Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase represent financing arrangements.

As of December 31, 2013 the balance of securities sold under agreements to repurchase included a wholesale repurchase agreement with a broker that was repaid in full at maturity in 2014. After a fixed rate period, the borrowing converted to a floating rate at 9.00% minus 3-month London Interbank Offered Rate (LIBOR) measured on a quarterly basis with a 5.15% cap and a 0.0% floor. This repurchase agreement was collateralized by agency securities maintained in safekeeping with the broker.

The remaining balance at December 31, 2013 was securities sold to Bank customers at a fixed rate with maturities varying from 6 months to one year. These securities were maintained in a separate safekeeping account within the Corporation's control.

At December 31, 2013, securities sold under agreements to repurchase were collateralized by U.S. Treasury and U.S. government-sponsored agency securities having a carrying value of approximately $8,282,000.

At December 31, 2014, there were no securities sold under agreements to repurchase.

Information concerning securities sold under agreements to repurchase is summarized as follows:

	December 31, 2014	December 31, 2013
Balance	$ -	$ 7,300,000
Weighted average interest rate at year end	0.00%	4.95%
Maximum amount outstanding at any month end during the year	$ 7,601,000	$ 8,044,000
Average amount outstanding during the year	$ 5,255,000	$ 7,501,000
Average interest rate during the year	4.83%	4.89%

Note 8. SUBORDINATED DEBENTURES

In 2003, the Corporation formed Stewardship Statutory Trust I (the “Trust”), a statutory business trust, which on September 17, 2003 issued $7.0 million Fixed/Floating Rate Capital Securities (“Capital Securities”). The Trust used the proceeds to purchase from the Corporation, $7,217,000 of Fixed/Floating Rate Junior Subordinated Deferrable Interest Debentures (“Debentures”) maturing September 17, 2033. The Trust is obligated to distribute all proceeds of a redemption whether voluntary or upon maturity, to holders of the Capital Securities. The Corporation’s obligation with respect to the Capital Securities, and the Debentures, when taken together, provide a full and unconditional guarantee on a subordinated basis by the Corporation of the Trust’s obligations to pay amounts when due on the Capital Securities. The Corporation is not considered the primary beneficiary of this Trust (variable interest entity); therefore the trust is not consolidated in the Corporation’s consolidated financial statements, but rather the Debentures are shown as a liability.

Prior to September 17, 2008, the Capital Securities and the Debentures both had a fixed interest rate of 6.75%. Beginning September 17, 2008, the rate floats quarterly at a rate of three month LIBOR plus 2.95%. At both December 31, 2014 and 2013, the rate on both the Capital Securities and the Debentures was 3.19%. The Corporation has the right to defer payments of interest on the Debentures by extending the interest payment period for up to 20 consecutive quarterly periods.

The Debentures may be included in Tier 1 capital (with certain limitations applicable) under current regulatory guidelines and interpretations.

Note 9. REGULATORY CAPITAL REQUIREMENTS

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet