

SOUTHERN CONNECTICUT BANCORP INC
Form SB-2/A
June 04, 2004
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As filed with the Securities and Exchange Commission on June 4, 2004

Registration No. 333-115518

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1 to

Form SB-2

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

SOUTHERN CONNECTICUT BANCORP, INC.

(Name of Small Business Issuer as Specified in its Charter)

Connecticut
(State or Other Jurisdiction of Incorporation or
Organization)

6021
(Primary Standard Industrial Classification
Code Number)

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

215 Church Street

New Haven, Connecticut 06510

(203) 782-1100

(Address and telephone number of principal executive offices)

215 Church Street

New Haven, Connecticut 06510

(203) 782-1100

(Address of principal place of business or intended principal place of business)

Joseph V. Ciaburri

Southern Connecticut Bancorp, Inc.

215 Church Street

New Haven, Connecticut 06510

(203) 782-1100

(Name, address and telephone number of agent for service)

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Approximate Date of Commencement of Proposed Sale to the Public: As soon as practicable after the effective date of this Registration Statement.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. "

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered in any jurisdiction to any person to whom it is unlawful to make such offers or such solicitation in such jurisdiction.

Subject to Completion, Dated June 4, 2004

1,500,000 Shares

Common Stock

We are offering 1,500,000 shares of common stock. Our common stock trades on the Over The Counter (OTC) Bulletin Board under the symbol SCNO. The last reported sale price of our common stock on June 3, 2004 was \$8.50 per share. Application has been made to list our common stock on the American Stock Exchange.

Investing in our common stock involves risks.

See Risk Factors beginning on page 5.

	<u>Per Share</u>	<u>Total</u>
Public offering price	\$	\$
Underwriting discounts	\$	\$
Proceeds, before expenses, to Southern Connecticut Bancorp, Inc.	\$	\$

We have granted the underwriters the right to purchase up to an additional 225,000 shares of common stock to cover over-allotments. The underwriters expect to deliver the shares to the purchasers on or about _____, 2004.

Neither the Securities and Exchange Commission (the SEC) nor any state securities commission has approved or disapproved of the common stock or passed on the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The shares of common stock are not bank deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.



A.G. EDWARDS

**KEEFE, BRUYETTE &
WOODS**

Prospectus dated _____, 2004.

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Map of Our Market Area

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. Because this is a summary, it may not contain all of the information that may be important to you. Therefore, you should carefully read this entire prospectus and other documents to which we refer herein before making a decision to invest in our common stock, including the risks discussed under the Risk Factors section and our financial statements and related notes.

Southern Connecticut Bancorp, Inc. (Bancorp) is the holding company for The Bank of Southern Connecticut (the Bank). In this prospectus, we, our, or us refers to Bancorp and the Bank on a consolidated basis; Bancorp refers to Bancorp alone; and Bank refers to the Bank alone.

Bancorp and the Bank

Bancorp, a bank holding company headquartered in New Haven, Connecticut, was incorporated on November 8, 2000. Bancorp's strategic objective is to serve as a bank holding company for community-based commercial banks serving the greater New Haven and greater New London markets as well as the approximately 45 miles of coastal towns and communities located between these two cities and extending to Rhode Island (the Southern Connecticut Market, see the map on the inside front cover of this prospectus).

Bancorp owns 100% of the capital stock of the Bank, a Connecticut-chartered bank headquartered in New Haven, Connecticut. The Bank commenced operations on October 1, 2001 after receiving its Final Certificate of Authority from the Connecticut Banking Commissioner and its deposit insurance from the Federal Deposit Insurance Corporation (FDIC). Bancorp has received a temporary certificate of authority from the State of Connecticut to charter a second, wholly-owned bank subsidiary to be located in New London, Connecticut. The opening of this bank is subject to raising a minimum of \$6.0 million of equity capital, receipt of final approval from the Department of Banking, the approval of deposit insurance from the FDIC and the approval of the Federal Reserve Board. Subject to these approvals, the New London based bank, to be named The Bank of Southeastern Connecticut, is expected to be open for business during the fourth quarter of 2004 and will be staffed, managed and operated in a comparable manner to the Bank.

The Bank focuses on serving the banking needs of small to medium-sized businesses in the greater New Haven market. The Bank's target commercial customer has between \$1.0 and \$15.0 million in revenues, 15 to 50 employees and borrowing needs of up to \$3.0 million. We believe that our primary focus on this commercial market makes us uniquely qualified to move deftly in responding to the needs of our clients. The Bank has been successful in winning business by offering a combination of competitive pricing for its services, quick decision making processes and a high level of personalized customer service.

We have experienced significant growth in both assets and deposits, and we were able to generate a profit in our ninth quarter of operation. As of March 31, 2004, we had assets of \$65.5 million and deposits of \$55.6 million, representing a 54.9% and 71.0% increase from March 31, 2003, respectively. Total loans outstanding as of March 31, 2004 were \$45.7 million, an 88.9% increase from March 31, 2003. We have achieved this growth while maintaining excellent credit quality and margins, with non-performing loans at 0.09% of total loans as of March 31, 2004 and net interest margin of 4.77% for the three months ended March 31, 2004.

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Our market focus is to serve the Southern Connecticut Market. The Southern Connecticut Market is located in the center of, and is a critical component of, the commercial activity of the northeast corridor in New England. Our market focus resides in the busy transportation and commercial area between New

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York City to the south, Hartford to the north, Providence to the east, and Boston to the northeast. The diversified economic base of this market region includes pharmaceutical, advanced manufacturing, healthcare, defense, technology and energy companies and Connecticut's leading port. The region is also one of New England's most popular tourist destinations, featuring popular shoreline and heritage sites. Additionally, New England's largest casinos, Foxwoods and the Mohegan Sun, are located in the region.

Growth and Operating Strategy

We are a bank holding company whose strategic focus is to own and operate independent, community-based commercial banks in southern Connecticut founded with the philosophy of local relationships and providing prompt personal service and quality banking products. Our target customers are small to medium-sized businesses and their owners and employees. We emphasize personal relationships with our customers, community involvement by our employees and our board of directors and responsive lending decisions by an accessible and experienced management team.

The key elements of our business strategy for our local and independent commercial banks are:

- *Provide individualized attention with local underwriting and credit decision-making authority.* As owner of the only commercial bank based in and wholly focused on the greater New Haven area, we believe that the Bank is better able to provide the individualized customer service, combined with prompt local underwriting and credit decision-making authority that we believe small to medium-sized businesses desire. Following formation of The Bank of Southeastern Connecticut, we plan to extend that strategy into the greater New London area as well.
- *Take market share from large, non-local competitors.* As the only commercial bank headquartered in New Haven, the Bank competes with large, non-locally owned and headquartered financial institutions. The Bank of Southeastern Connecticut, when it commences operations, is expected to be the only commercial bank headquartered in New London, a market also dominated by large, non-locally owned and headquartered financial institutions. We believe that we have attracted and can continue to attract small to medium-sized businesses that prefer local decision-making authority and interaction with banking professionals who can provide prompt personalized and knowledgeable service.
- *Optimize our net interest margin.* We seek to optimize our net interest margin by funding our commercial loans, when possible, with low cost money market and non-interest bearing demand deposits.
- *Expand our branch network throughout our market area.* Currently, we have our main office and one branch office in New Haven and one branch office in Branford. We plan to seek attractive locations in the greater New Haven and Middlesex County areas in which to open additional branches following the completion of this offering. Following formation of The Bank of Southeastern Connecticut in the fourth quarter of 2004, we plan to open the bank headquarters in New London and then selectively expand through *de novo* branching in the greater New London area.
- *Leverage personal relationships and community involvement.* Our directors, officers and senior employees have extensive personal contacts, business relationships and involvement in the communities in which they live and work and which we serve. By building on and leveraging these relationships and community involvement, we believe that we have and will continue to generate enthusiasm and interest from small to medium-sized businesses in our market areas.
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Employ qualified and experienced banking professionals. We seek to continue to hire and retain highly experienced and qualified local commercial lenders and other banking professionals with successful track records and established relationships with small to medium-sized businesses in our market areas.

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- *Maintain and enhance high credit quality.* The success of our business depends to a significant extent on the quality of our assets, particularly our loans. We have built a strong internal emphasis on credit quality and have established stringent underwriting standards and loan approval processes. We actively manage our past due and non-performing loans in an effort to minimize credit losses and related expenses and to ensure that our allowance for loan losses is adequate.

Our principal executive office is:

215 Church Street

New Haven, CT 06510

Telephone: (203) 782-1100

The Offering

Common stock offered by Bancorp	1,500,000 shares
Common stock outstanding after the offering (1)	2,568,864 shares
Offering price per share of common stock	\$
Use of proceeds	We intend to use the net proceeds of this offering: (i) to invest approximately \$6.0 million in The Bank of Southeastern Connecticut, a new bank being formed by Bancorp; (ii) to invest approximately \$2.5 million in the Bank as additional capital; (iii) to use approximately \$2.75 million to fund branch expansion over the next 12 to 18 months; (iv) to use approximately \$150,000 to pay organizational and pre-operating expenses for The Bank of Southeastern Connecticut; and (v) the remainder for general corporate purposes.
Purchases by our officers, directors and their affiliates	Some of our officers and directors have indicated their intent to purchase up to 40,000 shares of common stock in this offering. Additionally, the Mashantucket Pequot Tribal Nation, an entity affiliated with one of our directors, has indicated its intent to purchase shares of common stock in this offering for an aggregate offering price of up to \$1.0 million. For more information, see Underwriting.
Current OTC Bulletin Board symbol	SCNO
Proposed AMEX symbol	SSE

(1) Based on shares outstanding as of March 31, 2004. This does not include an aggregate of 325,527 shares of common stock reserved for issuance upon the exercise of outstanding options and 73,756 shares of common stock reserved for issuance upon the exercise of outstanding warrants. These numbers reflect the 10% stock dividend declared January 13, 2004 and issued February 17, 2004.

Except as otherwise indicated, all information in this prospectus assumes no exercise of the underwriters' over-allotment option.

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The summary consolidated financial data set forth below as of and for the years ended December 31, 2002 and 2003 are derived from the respective audited financial statements of Bancorp which are included in this prospectus. The summary interim financial data set forth below as of March 31, 2004 and for the three months ended March 31, 2003 and 2004 are unaudited and are derived from the interim financial statements included in this prospectus. In the opinion of management, the unaudited data have been prepared on the same basis as the audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for fair presentation. Results for interim periods are not indicative of results for a full year. The consolidated balance sheet and statement of operations data set forth below for the year ended December 31, 2001 and the period from December 16, 1999 (inception) to December 31, 2000 are derived from the respective audited consolidated financial statements of Bancorp which are not included in this prospectus. The interim balance sheet data as of March 31, 2003 is unaudited and is derived from interim financial statements which are not included in this prospectus. The data set forth below should be read in conjunction with the consolidated financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operation beginning on page 19.

	From Inception (December 16, 1999) through and as of December 31, 2000	As of and for the years ended December 31,			As of and for the three months ended March 31,	
		2001	2002	2003	2003	2004
Balance Sheet Data:						
Total assets	\$ 135,901	\$ 17,412,399	\$ 35,500,115	\$ 56,386,040	\$ 42,270,786	\$ 65,494,502
Total loans		1,195,344	19,049,212	40,818,718	24,212,984	45,747,641
Total deposits		6,784,031	24,992,931	47,273,875	32,536,694	55,645,089
Stockholders' (deficit) equity	(234,685)	9,596,147	8,274,679	7,314,302	8,030,383	7,586,476
Statement of Operations Data:						
Interest income	\$ 802	\$ 131,916	\$ 1,125,321	\$ 2,512,086	\$ 502,675	\$ 872,775
Interest expense		52,774	441,813	574,795	135,224	197,010
Net interest income	802	79,142	683,508	1,937,291	367,451	675,765
Provision for loan losses		12,000	220,000	213,100	62,900	31,750
Net interest income after provision for loan losses	802	67,142	463,508	1,724,191	304,551	644,015
Noninterest income		581	86,163	496,332	79,177	212,775
Noninterest expense	235,487	951,940	1,933,684	2,818,450	567,911	821,078
Income (loss) before income taxes	(234,685)	(884,217)	(1,384,013)	(597,927)	(184,183)	35,712
Net income (loss)	(234,685)	(884,217)	(1,384,013)	(597,927)	(184,183)	35,712
Per Share Data:(1)						
Average weighted shares outstanding during the period:						
Basic	None	463,206	1,063,320	1,063,320	1,063,320	1,064,599
Diluted	None	463,206	1,063,320	1,063,320	1,063,320	1,126,535
Net income (loss), basic	\$ N/A	\$ (1.91)	\$ (1.30)	\$ (0.56)	\$ (0.17)	\$ 0.03
Net income (loss), diluted	N/A	(1.91)	(1.30)	(0.56)	(0.17)	0.03
Book value	N/A	9.02	7.78	6.88	7.55	7.10
Asset Quality Ratios:						
Allowance for loan losses to loans	N/A	0.99%	1.20%	1.02%	1.20%	0.98%
Nonperforming loans to loans	N/A			0.23	0.07	0.09
Allowance for loan losses to nonperforming loans	N/A	N/M	N/M	447.73	1,843.13	1,076.91
Nonperforming assets to loans and other real estate	N/A			0.23	0.07	0.34
Net loan charge offs to average loans	N/A		N/M	0.08	N/M	N/M
Capital Ratios:						
Tier 1 risk-based capital ratio	N/A	90.54%	31.52%	16.33%	25.04%	14.57%
Total risk-based capital ratio	N/A	90.66	32.43	17.24	25.97	15.43

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Leverage ratio	N/A	67.40	23.76	14.16	20.77	12.31
Average equity to average assets	N/A	69.44	33.05	16.56	21.20	11.91
Performance Ratios:						
Return on average total assets	N/A	(13.83)%	(5.02)%	(1.28)%	(1.94)%	0.23%
Return on average stockholders equity	N/A	(19.92)	(15.18)	(7.72)	(9.14)	1.93
Net interest margin	N/A	0.06	2.84	4.70	4.48	4.77
Efficiency ratio (2)	N/A	1,194.06	251.24	115.81	127.16	92.41

N/A = Not Applicable

N/M = Not Meaningful

(1) Per share data and share information have been adjusted to reflect a 10% stock dividend declared on January 13, 2004 and issued on February 17, 2004.

(2) We compute our efficiency ratio by dividing noninterest expense by the sum of net interest income and noninterest income.

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RISK FACTORS

In addition to the other information provided in this prospectus, you should carefully consider the following risks before deciding whether to invest in our common stock. Investing in our common stock involves risks. All of these could adversely impair our business, operating results or financial condition. In addition, the trading price of our common stock could decline due to any of the events described in these risks.

We have experienced losses in each year since our organization. Our earnings are volatile.

We have experienced losses in each full calendar year since the Bank's organization in October 2001. For the years ended December 31, 2002 and 2003, our net loss was \$1,384,013 and \$597,927, respectively. We expect to incur significant noninterest expense in 2004, largely as a result of the anticipated opening of our new subsidiary, The Bank of Southeastern Connecticut. To achieve profitability, we must increase our net interest income and noninterest income above anticipated expenses. If we do not increase these revenues sufficiently to offset anticipated expense increases, we will experience future losses. Additionally, our quarterly earnings have been volatile in the past and could continue to be subject to fluctuations in response to quarterly variations in our ability to originate and sell loans.

We have a limited operating history, and as a result our financial performance to date may not be a reliable indicator of whether our business strategy will be successful.

We commenced operations in October 2001, and therefore have a limited historical basis upon which to rely for gauging future business performance. Our prospects are subject to the risks and uncertainties frequently encountered by companies in their early stages of development, including the risk that we will not be able to successfully implement our business plan. Accordingly, our financial performance to date may not be representative of our long-term future performance or indicative of whether our business strategy will be successful.

Loss of any of our executive officers, key personnel or directors could disrupt our operations and result in reduced revenues.

We are a relationship-driven organization. We depend upon the skills and reputations of our executive officers, key employees and directors for our future success. These senior officers have primary contact with our customers and are extremely important in maintaining personalized relationships with our customer base, in increasing our market presence and to key aspects of our business strategy. The loss of any of these key persons, including, without limitation, Joseph V. Ciaburri, our Chairman and Chief Executive Officer, or the inability to attract and retain other key personnel could adversely affect our business. We cannot assure you that we will be able to retain our existing key personnel or attract other qualified persons. All of our current executive officers, with the exception of William F. Weaver, Chief Financial Officer, have been associated with us since the Bank's inception. While Joseph V. Ciaburri and Michael M. Ciaburri, our President and Chief Operating Officer, currently have employment agreements with the Bank, they may terminate their employment at any time. Neither of these employment agreements contains any agreement not to compete following termination and, therefore, upon leaving the employ of the Bank, either Joseph V. Ciaburri or Michael M. Ciaburri may become employed by our competitors. Additionally, our directors' community involvement, diverse backgrounds and extensive local business relationships are important to our success. Our growth could be adversely affected if the composition of our board of directors or our management team changes materially.

Our level of assets and quarterly net interest income may not continue to grow as rapidly as they have in the past few years.

Since opening for business in 2001, our asset level has increased rapidly. Our quarterly net interest income has increased from \$79,142 in the fourth quarter of 2001 (our first full quarter of operations) to

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\$675,765 in the first quarter of 2004, an increase of over 750%, and our total assets have increased from \$17.4 million as of December 31, 2001, to \$65.5 million as of March 31, 2004, an increase of approximately 276%. Future increases in our profitability will depend on our continued ability to grow our assets while maintaining asset quality and controlling costs. We cannot assure you that we will continue to achieve comparable results in future years. As our asset size and earnings increase, it may become more difficult to achieve high rates of increase in assets and earnings. Additionally, it may become more difficult to achieve continued improvements in our efficiency ratio.

We intend to use a portion of the funds raised in this offering to fund anticipated increases in our loans. The remaining net proceeds of the offering may be invested in securities until we are able to deploy the proceeds in loans. Investing in securities provides lower interest rates than we generally earn on loans, potentially adversely impacting shareholder returns. Declines in the growth rate of income or assets, and increases in operating expenses or nonperforming assets, may have an adverse impact on the value of our common stock.

Key components of our growth plans are subject to regulatory approvals, including the opening of additional branches and the acquisition of the charter and the commencement of operations for The Bank of Southeastern Connecticut.

We have opened two new branches since commencing operations. We have received a temporary certificate of authority from the Department of Banking of the State of Connecticut to charter The Bank of Southeastern Connecticut. We intend to file applications to the Federal Reserve Bank of Boston to acquire this bank and to the FDIC for deposit insurance. We may also apply to the State of Connecticut to open additional branches of the Bank in the future. If any of these applications are denied, or if future applications to establish additional branches in Connecticut are denied, our growth strategy could be adversely affected.

Our business is concentrated in Southern Connecticut and adverse economic conditions in this region may adversely affect our business.

Approximately 80% of our loan portfolio has been generated in the greater New Haven area and we expect that a comparable percentage of the business of The Bank of Southeastern Connecticut will be located in the greater New London area. As a result, our financial condition and results of operations may be affected by changes in the Southern Connecticut economy. The economy of the State of Connecticut has been growing slowly for the past four years and a continuation of this