FFLC BANCORP INC
Form 10-Q
October 17, 2002

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[ X ] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2002

OR

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

For the transition period from _____________ to _____________

Commission file number 0-22608

FFLC BANCORP, INC.
(Exact Name of Registrant as Specified in Its Charter)

| Delaware | 59-3204891 |
|---|---|
| (State or Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification No.) |

800 North Boulevard West, Post Office Box 490420, Leesburg, Florida 34749-0420
(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Including Area Code (352) 787-3311

Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report.

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: Yes X No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

| Common stock, par value $.01 per share | 3,580,802 shares outstanding at October 11, 2002 |
|---|---|

FFLC BANCORP, INC.

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FFLC BANCORP, INC.

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Balance Sheets
($ in thousands, except per share amounts)

| | At September 30, 2002 (unaudited) | At Decemb 200 |
|---|---|---|
| **Assets** | | |
| Cash and due from banks | $ 28,549 | 19,6 |
| Interest-bearing deposits | 35,516 | 30,1 |
| Cash and cash equivalents | 64,065 | 49,7 |
| Securities available for sale | 81,552 | 59,5 |
| Loans, net of allowance for loan losses of $4,781 in 2002 and $4,289 in 2001 | 742,452 | 685,9 |
| Accrued interest receivable | 4,127 | 4,1 |
| Premises and equipment, net | 18,766 | 14,3 |
| Foreclosed assets | 197 | 3 |
| Federal Home Loan Bank stock, at cost | 8,200 | 7,7 |
| Deferred income taxes | 359 | 2 |
| Other assets | 1,415 | 1,0 |
| Total | $ 921,133 | 823,1 |
| **Liabilities and Stockholders' Equity** | | |
| Liabilities: | | |
| Noninterest-bearing demand deposits | 18,313 | 14,3 |
| NOW and money-market accounts | 132,829 | 111,9 |
| Savings accounts | 24,301 | 24,0 |
| Certificates | 480,761 | 434,7 |
| Total deposits | 656,204 | 585,1 |
| Advances from Federal Home Loan Bank | 164,000 | 154,0 |
| Other borrowed funds | 15,850 | 13,3 |

| | | |
|---|---|---|
| Guaranteed preferred beneficial interest in junior subordinated debentures | 5,000 | |
| Accrued expenses and other liabilities | 10,822 | 6,6 |
| Total liabilities | 851,876 | 759,0 |
| Stockholders' equity: | | |
| Preferred stock, $.01 par value, 1,000,000 shares authorized, none outstanding | -- | |
| Common stock, $.01 par value, 9,000,000 shares authorized, 4,571,694 in 2002 and 4,542,953 in 2001 shares issued | 46 | |
| Additional paid-in-capital | 31,604 | 31,3 |
| Retained income | 56,673 | 51,5 |
| Accumulated other comprehensive income | 579 | 4 |
| Treasury stock, at cost (990,892 shares in 2002 and 979,021 shares in 2001) | (19,645) | (19,3 |
| Total stockholders' equity | 69,257 | 64,0 |
| Total | $ 921,133 | 823,1 |

See accompanying Notes to Condensed Consolidated Financial Statements.



FFLC BANCORP, INC.

Condensed Consolidated Statements of Income (Unaudited)
($ in thousands, except per share amounts)

| | Three Months Ended September 30, | | Nine Months E September |
|---|---|---|---|
| | 2002 | 2001 | 2002 |
| Interest income: | | | |
| Loans | $ 13,354 | 13,233 | 39,401 |
| Securities available for sale | 782 | 739 | 2,322 |
| Other interest-earning assets | 298 | 342 | 722 |
| Total interest income | 14,434 | 14,314 | 42,445 |
| Interest expense: | | | |
| Deposits | 5,225 | 6,747 | 15,397 |
| Borrowed funds | 2,352 | 2,315 | 6,955 |

| | | | | |
|---|---|---|---|---|
| Total interest expense | 7,577 | 9,062 | 22,352 | |
| Net interest income | 6,857 | 5,252 | 20,093 | |
| Provision for loan losses | 399 | 225 | 1,270 | |
| Net interest income after provision for loan losses | 6,458 | 5,027 | 18,823 | |
| Noninterest income: | | | | |
| Deposit account fees | 245 | 214 | 696 | |
| Other service charges and fees | 449 | 397 | 1,461 | |
| Other | 114 | 64 | 365 | |
| Total noninterest income | 808 | 675 | 2,522 | |
| Noninterest expense: | | | | |
| Salaries and employee benefits | 2,254 | 1,873 | 6,404 | |
| Occupancy expense | 630 | 533 | 1,788 | |
| Deposit insurance premium | 25 | 25 | 77 | |
| Data processing expense | 238 | 241 | 730 | |
| Professional services | 115 | 99 | 312 | |
| Advertising and promotion | 105 | 112 | 339 | |
| Other | 407 | 318 | 1,165 | |
| Total noninterest expense | 3,774 | 3,201 | 10,815 | |
| Income before income taxes | 3,492 | 2,501 | 10,530 | |
| Income taxes | 1,315 | 936 | 3,932 | |
| Net income | $ 2,177 | 1,565 | 6,598 | |
| Basic income per share of common stock | $ .61 | .44 | 1.85 | |
| Weighted-average number of shares outstanding for basic | 3,576,818 | 3,557,820 | 3,571,850 | 3,5 |
| Diluted income per share of common stock | $ .60 | .43 | 1.81 | |
| Weighted-average number of shares outstanding for diluted | 3,647,496 | 3,635,164 | 3,644,225 | 3,6 |
| Dividends per share | $ .14 | .13 | .42 | |

See accompanying Notes to Condensed Consolidated Financial Statements



FFLC BANCORP, INC.

Condensed Consolidated Statements of Changes in Stockholders' Equity (Unaudite

Nine Months Ended September 30, 2002 and 2001
($ in thousands)

| | Common Stock | Additional Paid-In Capital | Treasury Stock | Reta Inc |
|---|---|---|---|---|
| Balance at December 31, 2000 | $ 45 | 31,010 | (18,985) | 47, |
| Comprehensive income: | | | | |
| Net income (unaudited) | -- | -- | -- | 4, |
| Net change in unrealized gain on securities available for sale, net of income taxes of $365 (unaudited) | -- | -- | -- | |
| Comprehensive income (unaudited) | | | | |
| Net proceeds from the issuance of 47,686 shares of common stock, stock options exercised (unaudited) | -- | 318 | -- | |
| Dividends paid (unaudited) | -- | -- | -- | (1, |
| Purchase of treasury stock, 19,336 shares (unaudited) | -- | -- | (350) | |
| Balance at September 30, 2001 (unaudited) | $ 45 | 31,328 | (19,335) | 50, |

(continued)



FFLC BANCORP, INC.

Condensed Consolidated Statements of Changes in Stockholders' Equity (Unaudite

Nine Months Ended September 30, 2002 and 2001
($ in thousands)

| | Common Stock | Additional Paid-In Capital | Treasury Stock | Reta Inc |
|---|---|---|---|---|
| Balance at December 31, 2001 | $ 45 | 31,355 | (19,347) | 51, |
| Comprehensive income: | | | | |
| Net income (unaudited) | -- | -- | -- | 6, |
| Change in unrealized gains on securities available for sale, net of income taxes of $111 (unaudited) | -- | -- | -- | |
| Change in unrealized loss on derivative instrument, net of income taxes of $27 (unaudited) | -- | -- | -- | |
| Comprehensive income (unaudited) | | | | |
| Net proceeds from the issuance of 28,741 shares of common stock, stock options exercised (unaudited) | 1 | 249 | -- | |
| Dividends paid (unaudited) | -- | -- | -- | (1, |
| Purchase of treasury stock, 11,871 shares (unaudited) | -- | -- | (298) | |
| Balance at September 30, 2002 (unaudited) | $ 46 | 31,604 | (19,645) | 56, |

See accompanying Notes to Condensed Consolidated Financial Statements.



FFLC BANCORP, INC.

Condensed Consolidated Statements of Cash Flows (Unaudited)
($ in thousands)

| | |
|---|---|
| | 2 |
| | - |
| Cash flows from operating activities: | |
| Net income | $ |
| Adjustments to reconcile net income to net cash provided by operations: | |
| Provision for loan losses | |
| Depreciation | |
| Credit for deferred income taxes | |
| Net amortization of premiums and discounts on securities | |
| Net deferral of loan fees and costs | |
| Gain on sale of foreclosed assets | |
| Decrease (increase) in accrued interest receivable | |
| Increase in other assets | |
| Increase in accrued expenses and other liabilities | |
| | -- |
| Net cash provided by operating activities | 1 |
| | -- |
| Cash flows from investing activities: | |
| Proceeds from principal repayments and maturities on securities available for sale | 1 |
| Purchase of securities available for sale | (3 |
| Loan disbursements | (18 |
| Principal repayments on loans | 13 |
| Purchase of premises and equipment, net | ( |
| Purchase of Federal Home Loan Bank stock | |
| Proceeds from sales of foreclosed assets | |
| | -- |
| Net cash used in investing activities | (8 |
| | -- |

(continued)



FFLC BANCORP, INC.

Condensed Consolidated Statements of Cash Flows (Unaudited), Continued
($ in thousands)

| |
|---|
| Cash flows from financing activities: |
| Net increase in deposits |
| Net increase in advances from Federal Home Loan Bank |
| Net increase in other borrowed funds |
| Increase in guaranteed preferred beneficial interest in junior subordinated debentures |
| Issuance of common stock |

Purchase of treasury stock
Cash dividends paid

Net cash provided by financing activities

Net increase in cash and cash equivalents

Cash and cash equivalents at beginning of period

Cash and cash equivalents at end of period

Supplemental disclosures of cash flow information:
Cash paid during the period for:
Interest

Income taxes

Noncash investing and financing activities:
Accumulated other comprehensive income:
Net change in unrealized gain on securities available for sale, net of tax

Net change in unrealized loss on derivative instrument, net of tax

Transfers from loans to foreclosed assets

Loans originated on sales of foreclosed assets

Loans funded by and sold to correspondent

See accompanying Notes to Condensed Consolidated Financial Statements.



FFLC BANCORP, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Basis of Presentation. In the opinion of the management of FFLC Bancorp, Inc.(the "Holding Company"), the accompanying condensed consolidated financial statements contain all adjustments (consisting of normal recurring accruals) necessary to present fairly the financial position at September 30, 2002, the results of operations for the three- and nine-month periods ended September 30, 2002 and 2001 and the cash flows for the nine-month periods ended September 30, 2002 and 2001. The results of operations for the three-and nine-month periods ended September 30, 2002, are not necessarily indicative of results that may be expected for the year

ending December 31, 2002.

The condensed consolidated financial statements include the accounts of the Holding Company and its three subsidiaries, First Federal Savings Bank of Lake County (the "Bank"), First Alliance Title, LLC and FFLC Statutory Trust I and the Bank's wholly-owned subsidiary, Lake County Service Corporation (together, the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

FFLC Statutory Trust I was formed in September 2002 for the sole purpose of issuing $5,000,000 of trust preferred securities as more fully described in note 6.

2. Loans. The following table sets forth the composition of the Bank's loan portfolio in dollar amounts and percentages at the dates indicated (in thousands):

| | At September 30, 2002 | | At Dec |
|---|---|---|---|
| | Amount | % of Total | Amount |
| Mortgage loans: | | | |
| One-to-four-family residential | $ 421,513 | 54.97% | $ 413,712 |
| Construction and land | 29,222 | 3.81 | 22,951 |
| Multi-family units | 22,666 | 2.96 | 20,304 |
| Commercial real estate, churches and other | 131,509 | 17.15 | 108,804 |
| Total mortgage loans | 604,910 | 78.89 | 565,771 |
| Consumer loans | 136,475 | 17.80 | 119,357 |
| Commercial loans | 25,376 | 3.31 | 18,814 |
| Total loans (1) | 766,761 | 100.00% | 703,942 |
| Less: | | | |
| Loans in process | (20,326) | | (14,310 |
| Net deferred loan costs | 798 | | 592 |
| Allowance for loan losses (2) | (4,781) | | (4,289 |
| Loans, net | $ 742,452 | | $ 685,935 |

(1) Total loans outstanding by department consists of the following (in thousands):

| | At September 30, 2002 | | December 31, 2001 | |
|---|---|---|---|---|
| | | % of | | % of |

| | | Amount | Total | | Amount | Total |
|---|---|---|---|---|---|---|
| Residential | $ | 413,020 | 53.87% | $ | 403,897 | 57.37% |
| Commercial | | 214,868 | 28.02 | | 180,688 | 25.67 |
| Consumer | | 138,873 | 18.11 | | 119,357 | 16.96 |
| | $ | 766,761 | 100.00% | $ | 703,942 | 100.00% |

(continued)



FFLC BANCORP, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

2. Loans, Continued.

(2) Total allowance for loan losses by department consist of the following (in thousands):

| | At | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2002 | | | December 31, 2001 | | |
| | | Amount | % to Gross Loans | | Amount | % to Gross Loans |
| Residential | $ | 1,139 | .28% | $ | 1,229 | .30% |
| Commercial | | 2,621 | 1.22 | | 2,039 | 1.13 |
| Consumer | | 1,021 | .73 | | 1,021 | .86 |
| | $ | 4,781 | . 62% | $ | 4,289 | .61% |

Total gross loans originated by department, including unfunded construction and line of credit loans, consist of the following (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2002 | 2001 | 2002 | 2001 |
| Residential | $34,290 | 28,186 | 105,243 | 73,725 |
| Commercial | 18,322 | 15,539 | 72,432 | 64,363 |
| Consumer | 19,626 | 20,683 | 62,107 | 57,245 |
| | $72,238 | 64,408 | 239,782 | 195,333 |

3. Loan Impairment and Loan Losses. The Company also prepares a quarterly

review of the adequacy of the allowance for loan losses to identify and value impaired loans in accordance with guidance in the Statements of Financial Accounting Standards No. 114 and 118.

An analysis of the change in the allowance for loan losses was as follows (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2002 | 2001 | 2002 | 2001 |
| Beginning balance | $ 4,701 | 4,054 | 4,289 | 3,552 |
| Provision for loan losses | 399 | 225 | 1,270 | 825 |
| Net loans charged-off | (319) | (69) | (778) | (167) |
| Ending balance | $ 4,781 | 4,210 | 4,781 | 4,210 |

(continued)



FFLC BANCORP, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

3. Loan Impairment and Loan Losses, Continued. The following summarizes the amount of impaired loans, all of which were collateral dependent (in thousands):

| | September 30, | December |
|---|---|---|
| | 2002 | 2001 |
| Loans identified as impaired: | | |
| Gross loans with no related allowance for losses | $ -- | -- |
| Gross loans with related allowance for losses recorded | 400 | 306 |
| Less: Allowances on these loans | (60) | (150) |
| Net investment in impaired loans | $ 340 | 156 |

The average net investment in impaired loans and interest income recognized and received on impaired loans was as follows (in thousands):

| | Three Months Ended September 30, 2002 | Three Months Ended September 30, 2001 | Nine Months Ended September 30, 2002 | Nine Months Ended September 30, 2001 |
|---|---|---|---|---|
| Average net investment in impaired loans | $170 | 364 | 50 | 723 |
| Interest income recognized on impaired loans | $ 5 | -- | 5 | 81 |
| Interest income received on impaired loans | $ 5 | -- | 5 | 81 |

During the three months ended June 30, 2001, an impaired loan in the amount of $1.3 million was repaid.

(continued)



FFLC BANCORP, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

4. Income Per Share of Common Stock. Basic income per share of common stock has been computed by dividing the net income for the period by the weighted-average number of shares outstanding. Shares of common stock purchased by the RRP incentive plans are only considered outstanding when the shares are released or committed to be released for allocation to participants. Diluted income per share is computed by dividing net income by the weighted-average number of shares outstanding including the dilutive effect of stock options computed using the treasury stock method. The following table presents the calculation of basic and diluted income per share of common stock:

| | Three Months Ended September 30, 2002 | Three Months Ended September 30, 2001 | N 20 |
|---|---|---|---|
| Weighted-average shares of common stock issued and outstanding before adjustments for RRP and common stock options | 3,579,553 | 3,560,555 | 3,57 |
| Adjustment to reflect the effect of unallocated RRP shares | (2,735) | (2,735) | ( |
| Weighted-average common shares for basic income per share | 3,576,818 | 3,557,820 | 3,57 |

| | | | |
|---|---|---|---|
| Basic income per share of common stock | $ .61 | .44 | |
| Total weighted-average common shares and equivalents outstanding for basic income per share computation | 3,576,818 | 3,557,820 | 3,57 |
| Additional dilutive shares using the average market value for the period utilizing the treasury stock method regarding stock options | 70,678 | 77,344 | 7 |
| Weighted-average common shares and equivalents outstanding for diluted income per share | 3,647,496 | 3,635,164 | 3,64 |
| Diluted income per share of common stock | $ .60 | .43 | |

5. Stock Option Plan. At the Company's annual meeting in May 2002, the stockholders approved the 2002 Stock Option Plan (the "Plan"). Under this Plan, up to 250,000 options can be granted to directors, officers or employees of the Company. As of September 30, 2002, no options have been granted under the Plan.

(continued)



FFLC BANCORP, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

6. Guaranteed Preferred Beneficial Interest in Junior Subordinated Debentures. On September 26, 2002, the Holding Company's wholly-owned subsidiary, FFLC Statutory Trust I (the "Trust"), sold adjustable-rate Trust Preferred Securities due September 26, 2032 in the aggregate principal amount of $5,000,000 (the "Capital Securities") in a pooled trust preferred securities offering. The interest rate on the Capital Securities adjusts quarterly, to a rate equal to the then current three-month London Interchange Bank Offering Rate ("LIBOR"), plus 340 basis points. In addition, the Holding Company contributed capital of $155,000 to the Trust for the purchase of the common securities of the Trust. The proceeds from these sales were paid to the Holding Company in exchange for $5,155,000 of its adjustable-rate Junior Subordinated Debentures (the "Debentures") due September 26, 2032. The Debentures have the same terms as the Capital Securities. The Holding Company then invested $3,000,000 as a capital contribution in the Bank. The sole asset of the Trust, the obligor on the Capital Securities, is the Debentures.

The Holding Company has guaranteed the Trust's payment of distributions on, payments on any redemptions of, and any liquidation distribution with respect to, the Capital Securities. Cash distributions on both the Capital Securities and the Debentures are payable quarterly in arrears on March 26, June 26, September 26 and December 26 of each year. At September 30, 2002, approximately $4,000 of distributions were accrued and is included in accrued expenses and other liabilities in the condensed consolidated balance sheet. Issuance costs of approximately $160,000 associated with the Capital Securities have been capitalized by the Holding Company and are being amortized over the life of the securities.

| Name | Capital Securities Outstanding at September 30, 2002 | 2001 | Prepayment Option Date |
|---|---|---|---|
| FFLC Statutory Trust I | $ 5,000,000 | -- | September 26, 2007 |

The Capital Securities are subject to mandatory redemption (i) in whole, but not in part, upon repayment of the Debentures at stated maturity or, at the option of the Holding Company, their earlier redemption in whole upon the occurrence of certain changes in the tax treatment or capital treatment of the Capital Securities, or a change in the law such that the Trust would be considered an investment company and (ii) in whole or in part at any time on or after September 26, 2007 contemporaneously with the optional redemption by the Holding Company of the Debentures in whole or in part. The Debentures are redeemable prior to maturity at the option of the Holding Company (i) on or after September 26, 2007, in whole at any time or in part from time to time, or (ii) in whole, but not in part, at any time within 90 days following the occurrence and continuation of certain changes in the tax treatment or capital treatment of the Capital Securities, or a change in law such that the Trust would be considered an Investment Company, required to be registered under the Investment Company Act of 1940.

The Company has entered into a five year interest rate swap agreement that effectively converted the floating interest rate of these Capital Securities into a fixed interest rate of 6.85%, thus reducing the impact of interest rate changes on future interest expense for the five year period. In accordance with Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities," this interest rate swap qualifies as a cash flow hedge. The fair value of this interest rate swap will be recorded as an asset or liability on the consolidated balance sheet with an offsetting entry recorded in other comprehensive income, net of the income tax effect.

7. Reclassifications. Certain amounts in the 2001 condensed consolidated financial statements have been reclassified to conform to the presentation for 2002.



FFLC BANCORP, INC.

Review by Independent Certified Public Accountants

Hacker, Johnson & Smith PA, the Company's independent certified public accountants, have made a limited review of the financial data as of September 30, 2002, and for the three- and nine-month periods ended September 30, 2002 and 2001 presented in this document, in accordance with standards established by the American Institute of Certified Public Accountants.

Their report furnished pursuant to Article 10 of Regulation S-X is included herein.



Report on Review by Independent Certified Public Accountants

The Board of Directors
FFLC Bancorp, Inc.
Leesburg, Florida:

We have reviewed the accompanying condensed consolidated balance sheet of FFLC Bancorp, Inc. and Subsidiaries (the "Company") as of September 30, 2002, the related condensed consolidated statements of income for the three- and nine-month periods ended September 30, 2002 and 2001 and the related condensed consolidated statements of changes in stockholders' equity and cash flows for the nine-month periods ended September 30, 2002 and 2001. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet as of December 31, 2001, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the year then ended (not presented herein); and in our report dated January 11, 2002 we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2001, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

HACKER, JOHNSON & SMITH PA

Orlando, Florida
October 11, 2002



FFLC BANCORP, INC.

Management's Discussion and Analysis
of Financial Condition and Results of Operations

General

FFLC Bancorp, Inc., (the "Holding Company") is the holding company for its three subsidiaries, First Federal Savings Bank of Lake County (the "Bank"), First Alliance Title, LLC and FFLC Statutory Trust I and the Bank's wholly-owned subsidiary, Lake County Service Corporation (together, the "Company"). The Company's consolidated results of operations are primarily those of the Bank.

The Bank's principal business continues to be attracting retail deposits from the general public and investing those deposits, together with principal repayments on loans and investments and funds generated from operations, primarily in mortgage loans secured by one-to-four-family, owner-occupied homes, commercial loans, consumer loans and, to a lesser extent, construction loans, other loans, and multi-family residential mortgage loans. In addition, the Bank holds investments permitted by federal laws and regulations including securities issued by the U.S. Government and agencies thereof. The Bank's revenues are derived principally from interest on its loan and mortgage-backed securities portfolios and interest and dividends on its investment securities. The Bank is a member of the Federal Home Loan Bank ("FHLB") system and its deposits are insured to the applicable limits by the Savings Association Insurance Fund ("SAIF") of the Federal Deposit Insurance Corporation (the "FDIC"). The Bank is subject to regulation by the Office of Thrift Supervision (the "OTS") as its chartering agency, and the FDIC as its deposit insurer.

The Bank has 13 full-service banking facilities in Lake, Sumter, Citrus and Marion Counties, Florida, and has a new branch under construction in the Clermont area of Lake County. That branch is expected to open in the fourth quarter of 2002. The Bank has also purchased two former branch sites from another bank, one located in Marion County (opened in the third quarter of 2002 and included in the 13 above), and the other located in Lake County. The site acquired in Lake County will replace the Bank's existing Lake Square office and provide the Bank with a larger facility needed to accommodate the continued growth of that branch.

The Company's results of operations depend primarily on net interest income, which is the difference between the interest income earned primarily on its loan and securities portfolios, and its cost of funds, consisting of the interest paid on its deposits and borrowings. The Company's operating results are also affected, to a lesser extent, by fee income. The Company's operating expenses consist primarily of salaries and employee benefits, occupancy expenses, and other general and administrative expenses. The Company's results of operations are also significantly affected by general economic and competitive conditions, particularly changes in market interest rates, government policies, and actions of regulatory authorities.





Capital Resources

The Bank's primary sources of funds include proceeds from payments and prepayments on mortgage loans and mortgage-backed securities, proceeds from maturities of investment securities, increases in deposits, advances from the Federal Home Loan Bank and proceeds from the issuance of trust preferred securities. While maturities and scheduled amortization of loans and investment securities are predictable sources of funds, deposit inflows and mortgage prepayments are greatly influenced by local conditions, general interest rates, and regulatory changes.

At September 30, 2002, the Bank had outstanding commitments to originate $26.6 million of loans, commitments to fund approximately $20.3 million of the undisbursed portion of loans in process and undisbursed lines of credit of approximately $51.8 million. The Bank believes that it will have sufficient funds available to meet its commitments. At September 30, 2002, certificates of deposit which were scheduled to mature in one year or less totaled $289.3 million. Based on past experience, management believes, that a significant portion of those funds will remain with the Bank.

The Bank is subject to various regulatory capital requirements administered by the Federal banking agencies. Failure to meet minimum capital requirements can require regulators to initiate certain mandatory- and possibly additional discretionary-actions that, if undertaken, could have a direct material effect on the Company'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 the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgements by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts (set forth in the table) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined). Management believes that, as of September 30, 2002, the Bank meets all capital adequacy requirements to which it is subject.





As of September 30, 2002, the most recent notification from the OTS categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum tangible, Tier I (core), Tier I (risk-based) and total risk-based capital percentages as set forth in the table. There are no conditions or events since that notification that management believes have changed the institution's category.

The Bank's actual capital amounts and percentages at September 30, 2002 are also presented in the table.

| | Actual | | Min For C Adeq Purp |
|---|---|---|---|
| | % | Amount | % |
| | | | ($ in th |
| Stockholders' equity, and ratio to total assets | 7.6% | $ 69,992 | |
| Less: investment in nonincludable subsidiary | | (522) | |
| Less: unrealized gain on securities available for sale | | (654) | |
| Tangible capital, and ratio to adjusted total assets | 7.5% | $ 68,816 | 1.5% |
| Tier 1 (core) capital, and ratio to adjusted total assets | 7.5% | $ 68,816 | 3.0% |
| Tier 1 capital, and ratio to risk-weighted assets | 11.6% | 68,816 | 4.0% |
| Less: Nonincludable investment in 80% land loans | | (344) | |
| Tier 2 capital (allowance for loan losses) | | 4,755 | |
| Total risk-based capital, and ratio to risk-weighted assets | 12.4% | $ 73,227 | 8.0% |
| Total assets | | $ 921,196 | |
| Adjusted total assets | | $ 920,018 | |
| Risk-weighted assets | | $ 591,246 | |

FFLC BANCORP, INC.

The following table shows selected ratios for the periods ended or at the dates indicated:

| | Nine Months Ended September 30, 2002 | Year Ended December 31, 2001 |
|---|---|---|
| Average equity as a percentage of average assets | 7.70% | 8.05% |
| Total equity to total assets at end of period | 7.52% | 7.78% |
| Return on average assets (1) | 1.01% | .82% |
| Return on average equity (1) | 13.16% | 10.20% |
| Noninterest expense to average assets (1) | 1.66% | 1.68% |
| Nonperforming assets to total assets at end of period | .28% | .28% |
| Operating efficiency ratio (1) | 47.82% | 53.63% |

(1) Annualized for the nine months ended September 30, 2002 and 2001.

| | At September 30, 2002 | At December 31, 2001 |
|---|---|---|
| Weighted-average interest rates: | | |
| Interest-earning assets: | | |
| Loans | 7.24% | 7.61% |
| Securities | 4.63% | 5.16% |
| Other interest-earning assets | 2.50% | 2.48% |
| Total interest-earning assets | 6.76% | 7.17% |
| Interest-bearing liabilities: | | |
| Interest-bearing deposits | 3.05% | 3.85% |
| Borrowed funds | 5.15% | 5.44% |
| Total interest-bearing liabilities | 3.51% | 4.22% |
| Interest-rate spread | 3.25% | 2.95% |

Change in Financial Condition

Total assets increased $98.0 million or 11.90%, from $823.2 million at December

31, 2001 to $921.1 million at September 30, 2002 primarily as a result of a $56.5 million increase in net loans and an increase in securities available for sale of $22.0 million. Deposits increased $71.1 million from $585.1 million at December 31, 2001 to $656.2 million at September 30, 2002. The $5.2 million net increase in stockholders' equity during the nine months ended September 30, 2002 resulted from net income of $6.6 million, proceeds of $250,000 from stock options exercised and a $184,000, net of tax, increase in unrealized gains on securities available for sale, partially offset by repurchases of the Company's stock of $298,000, dividends paid of $1.5 million and a $45,000, net of tax decrease in unrealized loss on a derivative instrument.

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FFLC BANCORP, INC.

Results of Operations

The following table sets forth, for the periods indicated, information regarding (i) the total dollar amount of interest and dividend income of the Company from interest-earning assets and the resultant average yields; (ii) the total dollar amount of interest expense on interest-bearing liabilities and the resultant average costs; (iii) net interest/dividend income; (iv) interest-rate spread; and (v) net interest margin. Yields and costs were derived by dividing annualized income or expense by the average balance of assets or liabilities, respectively, for the periods shown. The average balance of loans includes loans on which the Company has discontinued accruing interest. The yields and costs include fees which are considered to constitute adjustments to yields.

| | Three Mon | | | |
|---|---|---|---|---|
| | 2002 | | | |
| | Average Balance | Interest and Dividends | Average Yield/ Cost | |
| | | | ($ in Tho | |
| Interest-earning assets: | | | | |
| Loans | $ 738,259 | 13,354 | 7.24% | $ |
| Securities | 84,316 | 782 | 3.71 | |
| Other interest-earning assets (1) | 45,206 | 298 | 2.64 | |
| Total interest-earning assets | 867,781 | 14,434 | 6.65 | |
| Noninterest-earning assets | 46,971 | | | |
| Total assets | $ 914,752 | | | $ |
| Interest-bearing liabilities: | | | | |
| NOW and money-market accounts | 129,895 | 332 | 1.02 | |
| Savings accounts | 24,051 | 52 | .86 | |
| Certificates | 484,962 | 4,841 | 3.99 | |
| Federal Home Loan Bank advances | 164,000 | 2,283 | 5.57 | |
| Other borrowed funds | 16,914 | 69 | 1.63 | |

| | | | | |
|---|---|---|---|---|
| Total interest-bearing liabilities | 819,822 | 7,577 | 3.70 | |
| Noninterest-bearing deposits | 17,284 | | | |
| Noninterest-bearing liabilities | 9,437 | | | |
| Stockholders' equity | 68,209 | | | |
| Total liabilities and stockholders' equity | $ 914,752 | | | $ |
| Net interest income | | $ 6,857 | | |
| Interest-rate spread (2) | | | 2.95% | |
| Net interest-earning assets, net interest margin (3) | $ 47,959 | | 3.16% | $ |
| Ratio of interest-earning assets to interest-bearing liabilities | 1.06 | | | |

(1) Includes interest-bearing deposits and Federal Home Loan Bank stock.
(2) Interest-rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.
(3) Net interest margin is annualized net interest income divided by average interest-earning assets.



FFLC BANCORP, INC.

The following table sets forth, for the periods indicated, information regarding (i) the total dollar amount of interest and dividend income of the Company from interest-earning assets and the resultant average yields; (ii) the total dollar amount of interest expense on interest-bearing liabilities and the resultant average cost; (iii) net interest and dividend income; (iv) interest-rate spread; and (v) net interest margin. Yields and costs were derived by dividing annualized income or expense by the average balance of assets or liabilities, respectively, for the periods shown. The average balance of loans includes loans on which the Company has discontinued accruing interest. The yields and costs include fees which are considered to constitute adjustments to yields.

| | | |
|---|---|---|
| Nine Mont | | |
| 2002 | | |
| | Interest | Average |

| | Average Balance | and Dividends | Yield/ Cost | |
|---|---|---|---|---|
| | | | ($ in Tho | |
| Interest-earning assets: | | | | |
| Loans | $ 715,484 | 39,401 | 7.34% | $ |
| Securities | 78,067 | 2,322 | 3.97 | |
| Other interest-earning assets (1) | 31,889 | 722 | 3.02 | |
| Total interest-earning assets | 825,440 | 42,445 | 6.86 | |
| Noninterest-earning assets | 42,559 | | | |
| Total assets | $ 867,999 | | | $ |
| Interest-bearing liabilities: | | | | |
| NOW and money-market accounts | 125,246 | 1,137 | 1.21 | |
| Savings accounts | 23,113 | 165 | .95 | |
| Certificates | 453,255 | 14,095 | 4.15 | |
| Federal Home Loan Bank advances | 159,385 | 6,738 | 5.64 | |
| Other borrowed funds | 15,577 | 217 | 1.86 | |
| Total interest-bearing liabilities | 776,576 | 22,352 | 3.84 | |
| Noninterest-bearing deposits | 16,100 | | | |
| Noninterest-bearing liabilities | 8,496 | | | |
| Stockholders' equity | 66,827 | | | |
| Total liabilities and stockholders' equity | $ 867,999 | | | $ |
| Net interest income | | $ 20,093 | | |
| Interest-rate spread (2) | | | 3.02% | |
| Net interest-earning assets, net interest margin (3) | $ 48,864 | | 3.25% | $ |
| Ratio of interest-earning assets to interest-bearing liabilities | 1.06 | | | |

(1) Includes interest-bearing deposits and Federal Home Loan Bank stock.
(2) Interest-rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.
(3) Net interest margin is annualized net interest income divided by average interest-earning assets.

FFLC BANCORP, INC.

Comparison of the Three-Month Periods Ended September 30, 2002 and 2001

General Operating Results. Net income for the three-month period ended September 30, 2002 was $2.2 million, or $.61 per basic share and $.60 per diluted share, compared to $1.6 million, or $.44 per basic share and $.43 per diluted share, for the comparable period in 2001. The increase in net income was primarily a result of an increase of $1.6 million in net interest income, partially offset by an increase of $573,000 in noninterest expense.

Interest Income. Interest income increased $120,000 to $14.4 million for the three-month period ended September 30, 2002. The increase was due to a $118.0 million or 15.74% increase in average interest-earning assets outstanding for the three months ended September 30, 2002 compared to the 2001 period, partially offset by a decrease in the average yield earned on interest-earning assets from 7.64% for the three months ended September 30, 2001 to 6.65% for the three months ended September 30, 2002.

Interest Expense. Interest expense decreased $1.5 million or 16.39%, from $9.1 million for the three-month period ended September 30, 2001 to $7.6 million for the three-month period ended September 30, 2002. The decrease was due primarily to a decrease in the average cost of interest-bearing liabilities from 5.16% for the three months ended September 30, 2001 to 3.70% for the comparable 2002 period, partially offset by increases of $93.6 million and $23.7 million in average interest-bearing deposits and borrowings outstanding, respectively. Average interest-bearing deposits increased from $545.3 million outstanding during the three months ended September 30, 2001 to $638.9 million outstanding during the comparable period for 2002. Average borrowings increased from $157.2 million during the three months ended September 30, 2001 to $180.9 million for the comparable 2002 period.

Provision for Loan Losses. The provision for loan losses is charged to income to increase the total allowance to a level deemed appropriate by management and is based upon the volume and type of lending conducted by the Company, charge-off experience, industry standards, the amount of nonperforming loans, general economic conditions, particularly as they relate to the Company's market area, and other factors related to the collectibility of the Company's loan portfolio. The Company recorded provisions for loan losses for the three-month periods ended September 30, 2002 and 2001 of $399,000 and $225,000, respectively. Net loans charged off for the three-month periods ended September 30, 2002 and 2001 were $319,000 and $69,000, respectively. Management believes that the allowance for loan losses, which was $4.8 million or .62% of gross loans at September 30, 2002 is adequate.

Noninterest Income. Noninterest income increased $133,000 or 19.70% from $675,000 during the 2001 period to $808,000 during the 2002 period. The increase was mainly due to a $52,000 increase in other service charges and fees.

Noninterest Expense. Noninterest expense increased by $573,000 or 17.90% from $3.2 million for the three-month period ended September 30, 2001 to $3.8 million for the three-month period ended September 30, 2002. The increase was primarily due to increases of $381,000 in salaries and employee benefits and $97,000 in occupancy expense related to the overall growth of the Company.

Income Tax Provision. The income tax provision increased from $936,000 for the three-month period ended September 30, 2001 (an effective tax rate of 37.4%) to $1.3 million (an effective tax rate of 37.7%) for the corresponding period in 2002.



FFLC BANCORP, INC.

Comparison of the Nine-Month Periods Ended September 30, 2002 and 2001

General Operating Results. Net income for the nine-month period ended September 30, 2002 was $6.6 million, or $1.85 per basic share and $1.81 per diluted share, compared to $4.5 million, or $1.26 per basic share and $1.23 per diluted share, for the comparable period in 2001. This increase was mainly due to an increase in net interest income of $4.9 million, partially offset by a increase in noninterest expense of $1.6 million.

Interest Income. Interest income increased $110,000 to $42.4 million for the nine months ended September 30, 2002. The increase was due to a $105.9 million or 14.71% increase in average interest-earning assets outstanding for the nine months ended September 30, 2002 compared to the 2001 period, partially offset by a decrease in the average yield earned on interest-earning assets from 7.84% for the nine months ended September 30, 2001 to 6.86% for the nine months ended September 30, 2002.

Interest Expense. Interest expense decreased $4.8 million or 17.62%, from $27.1 million for the nine-month period ended September 30, 2001 to $22.4 million for the nine-month period ended September 30, 2002. The decrease was due primarily to a decrease in the average cost of interest-bearing liabilities from 5.38% for the nine months ended September 30, 2001 to 3.84% for the comparable 2002 period, partially offset by increases of $72.0 million and $32.8 million in average interest-bearing deposits and borrowings outstanding, respectively. Average interest-bearing deposits increased from $529.6 million outstanding during the nine months ended September 30, 2001 to $601.6 million outstanding during the comparable period for 2002. Average borrowings increased from $142.2 million outstanding during the nine months ended September 30, 2001 to $175.0 million for the comparable 2002 period.

Provision for Loan Losses. The provision for loan losses is charged to income to increase the total allowance to a level deemed appropriate by management and is based upon the volume and type of lending conducted by the Company, charge-off experience, industry standards, the amount of nonperforming loans, general economic conditions, particularly as they relate to the Company's market area, and other factors related to the collectibility of the Company's loan portfolio. The Company recorded provisions for loan losses for the nine-month periods ended September 30, 2002 and 2001 of $1.3 million and $825,000, respectively. Net loans charged off for the nine-month periods ended September 30, 2002 and 2001 were $778,000 and $167,000, respectively. Management believes that the allowance for loan losses, which was $4.8 million or .62% of gross loans at September 30, 2002 is adequate.

Noninterest Income. Noninterest income increased $537,000, or 27.05% from $2.0 million for the nine months ended September 30, 2001 to $2.5 million for the comparable period in 2002. That was primarily due to an increase of $280,000 in other service charges and fees.

Noninterest Expense. Noninterest expense increased by $1.6 million or 17.35%, from $9.2 million for the nine-month period ended September 30, 2001 to $10.8 million for the nine-month period ended September 30, 2002. The increase was primarily due to increases in salaries and employee benefits of $1.1 million and occupancy expense of $285,000 related to the overall growth of the Company.

Income Tax Provision. The income tax provision was $3.9 million for the nine-month period ended September 30, 2002 (an effective tax rate of 37.3%) compared to $2.7 million (an effective tax rate of 37.5%) for the corresponding period for 2001.





Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of loss from adverse changes in market prices and rates. The Company's market risk arises primarily from interest-rate risk inherent in its lending and deposit taking activities. The Company has little or no risk related to trading accounts, commodities or foreign exchange.

Management actively monitors and manages its interest rate risk exposure. The primary objective in managing interest-rate risk is to limit, within established guidelines, the adverse impact of changes in interest rates on the Company's net interest income and capital, while adjusting the Company's asset-liability structure to obtain the maximum yield-cost spread on that structure. Management relies primarily on its asset-liability structure to control interest rate risk. However, a sudden and substantial increase in interest rates could adversely impact the Company's earnings, to the extent that the interest rates borne by assets and liabilities do not change at the same speed, to the same extent, or on the same basis. There have been no significant changes in the Company's market risk exposure since December 31, 2001. The Company does not believe that the interest rate swap entered into in September 2002 exposes the Company to significant interest rate risk.

Item 4. Controls and Procedures

a. Evaluation of disclosure controls and procedures. The Company maintains controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon their evaluation of those controls and procedures performed within 90 days of the filing date of this report, the chief executive and chief financial officers of the Company concluded that the Company's disclosure controls and procedures were adequate.

b. Changes in internal controls. The Company made no significant changes in its internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation of those controls by the Chief Executive and Chief Financial officers.

## Part II - OTHER INFORMATION

Item 1. Legal Proceedings

There are no material pending legal proceeding to which FFLC Bancorp, Inc. or any of its subsidiaries is a party or to which any of their property is subject.

Item 2. Changes in Securities

The Holding Company has the right at one or more times, unless an event of default exists under the floating rate junior subordinated deferrable interest debentures due September 26, 2032 (the "Debentures"), to defer interest payments on the Debentures for up to twenty consecutive quarterly periods. During that time, the Holding Company will be prohibited from declaring or paying cash dividends on its common stock.

Item 3. Default upon Senior Securities

Not applicable





Item 5. Other Information

Not applicable

Item 6. Exhibits and Reports on Form 8-K

(a) The following exhibits are filed as part of this report.

| | |
|---|---|
| 3.1 | Certificate of Incorporation of FFLC Bancorp, Inc.* |
| 3.2 | Bylaws of FFLC Bancorp, Inc. *** |
| 4.0 | Stock Certificate of FFLC Bancorp, Inc.* |
| 10.1 | First Federal Savings Bank of Lake County Recognition and Retention Plan** |
| 10.2 | First Federal Savings Bank of Lake County Recognition and Retention Plan for Outside Directors** |
| 10.3 | FFLC Bancorp, Inc. Incentive Stock Option Plans for Officers and Employees** |
| 10.4 | FFLC Bancorp, Inc. Stock Option Plan for Outside Directors** |
| 99.1 | CEO Certification required under Section 906 of Sarbanes -Oxley Act of 2002 |
| 99.2 | CFO Certification required under Section 906 of Sarbanes -Oxley Act of 2002 |

* Incorporated herein by reference into this document from the Exhibits to Form S-1, Registration Statement, initially filed on September 27, 1993, Registration No. 33-69466.

** Incorporated herein by reference into this document from the Proxy Statement for the Annual Meeting of Stockholders held on May 12, 1994.

*** Incorporated herein by reference into this document from the September 30, 1999 FFLC Bancorp, Inc. Form 10-Q filed November 3, 1999.

(b) There were no reports on Form 8-K filed during the three months ended September 30, 2002.



FFLC BANCORP, INC.

SIGNATURES

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

FFLC BANCORP, INC.
(Registrant)

Date: October 16, 2002 By: /s/ Stephen T. Kurtz

Stephen T. Kurtz, President and Chief Executive Officer

Date: October 16, 2002 By: /s/ Paul K. Mueller

Paul K. Mueller, Executive Vice President and Treasurer



CERTIFICATIONS

I, Stephen T. Kurtz, certify, that:

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

2. Based on my knowledge, the quarterly report does not contain any untrue

statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

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

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

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

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

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

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

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

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

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

Date: October 16, 2002 By: /s/ Stephen T. Kurtz

Stephen T. Kurtz, President and Chief Executive Officer

I, Paul K. Mueller, certify, that:

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

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

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

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

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

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

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

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

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

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

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

Date: October 16, 2002 By: /s/ Paul K. Mueller

Paul K. Mueller, Executive Vice President
and Treasurer