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition for "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o	Smaller reporting company o

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

As of November 3, 2014, there were 10,164,892 shares of the issuer's common stock outstanding- Par Value $0.01 per share

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PART I-FINANCIAL INFORMATION

Item 1 - Financial Statements
ENTERPRISE BANCORP, INC.
Consolidated Balance Sheets

(Dollars in thousands)	September 30, 2014 (Unaudited)	December 31, 2013
Assets		
Cash and cash equivalents:		
Cash and due from banks	$49,310	$41,362
Interest-earning deposits	5,457	10,153
Fed funds sold	—	2,218
Total cash and cash equivalents	54,767	53,733
Investment securities at fair value	236,753	215,369
Federal Home Loan Bank Stock	3,357	4,324
Loans held for sale	1,645	1,255
Loans, less allowance for loan losses of $27,029 at September 30, 2014 and $26,967 at December 31, 2013	1,585,745	1,497,089
Premises and equipment	30,000	29,891
Accrued interest receivable	6,684	6,186
Deferred income taxes, net	12,645	13,927
Bank-owned life insurance	16,215	15,902
Prepaid income taxes	1,636	443
Prepaid expenses and other assets	7,592	6,150
Goodwill	5,656	5,656
Total assets	$1,962,695	$1,849,925
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	$1,768,796	$1,635,992
Borrowed funds	1,004	36,534
Junior subordinated debentures	10,825	10,825
Accrued expenses and other liabilities	19,317	14,675
Accrued interest payable	251	565
Total liabilities	$1,800,193	$1,698,591
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock, $0.01 par value per share; 1,000,000 shares authorized; no shares issued	—	—
Common stock $0.01 par value per share; 20,000,000 shares authorized; 10,153,933 shares issued and outstanding at September 30, 2014 (including 159,828 shares of unvested participating restricted awards) and 9,992,560 shares issued and outstanding at December 31, 2013 (including 170,365 shares of unvested participating restricted awards)	102	100
Additional paid-in-capital	55,763	52,936
Retained earnings	103,172	96,153
Accumulated other comprehensive income	3,465	2,145
Total stockholders' equity	$162,502	$151,334
Total liabilities and stockholders' equity	$1,962,695	$1,849,925

See the accompanying notes to the unaudited consolidated interim financial statements.

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ENTERPRISE BANCORP, INC.
Consolidated Statements of Income
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands, except per share data)	2014	2013	2014	2013
Interest and dividend income:				
Loans and loans held for sale	$18,234	$17,104	$53,117	$50,130
Investment securities	1,131	823	3,204	2,427
Other interest-earning assets	29	19	84	40
Total interest and dividend income	19,394	17,946	56,405	52,597
Interest expense:				
Deposits	1,005	1,013	3,031	3,043
Borrowed funds	3	6	33	92
Junior subordinated debentures	294	294	883	883
Total interest expense	1,302	1,313	3,947	4,018
Net interest income	18,092	16,633	52,458	48,579
Provision for loan losses	765	583	1,165	1,900
Net interest income after provision for loan losses	17,327	16,050	51,293	46,679
Non-interest income:				
Investment advisory fees	1,202	1,102	3,451	3,163
Deposit and interchange fees	1,268	1,229	3,727	3,518
Income on bank-owned life insurance, net	99	111	313	346
Net gains on sales of investment securities	215	83	830	1,031
Gains on sales of loans	135	171	283	728
Other income	621	472	1,679	1,574
Total non-interest income	3,540	3,168	10,283	10,360
Non-interest expense:				
Salaries and employee benefits	9,454	8,548	27,852	25,247
Occupancy and equipment expenses	1,588	1,449	4,881	4,508
Technology and telecommunications expenses	1,248	1,085	3,844	3,441
Advertising and public relations expenses	575	481	1,932	2,047
Audit, legal and other professional fees	453	439	1,294	1,264
Deposit insurance premiums	297	287	851	820
Supplies and postage expenses	257	232	776	719
Investment advisory and custodial expenses	143	134	409	394
Other operating expenses	1,100	1,126	3,546	3,256
Total non-interest expense	15,115	13,781	45,385	41,696
Income before income taxes	5,752	5,437	16,191	15,343
Provision for income taxes	1,921	1,904	5,540	5,298
Net income	$3,831	$3,533	$10,651	$10,045
Basic earnings per share	$0.38	$0.36	$1.05	$1.02
Diluted earnings per share	$0.37	$0.35	$1.05	$1.01
Basic weighted average common shares outstanding	10,143,055	9,932,060	10,099,593	9,824,984
Diluted weighted average common shares outstanding	10,228,501	10,026,588	10,184,264	9,909,019

See the accompanying notes to the unaudited consolidated interim financial statements.

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ENTERPRISE BANCORP, INC.
Consolidated Statements of Comprehensive Income
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
(Dollars in thousands)	2014	2013	2014	2013
Net income	$3,831	$3,533	$10,651	$10,045
Other comprehensive income (loss), net of taxes:				
Gross unrealized holding gains (losses) on investments arising during the period	(283)	431	2,905	(1,955)
Income tax (expense) benefit	113	(136)	(1,049)	748
Net unrealized holding gains (losses), net of tax	(170)	295	1,856	(1,207)
Less: Reclassification adjustment for net gains included in net income				
Net realized gains on sales of securities during the period	215	83	830	1,031
Income tax expense	(75)	(30)	(294)	(369)
Reclassification adjustment for gains realized, net of tax	140	53	536	662
Total other comprehensive income (loss)	(310)	242	1,320	(1,869)
Comprehensive income	$3,521	$3,775	$11,971	$8,176

See the accompanying notes to the unaudited consolidated interim financial statements.

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ENTERPRISE BANCORP, INC.
Consolidated Statement of Changes in Stockholders' Equity
(Unaudited)

(Dollars in thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance at December 31, 2013	$100	$52,936	$96,153	$ 2,145	$151,334
Net income			10,651		10,651
Other comprehensive income, net				1,320	1,320
Tax benefit from exercise of stock options		3			3
Common stock dividend paid ($0.36 per share)			(3,632)		(3,632)
Common stock issued under dividend reinvestment plan	1	916			917
Stock-based compensation	1	1,338			1,339
Stock options exercised, net	—	570			570
Balance at September 30, 2014	$102	$55,763	$103,172	$ 3,465	$162,502

See the accompanying notes to the unaudited consolidated interim financial statements.

ENTERPRISE BANCORP, INC.
Consolidated Statements of Cash Flows
(Unaudited)

	Nine months ended September 30,	
(Dollars in thousands)	2014	2013
Cash flows from operating activities:		
Net income	$10,651	$10,045
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,165	1,900
Depreciation and amortization	4,089	3,686
Stock-based compensation expense	1,325	1,239
Mortgage loans originated for sale	(13,948)	(31,751)
Proceeds from mortgage loans sold	13,841	39,975
Net gains on sales of loans	(283)	(728)
Net gains on sales of OREO	—	(121)
Net gains on sales of investments	(830)	(1,031)
Income on bank-owned life insurance, net	(313)	(346)
OREO fair value adjustment	—	23
Changes in:		
Accrued interest receivable	(498)	(7)
Prepaid expenses and other assets	(1,726)	6,686
Deferred income taxes	527	176
Accrued expenses and other liabilities	5,083	3,599
Accrued interest payable	(314)	(336)
Net cash provided by operating activities	18,769	33,009
Cash flows from investing activities:		
Proceeds from sales of investment securities available for sale	24,329	8,293
Net proceeds (purchases) from FHLB capital stock	967	(64)
Proceeds from maturities, calls and pay-downs of investment securities	30,311	13,730
Purchase of investment securities	(74,752)	(35,301)
Net increase in loans	(90,316)	(113,364)
Additions to premises and equipment, net	(2,949)	(4,281)
Proceeds from OREO sales and payments	—	652
Purchase of OREO	(457)	—
Net cash used in investing activities	(112,867)	(130,335)
Cash flows from financing activities:		
Net increase in deposits	132,804	178,920
Net decrease in borrowed funds	(35,530)	(24,660)
Cash dividends paid	(3,632)	(3,389)
Proceeds from issuance of common stock	917	948
Proceeds from the exercise of stock options	570	1,655
Tax benefit from the exercise of stock options	3	24
Net cash provided by financing activities	95,132	153,498
Net increase in cash and cash equivalents	1,034	56,172
Cash and cash equivalents at beginning of period	53,733	52,735
Cash and cash equivalents at end of period	$54,767	$108,907

Supplemental financial data:		
Cash Paid For: Interest	$4,261	$4,354
Cash Paid For: Income Taxes	6,175	5,634
Supplemental schedule of non-cash investing activity:		
Purchases of investment securities not yet settled	—	400
Transfer from loans to other real estate owned	290	168
Transfer from loans to other assets	205	—
Capital expenditures incurred not yet paid	276	247

See accompanying notes to the unaudited consolidated interim financial statements.

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ENTERPRISE BANCORP, INC.
Notes to the Unaudited Consolidated Interim Financial Statements

(1) Summary of Significant Accounting Policies

(a) Organization of Holding Company and Basis of Presentation

The accompanying unaudited consolidated interim financial statements and these notes should be read in conjunction with the December 31, 2013 audited consolidated financial statements and notes thereto contained in the 2013 Annual Report on Form 10-K of Enterprise Bancorp, Inc. (the "Company" or "Enterprise"), a Massachusetts corporation, as filed with the Securities and Exchange Commission (the "SEC") on March 14, 2014. The Company has not changed its reporting policies from those disclosed in its 2013 Annual Report on Form 10-K.

The Company's unaudited consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiary, Enterprise Bank and Trust Company (the "Bank"). The Bank is a Massachusetts trust company organized in 1989. Substantially all of the Company's operations are conducted through the Bank.

The Bank's subsidiaries include Enterprise Insurance Services, LLC and Enterprise Investment Services, LLC, organized under the laws of the State of Delaware for the purposes of engaging in insurance sales activities and offering non-deposit investment products and services, respectively. In addition, the Bank has the following subsidiaries that are incorporated in the Commonwealth of Massachusetts and classified as security corporations in accordance with applicable Massachusetts General Laws: Enterprise Security Corporation; Enterprise Security Corporation II; and Enterprise Security Corporation III, which hold various types of qualifying securities. The security corporations are limited to conducting securities investment activities that the Bank itself would be allowed to conduct under applicable laws.

The Company has 22 full service branches serving the Merrimack Valley and North Central regions of Massachusetts and Southern New Hampshire. Through the Bank and its subsidiaries, the Company offers a range of commercial and consumer loan products, deposit and cash management products, investment advisory and wealth management, trust and insurance services. The services offered through the Bank and its subsidiaries are managed as one strategic unit and represent the Company's only reportable operating segment.

Pursuant to the Accounting Standards Codification ("ASC") Topic 810 "Consolidation of Variable Interest Entities," issued by the Financial Accounting Standards Board ("FASB"), the Company carries Junior Subordinated Debentures as a liability on its consolidated interim financial statements, along with the related interest expense. The debentures were issued by a statutory business trust (the "Trust") created by the Company in March 2000 under the laws of the State of Delaware, and the trust preferred securities issued by the Trust, and the related non-interest expense, are excluded from the Company's consolidated interim financial statements.

The Federal Deposit Insurance Corporation (the "FDIC") and the Massachusetts Division of Banks (the "Division") have regulatory authority over the Bank. The Bank is also subject to certain regulatory requirements of the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") and, with respect to its New Hampshire branch operations, the New Hampshire Banking Department. The business and operations of the Company are subject to the regulatory oversight of the Federal Reserve Board. The Division also retains supervisory jurisdiction over the Company.

The accompanying unaudited consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and the instructions for Form 10-Q through the rules and interpretive releases of the SEC under federal securities law. In the opinion of management, the accompanying unaudited consolidated interim financial statements reflect all necessary adjustments consisting of normal recurring accruals for a fair presentation. All significant intercompany balances and transactions have been eliminated in the accompanying unaudited consolidated interim financial statements. Interim results are not necessarily indicative of results to be expected for the entire year.

(b) Critical Accounting Estimates

In preparing the unaudited consolidated interim financial statements in conformity with GAAP, management is required to exercise judgment in determining many of the methodologies, assumptions and estimates to be utilized. These estimates and assumptions affect the reported values of assets and liabilities as of the balance sheet date and income and expenses for the period then ended. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates should the assumptions and estimates used change over time due to changes in circumstances. Changes in those estimates resulting from continuing change in the economic environment and other factors will be reflected in the financial statements and results of operations in future periods.

As discussed in the Company's 2013 Annual Report on Form 10-K, the three most significant areas in which management applies critical assumptions and estimates that are particularly susceptible to change relate to the determination of the allowance for loan losses, impairment review of investment securities and the impairment review of goodwill. Refer to Note 1,"Summary of Significant Accounting Policies," to the Company's consolidated financial statements included in the Company's 2013 Annual Report on Form 10-K for significant accounting policies. The Company has not changed its significant accounting policies from those disclosed in its 2013 Annual Report filed on Form 10-K.

(c) Reporting Comprehensive Income

Comprehensive income is defined as all changes to equity except investments by and distributions to stockholders. Net income is one component of comprehensive income, with other components referred to in the aggregate as other comprehensive income. The Company's only other comprehensive income component is the net unrealized holding gains or losses on investments available-for-sale, net of deferred income taxes. Pursuant to Accounting Standards Update ("ASU") No. 2013-02, Comprehensive Income (Topic 220): Reporting Amounts Reclassified Out of Accumulated Other Comprehensive Income, the Company initially excludes these unrealized holding gains and losses from net income; however, they are later reported as reclassifications out of accumulated other comprehensive income into net income when the securities are sold. When securities are sold, the reclassification of realized gains and losses on available-for-sale securities are included on the Consolidated Statements of Income under the "non-interest income" subheading on the line item "net gains on sales of investment securities" and the related income tax expense is included in the line item "provision for income taxes," both of which are also detailed on the Consolidated Statements of Comprehensive Income under the subheading "reclassification adjustment for net gains included in net income."

(d) Restricted Investments

As a member of the Federal Home Loan Bank of Boston ("FHLB"), the Company is required to purchase certain levels of FHLB capital stock in association with the Company's borrowing relationship from the FHLB. This stock is classified as a restricted investment and carried at cost, which management believes approximates fair value. FHLB stock represents the only restricted investment held by the Company.

In conjunction with the other-than-temporary-impairment ("OTTI") review on available-for-sale investments (See Note 2, "Investments," for additional information), management also regularly reviews its holdings of FHLB stock for OTTI. Based on management's ongoing review, the Company has not recorded any OTTI charges on this investment to date. If it was determined that a write-down of FHLB stock was required, impairment would be recognized through a charge to earnings.

(e) Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax attributable to differences between the financial statement carrying amounts and the tax basis of assets and liabilities. The deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities will be adjusted accordingly through the provision for income taxes.

The Company's policy is to classify interest resulting from underpayment of income taxes as income tax expense in the first period the interest would begin accruing according to the provisions of the relevant tax law. The Company classifies penalties resulting from underpayment of income taxes as income tax expense in the period for which the Company claims or expects to claim an uncertain tax position or in the period in which the Company's judgment changes regarding an uncertain tax position.

The income tax provisions will differ from the expense that would result from applying the federal statutory rate to income before taxes, primarily due to the impact of tax exempt interest from certain investment securities, loans and bank owned life insurance.

The Company did not have any unrecognized tax benefits accrued as income tax liabilities or receivables or as deferred tax items at September 30, 2014. The Company is subject to U.S. federal and state income tax examinations by taxing authorities for the 2011 through 2013 tax years.

(f) Recent Accounting Pronouncements

In January 2014, FASB issued ASU No. 2014-04, Receivables - Troubled Debt Restructurings by Creditors (Subtopic 310-40) - Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure. The amendments are intended to reduce diversity of practice by clarifying when a creditor should be considered to have received physical possession of residential real estate property collateralizing a residential mortgage loan, such that the loan should be removed, and the real estate property recognized, on the financial statements. Additionally, the amendments require interim and annual disclosure of both the amount of foreclosed residential real estate property held by the creditor and the recorded investment in collateralized residential mortgage loans that are in the process of foreclosure according to local requirements of the applicable jurisdiction. The amendments in this ASU are effective for public business entities for annual periods and interim reporting periods beginning after December 15, 2014. As this ASU primarily offers clarification of existing standards and added disclosures, the adoption of this ASU in the first quarter of 2015 is not expected to have a material impact on the Company's financial statements, or results of operations.
In January 2014, the FASB issued ASU No. 2014-01, Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects. The amendments in this ASU apply to all reporting entities that invest in qualified affordable housing projects through limited liability entities that are flow through entities for tax purposes. The amendments in this ASU eliminate the effective yield election and permit reporting entities to make an accounting policy election to account for such investments using the proportional amortization method if certain conditions are met. Those not electing the proportional amortization method would account for the investment using the equity method or cost method. The decision to apply the proportional amortization method of accounting is an accounting policy decision that must be applied consistently to all qualifying affordable housing project investments rather than a decision to be applied to individual investments. The amendments in this ASU are to be applied retrospectively to all periods presented. The amendments in this ASU are effective for public business entities for annual periods and interim reporting periods beginning after December 15, 2014. Early adoption is permitted. The adoption by the Company of this ASU, on the effective date, is not expected to have a material impact on the Company's financial statements, or results of operations.

(2)Investments

The amortized cost and carrying values of investment securities at the dates specified are summarized as follows:

	September 30, 2014			
(Dollars in thousands)	Amortized cost	Unrealized gains	Unrealized losses	Fair Value
Federal agency obligations [1]	$54,457	$55	$174	$54,338
Federal agency mortgage backed securities (MBS) [1]	91,875	613	945	91,543
Municipal securities	66,544	2,201	52	68,693
Corporate bonds	7,041	58	25	7,074
Total fixed income securities	219,917	2,927	1,196	221,648
Equity investments	11,543	3,568	6	15,105
Total available for sale securities, at fair value	$231,460	$6,495	$1,202	$236,753

	December 31, 2013			
(Dollars in thousands)	Amortized cost	Unrealized gains	Unrealized losses	Fair Value
Federal agency obligations[1]	$55,440	$146	$43	$55,543
Federal agency mortgage backed securities (MBS) [1]	80,997	367	1,714	79,650
Municipal securities	60,675	1,604	325	61,954
Corporate bonds	5,080	29	55	5,054
Total fixed income securities	202,192	2,146	2,137	202,201
Equity investments	9,960	3,228	20	13,168
Total available for sale securities, at fair value	$212,152	$5,374	$2,157	$215,369

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(1) These categories may include investments issued or guaranteed by government sponsored enterprises such as Fannie Mae (FNMA), Freddie Mac (FHLMC), Ginnie Mae (GNMA), Federal Farm Credit Bank, or one of several Federal Home Loan Banks. All agency MBS/Collateralized Mortgage Obligations ("CMOs") investments owned by the Company are backed by residential mortgages.

Included in the carrying amount of the federal agency MBS category were CMOs totaling $14.3 million and $17.4 million at September 30, 2014 and December 31, 2013, respectively.

At September 30, 2014, the equity portfolio consisted primarily of investments in a diversified group of mutual funds, with a small portion of the portfolio (approximately 16%) invested in individual common stock of entities in the financial services industry.

Net unrealized appreciation and depreciation on investments available for sale, net of applicable income taxes, are reflected as a component of accumulated other comprehensive income.

The net unrealized gain or loss in the Company's fixed income portfolio fluctuates as market interest rates rise and fall. Due to the fixed rate nature of this portfolio, as market rates fall the value of the portfolio rises, and as market rates rise, the value of the portfolio declines. The unrealized gains or losses on fixed income investments will also decline as the securities approach maturity, or if the issuer is credit impaired. Unrealized gains or losses will be recognized in the statements of income if the securities are sold. However, if an unrealized loss on a fixed income investment is deemed to be other than temporary, the credit loss portion is charged to earnings and the noncredit portion is recognized in accumulated other comprehensive income.

The net unrealized gain or loss on equity securities will fluctuate based on changes in the market value of the mutual funds and individual securities held in the portfolio. Unrealized gains or losses will be recognized in the statements of income if the securities are sold. However, if an unrealized loss on an equity security is deemed to be other than temporary prior to a sale, the loss is charged to earnings.

Management regularly reviews the portfolio for securities with unrealized losses that are other-than-temporarily impaired. During the nine months ended September 30, 2014 and 2013, the Company did not record any fair value impairment charges on its investments. As of September 30, 2014, there were a total of 55 investments (fixed income and equity), with a fair market value of $78.0 million, in an unrealized loss position totaling $1.2 million, including unrealized losses of $950 thousand that have been temporarily impaired for 12 months or longer. Management attributes these unrealized losses to increases in current market yields compared to the yields at the time the investments were purchased by the Company. Management does not consider these investments to be other-than-temporarily impaired at September 30, 2014, because (1) the decline in market value is not attributable to credit quality for fixed income securities or a fundamental deterioration in the equity fund or issuers, and (2) the Company does not intend to, and it is more likely than not that it will not be required to, sell those investments prior to a market price recovery or maturity.

In assessing the Company's federal agency MBS investments and federal agency obligations, the contractual cash flows of these investments are guaranteed by an agency of the U.S. Government, and the agency that issued these securities is sponsored by the U.S. Government. Accordingly, it is expected that the securities would not be settled at a price less than the par value of the Company's investments. Management's assessment of other fixed income investments within the portfolio includes reviews of market pricing, ongoing credit quality evaluations, assessment of the investment's materiality, and duration of the unrealized loss position. In addition, the Company utilizes an outside registered investment adviser to manage the corporate and municipal bond portfolios, within prescribed guidelines set by management. At September 30, 2014, the Company's corporate and municipal bond portfolios did not contain any securities below investment grade, as reported by major credit rating agencies. For equities and funds, management's assessment includes the severity of the declines, whether it is unlikely that the security or fund will completely recover its unrealized loss within a reasonable time period and if the equity security or fund exhibits fundamental deterioration.

The contractual maturity distribution at September 30, 2014 of total fixed income investments is as follows:

	Within One Year			After One, But Within Five Years			After Five, But Within Ten Years			After Ten Years		
	Amortized Cost	Yields		Amortized Cost	Yields		Amortized Cost	Yields		Amortized Cost	Yields	
At amortized cost:												
Federal agency obligations	$5,003	0.59	%	$28,011	1.37	%	$21,443	1.95	%	$—	—	%
MBS	4	1.29	%	2,423	2.49	%	5,896					