

Birmingham Bloomfield Bancshares

Form 10-Q

August 14, 2009

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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 June 30, 2009
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. (Check one):

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 August 14, 2009, was 1,800,000 shares.

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CONSOLIDATED BALANCE SHEETS**

	June 30, 2009 (unaudited)	December 31, 2008
Assets		
Cash and cash equivalents		
Cash	\$ 9,497,863	\$ 1,201,318
Federal funds sold	3,167,717	3,462,179
Total cash and cash equivalents	12,665,580	4,663,497
Securities, available for sale (Note 3)	2,940,371	3,880,401
Loans (Note 4)		
Total loans	66,424,195	56,840,675
Less: allowance for loan losses	(840,426)	(710,000)
Net loans	65,583,769	56,130,675
Premises & equipment (Note 6)	2,093,632	2,232,317
Interest receivable and other assets	421,217	391,646
Total assets	\$ 83,704,569	\$ 67,298,536
Liabilities and Shareholders Equity		
Deposits (Note 5)		
Non-interest bearing	\$ 7,450,381	\$ 5,194,795
Interest bearing	65,876,370	52,553,240
Total deposits	73,326,751	57,748,035
Interest payable and other liabilities	245,095	238,532
Total liabilities	73,571,846	57,986,567
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	
Warrant cumulative perpetual preferred stock series B \$1,000 liquidation value per share, 9% Authorized, issued and outstanding 82 shares	82,000	

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Discount on senior preferred stock	(88,576)	
Premium on warrant preferred stock	9,628	
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	479,853	466,553
Accumulated deficit	(9,104,913)	(8,311,252)
Accumulated other comprehensive income	85,401	122,338
Total shareholders equity	10,132,723	9,311,969
Total liabilities and shareholders equity	\$ 83,704,569	\$ 67,298,536

See accompanying notes to consolidated financial statements

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

	For the Three Months		For the Six Months Ended	
	Ended		June 30,	
	June 30,		June 30,	
	2009	2008	2009	2008
Interest Income				
Loans, including fees	\$ 893,654	\$ 728,511	\$ 1,736,475	\$ 1,378,652
Taxable securities	37,105	26,490	74,511	55,635
Federal funds sold	1,024	41,830	1,915	90,130
Correspondent bank	6,256		7,596	
Total interest income	938,039	796,831	1,820,497	1,524,417
Interest expense				
Deposits	328,268	339,686	667,859	653,428
Total interest expense	328,268	339,686	667,859	653,428
Net interest income	609,771	457,145	1,152,638	870,989
Provision for loan losses	115,276	94,665	148,776	144,665
Net interest income after provision for loan losses	494,495	362,480	1,003,862	726,324
Non-interest income				
Loan fees and charges	2,491	1,102	5,671	11,829
Deposit fees and charges	17,015	19,991	34,726	37,815
Other income	5,005	2,483	9,817	11,917
Total non-interest income	24,511	23,576	50,214	61,561
Non-interest expense				
Salaries and benefits	406,766	312,540	778,094	861,604
Occupancy & equipment expense	202,073	199,284	415,540	418,244
FAS 123R share based payments	6,650	10,500	13,300	21,000
Data processing expense	49,869	43,368	103,765	87,095
Advertising and public relations	23,126	36,395	57,258	59,611
Professional fees	116,795	72,512	197,314	159,782
Printing and office supplies	7,004	7,590	16,022	14,126
Other expense	179,182	102,465	258,193	189,732
Total non-interest expense	991,465	784,654	1,839,486	1,811,194
Net loss before taxes	(472,459)	(398,598)	(785,410)	(1,023,309)

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Income taxes

Net loss	\$ (472,459)	\$ (398,598)	\$ (785,410)	\$ (1,023,309)
Dividend on senior preferred stock	(4,769)		(4,769)	
Accretion of discount on pref stock	(3,424)		(3,424)	
Effective dividend on preferred stock	(8,193)		(8,193)	
Dividend on warrant preferred stock	(430)		(430)	
Amortization of premium on warrant pref stk	372		372	
Effective dividend on warrant pref stk	(58)		(58)	
Net loss applicable to common shareholders	\$ (480,710)	\$ (398,598)	\$ (793,661)	\$ (1,023,309)
Basic loss per share	\$ (0.26)	\$ (0.22)	\$ (0.44)	\$ (0.57)
Diluted loss per share	\$ (0.26)	\$ (0.22)	\$ (0.44)	\$ (0.57)

See accompanying notes to consolidated financial statements

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BIRMINGHAM BLOOMFIELD BANCSHARES, INC
CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY
January 1, 2009 to June 30, 2009
(Unaudited)

	Preferred	Common	Additional	Accumulated	Accumulated Other Comprehensive	Total
	Stock	Stock	Paid in Capital	Deficit	Income	
Balance at January 1, 2009		\$ 17,034,330	\$ 466,553	\$ (8,311,252)	\$ 122,338	\$ 9,311,969
Issue senior preferred stock	1,635,000					1,635,000
Issue warrant preferred stock	82,000					82,000
Discount senior pref. stock	(88,576)					(88,576)
Amortization				(3,424)		(3,424)
Premium warrant pref. stock	9,628					9,628
Accretion				372		372
Preferred dividends				(5,199)		(5,199)
Share based payments			13,300			13,300
Comprehensive loss: Net loss				(785,410)		(785,410)
Unrealized gain on securities					(36,937)	(36,937)
Total comprehensive loss						(822,347)
Balance at June 30, 2009	\$ 1,638,052	\$ 17,034,330	\$ 479,853	\$ (9,104,913)	\$ 85,401	\$ 10,132,723

See accompanying notes to consolidated financial statements

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

	For the Six Months Ended June 30,	
	2009	2008
Cash flows from operating activities		
Net loss	\$ (785,410)	\$ (1,023,309)
Share based payments expense	13,300	21,000
Provision for loan losses	148,776	144,665
Accretion of securities	(2,626)	(7,305)
Gain on calls of securities	(3,027)	(6,474)
Depreciation expense	150,450	156,000
Net (increase) in other assets	(29,571)	(17,156)
Net increase in other liabilities	6,563	132,667
Net cash used in operating activities	(501,545)	(599,912)
Cash flows from investing activities		
Increase in loans	(9,601,870)	(12,197,570)
Purchase of securities	(952,100)	
Proceeds from sales, calls or maturities of securities	1,860,846	789,459
Purchases of premises and equipment	(11,765)	(3,934)
Net cash used in investing activities	(8,704,889)	(11,412,045)
Cash flows from financing activities		
Increase in deposits	15,578,716	20,506,141
Proceeds from sale of senior preferred stock	1,635,000	
Dividends on senior preferred stock	(5,199)	
Net cash provided by financing activities	17,208,517	20,506,141
Increase in cash and cash equivalents	8,002,083	8,494,184
Cash and cash equivalents at the beginning of the period	4,663,497	5,139,126
Cash and cash equivalents at the end of the period	\$ 12,665,580	\$ 13,633,310
Supplemental cash flow information:		
Cash paid for interest:	\$ 723,512	\$ 542,564
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, 2008.

In the opinion of management, 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. Events occurring subsequent to the balance sheet date through August 14, 2009 (the date of filing with the Securities and Exchange Commission); have been evaluated for potential recognition or disclosure in the consolidated financial statements. The results of operations for the three and six month periods ended June 30, 2009 are not necessarily indicative of the results that may be expected for the year ended December 31, 2009.

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

During May of 2009 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) Number 165, Subsequent Events . This statement establishes standards under which an entity shall recognize and disclose events that occur after a balance sheet date but before the related financial statements are issued or are available to be issued. SFAS 165 is in effect for fiscal years and interim periods ending after June 15, 2009. Birmingham Bloomfield Bancshares adoption of SFAS 165 had no impact on our consolidated financial position or results of operations.

In June 2009, the Financial Accounting Standards board issued three additional pronouncements. Birmingham Bloomfield Bancshares is in the process of assessing the impact of the adoption of these pronouncements on its consolidated financial position and results of operations. The pronouncements were: SFAS No. 166, Accounting for Transfers of Financial Assets and amendment of FASB Statement No. 140. SFAS amends SFAS No. 140 to improve both the relevance and the comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and the transferring entity s continuing involvement, if any, in the transferred financial assets. This pronouncement is effective for interim and annual reporting periods that begin after November 15, 2009.

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

Note 1 Summary of Significant Accounting Policies continued

SFAS No. 167 Amendments to FASB Interpretation No.46 (r). SFAS No. 167 changes the criteria significantly for determining whether the consolidation of a variable interest entity is required. SFAS No. 167 also addresses the effect of changes that SFAS No. 166 would have on FASB Interpretation No. 46 (r), including concerns that the accounting and disclosures under the Interpretation do not always provide useful and timely information about an entity's involvement in a variable interest entity. SFAS is effective for interim and annual reporting periods that begin after November 15, 2009.

SFAS No. 168 The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162. On the effective date of SFAS No. 168, the codification will become the sole source of authoritative U.S. Generally Accepted Accounting Principles, (GAAP), recognized by the Financial Accounting Standards Board. This pronouncement is effective for interim and fiscal years ending after September 15, 2009. As SFAS No. 168 does not alter current Generally Accepted Accounting Principles, Birmingham Bloomfield Bancshares' adoption of the same is not expected to have any material impact on our consolidated financial position or results of operations.

Staff Position No. 115-2 and 124-2, Recognition and Presentation of Other-than Temporary Impairments (FSP FAS 115-2 and 124-2), modifies the requirements for recognizing other-than-temporary-impairment on debt securities and significantly changes the impairment model for such securities. Under FSP FAS 115-2 and 124-2, a security is considered to be other-than-temporarily impaired if the present value of cash flows expected to be collected are less than the security's amortized cost basis (the difference being defined as the credit loss) or if the fair value of the security is less than the security's amortized cost basis and the investor intends, or more-likely-than-not will be required, to sell the security before recovery of the security's amortized cost basis. If an other-than-temporary impairment exists, the charge to earnings is limited to the amount of credit loss if the investor does not intend to sell the security, and it is more-likely-than-not that it will not be required to sell the security, before recovery of the security's amortized cost basis. Any remaining difference between fair value and amortized cost is recognized in other comprehensive income, net of applicable taxes. Otherwise, the entire difference between fair value and amortized cost is charged to earnings. Upon adoption of the FSP, an entity reclassifies from retained earnings to other comprehensive income the noncredit portion of an other-than-temporary impairment loss previously recognized on a security it holds if the entity does not intend to sell the security, and it is more-likely-than not that it will not be required to sell the security, before recovery of the security's amortized cost basis. The FSP also modifies the presentation of other-than-temporary impairment losses and increases related disclosure requirements. FSP FAS 115-2 and 124-2 is effective for periods ending after June 15, 2009, with earlier adoption permitted. Birmingham Bloomfield Bancshares has assessed the impact of adoption of the FSP on its financial position and results of operations and for the period ending, June 30, 2009 has determined that it has no impact.

Note 2 Fair Value Accounting

On January 1, 2008, the Corporation adopted SFAS 157. SFAS 157 establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 was issued to bring conformity to the definition of fair value; prior to SFAS 157 there was no conformity in the accounting guidance regarding the definition of fair value. Staff Position No. 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP FAS 157-4), provides guidance on how to determine the fair value of assets and liabilities in an environment where the volume and level of activity for the asset or liability have significantly decreased and re-emphasizes that the objective of a fair value measurement remains an exit price. The FSP is effective for periods ending after June 15, 2009, with earlier adoption permitted. The adoption of FSP FAS 157-4 in the period ending June 30, 2009 did not have a material effect on Birmingham Bloomfield Bancshares financial position or results of operations.

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BIRMINGHAM BLOOMFIELD BANCSHARES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 Fair Value Accounting continued

As of June 30, 2009 Birmingham Bloomfield Bancshares adopted Staff Position No. 107-1 and APB 28-1,

Interim Disclosures about Fair Value of Financial Statements (FSP FAS 107-1 and APB 28-1), requires companies to disclose the fair value of financial instruments within interim financial statements, adding to the current requirement to provide those disclosures annually. Since FSP 107-1 and 124-2 addresses financial statement disclosures only, its adoption, effective June 30, 2009, did not impact Birmingham Bloomfield Bancshares consolidated financial position or results of operations and the required disclosures have been provided within this note.

Valuation Hierarchy

SFAS 157 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 and are the primary method of valuation used by Birmingham Bloomfield Bancshares, Inc. 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.

Birmingham Bloomfield Bancshares currently holds no securities in level one of the hierarchy.

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 2 assets and liabilities for Birmingham Bloomfield Bancshares, Inc. include available for sale investments in government sponsored agencies, asset backed securities, FHLB stock and investments in obligations of state and political subdivisions. Fair values of these items are determined via external pricing from vendors.

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.

Birmingham Bloomfield Bancshares currently holds no securities in level three of the hierarchy.

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 table presents the financial instruments carried at fair value as of June 30, 2009, on the Consolidated Balance Sheet and by SFAS 157 valuation hierarchy (as described above):

Assets measured at fair value on a recurring basis as of June 30, 2009 (000s omitted):

	Quoted Prices in Active Markets for Identical	Significant Other Observable	Significant Unobservable	Balance at June 30, 2009
	Assets Level 1	Inputs Level 2	Inputs Level 3	
Securities available for sale	\$	\$ 2,778	\$ 162	\$ 2,940

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

Note 3 Securities

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

	Amortized	Gross	Gross	Estimated
	cost	unrealized	unrealized	fair
		gains	losses	
June 30, 2009 (unaudited)				