

SOUTHERN CONNECTICUT BANCORP INC
Form 10QSB
November 14, 2006

U. S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

F O R M 10 - Q S B

Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended September 30, 2006

Transition Report Under Section 13 or 15(d) of the Exchange Act

For the transition period from _____ to _____

Commission file number 0-49784

SOUTHERN CONNECTICUT BANCORP, INC.
(Name of Small Business Issuer as Specified in Its Charter)

Connecticut
(State or Other Jurisdiction of Incorporation or
Organization)

06-1609692
(I.R.S. Employer Identification Number)

215 Church Street
New Haven, Connecticut 06510
(Address of Principal Executive Offices)

(203) 782-1100
(Issuer's Telephone Number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that this 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the issuer's Common Stock, par value \$.01 per share, outstanding as of November 13, 2006:
2,941,297

Transitional Small Business Disclosure Format. Yes No

Table of Contents
Part I
Financial Information

	Page
Item 1. Financial Statements.	
<u>Consolidated Balance Sheets as of September 30, 2006 and December 31, 2005(unaudited)</u>	<u>2</u>
<u>Consolidated Statements of Operations for the three months and nine months ended September 30, 2006 and 2005 (unaudited)</u>	<u>3</u>
<u>Consolidated Statements of Changes in Shareholders' Equity for the nine months ended September 30, 2006 and 2005 (unaudited)</u>	<u>4</u>
<u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2006 and 2005 (unaudited)</u>	<u>5</u>
<u>Notes to Consolidated Financial Statements (unaudited)</u>	<u>7</u>
Item 2. Management's Discussion and Analysis or Plan of Operation.	<u>19</u>
Item 3. Controls and Procedures.	<u>33</u>
Part II Other Information	
Item 1. Legal Proceedings.	<u>34</u>
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.	<u>34</u>
Item 3. Defaults Upon Senior Securities.	<u>34</u>
Item 4. Submission of Matters to a Vote of Security Holders.	<u>34</u>
Item 5. Other Information.	<u>34</u>
Item 6. Exhibits.	<u>34</u>
Signatures	<u>35</u>
Exhibit Index	<u>36</u>

**SOUTHERN CONNECTICUT BANCORP, INC. AND
SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
September 30, 2006 and December 31, 2005 (unaudited)**

	2006	2005
Assets		
Cash and due from banks	\$ 2,719,768	\$ 966,732
Federal funds sold	13,020,000	9,579,000
Short-term investments	5,342,171	6,023,555
Cash and cash equivalents	21,081,939	16,569,287
Available for sale securities, at fair value	9,031,368	9,973,488
Federal Home Loan Bank Stock	66,100	60,000
Loans receivable (net of allowance for loan losses of \$1,091,258 in 2006 and \$778,051 in 2005)	70,463,904	55,970,454
Loans held for sale, at fair value	202,364	401,503
Accrued interest receivable	444,015	324,346
Premises and equipment, net	4,457,641	4,457,715
Other assets	936,129	817,441
Total assets	\$ 106,683,460	\$ 88,574,234
Liabilities and Shareholders' Equity		
Liabilities		
Deposits		
Noninterest bearing deposits	\$ 23,291,018	\$ 18,091,849
Interest bearing deposits	59,407,124	47,187,667
Total deposits	82,698,142	65,279,516
Repurchase agreements	1,979,423	1,363,368
Accrued expenses and other liabilities	634,877	445,295
Capital lease obligations	1,188,410	1,189,212
Total liabilities	86,500,852	68,277,391
Commitments and Contingencies (Note 11)		
Shareholders' Equity		
Preferred stock, no par value; 500,000 shares authorized; none issued		
Common stock, par value \$.01; 5,000,000, shares authorized; shares issued and outstanding: 2006 2,940,150; 2005 2,937,525	29,401	29,375
Additional paid-in capital	24,122,447	24,083,638
Accumulated deficit	(3,696,028)	(3,477,576)
Accumulated other comprehensive loss – net unrealized loss on available for sale securities	(273,212)	(338,594)
Total shareholders' equity	20,182,608	20,296,843
Total liabilities and shareholders' equity	\$ 106,683,460	\$ 88,574,234

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, 2006 and 2005 (unaudited)

	Three Months Ended September		Nine Months Ended September	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Interest Income				
Interest and fees on loans	\$ 1,502,665	\$ 1,129,347	\$ 4,171,632	\$ 3,232,889
Interest on securities	78,715	87,100	234,879	259,886
Interest on federal funds sold and short-term investments	256,617	116,426	576,095	305,241
Total interest income	1,837,997	1,332,873	4,982,606	3,798,016
Interest Expense				
Interest on deposits	516,872	243,894	1,333,285	637,413
Interest on capital lease obligations	43,713	43,329	130,894	129,703
Interest on repurchase agreements	5,484	4,956	13,096	10,615
Total interest expense	566,069	292,179	1,477,275	777,731
Net interest income	1,271,928	1,040,694	3,505,331	3,020,285
Provision for Loan Losses	152,334	26,574	256,809	136,983
Net interest income after provision for loan losses	1,119,594	1,014,120	3,248,522	2,883,302
Noninterest Income				
Service charges and fees	134,410	73,469	353,161	250,074
Gains and fees from sales and referrals of loans	73,012	91,460	124,033	105,703
Other noninterest income	55,201	16,177	172,897	105,563
Total noninterest income	262,623	181,106	650,091	461,340
Noninterest Expense				
Salaries and benefits	810,536	597,489	2,237,446	1,763,027
Occupancy and equipment	206,485	151,843	556,766	462,923
Professional services	102,790	135,086	360,001	417,718
Data processing and other outside services	84,201	83,036	257,644	244,759
Advertising and promotional expense	51,098	40,985	171,847	120,967
Forms, printing and supplies	38,847	26,506	103,276	70,052
Other operating expenses	143,197	141,556	430,085	422,508
Total noninterest expense	1,437,154	1,176,501	4,117,065	3,501,954
Net (loss) income	\$ (54,937)	\$ 18,725	\$ (218,452)	\$ (157,312)
Basic (loss) income per share	\$ (0.02)	\$ 0.01	\$ (0.07)	\$ (0.05)

Edgar Filing: SOUTHERN CONNECTICUT BANCORP INC - Form 10QSB

Diluted (loss) income per share	\$	(0.02)	\$	0.01	\$	(0.07)	\$	(0.05)
Dividends per share	\$	-	\$	-	\$	-	\$	-

See Notes to Consolidated
Financial Statements.

3

SOUTHERN CONNECTICUT BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Nine Months Ended September 30, 2006 and 2005 (unaudited)

	Number of Shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance December 31, 2004	2,797,711	\$ 27,977	\$ 24,085,612	\$ (3,199,126)	\$ (216,736)	\$ 20,697,727
Comprehensive Loss:						
Net Loss	-	-	-	(157,312)	-	(157,312)
Unrealized holding loss on available for sale securities	-	-	-	-	(94,219)	(94,219)
Total comprehensive loss						(251,531)
5% stock dividend	139,814	1,398	(1,398)	-	-	-