

SOUTHERN CONNECTICUT BANCORP INC
Form 10-Q
November 15, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2010

^{or}
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 0-49784

Southern Connecticut Bancorp, Inc.
(Exact name of registrant as specified in its charter)

Connecticut
(State or other jurisdiction of incorporation or
organization)

06-1609692
(I.R.S. Employer Identification No.)

215 Church Street, New Haven, Connecticut
(Address of principal executive offices)

06510
(Zip Code)

(203) 782-1100
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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Yes [] No []

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

Large accelerated filer

[]

Accelerated filer []

Non-accelerated (Do not check if a smaller reporting company)

filer []

Smaller reporting company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [] No [X]

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

| Class | Outstanding at November 15, 2010 |
|---|----------------------------------|
| Common Stock, \$.01 par value per share | 2,696,902 shares |

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Part I - Financial Information

Item 1. Financial Statements

SOUTHERN CONNECTICUT BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

September 30, 2010 and December 31, 2009

| ASSETS | 2010 | 2009 |
|---|---------------|---------------|
| Cash and due from banks | \$11,106,573 | \$2,541,557 |
| Short-term investments | 8,719,092 | 15,383,081 |
| Cash and cash equivalents | 19,825,665 | 17,924,638 |
| Interest bearing certificates of deposit | 99,344 | 347,331 |
| Available for sale securities (at fair value) | 3,031,709 | 2,219,751 |
| Federal Home Loan Bank stock | 66,100 | 66,100 |
| Loans receivable | | |
| Loans receivable | 130,942,371 | 112,633,762 |
| Allowance for loan losses | (2,907,561) | (2,768,567) |
| Loans receivable, net | 128,034,810 | 109,865,195 |
| Accrued interest receivable | 596,862 | 480,497 |
| Premises and equipment | 2,282,536 | 2,485,797 |
| Other assets held for sale | 372,758 | 372,758 |
| Other real estate owned | 124,953 | - |
| Other assets | 1,940,405 | 1,848,111 |
| Total assets | \$156,375,142 | \$135,610,178 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Liabilities | | |
| Deposits | | |
| Noninterest bearing deposits | \$30,539,259 | \$29,834,836 |
| Interest bearing deposits | 107,748,478 | 87,720,706 |
| Total deposits | 138,287,737 | 117,555,542 |
| Repurchase agreements | 453,307 | 294,332 |
| Capital lease obligations | 1,170,594 | 1,175,263 |
| Accrued expenses and other liabilities | 752,048 | 952,505 |
| Total liabilities | 140,663,686 | 119,977,642 |
| Commitments and Contingencies | | |
| Shareholders' Equity | | |
| Preferred stock, no par value; shares authorized: 500,000; none issued | - | - |
| Common stock, par value \$.01; shares authorized: 5,000,000; shares issued and outstanding: 2010 2,696,902; and 2009 2,695,902 | 26,969 | 26,959 |
| Additional paid-in capital | 22,565,383 | 22,560,100 |
| Accumulated deficit | (6,880,796) | (6,942,727) |

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| | | |
|--|----------------|----------------|
| Accumulated other comprehensive loss - net unrealized loss on available for sale securities | (100) | (11,796) |
| Total shareholders' equity | 15,711,456 | 15,632,536 |
| Total liabilities and shareholders' equity | \$ 156,375,142 | \$ 135,610,178 |

See Notes to Consolidated Financial Statements

SOUTHERN CONNECTICUT BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Three Months and Nine Months Ended September 30, 2010 and 2009

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|--------------|------------------------------------|----------------|
| | 2010 | 2009 | 2010 | 2009 |
| Interest Income: | | | | |
| Interest and fees on loans | \$ 1,946,695 | \$ 1,541,428 | \$ 5,561,488 | \$ 4,420,938 |
| Interest on securities | 1,996 | 17,985 | 10,998 | 106,543 |
| Interest on Federal funds sold and short-term and other investments | 25,332 | 58,697 | 67,082 | 163,310 |
| Total interest income | 1,974,023 | 1,618,110 | 5,639,568 | 4,690,791 |
| Interest Expense: | | | | |
| Interest expense on deposits | 498,121 | 547,572 | 1,378,956 | 1,529,943 |
| Interest expense on capital lease obligations | 43,550 | 43,648 | 130,968 | 131,822 |
| Interest expense on repurchase agreements and other borrowings | 483 | 1,128 | 5,288 | 5,269 |
| Total interest expense | 542,154 | 592,348 | 1,515,212 | 1,667,034 |
| Net interest income | 1,431,869 | 1,025,762 | 4,124,356 | 3,023,757 |
| Provision (credit) for loan losses | 106,450 | (137,255) | 224,088 | 1,943,461 |
| Net interest income after provision (credit) for loan losses | 1,325,419 | 1,163,017 | 3,900,268 | 1,080,296 |
| Noninterest Income: | | | | |
| Service charges and fees | 100,307 | 113,054 | 335,355 | 386,933 |
| Gain on sale of available for sale securities | - | - | 28,979 | - |
| Other noninterest income | 35,242 | 26,096 | 108,604 | 71,605 |
| Total noninterest income | 135,549 | 139,150 | 472,938 | 458,538 |
| Noninterest Expenses: | | | | |
| Salaries and benefits | 743,292 | 751,142 | 2,262,303 | 2,294,451 |
| Occupancy and equipment | 165,886 | 160,000 | 492,560 | 501,691 |
| Professional services | 156,392 | 122,333 | 564,286 | 394,741 |
| Data processing and other outside services | 108,432 | 115,617 | 308,576 | 316,097 |
| FDIC Insurance | 60,179 | 51,923 | 169,543 | 194,431 |
| Other operating expenses | 200,116 | 97,921 | 514,007 | 399,089 |
| Total noninterest expenses | 1,434,297 | 1,298,936 | 4,311,275 | 4,100,500 |
| Net income (loss) | \$ 26,671 | \$ 3,231 | \$ 61,931 | \$ (2,561,666) |
| Basic and diluted income (loss) per share | \$ 0.01 | \$ 0.00 | \$ 0.02 | \$ (0.95) |

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS'
EQUITY

For the Nine Months Ended September
30, 2010 and 2009

| | Number of Common Shares | Common Stock | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensive Income (Loss) | Total |
|--|----------------------------------|-----------------|----------------------------------|------------------------|---|--------------|
| Balance, December 31, 2008 | 2,688,152 | \$26,882 | \$22,521,164 | \$ (4,035,302) | \$ 28,210 | \$18,540,954 |
| Comprehensive loss: | | | | | | |
| Net loss | - | - | - | (2,561,666) | - | (2,561,666) |
| Unrealized holding loss on available for sale securities, net of income taxes | - | - | - | - | (10,349) | (10,349) |
| Total comprehensive loss | | | | | | (2,572,015) |
| Restricted stock compensation | 1,750 | 17 | 40,902 | - | - | 40,919 |
| Stock option compensation | - | - | (14,845) | - | - | (14,845) |
| Balance, September 30, 2009 | 2,689,902 | \$26,899 | 22,547,221 | \$ (6,596,968) | \$ 17,861 | \$15,995,013 |
| Balance, December 31, 2009 | 2,695,902 | \$26,959 | \$22,560,100 | \$ (6,942,727) | \$ (11,796) | \$15,632,536 |
| Comprehensive income: | | | | | | |
| Net income | - | - | - | 61,931 | - | 61,931 |
| Unrealized holding gain on available for sale securities | - | - | - | - | 11,696 | 11,696 |
| Total comprehensive income | | | | | - | 73,627 |
| Share based compensation: | | | | | | |
| Restricted stock compensation | 1,000 | 10 | 5,283 | - | - | 5,293 |
| Balance, September 30, 2010 | 2,696,902 | \$26,969 | \$22,565,383 | \$ (6,880,796) | \$ (100) | \$15,711,456 |

See Notes to Consolidated Financial Statements

SOUTHERN CONNECTICUT BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2010 and 2009

| | 2010 | 2009 |
|--|----------|---------------|
| Cash Flows From Operations | | |
| Net income (loss) | \$61,931 | \$(2,561,666) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Amortization and accretion of premiums and discounts on investments, net | 18,034 | 13,839 |
| Provision for loan losses | 224,088 | 1,943,461 |
| Share based compensation | 5,29 | |