WESTERN ASSET GLOBAL HIGH INCOME FUND INC.
Form N-Q
April 26, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED

MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-21337

Western Asset Global High Income Fund Inc.

(Exact name of registrant as specified in charter)

125 Broad Street, New York, NY 10004

(Address of principal executive offices) (Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

300 First Stamford Place

Stamford, CT 06902

(Name and address of agent for service)

Registrant s telephone number, including area code: 1-800-451-2010

Date of fiscal year end: May 31,

Date of reporting period: February 28, 2007

ITEM 1. SCHEDULE OF INVESTMENTS

WESTERN ASSET GLOBAL HIGH INCOME FUND INC.

FORM N-Q

February 28, 2007

WESTERN ASSET GLOBAL HIGH INCOME FUND INC.

Schedule of Investments (unaudited) **February 28, 2007**

FACE AMOUNT	SECURITY (a)	VALUE
CORPORATE BONDS & NOTES - 34.4%		
Aerospace & Defense - 0.3%		
410,000	Alliant Techsystems Inc., Senior Subordinated Notes, 6.750% due 4/1/16	$ 411,025
1,150,000	DRS Technologies Inc., Senior Subordinated Notes, 6.875% due 11/1/13	1,158,625
	L-3 Communications Corp., Senior Subordinated Notes:	
845,000	7.625% due 6/15/12	880,912
25,000	6.375% due 10/15/15	25,000
	Total Aerospace & Defense	2,475,562
Airlines - 0.1%		
	Continental Airlines Inc.:	
230,000	Notes, 8.750% due 12/1/11	232,300
	Pass-Through Certificates:	
53,707	Series 0974C, 6.800% due 7/2/07	53,606
107,627	Series 1998-1, Class C, 6.541% due 9/15/08	107,156
	Total Airlines	393,062
Auto Components - 0.4%		
750,000	Keystone Automotive Operations Inc., Senior Subordinated Notes, 9.750% due 11/1/13	750,000
347,000	TRW Automotive Inc., Senior Notes, 9.375% due 2/15/13	374,326
	Visteon Corp., Senior Notes:	
815,000	8.250% due 8/1/10	831,300
785,000	7.000% due 3/10/14	686,875
	Total Auto Components	2,642,501
Automobiles - 1.3%		
	Ford Motor Co.:	
	Debentures:	
545,000	8.875% due 1/15/22	495,950
275,000	8.900% due 1/15/32	246,125
7,205,000	Notes, 7.450% due 7/16/31	5,818,037
	General Motors Corp.:	
570,000	Notes, 7.200% due 1/15/11	557,175
	Senior Debentures:	
300,000	8.250% due 7/15/23	280,500
2,540,000	8.375% due 7/15/33	2,368,550
	Total Automobiles	9,766,337
Building Products - 0.4%		
1,095,000	Associated Materials Inc., Senior Subordinated Notes, 9.750% due 4/15/12	1,149,750
600,000	Nortek Inc., Senior Subordinated Notes, 8.500% due 9/1/14	613,500
1,240,000	NTK Holdings Inc., Senior Discount Notes, step bond to yield 11.555% due 3/1/14	979,600
	Total Building Products	2,742,850

Capital Markets - 0.2%

815,000	BCP Crystal U.S. Holdings Corp., Senior Subordinated Notes, 9.625% due 6/15/14	909,744
730,000	E*TRADE Financial Corp., Senior Notes, 7.375% due 9/15/13	762,850
	Total Capital Markets	1,672,594

Chemicals - 0.6%

125,000	Chemtura Corp., Senior Notes, 6.875% due 6/1/16	121,875
750,000	Equistar Chemicals LP, Senior Notes, 10.625% due 5/1/11	796,875
930,000	Georgia Gulf Corp., Senior Notes, 9.500% due 10/15/14 (b)	920,700
415,000	Huntsman International LLC, Senior Subordinated Notes, 7.875% due 11/13/14 (b)	431,600

See Notes to Schedule of Investments.

WESTERN ASSET GLOBAL HIGH INCOME FUND INC.

Schedule of Investments (unaudited) (continued) **February 28, 2007**

FACE AMOUNT	SECURITY (a)	VALUE
Chemicals - 0.6% (continued)		
	Lyondell Chemical Co., Senior Notes:	
310,000	8.000% due 9/15/14	$ 327,825
260,000	8.250% due 9/15/16	280,800
1,190,000	Montell Finance Co. BV, Debentures, 8.100% due 3/15/27 (b)	1,195,950
220,000	Westlake Chemical Corp., Senior Notes, 6.625% due 1/15/16	216,700
	Total Chemicals	4,292,325
Commercial Banks - 1.1%		
2,370,000	ATF Capital BV, 9.250% due 2/21/14 (b)	2,364,075
1,050,000	Banco Mercantil del Norte SA, Subordinated Bonds, 6.135% due 10/13/16 (b)(c)	1,070,312
454,000	ICICI Bank Ltd., Bonds, 6.375% due 4/30/22 (b)(c)	462,544
2,710,000	Russian Agricultural Bank, Notes, 7.175% due 5/16/13 (b)	2,842,113
1,786,000	TuranAlem Finance BV, 8.250% due 1/22/37 (b)	1,815,023
	Total Commercial Banks	8,554,067
Commercial Services & Supplies - 0.7%		
15,000	Aleris International Inc., Senior Subordinated Notes, 10.000% due 12/15/16 (b)	15,900
225,000	Allied Security Escrow Corp., Senior Subordinated Notes, 11.375% due 7/15/11	234,000
	Allied Waste North America Inc., Senior Notes, Series B:	
900,000	7.375% due 4/15/14	909,000
400,000	7.250% due 3/15/15	410,000
	Aramark Corp., Senior Notes:	
470,000	8.500% due 2/1/15 (b)	490,562
110,000	8.860% due 2/1/15 (b)(c)	114,125
1,118,000	DynCorp International LLC/DIV Capital Corporation, Senior Subordinated Notes, Series B, 9.500% due 2/15/13	1,201,850
1,100,000	Interface Inc., Senior Subordinated Notes, 9.500% due 2/1/14	1,185,250
525,000	Rental Services Corp., Senior Bonds, 9.500% due 12/1/14 (b)	561,750
	Total Commercial Services & Supplies	5,122,437
Consumer Finance - 1.6%		
	Ford Motor Credit Co.:	
	Notes:	
50,000	7.875% due 6/15/10	50,897
1,300,000	7.000% due 10/1/13	1,248,688
	Senior Notes:	
1,650,000	10.610% due 6/15/11 (b)(c)	1,811,903
115,000	9.875% due 8/10/11	124,192
210,000	8.110% due 1/13/12 (c)	211,386
440,000	8.000% due 12/15/16	435,081
	General Motors Acceptance Corp.:	
5,820,000	Bonds, 8.000% due 11/1/31	6,435,709
2,040,000	Notes, 6.875% due 8/28/12	2,057,866
	Total Consumer Finance	12,375,722

Containers & Packaging - 0.9%

1,100,000	Graham Packaging Co. Inc., Senior Subordinated Notes, 9.875% due 10/15/14	1,138,500
805,000	Graphic Packaging International Corp., Senior Subordinated Notes, 9.500% due 8/15/13	862,356
1,250,000	JSG Funding PLC, Senior Notes, 9.625% due 10/1/12	1,332,813
1,575,000	Owens-Illinois Inc., Senior Notes, 7.350% due 5/15/08	1,598,625
390,000	Plastipak Holdings Inc., Senior Notes, 8.500% due 12/15/15 (b)	408,525
575,000	Radnor Holdings Corp., Senior Notes, 11.000% due 3/15/10 (d)	5,750

See Notes to Schedule of Investments.

WESTERN ASSET GLOBAL HIGH INCOME FUND INC.

Schedule of Investments (unaudited) (continued) **February 28, 2007**

FACE AMOUNT	SECURITY (a)	VALUE
Containers & Packaging - 0.9% (continued)		
	Smurfit-Stone Container Enterprises Inc., Senior Notes:	
559,000	9.750% due 2/1/11	$ 580,661
745,000	8.375% due 7/1/12	763,625
	Total Containers & Packaging	6,690,855
Diversified Consumer Services - 0.2%		
	Education Management LLC/Education Management Corp.:	
365,000	8.750% due 6/1/14	385,987
555,000	10.250% due 6/1/16	604,950
	Service Corp. International:	
140,000	Debentures, 7.875% due 2/1/13	144,900
185,000	Senior Notes, 7.625% due 10/1/18	197,488
	Total Diversified Consumer Services	1,333,325
Diversified Financial Services - 1.2%		
755,000	Basell AF SCA, Senior Secured Subordinated Second Priority Notes, 8.375% due 8/15/15 (b)	800,300
550,000	CCM Merger Inc., Notes, 8.000% due 8/1/13 (b)	552,750
335,000	CitiSteel USA Inc., Senior Secured Notes, 12.949% due 9/1/10 (c)	347,563
290,000	El Paso Performance-Linked Trust Certificates, Notes, 7.750% due 7/15/11 (b)	309,575
487,000	Global Cash Access LLC/Global Cash Finance Corp., Senior Subordinated Notes, 8.750% due 3/15/12	513,785
530,000	Idearc Inc., Senior Notes, 8.000% due 11/15/16 (b)	547,225
150,000	Milacron Escrow Corp., Senior Secured Notes, 11.500% due 5/15/11	147,750
1,652,000	MMG Fiduciary Trust Corp., 6.750% due 2/1/16 (b)	1,680,819
1,750,000	TNK-BP Finance SA, 7.500% due 7/18/16 (b)	1,855,000
261,000	UCAR Finance Inc., Senior Notes, 10.250% due 2/15/12	276,008
430,000	UGS Corp., Senior Subordinated Notes, 10.000% due 6/1/12	473,000
890,000	Vanguard Health Holdings Co. I LLC, Senior Discount Notes, step bond to yield 9.952% due 10/1/15	732,025
555,000	Vanguard Health Holdings Co. II LLC, Senior Subordinated Notes, 9.000% due 10/1/14	573,037
	Total Diversified Financial Services	8,808,837
Diversified Telecommunication Services - 2.3%		
1,055,000	Cincinnati Bell Inc., Senior Notes, 7.000% due 2/15/15	1,056,319
120,000	Cincinnati Bell Telephone Co., Senior Debentures, 6.300% due 12/1/28	110,100
	Citizens Communications Co., Senior Notes:	
295,000	7.875% due 1/15/27 (b)	309,013
450,000	9.000% due 8/15/31	500,625
	Hawaiian Telcom Communications Inc.:	
30,000	Senior Notes, Series B, 10.889% due 5/1/13 (c)	30,900
1,075,000	Senior Subordinated Notes, Series B, 12.500% due 5/1/15	1,212,062
455,000	Inmarsat Finance PLC, 7.625% due 6/30/12	474,337
	Intelsat Bermuda Ltd., Senior Notes:	
755,000	9.250% due 6/15/16 (b)	838,050
1,505,000	11.250% due 6/15/16 (b)	1,711,937
1,050,000	Level 3 Communications Inc., Senior Notes, 11.500% due 3/1/10	1,170,750
	Level 3 Financing Inc., Senior Notes:	
225,000	11.800% due 3/15/11 (c)	243,563

90,000	9.250% due 11/1/14 (b)	92,813
50,000	9.150% due 2/15/15 (b)(c)	50,625
500,000	Nordic Telephone Co. Holdings, Senior Secured Notes, 8.875% due 5/1/16 (b)	541,250
1,200,000	NTL Cable PLC, Senior Notes, 8.750% due 4/15/14	1,257,000
	Qwest Communications International Inc., Senior Notes:	
590,000	7.500% due 2/15/14	614,337

See Notes to Schedule of Investments.

WESTERN ASSET GLOBAL HIGH INCOME FUND INC.

Schedule of Investments (unaudited) (continued) **February 28, 2007**

FACE AMOUNT	SECURITY (a)	VALUE
Diversified Telecommunication Services - 2.3% (continued)		
1,520,000	Series B, 7.500% due 2/15/14	$ 1,582,700
1,760,000	Southwestern Bell Telephone Co., Debentures, 7.000% due 11/15/27	1,805,047
1,255,000	Telcordia Technologies Inc., Senior Subordinated Notes, 10.000% due 3/15/13 (b)	1,179,700
8,000,000 MXN	Telefonos de Mexico SA de CV, Senior Notes, 8.750% due 1/31/16	720,770
155,000	Wind Acquisition Finance SA, Senior Bond, 10.750% due 12/1/15 (b)	179,413
1,225,000	Windstream Corp., 8.625% due 8/1/16	1,347,500
	Total Diversified Telecommunication Services	17,028,811
Electric Utilities - 0.3%		
	Enersis SA, Notes:	
962,000	7.375% due 1/15/14	1,053,952
364,000	7.400% due 12/1/16	406,194
550,000	Orion Power Holdings Inc., Senior Notes, 12.000% due 5/1/10	640,750
	Total Electric Utilities	2,100,896
Electronic Equipment & Instruments - 0.1%		
	NXP BV/NXP Funding LLC:	
170,000	Senior Notes, 9.500% due 10/15/15 (b)	176,375
530,000	Senior Secured Bond, 7.875% due 10/15/14 (b)	549,875
	Total Electronic Equipment & Instruments	726,250
Energy Equipment & Services - 0.3%		
560,000	Complete Production Services Inc., Senior Notes, 8.000% due 12/15/16 (b)	575,400
969,000	Dresser-Rand Group Inc., Senior Subordinated Notes, 7.375% due 11/1/14	988,380
280,000	Geokinetics Inc., Secured Notes, 11.860% due 12/15/12 (b)(c)	289,800
175,000	GulfMark Offshore Inc., Senior Subordinated Notes, 7.750% due 7/15/14	179,375
270,000	Pride International Inc., Senior Notes, 7.375% due 7/15/14	278,100
	Total Energy Equipment & Services	2,311,055
Food & Staples Retailing - 0.1%		
	CVS Lease Pass Through Trust:	
165,957	5.880% due 1/10/28 (b)	166,787
627,900	6.036% due 12/10/28 (b)	635,378
	Total Food & Staples Retailing	802,165
Food Products - 0.1%		
	Dole Food Co. Inc., Senior Notes:	
610,000	7.250% due 6/15/10	594,750
432,000	8.875% due 3/15/11	432,000
	Total Food Products	1,026,750

Gas Utilities - 0.1%		
980,000	Suburban Propane Partners LP/Suburban Energy Finance Corp., Senior Notes, 6.875% due 12/15/13	970,200
Health Care Providers & Services - 2.0%		
1,100,000	AmeriPath Inc., Senior Subordinated Notes, 10.500% due 4/1/13	1,193,500
775,000	Community Health Systems Inc., Senior Subordinated Notes, 6.500% due 12/15/12	782,750
1,300,000	DaVita Inc., Senior Subordinated Notes, 7.250% due 3/15/15	1,319,500
1,075,000	Genesis HealthCare Corp., Senior Subordinated Notes, 8.000% due 10/15/13	1,144,875
	HCA Inc.:	
2,220,000	Debentures, 7.500% due 11/15/95	1,832,463
1,360,000	Notes, 6.375% due 1/15/15	1,176,400
400,000	Senior Notes, 6.500% due 2/15/16	345,000
	Senior Secured Notes:	

See Notes to Schedule of Investments.

4

WESTERN ASSET GLOBAL HIGH INCOME FUND INC.

Schedule of Investments (unaudited) (continued) **February 28, 2007**

FACE AMOUNT	SECURITY (a)	VALUE
Health Care Providers & Services - 2.0% (continued)		
540,000	9.250% due 11/15/16 (b)	$ 579,825
420,000	9.625% due 11/15/16 (b)(e)	454,650
1,675,000	IASIS Healthcare LLC/IASIS Capital Corp., Senior Subordinated Notes, 8.750% due 6/15/14	1,746,188
667,000	Psychiatric Solutions Inc., Senior Subordinated Notes, 10.625% due 6/15/13	733,700
	Tenet Healthcare Corp., Senior Notes:	
125,000	7.375% due 2/1/13	117,500
2,150,000	9.875% due 7/1/14	2,198,375
1,275,000	Triad Hospitals Inc., Senior Subordinated Notes, 7.000% due 11/15/13	1,333,969
	Total Health Care Providers & Services	14,958,695
Hotels, Restaurants & Leisure - 2.7%		
675,000	Boyd Gaming Corp., Senior Subordinated Notes, 6.750% due 4/15/14	675,000
435,000	Buffets Inc., 12.500% due 11/1/14	458,925
	Caesars Entertainment Inc.:	
465,000	Senior Notes, 7.000% due 4/15/13	493,513
650,000	Senior Subordinated Notes, 8.875% due 9/15/08	681,688
557,000	Choctaw Resort Development Enterprise, Senior Notes, 7.250% due 11/15/19 (b)	566,748
875,000	Denny s Holdings Inc., Senior Notes, 10.000% due 10/1/12	936,250
255,000	El Pollo Loco Inc., Senior Notes, 11.750% due 11/15/13	284,325
825,000	Herbst Gaming Inc., Senior Subordinated Notes, 7.000% due 11/15/14	808,500
1,000,000	Inn of the Mountain Gods Resort & Casino, Senior Notes, 12.000% due 11/15/10	1,095,000
1,150,000	Isle of Capri Casinos Inc., Senior Subordinated Notes, 7.000% due 3/1/14	1,129,875
975,000	Las Vegas Sands Corp., Senior Notes, 6.375% due 2/15/15	945,750
	MGM MIRAGE Inc., Senior Notes:	
560,000	6.750% due 9/1/12	561,400
675,000	5.875% due 2/27/14	631,125
165,000	6.625% due 7/15/15	159,431
725,000	7.625% due 1/15/17	737,687
	Mohegan Tribal Gaming Authority, Senior Subordinated Notes:	
675,000	7.125% due 8/15/14	690,187
625,000	6.875% due 2/15/15	631,250
1,150,000	Penn National Gaming Inc., Senior Subordinated Notes, 6.750% due 3/1/15	1,112,625
	Pinnacle Entertainment Inc., Senior Subordinated Notes:	
450,000	8.250% due 3/15/12	465,750
675,000	8.750% due 10/1/13	720,562
940,000	Pokagon Gaming Authority, Senior Notes, 10.375% due 6/15/14 (b)	1,034,000
95,000	River Rock Entertainment Authority, Senior Notes, 9.750% due 11/1/11	101,888
400,000	Sbarro Inc., Senior Notes, 10.375% due 2/1/15 (b)	419,000
1,150,000	Seneca Gaming Corp., Senior Notes, 7.250% due 5/1/12	1,164,375
	Snoqualmie Entertainment Authority:	
145,000	Notes, 9.125% due 2/1/15 (b)	150,438
150,000	Senior Notes, 9.150% due 2/1/14 (b)(c)	153,000
	Station Casinos Inc.:	
	Senior Notes:	
110,000	6.000% due 4/1/12	107,250
760,000	7.750% due 8/15/16	784,700
190,000	Senior Subordinated Notes, 6.875% due 3/1/16	177,413
2,000,000	Turning Stone Casino Resort Enterprise, Senior Notes, 9.125% due 12/15/10 (b)	2,065,000

	Total Hotels, Restaurants & Leisure	19,942,655
Household Durables - 0.5%		
80,000	American Greetings Corp., Senior Notes, 7.375% due 6/1/16	83,100

See Notes to Schedule of Investments.

WESTERN ASSET GLOBAL HIGH INCOME FUND INC.

Schedule of Investments (unaudited) (continued) **February 28, 2007**

FACE AMOUNT	SECURITY (a)	VALUE
Household Durables - 0.5% (continued)		
	Beazer Homes USA Inc., Senior Notes:	
75,000	6.875% due 7/15/15	$ 72,375
460,000	8.125% due 6/15/16	477,250
	K Hovnanian Enterprises Inc., Senior Notes:	
780,000	7.500% due 5/15/16	785,850
370,000	8.625% due 1/15/17	392,200
1,050,000	Norcraft Cos. LP/Norcraft Finance Corp., Senior Subordinated Notes, 9.000% due 11/1/11	1,092,000
445,000	Norcraft Holdings LP/Norcraft Capital Corp., Senior Discount Notes, step bond to yield 9.838% due 9/1/12	404,950
525,000	Sealy Mattress Co., Senior Subordinated Notes, 8.250% due 6/15/14	556,500
	Total Household Durables	3,864,225
Household Products - 0.1%		
	Nutro Products Inc.:	
115,000	Senior Notes, 9.400% due 10/15/13 (b)(c)	120,031
320,000	Senior Subordinated Notes, 10.750% due 4/15/14 (b)	353,600
490,000	Visant Holding Corp., Senior Notes, 8.750% due 12/1/13	525,525
	Total Household Products	999,156
Independent Power Producers & Energy Traders - 1.2%		
695,000	AES China Generating Co., Ltd., Class A, 8.250% due 6/26/10	694,160
	AES Corp.:	
	Senior Notes:	
525,000	9.375% due 9/15/10	572,250
670,000	8.875% due 2/15/11	723,600
1,940,000	7.750% due 3/1/14	2,041,850
190,000	Senior Secured Notes, 9.000% due 5/15/15 (b)	204,488
625,000	Calpine Generating Co. LLC, Senior Secured Notes, 14.370% due 4/1/11 (c)(d)	659,375
	Edison Mission Energy, Senior Notes:	
75,000	7.500% due 6/15/13	78,750
690,000	7.750% due 6/15/16	734,850
100,000	Mirant Americas Generation LLC, Senior Notes, 9.125% due 5/1/31	107,250
845,000	Mirant North America LLC, Senior Notes, 7.375% due 12/31/13	872,463
	NRG Energy Inc., Senior Notes:	
450,000	7.250% due 2/1/14	460,125
2,135,000	7.375% due 2/1/16	2,183,037
	Total Independent Power Producers & Energy Traders	9,332,198
Industrial Conglomerates - 0.1%		
523,000	Koppers Inc., Senior Notes, 9.875% due 10/15/13	572,685
205,000	Sequa Corp., Senior Notes, 9.000% due 8/1/09	217,300
	Total Industrial Conglomerates	789,985
Insurance - 0.2%		

1,185,000	Crum & Forster Holdings Corp., Senior Notes, 10.375% due 6/15/13	1,282,763
Internet & Catalog Retail - 0.1%		
140,000	Brookstone Co. Inc., Senior Secured Notes, 12.000% due 10/15/12	148,400
520,000	FTD Inc., Senior Subordinated Notes, 7.750% due 2/15/14	525,200
	Total Internet & Catalog Retail	673,600
IT Services - 0.3%		
	SunGard Data Systems Inc.:	
325,000	Senior Notes, 9.125% due 8/15/13	348,563

See Notes to Schedule of Investments.

WESTERN ASSET GLOBAL HIGH INCOME FUND INC.

Schedule of Investments (unaudited) (continued) **February 28, 2007**

FACE AMOUNT	SECURITY (a)	VALUE
IT Services - 0.3% (continued)		
1,415,000	Senior Subordinated Notes, 10.250% due 8/15/15	$ 1,545,887
	Total IT Services	1,894,450
Leisure Equipment & Products - 0.1%		
620,000	WMG Acquisition Corp., Senior Subordinated Notes, 7.375% due 4/15/14	604,500
Machinery - 0.1%		
179,000	Mueller Group Inc., Senior Subordinated Notes, 10.000% due 5/1/12	194,663
931,000	Mueller Holdings Inc., Senior Discount Notes, step bond to yield 11.446% due 4/15/14	851,865
	Total Machinery	1,046,528
Media - 3.5%		
	Affinion Group Inc.:	
1,015,000	Senior Notes, 10.125% due 10/15/13	1,101,275
120,000	Senior Subordinated Notes, 11.500% due 10/15/15	130,800
1,265,000	AMC Entertainment Inc., Senior Subordinated Notes, 11.000% due 2/1/16	1,443,681
880,000	CCH I Holdings LLC/CCH I Holdings Capital Corp., Senior Notes, 11.750% due 5/15/14	864,600
1,247,000	CCH I LLC/CCH Capital Corp., Senior Secured Notes, 11.000% due 10/1/15	1,303,115
	CCH II LLC/CCH II Capital Corp., Senior Notes:	
1,050,000	10.250% due 9/15/10	1,110,375
309,000	10.250% due 10/1/13	336,810
185,000	Charter Communications Holdings LLC, Senior Discount Notes, 12.125% due 1/15/12	184,075
	Charter Communications Holdings LLC/Charter Communications Holdings	
	Capital Corp., Senior Discount Notes:	
55,000	9.920% due 4/1/11	55,138
285,000	step bond to yield 11.750% due 5/15/11	283,575
1,650,000	Charter Communications Operating LLC, Second Lien Senior Notes, 8.375% due 4/30/14 (b)	1,736,625
400,000	Chukchansi Economic Development Authority, Senior Notes, 8.000% due 11/15/13 (b)	419,000
575,000	CMP Susquehanna Corp., Senior Subordinated Notes, 9.875% due 5/15/14 (b)	593,687
	CSC Holdings Inc.:	
425,000	Senior Debentures, Series B, 8.125% due 8/15/09	442,000
	Senior Notes:	
575,000	6.750% due 4/15/12 (b)	572,125
	Series B:	
550,000	8.125% due 7/15/09	572,000
250,000	7.625% due 4/1/11	258,125
1,367,000	Dex Media West LLC/Dex Media Finance Co., Senior Subordinated Notes, Series B, 9.875% due 8/15/13	1,495,156
1,365,000	DIRECTV Holdings LLC/DIRECTV Financing Co. Inc., Senior Notes, 8.375% due 3/15/13	1,448,606
	EchoStar DBS Corp., Senior Notes:	
375,000	7.000% due 10/1/13	387,187
1,775,000	6.625% due 10/1/14	1,797,187
475,000	Interep National Radio Sales Inc., Senior Subordinated Notes, Series B, 10.000% due 7/1/08	411,469
160,000	ION Media Networks Inc., Senior Secured Notes, 11.610% due 1/15/13 (b)(c)	168,000
280,000	Kabel Deutschland GMBH, Senior Notes, 10.625% due 7/1/14	313,600
1,175,000	Lamar Media Corp., Senior Subordinated Notes, 6.625% due 8/15/15	1,163,250
600,000	LodgeNet Entertainment Corp., Senior Subordinated Notes, 9.500% due 6/15/13	646,500

700,000	Primedia Inc., Senior Notes, 8.875% due 5/15/11	722,750

See Notes to Schedule of Investments.

WESTERN ASSET GLOBAL HIGH INCOME FUND INC.

Schedule of Investments (unaudited) (continued) **February 28, 2007**

FACE AMOUNT	SECURITY (a)	VALUE
Media - 3.5% (continued)		
270,000	Quebecor Media Inc., Senior Notes, 7.750% due 3/15/16	$ 278,100
550,000	R.H. Donnelley Corp., Senior Notes, Series A-3, 8.875% due 1/15/16	589,875
1,000,000	R.H. Donnelley Inc., Senior Subordinated Notes, 10.875% due 12/15/12	1,090,000
1,310,000	Rainbow National Services LLC, Senior Notes, 8.750% due 9/1/12 (b)	1,398,425
330,000	Readers Digest Association Inc., Senior Subordinated Notes, 9.000% due 2/15/17 (b)	330,000
	Rogers Cable Inc.:	
1,100,000	Senior Secured Notes, 7.875% due 5/1/12	1,212,750
45,000	Senior Secured Second Priority Notes, 6.250% due 6/15/13	46,688
560,000	Sinclair Broadcast Group Inc., Senior Subordinated Notes, 8.000% due 3/15/12	579,600
225,000	Videotron Ltee., Senior Notes, 6.375% due 12/15/15	222,188
	XM Satellite Radio Inc., Senior Notes:	
230,000	9.860% due 5/1/13 (c)	228,275
345,000	9.750% due 5/1/14	350,175
	Total Media	26,286,787
Metals & Mining - 1.3%		
80,000	Chaparral Steel Co., Senior Notes, 10.000% due 7/15/13	89,800
1,050,000	Corporacion Nacional del Cobre-Codelco, Notes, 5.500% due 10/15/13 (b)	1,059,720
185,000	Metals USA Holdings Corp., Senior Notes, 11.365% due 1/15/12 (b)(c)(e)	182,225
1,235,000	Metals USA Inc., Senior Secured Notes, 11.125% due 12/1/15	1,377,025
335,000	Tube City IMS Corp., Senior Subordinated Notes, 9.750% due 2/1/15 (b)	353,425
	Vale Overseas Ltd., Notes:	
485,000	6.250% due 1/23/17	500,986
1,448,000	8.250% due 1/17/34	1,779,062
4,070,000	6.875% due 11/21/36	4,300,997
	Total Metals & Mining	9,643,240
Multiline Retail - 0.2%		
	Neiman Marcus Group Inc.:	
310,000	Senior Notes, 9.000% due 10/15/15 (e)	342,550
775,000	Senior Subordinated Notes, 10.375% due 10/15/15	871,875
	Total Multiline Retail	1,214,425
Office Electronics - 0.0%		
190,000	Xerox Corp., Senior Notes, 6.750% due 2/1/17	201,796
Oil, Gas & Consumable Fuels - 5.5%		
1,135,000	Belden & Blake Corp., Secured Notes, 8.750% due 7/15/12	1,169,050
	Chesapeake Energy Corp., Senior Notes:	
1,350,000	6.375% due 6/15/15	1,346,625
270,000	6.625% due 1/15/16	272,700
50,000	6.500% due 8/15/17	49,500
160,000	Colorado Interstate Gas Co., Senior Notes, 6.800% due 11/15/15	171,903
245,000	Compagnie Generale de Geophysique SA, Senior Notes, 7.500% due 5/15/15	251,125

	El Paso Corp.:	
	Medium-Term Notes:	
2,050,000	7.375% due 12/15/12	2,193,500
1,330,000	7.750% due 1/15/32	1,456,350
125,000	Notes, 7.875% due 6/15/12	136,250
70,000	El Paso Natural Gas Co., Bonds, 8.375% due 6/15/32	88,367
540,000	Enterprise Products Operating LP, Junior Subordinated Notes, 8.375% due 8/1/66 (c)	602,429
1,030,000	EXCO Resources Inc., Senior Notes, 7.250% due 1/15/11	1,048,025
	Gazprom:	

See Notes to Schedule of Investments.

WESTERN ASSET GLOBAL HIGH INCOME FUND INC.

Schedule of Investments (unaudited) (continued) **February 28, 2007**

FACE AMOUNT	SECURITY (a)	VALUE
Oil, Gas & Consumable Fuels - 5.5% (continued)		
	Bonds:	
159,710,000 RUB	Series A7, 6.790% due 10/29/09	$ 6,124,182
53,230,000 RUB	Series A8, 7.000% due 10/27/11	2,037,062
1,370,000	Loan Participation Notes, 6.212% due 11/22/16 (b)	1,372,740
61,340,000 RUB	Gazprom OAO, Series A6, 6.950% due 8/6/09	2,368,022
800,000	Hanover Equipment Trust, Secured Notes, 8.750% due 9/1/11	836,000
600,000	Holly Energy Partners, L.P., Senior Notes, 6.250% due 3/1/15	571,500
1,400,000	Inergy LP/Inergy Finance Corp., Senior Notes, 6.875% due 12/15/14	1,386,000
655,000	International Coal Group Inc., Senior Notes, 10.250% due 7/15/14	665,644
390,000	Mariner Energy Inc., Senior Notes, 7.500% due 4/15/13	383,175
845,000	Northwest Pipeline Corp., Senior Notes, 7.000% due 6/15/16	910,488
115,000	OMI Corp., Senior Notes, 7.625% due 12/1/13	116,725
325,000	OPTI Canada Inc., Senior Secured Notes, 8.250% due 12/15/14 (b)	338,000
	Pemex Project Funding Master Trust:	
5,000,000	8.625% due 12/1/23	6,237,500
1,040,000	Bonds, 6.625% due 6/15/35	1,077,700
510,000	Petrohawk Energy Corp., Senior Notes, 9.125% due 7/15/13	544,425
1,800,000	Petrozuata Finance Inc., 8.220% due 4/1/17 (b)	1,804,500
610,000	Pogo Producing Co., Senior Subordinated Notes, 7.875% due 5/1/13	620,675
1,245,000	SemGroup LP, Senior Notes, 8.750% due 11/15/15 (b)	1,269,900
40,000	SESI LLC, Senior Notes, 6.875% due 6/1/14	39,900
640,000	Stone Energy Corp., Senior Subordinated Notes, 8.250% due 12/15/11	640,000
275,000	Swift Energy Co., Senior Subordinated Notes, 9.375% due 5/1/12	290,125
630,000	Whiting Petroleum Corp., Senior Subordinated Notes, 7.000% due 2/1/14	625,275
	Williams Cos. Inc.:	
1,060,000	Notes, 8.750% due 3/15/32	1,219,000
1,000,000	Senior Notes, 7.625% due 7/15/19	1,090,000
	Total Oil, Gas & Consumable Fuels	41,354,362
Paper & Forest Products - 0.4%		
	Appleton Papers Inc.:	
375,000	Senior Notes, 8.125% due 6/15/11	390,000
715,000	Senior Subordinated Notes, Series B, 9.750% due 6/15/14	744,494
	NewPage Corp.:	
	Senior Secured Notes:	
130,000	10.000% due 5/1/12	142,350
885,000	11.610% due 5/1/12 (c)	969,075
235,000	Senior Subordinated Notes, 12.000% due 5/1/13	257,325
345,000	Verso Paper Holdings LLC, Senior Secured Notes, 9.125% due 8/1/14 (b)	365,700
	Total Paper & Forest Products	2,868,944
Pharmaceuticals - 0.1%		
940,000	Leiner Health Products Inc., Senior Subordinated Notes, 11.000% due 6/1/12	1,001,100
Real Estate Investment Trusts (REITs) - 0.5%		
30,000	Forest City Enterprises Inc., Senior Notes, 7.625% due 6/1/15	30,900

2,275,000	Host Marriott LP, Senior Notes, 7.125% due 11/1/13	2,331,875
255,000	Kimball Hill Inc., Senior Subordinated Notes, 10.500% due 12/15/12	255,638
	Ventas Realty LP/Ventas Capital Corp., Senior Notes:	
215,000	7.125% due 6/1/15	225,481
175,000	6.500% due 6/1/16	177,625
475,000	6.750% due 4/1/17	490,437
	Total Real Estate Investment Trusts (REITs)	3,511,956

See Notes to Schedule of Investments.

WESTERN ASSET GLOBAL HIGH INCOME FUND INC.

Schedule of Investments (unaudited) (continued) **February 28, 2007**

FACE AMOUNT	SECURITY (a)	VALUE
Real Estate Management & Development - 0.0%		
325,000	Ashton Woods USA LLC/Ashton Woods Finance Co., Senior Subordinated Notes, 9.500% due 10/1/15	$ 313,625
Road & Rail - 0.5%		
	Grupo Transportacion Ferroviaria Mexicana SA de CV, Senior Notes:	
790,000	9.375% due 5/1/12	851,225
50,000	12.500% due 6/15/12	54,187
	Hertz Corp.:	
750,000	8.875% due 1/1/14	811,875
1,660,000	10.500% due 1/1/16	1,900,700
160,000	Kansas City Southern de Mexico, Senior Notes, 7.625% due 12/1/13 (b)	161,200
190,000	Kansas City Southern Railway, Senior Notes, 7.500% due 6/15/09	195,225
	Total Road & Rail	3,974,412
Semiconductors & Semiconductor Equipment - 0.1%		
740,000	Freescale Semiconductor Inc., Senior Notes, 8.875% due 12/15/14 (b)	753,875
Software - 0.2%		
500,000	Activant Solutions Inc., Senior Subordinated Notes, 9.500% due 5/1/16 (b)	493,750
777,340	UGS Capital Corp. II, Senior Notes, 10.348% due 6/1/11 (b)(c)(e)	794,830
	Total Software	1,288,580
Specialty Retail - 0.2%		
	AutoNation Inc., Senior Notes:	
335,000	7.360% due 4/15/13 (c)	341,700
85,000	7.000% due 4/15/14	86,594
510,000	Blockbuster Inc., Senior Subordinated Notes, 9.000% due 9/1/12	514,462
345,000	Eye Care Centers of America, Senior Subordinated Notes, 10.750% due 2/15/15	385,538
240,000	Linens n Things Inc., Senior Secured Notes, 10.985% due 1/15/14 (c)	236,400
	Total Specialty Retail	1,564,694
Textiles, Apparel & Luxury Goods - 0.3%		
995,000	Levi Strauss & Co., Senior Notes, 9.750% due 1/15/15	1,099,475
350,000	Simmons Bedding Co., Senior Subordinated Notes, 7.875% due 1/15/14	360,500
1,375,000	Simmons Co., Senior Discount Notes, step bond to yield 9.983% due 12/15/14	1,148,125
	Total Textiles, Apparel & Luxury Goods	2,608,100
Tobacco - 0.1%		
480,000	Alliance One International Inc., Senior Notes, 11.000% due 5/15/12	525,600
Trading Companies & Distributors - 0.3%		
475,000	Ashtead Capital Inc., Notes, 9.000% due 8/15/16 (b)	515,375
255,000	H&E Equipment Services Inc., Senior Notes, 8.375% due 7/15/16	273,487

905,000	Penhall International Corp., Senior Secured Notes, 12.000% due 8/1/14 (b)	981,925
310,000	TransDigm Inc., Senior Subordinated Notes, 7.750% due 7/15/14 (b)	320,075
	Total Trading Companies & Distributors	2,090,862
Wireless Telecommunication Services - 1.5%		
1,105,000	Nextel Communications Inc., Senior Notes, Series D, 7.375% due 8/1/15	1,144,545
20,000	Rogers Wireless Communications Inc., Senior Secured Notes, 7.250% due 12/15/12	21,575
	Rogers Wireless Inc.:	
1,125,000	Secured Notes, 7.500% due 3/15/15	1,240,312
170,000	Senior Subordinated Notes, 8.000% due 12/15/12	182,112
	Rural Cellular Corp.:	
340,000	Secured Notes, 8.250% due 3/15/12	354,450
820,000	Senior Notes, 9.875% due 2/1/10	871,250

See Notes to Schedule of Investments.

WESTERN ASSET GLOBAL HIGH INCOME FUND INC.

Schedule of Investments (unaudited) (continued) **February 28, 2007**

FACE AMOUNT	SECURITY (a)	VALUE
Wireless Telecommunication Services - 1.5% (continued)		
5,580,000	True Move Co., Ltd., 10.750% due 12/16/13 (b)	$ 5,719,500
700,000	UbiquiTel Operating Co., Senior Notes, 9.875% due 3/1/11	753,304
1,040,000	UBS Luxembourg SA for OJSC Vimpel Communications, Loan Participation Notes, 8.250% due 5/23/16 (b)	1,110,200
	Total Wireless Telecommunication Services	11,397,248
	TOTAL CORPORATE BONDS & NOTES	
	(Cost - $248,609,647)	257,824,962
ASSET-BACKED SECURITIES - 0.0%		
Home Equity - 0.0%		
110,125	Finance America Net Interest Margin Trust, Series 2004-01, Class A, 5.250% due 6/27/34 (b)	1,242
	Sail Net Interest Margin Notes:	
14,101	Series 2003-6A, Class A, 7.000% due 7/27/33 (b)	1,165
42,974	Series 2003-7A, Class A, 7.000% due 7/27/33 (b)	5,385
	TOTAL ASSET-BACKED SECURITIES	
	(Cost - $166,852)	7,792
COLLATERALIZED MORTGAGE OBLIGATIONS - 0.6%		
	Federal National Mortgage Association (FNMA) STRIP:	
9,100,550	Series 329, Class 2, IO, 5.500% due 1/1/33 (f)	2,022,859
11,128,611	Series 338, Class 2, IO, 5.500% due 6/1/33 (f)	2,478,542
	TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS	
	(Cost - $5,750,364)	4,501,401
MORTGAGE-BACKED SECURITIES - 28.1%		
FHLMC - 6.6%		
	Federal Home Loan Mortgage Corp. (FHLMC):	
	Gold:	
40,000,000	5.000% due 3/13/37 (g)(h)	38,825,000
10,000,000	5.500% due 3/13/37 (g)(h)	9,925,000
410,000	Notes, 5.125% due 4/18/11	415,103
	TOTAL FHLMC	49,165,103
FNMA - 21.1%		
	Federal National Mortgage Association (FNMA):	
340,000	6.625% due 9/15/09	354,639
12,500,000	5.500% due 3/19/22-3/13/37 (g)(h)	12,430,192
94,450,000	6.000% due 3/19/22-4/12/37 (g)(h)	95,274,072

38,200,000	5.000% due 3/13/37 (g)(h)	37,089,832
13,020,000	6.500% due 3/13/37-4/12/37 (g)(h)	13,274,641
	TOTAL FNMA	158,423,376
GNMA - 0.4%		
2,600,000	Government National Mortgage Association (GNMA), 6.500% due 3/21/37 (g)	2,667,439
	TOTAL MORTGAGE-BACKED SECURITIES	
	(Cost - $209,504,498)	210,255,918
SOVEREIGN BONDS - 12.1%		
Argentina - 0.5%		
	Republic of Argentina:	
1,074,000 EUR	9.000% due 6/20/03 (d)	476,020
1,100,000 EUR	10.250% due 1/26/07 (d)	503,917
1,729,117 EUR	8.000% due 2/26/08 (d)	783,541
1,550,000 DEM	11.750% due 11/13/26 (d)	346,012
2,560,895 ARS	Bonds, 2.000% due 1/3/10 (c)	1,713,492

See Notes to Schedule of Investments.

WESTERN ASSET GLOBAL HIGH INCOME FUND INC.

Schedule of Investments (unaudited) (continued) **February 28, 2007**

FACE AMOUNT	SECURITY (a)	VALUE
Argentina - 0.5% (continued)		
522,000 EUR	Medium-Term Notes, 10.000% due 2/22/07 (d)	$ 239,995
	Total Argentina	4,062,977
Brazil - 3.1%		
	Federative Republic of Brazil:	
13,926,000	11.000% due 8/17/40	18,605,136
	Collective Action Securities:	
2,565,000	8.750% due 2/4/25	3,238,312
1,360,000	Notes, 8.000% due 1/15/18	1,523,200
	Total Brazil	23,366,648
Colombia - 1.0%		
	Republic of Colombia:	
544,000	11.750% due 2/25/20	796,960
1,150,000	8.125% due 5/21/24	1,331,125
1,237,000	10.375% due 1/28/33	1,772,002
3,060,000	7.375% due 9/18/37	3,273,435
	Total Colombia	7,173,522
Ecuador - 0.3%		
2,765,000	Republic of Ecuador, 10.000% due 8/15/30 (b)	2,364,075
El Salvador - 0.2%		
	Republic of El Salvador:	
1,135,000	7.750% due 1/24/23 (b)	1,308,087
218,000	8.250% due 4/10/32 (b)	264,870
	Total El Salvador	1,572,957
Indonesia - 0.1%		
525,000	Republic of Indonesia, 8.500% due 10/12/35 (b)	643,755
Mexico - 2.2%		
	United Mexican States:	
300,000	11.375% due 9/15/16	429,750
	Medium-Term Notes:	
4,400,000	5.625% due 1/15/17	4,419,800
5,823,000	6.750% due 9/27/34	6,360,172
5,098,000	Series A, 6.375% due 1/16/13	5,363,096
	Total Mexico	16,572,818
Panama - 0.2%		
1,275,000	Republic of Panama, 9.375% due 4/1/29	1,706,906

Peru - 0.7%		
	Republic of Peru:	
378,000	8.750% due 11/21/33	493,195
3,960,000	FLIRB, 5.000% due 3/7/17 (c)	3,950,100
50,000	Global Bonds, 7.350% due 7/21/25	56,313
	PDI:	
782,800	5.000% due 3/7/17 (c)	780,843
133,760	5.000% due 3/7/17 (b)(c)	133,359
	Total Peru	5,413,810
Philippines - 0.1%		
317,000	Republic of the Philippines, 7.750% due 1/14/31	357,608
Russia - 1.5%		
	Russian Federation:	
1,088,897	8.250% due 3/31/10 (b)	1,135,176

See Notes to Schedule of Investments.

WESTERN ASSET GLOBAL HIGH INCOME FUND INC.

Schedule of Investments (unaudited) (continued) **February 28, 2007**

FACE AMOUNT	SECURITY (a)	VALUE
Russia - 1.5% (continued)		
4,236,000	12.750% due 6/24/28 (b)	$ 7,698,930
2,119,000	5.000% due 3/31/30 (b)	2,402,416
	Total Russia	11,236,522
Uruguay - 0.3%		
2,229,935	Oriental Republic of Uruguay, Bonds, 7.625% due 3/21/36	2,430,072
Venezuela - 1.9%		
	Bolivarian Republic of Venezuela:	
3,245,000	5.375% due 8/7/10 (b)	3,166,309
9,803,000	5.750% due 2/26/16	9,160,903
475,000	7.650% due 4/21/25	505,638
	Collective Action Securities:	
34,000	9.375% due 1/13/34	44,200
875,000	Notes, 10.750% due 9/19/13	1,064,656
	Total Venezuela	13,941,706
	TOTAL SOVEREIGN BONDS	
	(Cost - $83,848,082)	90,843,376
U.S. TREASURY INFLATION PROTECTED SECURITIES - 1.0%		
	U.S. Treasury Bonds, Inflation Indexed:	
711,683	2.000% due 1/15/16	701,453
2,958,568	2.000% due 1/15/26	2,852,823
919,292	2.375% due 1/15/27	940,766
2,640,266	U.S. Treasury Notes, Inflation Indexed, 2.375% due 1/15/17	2,686,265
	TOTAL U.S. TREASURY INFLATION PROTECTED SECURITIES	
	(Cost - $6,986,915)	7,181,307
SHARES		
COMMON STOCK - 0.0%		
CONSUMER DISCRETIONARY - 0.0%		
Household Durables - 0.0%		
2,085,181	Home Interiors & Gifts Inc. (f)(i)*	
	(Cost - $853,389)	20,852
PREFERRED STOCKS - 0.1%		
CONSUMER DISCRETIONARY - 0.1%		
Automobiles - 0.1%		
32,400	Ford Motor Co., 8.000%	594,875

FINANCIALS - 0.0%		
Diversified Financial Services - 0.0%		
2,600	Preferred Plus, Series FRD-1, 7.400%	47,840
9,700	Saturns, Series F 2003-5, 8.125%	191,963
	TOTAL FINANCIALS	239,803
	TOTAL PREFERRED STOCKS	
	(Cost - $738,392)	834,678
CONVERTIBLE PREFERRED STOCKS - 0.1%		
ENERGY - 0.1%		
Oil, Gas & Consumable Fuels - 0.1%		
1,283	Chesapeake Energy Corp., 6.250% due 6/15/09	
	(Cost - $322,378)	333,580
WARRANTS		
Warrants - 0.0%		
2,675	Bolivarian Republic of Venezuela, oil-linked payment obligation, Expires 4/15/00	
	(Cost - $82,925)	96,969

See Notes to Schedule of Investments.

WESTERN ASSET GLOBAL HIGH INCOME FUND INC.

Schedule of Investments (unaudited) (continued) **February 28, 2007**

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evaluates securities for other-than-temporary impairment ("OTTI") on at least a quarterly basis, and more frequently when economic or
ions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the
s, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more
t that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the
ing intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment
ngs. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as
TTI related to credit loss, which must be recognized in the income statement; and (2) OTTI related to other factors, which is
other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be
the amortized cost basis. For equity securities, the entire amount of impairment is recognized through earnings.

termine OTTI for purchased beneficial interests that, on the purchase date, were not highly rated, the Company compares the present
emaining cash flows as estimated at the preceding evaluation date to the current expected remaining cash flows. OTTI is deemed to
if there has been an adverse change in the remaining expected future cash flows.

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es are reported at the principal amount outstanding net of unearned discounts and deferred loan & lease fees and costs. Interest
ns & leases is accrued daily on the outstanding balances using the simple interest method. Loan & lease origination fees are deferred
d over the contractual life of the loan or lease as an adjustment to the yield. Loans & leases are placed on non-accrual status when
of principal or interest is in doubt or when they become past due for 90 days or more unless they are both well-secured and in the
lection. For this purpose a loan or lease is considered well-secured if it is collateralized by property having a net realizable value in

amount of the loan or lease or is guaranteed by a financially capable party. When a loan or lease is placed on non-accrual status, the npaid interest receivable is reversed and charged against current income; thereafter, interest income is recognized only as it is ash. Additionally, cash would be applied to principal if all principal was not expected to be collected. Loans & leases placed on tatus are returned to accrual status when the loans or leases are paid current as to principal and interest and future payments are e made in accordance with the contractual terms of the loan or lease.

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e is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect all including principal and interest, according to the contractual terms of the original agreement. Impaired loans & leases are either: (1) oans & leases; or (2) restructured loans & leases that are still accruing interest. Loans or leases determined to be impaired are valuated for impairment. When a loan or lease is impaired, the Company measures impairment based on the present value of re cash flows discounted at the loan or lease's effective interest rate, except that as a practical expedient, it may measure impairment an or lease's observable market price, or the fair value of the collateral if the loan or lease is collateral dependent. A loan or lease is endent if the repayment of the loan or lease is expected to be provided solely by the underlying collateral.

g of a loan or lease constitutes a troubled debt restructuring (TDR) if the Company for economic or legal reasons related to the he term "borrower" is used herein to describe a customer who has entered into either a loan or lease transaction) financial difficulties ession to the borrower that it would not otherwise consider. Restructured loans & leases typically present an elevated level of credit rrowers are not able to perform according to the original contractual terms. Loans & leases that are reported as TDRs are considered measured for impairment as described above.

e Company will not restructure loans or leases for borrowers unless: (1) the existing loan or lease is brought current as to principal ayments; and (2) the restructured loan or lease can be underwritten to reasonable underwriting standards. If these standards are not ons will be pursued (e.g., foreclosure) to collect outstanding loan or lease amounts. After restructure a determination is made oan or lease will be kept on accrual status based upon the underwriting and historical performance of the restructured credit.

r Credit Losses
e for credit losses is an estimate of probable incurred credit losses inherent in the Company's loan & lease portfolio as of the balance e allowance is established through a provision for credit losses which is charged to expense. Additions to the allowance are expected e adequacy of the total allowance after credit losses and loan & lease growth. Credit exposures determined to be uncollectible are st the allowance. Cash received on previously charged off amounts is recorded as a recovery to the allowance. The overall allowance ree primary components: specific reserves related to impaired loans & leases; general reserves for inherent losses related to loans & not impaired; and an unallocated component that takes into account the imprecision in estimating and allocating allowance balances h macro factors.

ation of the general reserve for loans & leases that are collectively evaluated for impairment is based on estimates made by to include, but not limited to, consideration of historical losses by portfolio segment, internal asset classifications, qualitative factors conomic trends in the Company's service areas, industry experience and trends, geographic concentrations, estimated collateral ompany's underwriting policies, the character of the loan & lease portfolio, and probable losses inherent in the portfolio taken as a

y maintains a separate allowance for each portfolio segment (loan & lease type). These portfolio segments include: (1) commercial) agricultural real estate; (3) real estate construction (including land and development loans); (4) residential 1st mortgages; (5) home nd loans; (6) agricultural; (7) commercial; (8) consumer and other; and (9) equipment leases. The allowance for credit losses each portfolio segment, which includes both individually evaluated impaired loans & leases and loans & leases that are collectively impairment, is combined to determine the Company's overall allowance, which is included on the consolidated balance sheet.

y assigns a risk rating to all loans & leases and periodically performs detailed reviews of all such loans & leases over a certain dentify credit risks and assess overall collectability. For smaller balance loans & leases, such as consumer and residential real estate, is established at inception, and then updated only when the loan or lease becomes contractually delinquent or when the borrower dification. For larger balance loans, management monitors and analyzes the financial condition of borrowers and guarantors, trends es in which borrowers operate and the fair values of collateral securing these loans & leases. These credit quality indicators are used k rating to each individual loan or lease. These risk ratings are also subject to examination by independent specialists engaged by the e risk ratings can be grouped into five major categories, defined as follows:

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loan or lease is a strong credit with no existing or known potential weaknesses deserving of management's close attention.

on – A special mention loan or lease has potential weaknesses that deserve management's close attention. If left uncorrected, these
knesses may result in deterioration of the repayment prospects for the loan or lease or in the Company's credit position at some future
Mention loans & leases are not adversely classified and do not expose the Company to sufficient risk to warrant adverse

– A substandard loan or lease is not adequately protected by the current financial condition and paying capacity of the borrower or the
ollateral pledged, if any. Loans or leases classified as substandard have a well-defined weakness or weaknesses that jeopardize the
the debt. Well defined weaknesses include a project's lack of marketability, inadequate cash flow or collateral support, failure to
struction on time or the project's failure to fulfill economic expectations. They are characterized by the distinct possibility that the
sustain some loss if the deficiencies are not corrected.

oans or leases classified doubtful have all the weaknesses inherent in those classified as substandard with the added characteristic that
es make collection or liquidation in full, based on currently known facts, conditions and values, highly questionable or improbable.

or leases classified as loss are considered uncollectible. Once a loan or lease becomes delinquent and repayment becomes
the Company will address collateral shortfalls with the borrower and attempt to obtain additional collateral. If this is not forthcoming
n full is unlikely, the Company will estimate its probable loss and immediately charge-off some or all of the balance.

eserve component of the allowance for credit losses also consists of reserve factors that are based on management's assessment of the
each portfolio segment: (1) inherent credit risk; (2) historical losses; and (3) other qualitative factors. These reserve factors are
jective and are driven by the repayment risk associated with each portfolio segment described below:

Real Estate – Commercial real estate mortgage loans are generally considered to possess a higher inherent risk of loss than the
ommercial, agricultural and consumer loan types. Adverse economic developments or an overbuilt market impact commercial real
and may result in troubled loans. Trends in vacancy rates of commercial properties impact the credit quality of these loans. High
reduce operating revenues and the ability for properties to produce sufficient cash flow to service debt obligations.

onstruction – Real estate construction loans, including land loans, are generally considered to possess a higher inherent risk of loss
pany's commercial, agricultural and consumer loan types. A major risk arises from the necessity to complete projects within specified
lines. Trends in the construction industry significantly impact the credit quality of these loans, as demand drives construction
dition, trends in real estate values significantly impact the credit quality of these loans, as property values determine the economic
nstruction projects.

– These loans are generally considered to possess a moderate inherent risk of loss because they are shorter-term; typically made to
ustomers; generally underwritten to existing cash flows of operating businesses; and may be collateralized by fixed assets, inventory
ts receivable. Debt coverage is provided by business cash flows and economic trends influenced by unemployment rates and other
indicators are closely correlated to the credit quality of these loans.

Real Estate and Agricultural – These loans are generally considered to possess a moderate inherent risk of loss since they are typically
onship customers and are secured by crop production, livestock and related real estate. These loans are vulnerable to two risk factors
y outside the control of Company and borrowers: commodity prices and weather conditions.

pment leases are generally considered to possess a moderate inherent risk of loss. As Lessor, the company is subject to both the credit
rower and the residual value risk of the equipment. Credit risks are underwritten using the same credit criteria the Company would
king an equipment term loan. Residual value risk is managed through the use of qualified, independent appraisers that establish the
s the Company uses in structuring a lease.

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t Mortgages and Home Equity Lines and Loans – These loans are generally considered to possess a low inherent risk of loss, although ays true as evidenced by the weakness in residential real estate values over the past five years. The degree of risk in residential real depends primarily on the loan amount in relation to collateral value, the interest rate and the borrower's ability to repay in an orderly nomic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of Veak economic trends indicate that the borrowers' capacity to repay their obligations may be deteriorating.

Other – A consumer installment loan portfolio is usually comprised of a large number of small loans scheduled to be amortized over a d. Most installment loans are made for consumer purchases. Economic trends determined by unemployment rates and other key icators are closely correlated to the credit quality of these loans. Weak economic trends indicate that the borrowers' capacity to repay ons may be deteriorating.

erly, the Board of Directors reviews the adequacy of the allowance, including consideration of the relative risks in the portfolio, mic conditions and other factors. If the Board of Directors and management determine that changes are warranted based on those llowance is adjusted. In addition, the Company's and Bank's regulators, including the Federal Reserve Bank (“FRB”), the California f Business Oversight (“DBO”) and the Federal Deposit Insurance Corporation (“FDIC”), as an integral part of their examination proces equacy of the allowance. These regulatory agencies may require additions to the allowance based on their judgment about vailable at the time of their examinations.

r Credit Losses on Off-Balance-Sheet Credit Exposures

also maintains a separate allowance for off-balance-sheet commitments. Management estimates anticipated losses using historical zation assumptions. The allowance for off-balance-sheet commitments is included in Interest Payable and Other Liabilities on the onsolidated Balance Sheet.

Equipment

ipment, and leasehold improvements are stated at cost, less accumulated depreciation and amortization. Depreciation is computed the straight line method over the estimated useful lives of the assets. Estimated useful lives of buildings range from 30 to 40 years, ure and equipment from 3 to 7 years. Leasehold improvements are amortized over the lesser of the terms of the respective leases, or ves, which are generally 5 to 10 years. Remodeling and capital improvements are capitalized while maintenance and repairs are tly to occupancy expense.

tate

ate, which is included in other assets, is expected to be sold and is comprised of properties no longer utilized for business operations acquired through foreclosure in satisfaction of indebtedness. These properties are recorded at fair value less estimated selling costs ion. Revised estimates to the fair value less cost to sell are reported as adjustments to the carrying amount of the asset, provided that value is not in excess of the carrying amount at acquisition. Initial losses on properties acquired through full or partial satisfaction of ed as credit losses and charged to the allowance for credit losses at the time of acquisition. Subsequent declines in value from the unts, routine holding costs, and gains or losses upon disposition, if any, are included in non-interest income or expense as incurred.

uses the liability method of accounting for income taxes. This method results in the recognition of deferred tax assets and liabilities ted at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be tled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income ferred provision for income taxes is the result of the net change in the deferred tax asset and deferred tax liability balances during the ount combined with the current taxes payable or refundable results in the income tax expense for the current year.

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follows the standards set forth in the "Income Taxes" topic of the Financial Accounting Standards Board ("FASB") Accounting ification ("ASC"), which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. Thi cribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax or expected to be taken in a tax return. It also provides guidance on derecognition, classification, interest and penalties, accounting iods, disclosure, and transition.

rns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while ject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit on is recognized in the financial statements in the period during which, based on all available evidence, management believes it is an not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax n are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are he largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a nrecognized tax benefits in the accompanying consolidated balance sheet along with any associated interest and penalties that would the taxing authorities upon examination.

se and penalties associated with unrecognized tax benefits, if any, are included in the provision for income taxes in the Unaudited Statements of Income.

d Basic Earnings Per Common Share
's common stock is not traded on any exchange. The shares are primarily held by local residents and are not actively traded. Basic ommon share amounts are computed by dividing net income by the weighted average number of common shares outstanding for the are no common stock equivalent shares. Therefore, there is no presentation of diluted basic earnings per common share. See Note 6.

orting
t Reporting" topic of the FASB ASC requires that public companies report certain information about operating segments. It also ublic companies report certain information about their products and services, the geographic areas in which they operate, and their ers. The Company is a holding company for a community bank, which offers a wide array of products and services to its customers. s banking strategy, emphasis is placed on building relationships with its customers, as opposed to building specific lines of business. e Company is not organized around discernible lines of business and prefers to work as an integrated unit to customize solutions for with business line emphasis and product offerings changing over time as needs and demands change. Therefore, the Company only gment.

truments and Hedging Activities
ves and Hedging" topic of the FASB ASC establishes accounting and reporting standards for derivative instruments, including certain truments embedded in other contracts, and for hedging activities. All derivatives, whether designated in hedging relationships or not, be recorded on the balance sheet at fair value. Changes in the fair value of those derivatives are accounted for depending on the f the derivative and the resulting designation under specified criteria. If the derivative is designated as a fair value hedge, the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is a cash flow hedge, designed to minimize interest rate risk, the effective portions of the change in the fair value of the derivative are her comprehensive income (loss), net of related income taxes. Ineffective portions of changes in the fair value of cash flow hedges d in earnings.

time, the Company utilizes derivative financial instruments such as interest rate caps, floors, swaps, and collars. These instruments and/or sold to reduce the Company's exposure to changing interest rates. The Company marks to market the value of its derivative uments and reflects gain or loss in earnings in the period of change or in other comprehensive income (loss). The Company was not derivative instruments as of or for the period ended September 30, 2014, December 31, 2013 or September 30, 2013.

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ve Income

hensive Income" topic of the FASB ASC establishes standards for the reporting and display of comprehensive income and its n the financial statements. Other comprehensive income (loss) refers to revenues, expenses, gains, and losses that generally accepted inciples recognize as changes in value to an enterprise but are excluded from net income. For the Company, comprehensive income ncome and changes in fair value of its available-for-sale investment securities.

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ncies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of le and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will al effect on the financial statements.

Securities

d cost, fair values, and unrealized gains and losses of the securities available-for-sale are as follows):

		Gross		
	Amortized	Unrealized		Fair/Book
, 2014	Cost	Gains	Losses	Value
Agency & Government-Sponsored Entities	$ 13,220	$ 141	$ -	$ 13,361
ked Securities [1]	321,187	3,936	2,443	322,680
	485	-	-	485
	$ 334,892	$ 4,077	$ 2,443	$ 336,526

		Gross		
	Amortized	Unrealized		Fair/Book
2013	Cost	Gains	Losses	Value
Agency & Government-Sponsored Entities	$ 28,287	$ 149	$ -	$ 28,436
ked Securities [1]	329,469	3,026	7,566	324,929
urities	49,247	280	147	49,380
	1,894	-	-	1,894
	$ 408,897	$ 3,455	$ 7,713	$ 404,639

		Gross		
	Amortized	Unrealized		Fair/Book
, 2013	Cost	Gains	Losses	Value
Agency & Government-Sponsored Entities	$ 28,404	$ 239	$ -	$ 28,643
ked Securities [1]	342,963	4,928	5,814	342,077
urities	49,696	250	185	49,761
	1,284	-	-	1,284
	$ 422,347	$ 5,417	$ 5,999	$ 421,765

ge Backed Securities consist of securities collateralized by residential real estate and were issued by an agency or government ity of the U.S. government.

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ues, estimated fair values and unrealized gains and losses of investments classified as held-to-maturity are as follows (in thousands):

	Book	Gross Unrealized		Fair
, 2014	Value	Gains	Losses	Value
f States and Political Subdivisions	$67,206	$725	$ 17	$67,914
	2,235	-	-	2,235
	$69,441	$725	$ 17	$70,149

	Book	Gross Unrealized		Fair
2013	Value	Gains	Losses	Value
f States and Political Subdivisions	$65,685	$812	$ 627	$65,870
cked Securities (1)	45	-	-	45
	2,775	-	-	2,775
	$68,505	$812	$ 627	$68,690

	Book	Gross Unrealized		Fair
, 2013	Value	Gains	Losses	Value
f States and Political Subdivisions	$67,717	$965	$ 741	$67,941
cked Securities (1)	121	1	-	122
	3,123	-	-	3,123
	$70,961	$966	$ 741	$71,186

ge Backed Securities consist of securities collateralized by residential real estate and were issued by an agency or government ity of the U.S. government.

e based on quoted market prices or dealer quotes. If a quoted market price or dealer quote is not available, fair value is estimated market prices for similar securities.

the Company sold $375,000 of municipal bonds from a single issuer. The Company took this action under the provisions of ASC a), which allow for the sale of HTM securities where there is "evidence of a significant deterioration in the issuer's creditworthiness." income statement impact was not material.

d cost and estimated fair values of investment securities at September 30, 2014 by contractual maturity are shown in the following usands):

	Available-for-Sale		Held-to-Maturity	
	Amortized	Fair/Book	Book	Fair
, 2014	Cost	Value	Value	Value
ear	$10,473	$10,496	$4,115	$4,117
r through five years	3,232	3,350	17,518	17,814
rs through ten years	-	-	13,440	13,589
s	-	-	34,368	34,629
	13,705	13,846	69,441	70,149
curities not due at a single maturity date:				
ked securities	321,187	322,680	-	-

$334,892	$336,526	$69,441	$70,149

urities of mortgage backed securities may differ from contractual maturities because borrowers may have the right to prepay
ith or without prepayment penalties.

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g tables show those investments with gross unrealized losses and their market value aggregated by investment category and length of vidual securities have been in a continuous unrealized loss position at the dates indicated (in thousands):

	Less Than 12 Months		12 Months or More		Total	
	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized
, 2014	Value	Loss	Value	Loss	Value	Loss
ailable-for-Sale						
cked Securities	$62,825	$ 240	$64,968	$ 2,203	127,793	$ 2,443
	$62,825	$ 240	$64,968	$ 2,203	$127,793	$ 2,443
d-to-Maturity						
f States and Political Subdivisions	$1,943	$ 11	$2,556	$ 6	$4,499	$ 17
	$1,943	$ 11	$2,556	$ 6	$4,499	$ 17

	Less Than 12 Months		12 Months or More		Total	
	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized
2013	Value	Loss	Value	Loss	Value	Loss
ailable-for-Sale						
cked Securities	$195,736	$ 7,566	$-	$ -	$195,736	$ 7,566
curities	15,297	106	2,457	41	17,754	147
	$211,033	$ 7,672	$2,457	$ 41	$213,490	$ 7,713
d-to-Maturity						
f States and Political Subdivisions	$9,518	$ 627	$-	$ -	$9,518	$ 627
	$9,518	$ 627	$-	$ -	$9,518	$ 627

	Less Than 12 Months		12 Months or More		Total	
	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized
, 2013	Value	Loss	Value	Loss	Value	Loss
ailable-for-Sale						
cked Securities	$129,198	$ 5,814	$-	$ -	$129,198	$ 5,814
curities	19,881	185	-	-	19,881	185
	$149,079	$ 5,999	$-	$ -	$149,079	$ 5,999
d-to-Maturity						
f States and Political Subdivisions	$9,411	$ 741	$-	$ -	$9,411	$ 741
	$9,411	$ 741	$-	$ -	$9,411	$ 741

ber 30, 2014, the Company held 280 investment securities of which 15 were in a loss position for less than twelve months. 12 e in a loss position for twelve months or more. Management periodically evaluates each investment security for nporary impairment relying primarily on industry analyst reports and observations of market conditions and interest rate fluctuations. believes it will be able to collect all amounts due according to the contractual terms of the underlying investment securities.

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Government Agency and Government Sponsored Entities – There were no unrealized losses on the Company’s investments in overnment agency and government sponsored entities at September 30, 2014, December 31, 2013 and September 30, 2013.

cked Securities - The unrealized losses on the Company's investment in mortgage backed securities were $2.4 million, $7.6 million, on at September 30, 2014, December 31, 2013, and September 30, 2013, respectively. The unrealized losses on the Company’s mortgage backed securities were caused by interest rate fluctuations. The contractual cash flows of these investments are guaranteed or government sponsored entity of the U.S. government. Accordingly, it is expected that the securities would not be settled at a price mortized cost of the Company's investment. Because the decline in market value is attributable to changes in interest rates and not and because the Company does not intend to sell the securities and it is more likely than not that the Company will not have to sell before recovery of their cost basis, the Company does not consider these investments to be other-than-temporarily impaired at , 2014, December 31, 2013 and September 30, 2013, respectively.

f States and Political Subdivisions - The financial problems experienced by certain municipalities over the past five years, along with tresses exhibited by some of the large monoline bond insurers have increased the overall risk associated with bank-qualified nds. As of September 30, 2014, over ninety-six percent of the Company’s bank-qualified municipal bond portfolio is rated at either the r level, and all of these ratings are “investment grade.” The Company monitors the status of the four percent of the portfolio that is not ne current time does not believe any of them to be exhibiting financial problems that could result in a loss in any individual security. the Company sold $375,000 of municipal bonds from a single issuer. The Company took this action under the provisions of ASC a), which allow for the sale of HTM securities where there is “evidence of a significant deterioration in the issuer’s creditworthiness.” income statement impact was not material.

d losses on the Company’s investment in obligation of states and political subdivision were $17,000, $627,000, and $741,000 at , 2014, December 31, 2013 and September 30, 2013, respectively. Management believes that any unrealized losses on the Company's n obligations of states and political subdivisions were primarily caused by interest rate fluctuations. The contractual terms of these o not permit the issuer to settle the securities at a price less than the amortized cost of the investment. Because the Company does not the securities and it is more likely than not that the Company will not have to sell the securities before recovery of their cost basis, does not consider these investments to be other-than-temporarily impaired at September 30, 2014, December 31, 2013 and , 2013, respectively.

curities – The Company did not hold any corporate securities at September 30, 2014. The unrealized losses on the Company’s corporate securities at December 31, 2013, and September 30, 2013, were $147,000, and $185,000, respectively. Changes in the orate securities are primarily influenced by: (1) changes in market interest rates; (2) changes in perceived credit risk in the general n particular industries; (3) changes in the perceived credit risk of a particular company; and (4) day to day trading supply, demand Because the Company does not intend to sell the securities and it is more likely than not that the Company will not have to sell the ore recovery of their cost basis, the Company did not consider these investments to be other-than-temporarily impaired at December September 30, 2013, respectively.

n sales and calls of securities were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
)	2014	2013	2014	2013
	$85,433	$28,297	$95,349	$77,912
	811	285	845	1,189
	807	1,422	807	1,437

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rities

ber 30, 2014, securities carried at $360.0 million were pledged to secure public deposits, Federal Home Loan Bank (“FHLB”) nd other government agency deposits as required by law. This amount was $334.8 million at December 31, 2013, and $310.5 million 30, 2013.

eases and Allowance for Credit Losses

; tables show the allocation of the allowance for credit losses by portfolio segment and by impairment methodology at the dates housands):

,	Commercial Real Estate	Agricultural Real Estate	Real Estate Construction	Residential 1st Mortgages	Home Equity Lines & Loans	Agricultural	Commercial	Consumer & Other	Leases	Unallocated	Total
. r :											
14	$ 5,178	$ 3,576	$ 654	$ 1,108	$ 2,767	$ 12,205	$ 5,697	$ 176	$ 639	$ 2,274	$ 34,274
	-	-	-	(58)	(70)	-	-	(76)	-	-	(204)
	12	-	-	-	54	3	83	45	-	-	197
	2,608	370	1,026	92	(76)	(6,426)	2,135	76	1,206	(1,011)	-
ce- ,	$ 7,798	$ 3,946	$ 1,680	$ 1,142	$ 2,675	$ 5,782	$ 7,915	$ 221	$ 1,845	$ 1,263	$ 34,267
r :											
1,	$ 6,991	$ 3,677	$ 1,290	$ 1,094	$ 2,737	$ 8,291	$ 7,377	$ 193	$ 1,108	$ 1,532	$ 34,290
	-	-	-	(25)	(5)	-	-	(31)	-	-	(61)
	12	-	-	-	3	1	6	16	-	-	38
	795	269	390	73	(60)	(2,510)	532	43	737	(269)	-
ce- ,	$ 7,798	$ 3,946	$ 1,680	$ 1,142	$ 2,675	$ 5,782	$ 7,915	$ 221	$ 1,845	$ 1,263	$ 34,267
ce	190	-	239	370	328	120	912	42	-	-	2,201
ce	7,608	3,946	1,441	772	2,347	5,662	7,003	179	1,845	1,263	32,066
es:											
ce	$ 473,505	$ 364,161	$ 104,463	$ 168,310	$ 33,283	$ 237,521	$ 192,804	$ 4,816	$ 36,908	$ -	$ 1,615,771
	20,175	-	4,419	1,847	1,658	518	4,877	42	-	-	33,536

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453,330	364,161	100,044	166,463	31,625	237,003	187,927	4,774	36,908	-	1,582,235

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	Commercial Real Estate	Agricultural Real Estate	Real Estate Construction	Residential 1st Mortgages	Home Equity Lines & Loans	Agricultural	Commercial	Consumer & Other	Leases	Unallocated	Total
. r :											
ary											
	$6,464	$2,877	$986	$1,219	$3,235	$10,437	$7,963	$182	$-	$854	$34,217
	(6)	(575)	-	(16)	(91)	(23)	(60)	(120)	-	-	(891)
	-	-	-	-	115	42	312	54	-	-	523
	(1,280)	1,274	(332)	(95)	(492)	1,749	(2,518)	60	639	1,420	425
ce-											
	$5,178	$3,576	$654	$1,108	$2,767	$12,205	$5,697	$176	$639	$2,274	$34,274
ce											
	-	-	-	414	209	122	820	51	-	-	1,616
ce											
	5,178	3,576	654	694	2,558	12,083	4,877	125	639	2,274	32,658
es:											
ce	$407,514	$328,264	$41,092	$151,292	$35,477	$256,414	$150,398	$5,052	$12,733	$-	$1,388,236
ce											
	22,176	-	4,500	2,072	1,045	522	5,250	51	-	-	35,616
ce											
	385,338	328,264	36,592	149,220	34,432	255,892	145,148	5,001	12,733	-	1,352,620

,	Commercial Real Estate	Agricultural Real Estate	Real Estate Construction	Residential 1st Mortgages	Home Equity Lines & Loans	Agricultural	Commercial	Consumer & Other	Leases	Unallocated	Total
. r :											
ary											
	$6,464	$2,877	$986	$1,219	$3,235	$10,437	$7,963	$182	$-	$854	$34,217
	(6)	(575)	-	(16)	(23)	(23)	(4)	(93)	-	-	(740)
	-	-	-	-	30	36	281	37	-	-	384
	(382)	911	(48)	(130)	(492)	(1,190)	1,551	42	-	(12)	250

ce- ,	$6,076	$3,213	$938	$1,073	$2,750	$9,260	$9,791	$168	$-	$842	$34,111
r :											
1,	$5,732	$3,481	$977	$1,037	$2,984	$10,557	$9,075	$168	$-	$224	$34,235
	(6)	(175)	-	-	(1)	-	-	(29)	-	-	(211)
	-	-	-	-	10	16	45	16	-	-	87
	350	(93)	(39)	36	(243)	(1,313)	671	13	-	618	-
ce- ,	$6,076	$3,213	$938	$1,073	$2,750	$9,260	$9,791	$168	$-	$842	$34,111
ce	788	-	229	75	147	126	1,858	53	-	-	3,276
ce	5,288	3,213	709	998	2,603	9,134	7,933	115	-	842	30,835
es:											
ce	$401,626	$311,401	$27,099	$143,577	$37,160	$221,569	$145,793	$5,063	$4,523	$-	$1,297,811
ce	22,467	849	4,527	1,962	1,125	738	2,192	53	-	-	33,913
ce	379,159	310,552	22,572	141,615	36,035	220,831	143,601	5,010	4,523	-	1,263,898

ents

alance of loans individually evaluated for impairment includes restructured loans in the amount of $26.6 million at September 30, nillion at December 31, 2013 and $28.7 million at September 30, 2013, which are no longer disclosed or classified as TDR’s.

g tables show the loan & lease portfolio allocated by management’s internal risk ratings at the dates indicated (in thousands):

, 2014	Pass	Special Mention	Substandard	Total Loans & Leases
es:				
Real Estate	$464,714	$8,683	$ 108	$473,505
Real Estate	364,161	-	-	364,161
onstruction	102,831	1,632	-	104,463
t Mortgages	166,884	752	674	168,310
Lines & Loans	32,309	88	886	33,283
	236,760	695	66	237,521
	168,215	22,929	1,660	192,804
Other	4,520	-	296	4,816
	36,908	-	-	36,908
	$1,577,302	$34,779	$ 3,690	$1,615,771

2013	Pass	Special Mention	Substandard	Total Loans & Leases
es:				
Real Estate	$398,488	$7,979	$ 1,047	$407,514
Real Estate	325,926	2,338	-	328,264
onstruction	39,460	1,632	-	41,092
t Mortgages	149,798	774	720	151,292
Lines & Loans	34,821	-	656	35,477
	255,443	889	82	256,414
	132,008	15,426	2,964	150,398
Other	4,763	-	289	5,052
	12,733	-	-	12,733
	$1,353,440	$29,038	$ 5,758	$1,388,236

, 2013	Pass	Special Mention	Substandard	Total Loans
es:				
Real Estate	$389,137	$7,765	$ 4,724	$401,626
Real Estate	307,736	2,497	1,168	311,401
onstruction	25,467	1,632	-	27,099
t Mortgages	142,036	780	761	143,577
Lines & Loans	36,090	-	1,070	37,160
	220,504	464	601	221,569
	135,303	8,958	1,532	145,793
Other	4,761	-	302	5,063
	4,523	-	-	4,523
	$1,265,557	$22,096	$ 10,158	$1,297,811

ents

Significant Accounting Policies - Allowance for Credit Losses" for a description of the internal risk ratings used by the Company.
o loans or leases outstanding at September 30, 2014, December 31, 2013, and September 30, 2013 rated doubtful or loss.

g tables show an aging analysis of the loan & lease portfolio by the time past due at the dates indicated
):

, 2014	30-59 Days Past Due	60-89 Days Past Due	90 Days and Still Accruing	Nonaccrual	Total Past Due	Current	Total Loans
es:							
Real Estate	$-	$-	$ -	$ -	$-	$473,505	$473,505
Real Estate	-	-	-	-	-	364,161	364,161
onstruction	-	-	-	-	-	104,463	104,463
t Mortgages	-	-	-	283	283	168,027	168,310
Lines & Loans	92	-	-	575	667	32,616	33,283
	-	-	-	25	25	237,496	237,521
	-	-	-	1,600	1,600	191,204	192,804
Other	12	-	-	14	26	4,790	4,816
	-	-	-	-	-	36,908	36,908
	$104	$-	$ -	$ 2,497	$2,601	$1,613,170	$1,615,771

2013	30-59 Days Past Due	60-89 Days Past Due	90 Days and Still Accruing	Nonaccrual	Total Past Due	Current	Total Loans
es:							
Real Estate	$773	$-	$ -	$ -	$773	$406,741	$407,514
Real Estate	607	-	-	-	607	327,657	328,264
onstruction	-	-	-	-	-	41,092	41,092
t Mortgages	-	-	-	324	324	150,968	151,292
Lines & Loans	-	52	-	406	458	35,019	35,477
	-	-	-	35	35	256,379	256,414
	-	-	-	1,815	1,815	148,583	150,398
Other	19	-	-	16	35	5,017	5,052
	-	-	-	-	-	12,733	12,733
	$1,399	$52	$ -	$ 2,596	$4,047	$1,384,189	$1,388,236

, 2013	30-59 Days Past Due	60-89 Days Past Due	90 Days and Still Accruing	Nonaccrual	Total Past Due	Current	Total Loans
es:							
Real Estate	$592	$-	$ -	$ 176	$768	$400,858	$401,626
Real Estate	-	-	-	849	849	310,552	311,401
onstruction	-	-	-	-	-	27,099	27,099
t Mortgages	-	-	-	455	455	143,122	143,577
Lines & Loans	-	121	-	243	364	36,796	37,160
	-	-	-	99	99	221,470	221,569
	-	-	-	1,944	1,944	143,849	145,793

Other	14	94	-	17	125	4,938	5,063
	-	-	-	-	-	4,523	4,523
	$606	$215	$ -	$ 3,783	$4,604	$1,293,207	$1,297,811

ents

; tables show information related to impaired loans & leases for the periods indicated (in thousands):

				Three Months Ended September 30, 2014		Nine Months Ended September 30, 2014	
, 2014	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
ed allowance recorded:							
Real Estate	$ -	$ -	$ -	$49	$ -	$82	$ 4
Lines & Loans	-	-	-	-	-	226	-
	-	-	-	14	-	26	-
	-	-	-	1,575	-	2,740	54
	$ -	$ -	$ -	$1,638	$ -	$3,074	$ 58
vance recorded:							
Real Estate	$ 94	$ 94	$ 2	$47	$ 2	$16	$ 2
t Mortgages	658	771	131	550	1	522	3
Lines & Loans	955	1,008	191	934	3	710	6
	483	493	119	478	7	477	21
	4,744	4,801	908	3,179	27	2,144	27
Other	43	47	43	44	1	47	2
	$ 6,977	$ 7,214	$ 1,394	$5,232	$ 41	$3,916	$ 61
	$ 6,977	$ 7,214	$ 1,394	$6,870	$ 41	$6,990	$ 119

2013	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
ed allowance recorded:					
Real Estate	$ 102	$ 101	$ -	$865	$ 8
Real Estate	-	-	-	2,185	-
t Mortgages	-	-	-	450	11
Lines and Loans	-	-	-	228	5
	35	43	-	586	-
	3,474	3,532	-	939	13
	$ 3,611	$ 3,676	$ -	$5,253	$ 37
vance recorded:					
Real Estate	$ -	$ -	$ -	$2	$ -
Real Estate	-	-	-	823	-
t Mortgages	769	826	154	254	6
Lines and Loans	689	821	138	332	3
	488	488	122	1,002	31
	1,641	1,657	820	1,072	6
Other	50	53	50	126	3
	$ 3,637	$ 3,845	$ 1,284	$3,611	$ 49
	$ 7,248	$ 7,521	$ 1,284	$8,864	$ 86

				Three Months Ended Sept. 30, 2013		Nine Months Ended Sept. 30, 2013	

, 2013	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
ed allowance recorded:							
Real Estate	$ 279	$ 299	$ -	$1,626	$ 2	$953	$ 6
Real Estate	850	1,173	-	2,616	-	3,777	-
t Mortgages	535	588	-	533	4	643	11
Lines & Loans	287	306	-	331	3	379	5
	99	121	-	278	-	1,239	-
	85	85	-	89	2	99	6
	$ 2,135	$ 2,572	$ -	$5,473	$ 11	$7,090	$ 28
ance recorded:							
Real Estate	$ -	$ -	$ -	$4	$ -	$2	$ -
Real Estate	-	-	-	725	-	1,221	-
t Mortgages	246	246	50	123	-	27	-
Lines & Loans	243	290	132	243	-	195	-
	488	488	122	766	8	1,562	24
	2,084	2,095	1,856	1,251	2	436	6
Other	53	56	53	55	1	185	3
	$ 3,114	$ 3,175	$ 2,213	$3,167	$ 11	$3,628	$ 33
	$ 5,249	$ 5,747	$ 2,213	$8,640	$ 22	$10,718	$ 61

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d investment shown in the prior tables will not equal the total ending balance of loans & leases individually evaluated for impairment on of allowance tables. This is because the calculation of recorded investment takes into account charge-offs, net unamortized loan & costs, unamortized premium or discount, and accrued interest. This table also excludes impaired loans that were previously troubled debt restructuring, are currently performing and are no longer disclosed or classified as TDR's.

30, 2014, the Company allocated $1.3 million of specific reserves to $6.4 million of troubled debt restructured loans, of which $4.5 performing. The Company had no commitments at September 30, 2014 to lend additional amounts to customers with outstanding classified as troubled debt restructurings.

ree and nine month periods ending September 30, 2014, the terms of certain loans were modified as troubled debt restructurings. The of the terms of such loans included one or a combination of the following: a reduction of the stated interest rate of the loan; an he maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk; or a permanent reduction d investment in the loan.

involving a reduction of the stated interest rate of the loan were for periods ranging from 5 years to 30 years. Modifications extension of the maturity date were for periods ranging from 5 years to 30 years.

table presents loans by class, modified as troubled debt restructured loans & leases for the three and nine-month periods ended , 2014 (in thousands):

	Three Months Ended September 30, 2014			Nine Months Ended September 30, 2014		
t Restructurings	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
t Mortgages	1	$ 248	$ 222	4	$ 565	$ 528
Lines & Loans	1	51	47	3	98	89
	-	-	-	1	32	32
	2	$ 299	$ 269	8	$ 695	$ 649

scribed above increased the allowance for credit losses by $51,000 and $50,000 and resulted in charge-offs of $30,000 and $46,000 nd nine-month period ending September 30, 2014.

ree and nine-months ended September 30, 2014, there were no payment defaults on loans or leases modified as troubled debt within twelve months following the modification The Company considers a loan or lease to be in payment default once it is greater contractually past due under the modified terms.

31, 2013, the Company allocated $1.2 million of specific reserves to $6.8 million of troubled debt restructured loans or leases, of illion were performing. The Company had no commitments at December 31, 2013, to lend additional amounts to customers with oans or leases that are classified as troubled debt restructurings.

elve-month period ending December 31, 2013, the terms of certain loans or leases were modified as troubled debt restructurings. The of the terms of such loans included one or a combination of the following: a reduction of the stated interest rate; an extension of the at a stated rate of interest lower than the current market rate for new debt with similar risk; or a permanent reduction of the recorded the loan.

involving a reduction of the stated interest rate were for periods of 5 years. Modifications involving an extension of the maturity periods ranging from 6 months to 10 years.

ents

table presents loans or leases by class modified as troubled debt restructured loans during the twelve-month period ended December housands):

	December 31, 2013		
t Restructurings	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
t Mortgages	4	$ 306	$ 290
Lines and Loans	4	414	387
	4	5,016	5,016
	12	$ 5,736	$ 5,693

scribed above did not increase the allowance for credit losses but did result in charge-offs of $43,000 during the year ended 2013.

elve-month period ended December 31, 2013, there was one commercial loan with an outstanding balance of $174,000 that was odified as a troubled debt restructuring within the previous 12 months that subsequently defaulted during the twelve months ended 2013.

30, 2013, the Company allocated $364,000 of specific reserves to $2.0 million of troubled debt restructured loans, of which $1.5 performing. The Company had no commitments at September 30, 2013 to lend additional amounts to customers with outstanding classified as troubled debt restructurings.

ree and nine month periods ending September 30, 2013, the terms of certain loans were modified as troubled debt restructurings. The of the terms of such loans included one or a combination of the following: a reduction of the stated interest rate of the loan; an he maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk; or a permanent reduction d investment in the loan.

involving a reduction of the stated interest rate of the loan were for periods of 5 years. Modifications involving an extension of the were for periods ranging from 6 months to 10 years.

table presents loans by class, modified as troubled debt restructured loans & leases for the three and nine-month periods ended , 2013 (in thousands):

	Three Months Ended September 30, 2013			Nine Months Ended September 30, 2013		
t Restructurings	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
t Mortgages	-	$ -	$ -	4	$ 306	$ 290
Lines & Loans	-	-	-	2	195	184
	-	-	-	2	292	292
	-	$ -	$ -	8	$ 793	$ 766

scribed above increased the allowance for credit losses by $0 and $4,000 and resulted in charge-offs of $0 and $27,000 for the three th period ending September 30, 2013.

ber 30, 2013, there was one commercial loan with an outstanding balance of $277,000 that was previously modified as a troubled ring within the previous 12 months that subsequently defaulted during the nine months ended September 30, 2013. This defaulted ncrease the allowance for credit loss and did not result in any charge offs during the twelve-month period ending September 30,

ents
Measurements

y follows the “Fair Value Measurement and Disclosures” topic, which establishes a framework for measuring fair value in U.S. GAAP disclosures about fair value measurements. This standard applies whenever other standards require, or permit, assets or liabilities to at fair value but does not expand the use of fair value in any new circumstances. In this standard, the FASB clarifies the principle that uld be based on the assumptions market participants would use when pricing the asset or liability. In support of this principle, this blishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy is as

s – Unadjusted quoted prices in active markets for identical assets or liabilities that the entity has the ability to access at the date.

s - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset ch as interest rates and yield curves that are observable at commonly quoted intervals.

s - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity’s own assumptions about the hat market participants would use in pricing the assets or liabilities.

monitors the availability of observable market data to assess the appropriate classification of financial instruments within the fair hy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one el to another. In such instances, the transfer is reported at the beginning of the reporting period.

evaluates the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer al assets, total liabilities or total earnings.

ssified as available-for-sale are reported at fair value on a recurring basis utilizing Level 1, 2 and 3 inputs. For these securities, the ains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may r quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus peeds, credit information and the bond's terms and conditions, among other things.

y does not record all loans & leases at fair value on a recurring basis. However, from time to time, a loan or lease is considered an allowance for credit losses is established. Once a loan or lease is identified as individually impaired, management measures accordance with the “Receivables” topic. The fair value of impaired loans & leases is estimated using one of several methods, ateral value when the loan & lease is collateral dependent, market value of similar debt, enterprise value, and discounted cash flows. ed loans & leases not requiring an allowance represent loans & leases for which the fair value of the expected repayments or eed the recorded investments in such loans & leases. Impaired loans & leases where an allowance is established based on the fair teral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a sed value which uses observable data, the Company records the impaired loan or lease as nonrecurring Level 2. When an appraised vailable or management determines the fair value of the collateral is further impaired below the appraised value or the appraised s a significant unobservable assumption, and there is no observable market price, the Company records the impaired loan or lease as Level 3.

tate (“ORE”) is reported at fair value on a non-recurring basis. When the fair value of the ORE is based on an observable market price ppraised value which uses observable data, the Company records the ORE as nonrecurring Level 2. Otherwise, the Company records onrecurring Level 3. Other Real Estate is reported in Interest Receivable and Other Assets on the Company’s Consolidated Balance

ents

; tables present information about the Company's assets and liabilities measured at fair value on a recurring basis and indicate the fair ıy of the valuation techniques utilized by the Company to determine such fair value for the periods indicated.

)	Fair Value Total	Fair Value Measurements At September 30, 2014, Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
-Sale Securities:				
Agency & Government-Sponsored Entities	$13,361	$13,361	$ -	$ -
:ked Securities	322,680	39,566	283,114	-
	485	175	310	-
Measured at Fair Value On a Recurring Basis	$336,526	$53,102	$ 283,424	$ -

)	Fair Value Total	Fair Value Measurements At December 31, 2013, Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
-Sale Securities:				
Agency & Government-Sponsored Entities	$28,436	$23,394	$ 5,042	$ -
:ked Securities	324,929	-	324,929	-
:urities	49,380	8,191	41,189	-
	1,894	1,584	310	-
Measured at Fair Value On a Recurring Basis	$404,639	$33,169	$ 371,470	$ -

)	Fair Value Total	Fair Value Measurements At September 30, 2013, Using Quoted Prices in Active Markets for Identical Assets	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)

		(Level 1)			
-Sale Securities:					
Agency & Government-Sponsored Entities	$28,643	$23,587	$ 5,056	$	-
cked Securities	342,077	-	342,077		-
curities	49,761	8,171	41,590		-
	1,284	974	310		-
Measured at Fair Value On a Recurring Basis	$421,765	$32,732	$ 389,033	$	-

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r Level 2 available-for-sale investment securities are based on quoted market prices for similar securities. During the three and ended September 30, 2014, there were no transfers in or out of level 1, 2, or 3. During the three and nine-months ended September 5 million were transferred out of level 3 available-for-sale investment securities into held-to-maturity investment securities. The e presents changes in level 3 assets measured at fair value on a recurring basis.

)	Three Months Ended September 30, 2014	2013	Nine Months Ended September 30, 2014	2013
ginning of Period	$-	$5,612	$-	$5,665
d and Unrealized Gains/(Losses) Included in Income	-	-	-	-
zed Gains/(Losses) Included in Other Comprehensive Income	-	-	-	-
ecurities	-	-	-	-
ies, and Calls of Securities	-	(31)	-	(84)
out of Available for Sale Securities	-	(5,581)	-	(5,581)
d of Period	$-	$-	$-	$-

-sale investments securities categorized as Level 3 assets primarily consist of obligations of states and political subdivisions. These sued by local housing authorities and have no active market. These bonds are carried at historical cost, which approximates fair economic conditions for the municipality changes to a degree requiring a valuation adjustment. Due to the difficulty in valuing the g authority bonds and the fact that the Company owns 100% of these bonds that were issued by a relationship banking customer, we ese bonds out of the available-for-sale category and into the held-to-maturity category as the Company intends to hold these bonds .

g tables present information about the Company's impaired loans & leases and other real estate, classes of assets or liabilities that the ries at fair value on a non-recurring basis, and indicates the fair value hierarchy of the valuation techniques utilized by the Company such fair value for the periods indicated. Not all impaired loans & leases are carried at fair value. Impaired loans & leases are only e following tables when their fair value is based upon an appraisal of the collateral, and if that appraisal results in a partial charge-off hment of a specific reserve.

)	Fair Value Total	Fair Value Measurements At September 30, 2014, Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ns				
Real Estate	$92	$-	$ -	$ 92
t Mortgages	526	-	-	526
Lines and Loans	763	-	-	763
	363	-	-	363
	3,836	-	-	3,836

d Loans	5,580	-	-	5,580
tate				
onstruction	2,441	-	-	2,441
Real Estate	858	-	-	858
eal Estate	3,299	-	-	3,299
Measured at Fair Value On a Non-Recurring Basis	$ 8,879	$ -	$ -	$ 8,879

ents

)	Fair Value Total	Fair Value Measurements At December 31, 2013, Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ns				
t Mortgages	$614	$-	$ -	$ 614
Lines and Loans	551	-	-	551
	366	-	-	366
	820	-	-	820
d Loans	2,351	-	-	2,351
tate				
onstruction	2,399	-	-	2,399
eal Estate	2,212	-	-	2,212
eal Estate	4,611	-	-	4,611
Measured at Fair Value On a Non-Recurring Basis	$6,962	$-	$ -	$ 6,962

)	Fair Value Total	Fair Value Measurements At September 30, 2013, Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ns				
t Mortgages	$477	$-		