

Birmingham Bloomfield Bancshares
Form 10-Q
May 17, 2010

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2010
Commission File Number 000-52584
BIRMINGHAM BLOOMFIELD BANCSHARES, INC.**

(Exact name of registrant as specified in its charter)

Michigan

20-1132959

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

33583 Woodward Avenue, Birmingham, MI 48009

(Address of principal executive offices, including zip code)

(248) 723-7200

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (i) 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 (ii) 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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 filer Smaller reporting company
(Do not check if a smaller reporting company)

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 outstanding of the issuer's Common Stock as of May 17, 2010, was 1,800,000 shares.

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CONSOLIDATED BALANCE SHEETS**

	March 31, 2010 (unaudited)	December 31, 2009
Assets		
Cash and cash equivalents		
Cash	\$ 5,283,928	\$ 4,644,416
Federal funds sold	2,238,858	3,113,785
Total cash and cash equivalents	7,522,786	7,758,201
Securities, (Note 3)	3,796,028	3,835,082
Net Loans (Note 4)	84,898,147	78,482,031
Premises & equipment (Note 6)	1,444,071	1,488,689
Interest receivable and other assets	1,148,941	1,072,770
Total assets	\$ 98,809,973	\$ 92,636,773
Liabilities and Shareholders Equity		
Deposits (Note 5)		
Non-interest bearing	\$ 9,320,275	\$ 8,494,903
Interest bearing	78,412,227	72,970,583
Total deposits	87,732,502	81,465,486
Interest payable and other liabilities	359,774	443,354
Total liabilities	88,092,276	81,908,840
Shareholders equity		
Senior cumulative perpetual preferred stock series A \$1,000 liquidation value per share, 5%		
Authorized, issued and outstanding 1,635 shares	1,635,000	1,635,000
Discount on senior preferred stock series A	(74,827)	(79,427)
Warrant cumulative perpetual preferred stock series B \$1,000 liquidation value per share, 9%		
Authorized, issued and outstanding 82 shares	82,000	82,000
Premium on warrant preferred stock series B	8,134	8,634

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Senior cumulative perpetual preferred stock series C \$1,000 liquidation value per share, 5%		
Authorized, issued and outstanding 1,744 shares	1,744,000	1,744,000
Common stock, no par value		
Authorized 4,500,000 shares		
Issued and outstanding 1,800,000 shares	17,034,330	17,034,330
Additional paid in capital share based payments	493,154	489,459
Accumulated deficit	(10,317,548)	(10,299,436)
Accumulated other comprehensive income	113,454	113,373
Total shareholders equity	10,717,697	10,727,933
Total liabilities and shareholders equity	\$ 98,809,973	\$ 92,636,773

See accompanying notes to consolidated financial statements

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BIRMINGHAM BLOOMFIELD BANCSHARES, INC
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended March 31,	
	2010	2009
Interest Income		
Loans, including fees	\$ 1,242,148	\$ 842,821
Taxable securities	34,698	37,406
Federal funds sold	729	891
Correspondent bank	5,605	1,340
Total interest income	1,283,180	882,458
Interest expense		
Deposits	324,246	339,591
Total interest expense	324,246	339,591
Net interest income	958,934	542,867
Provision for loan losses	112,405	33,500
Net interest income after provision for loan losses	846,529	509,367
Non-interest income		
Loan fees and charges	8,415	3,180
Deposit fees and charges	20,268	17,711
Other income	6,753	4,812
Total non-interest income	35,436	25,703
Non-interest expense		
Salaries and benefits	419,045	371,328
Occupancy & equipment expense	154,211	213,467
FAS 123R share based payments	3,695	6,650
Data processing expense	55,550	53,896
Advertising and public relations	5,279	34,132
Professional fees	79,712	80,519
Printing and office supplies	5,951	9,018
Other expense	129,183	79,011
Total non-interest expense	852,626	848,021
Net earnings before taxes	29,339	(312,951)
Income taxes		

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Net income (loss)	\$ 29,339	\$ (312,951)
Dividend on senior preferred stock	(43,351)	
Accretion of discount on preferred stock	(4,100)	
Effective dividend on preferred stock	(47,451)	
Net loss applicable to common shareholders	\$ (18,112)	\$ (312,951)
Basic loss per share	\$ (0.01)	\$ (0.17)
Diluted loss per share	\$ (0.01)	\$ (0.17)

See notes to consolidated financial statements

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BIRMINGHAM BLOOMFIELD BANCSHARES, INC
CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY
January 1, 2010 to March 31, 2010
(Unaudited)

	Preferred Stock	Common Stock	Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2009	\$ 3,390,207	\$ 17,034,330	\$ 489,459	\$ (10,299,436)	\$ 113,373	\$ 10,727,933
Amortization of senior pref stock A	4,600			(4,600)		
Accretion of warrant pref stock B	(500)			500		
Preferred dividends Share based payments expense			3,695	(43,351)		(43,351)
Comprehensive income:						
Net earnings				29,339		29,339
Unrealized gain on securities					81	81
Total comprehensive income						29,420
Balance at March 31, 2010	\$ 3,394,307	\$ 17,034,330	\$ 493,154	\$ (10,317,548)	\$ 113,454	\$ 10,717,697

See accompanying notes to consolidated financial statements

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BIRMINGHAM BLOOMFIELD BANCSHARES, INC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Three Months Ended March 31,	
	2010	2009
Cash flows from operating activities		
Net income (loss)	\$ 29,339	\$ (312,951)
Share based payments expense	3,695	6,650
Provision for loan losses	112,405	33,500
Accretion of securities	(2,018)	(1,005)
Gain on sales or calls of securities		(1,152)
Depreciation expense	44,618	75,225
Net (increase) decrease in other assets	(76,171)	30,552
Net decrease in other liabilities	(83,580)	(35,026)
 Net cash provided by (used in) operating activities	 28,288	 (204,207)
 Cash flows from investing activities		
Increase in loans	(6,528,521)	(2,630,632)
Purchase of securities	(352,546)	(790,000)
Proceeds from sales, calls or maturities of securities	393,699	1,045,036
Purchases of premises and equipment		(11,765)
 Net cash used in investing activities	 (6,487,368)	 (2,387,361)
 Cash flows from financing activities		
Increase in deposits	6,267,016	6,078,333
Dividend on senior preferred stock	(43,351)	
 Net cash provided by financing activities	 6,223,665	 6,078,333
 (Decrease) increase in cash and cash equivalents	 (235,415)	 3,486,765
 Cash and cash equivalents at the beginning of the period	 7,758,201	 4,663,497
 Cash and cash equivalents at the end of the period	 \$ 7,522,786	 \$ 8,150,262
 Supplemental cash flow information:		
Cash paid for interest:	\$ 316,907	\$ 364,318
See accompanying notes to consolidated financial statements		

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**BIRMINGHAM BLOOMFIELD BANCSHARES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Note 1 Summary of Significant Accounting Policies

Basis of Statement Presentation

The accompanying unaudited consolidated interim financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) with the instructions to Form 10-Q. Accordingly, certain information and disclosures required by accounting principles generally accepted in the United States of America for complete financial statements are not included herein. The interim financial statements should be read in conjunction with the financial statements of Birmingham Bloomfield Bancshares, Inc. (the Corporation) and the notes thereto included in the Corporation s annual report on Form 10-K for the year ended December 31, 2009.

All adjustments, consisting of normal recurring adjustments, which in the opinion of management are necessary for a fair presentation of financial position, results of operations, and cash flows, have been made. The results of operations for the three months ended March 31, 2010 are not necessarily indicative of the results that may be expected for the year ended December 31, 2010.

Certain amounts in the prior period financial statements have been reclassified to conform to the current period presentation.

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary the Bank of Birmingham (the Bank). All significant intercompany balances and transactions have been eliminated in consolidation.

Recent Accounting Developments

Accounting Standards Update (ASU) No. 2009-16, Transfers and Servicing (Topic 860) Accounting for Transfers of Financial Assets. ASU 2009-16 amends prior accounting guidance to enhance reporting about transfers of financial assets, including securitizations, and where companies have continuing exposure to the risks related to transferred financial assets. ASU 2009-16 eliminates the concept of a qualifying special-purpose entity and changes the requirements for derecognizing financial assets. ASU 2009-16 also requires additional disclosures about all continuing involvements with transferred financial assets including information about gains and losses resulting from transfers during the period. The provisions of ASU 2009-16 became effective on January 1, 2010 and had no impact on the Corporation s consolidated financial position, results of operations or liquidity.

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BIRMINGHAM BLOOMFIELD BANCSHARES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 Fair Value Accounting**Valuation Hierarchy**

FASB ASC 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows.

Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets which the Corporation can participate.

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement, and include inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Assets*Securities available for sale*

All of the Corporation's securities available for sale are classified within Level 2 of the valuation hierarchy as quoted prices for similar assets are available in an active market.

The following table presents the financial instruments carried at fair value as of March 31, 2010, on the Consolidated Balance Sheet and by FASB ASC 820 valuation hierarchy (as described above):

Assets measured at fair value on a recurring basis as of March 31, 2010 (000s omitted):

	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Balance at March 31, 2010
	Level 1	Level 2	Level 3	
Securities available for sale	\$	\$ 3,634	\$	\$ 3,634

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BIRMINGHAM BLOOMFIELD BANCSHARES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 Fair Value Accounting continued

The Corporation has assets that under certain conditions are subject to measurement at fair value on a nonrecurring basis. The fair value of impaired loans is based on the present value of expected future cash flows using management's assumptions about future payment ability, timing of expected cash flows and the estimated realizable value of collateral (typically based on appraisals). The following table presents the Corporation's assets at fair value on a nonrecurring basis as of March 31, 2010. There were no impaired loans at March 31, 2009.

	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Change in fair value for the quarter ended March 31, 2010
Impaired Loans	\$	\$	\$ 200	\$ 0

Note 3 Securities

The amortized cost and estimated fair value of securities, with gross unrealized gains and losses, follows (000s omitted):

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
March 31, 2010				
U.S. Government agency securities	\$ 2,354	\$ 13	\$	\$ 2,367
Municipal securities	200	4		204
Mortgage backed securities	967	96		1,063
Corporate bonds				
Sub-Total Available for Sale	\$ 3,521	\$ 113	\$	\$ 3,634
FHLB Stock	162			162
Total	\$ 3,683	\$ 113	\$	\$ 3,796

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
December 31, 2009				
U.S. Government agency securities	\$ 2,342	\$ 18	\$	\$ 2,360
Municipal securities	200	4		204
Mortgage backed securities	1,018	91		1,109
Corporate bonds				
Sub-Total Available for Sale	\$ 3,560	\$ 113	\$	\$ 3,673
FHLB Stock	162			162

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Total	\$ 3,722	\$ 113	\$	\$ 3,835
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BIRMINGHAM BLOOMFIELD BANCSHARES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 Securities continued

As of March 31, 2010 and December 31, 2009, all securities are available for sale. The securities held in our portfolio experienced no rating changes during the quarter and remain at AAA for all except the municipal holding which is at Aa3 based on ratings by Moody. At March 31, 2010 and December 31, 2009, securities were pledged to secure public deposits from the State of Michigan. The total securities pledged were \$1.41 million at March 31, 2010 and \$1.45 million at December 31, 2009 respectively.

The amortized cost and estimated fair value of securities at March 31, 2010, by contractual maturity are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations without call or prepayment penalties. The contractual maturities of securities are as follows (000s omitted):

	Amortized cost	Estimated fair value
Due in one year or less	\$	\$
Due in one year through five years	2,554	2,571
Due in five years through ten years		
Due after ten years		
 Subtotal	 2,554	 2,571
 Mortgage backed securities	 967	 1,063
FHLB Stock	162	162
 Total Available for sale securities	 \$ 3,683	 \$ 3,796

Note 4 Loans

A summary of the balances of loans are as follows (000s omitted):

	March 31, 2010 (unaudited)	December 31, 2009
Mortgage loans on real estate:		
Residential 1 to 4 family	\$ 2,480	\$ 1,353
Multifamily	12,573	12,647
Commercial	39,588	35,917
Construction	2,134	518
Second mortgage	169	171
Equity lines of credit	12,269	11,445
 Total mortgage loans on real estate	 69,213	 62,051
Commercial loans	16,684	17,186
Consumer installment loans	400	512
 Total loans	 86,297	 79,749
Less:		&nb