

Howard Bancorp Inc  
Form 10-Q/A  
November 09, 2012

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**FORM 10-Q**

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

For the quarterly period ended September 30, 2012

OR

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

Commission File Number: 001-35489

**HOWARD BANCORP, INC.**

(Exact name of registrant as specified in its charter)

Maryland 20-3735949  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

6011 University Blvd. Suite 370, Ellicott City, MD 21043  
(Address of principal executive offices) (Zip Code)

**(410) 750-0020**

(Registrant's telephone number, including area code)

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 during to 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 small reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "small reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Small reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The number of outstanding shares of common stock outstanding as of October 31, 2012.

Common Stock, \$0.01 par value – 4,036,628 shares

HOWARD BANCORP, INC.

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As used in this report, “Bancorp” refers to Howard Bancorp, Inc., references to the “Company,” “we,” “us,” and “ours” refer to Howard Bancorp, Inc. and its subsidiaries, collectively, and references to the “Bank” refer to Howard Bank.

This report contains forward-looking statements, which can be identified by the use of words such as “estimate,” “project,” “believe,” “intend,” “anticipate,” “plan,” “seek,” “expect,” “will,” “may,” “should” and words of similar meaning. You can also identify them by the fact that they do not relate strictly to historical or current facts.

These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations, particularly increasing originations of residential mortgage loans, our portfolio of mortgage loans and our selling of loans into the secondary market;
- the expected impact of our recently-completed initial public offering and concurrent private placement;
- statements regarding our intentions to not sell securities in our investment portfolio and the status of unrealized losses in such portfolios;
- our statement regarding anticipated changes in expenses;
- statements with respect to our allowance for credit losses, and the adequacy thereof;
- future cash requirements relating to commitments to extend credit, and that we do not anticipate any material losses in connection therewith;
- our statement with respect to expected retention of maturing certificates of deposits; and
- our statement with respect to adequate liquidity and future liquidity intentions.

These forward-looking statements are based on our current beliefs and expectations and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. We are under no duty to and do not undertake any obligation to update any forward-looking statements after the date of this prospectus.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- general economic conditions, either nationally or in our market area, that are worse than expected;
- competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our margins or reduce the fair value of financial instruments;
- adverse changes in the securities markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements;

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our ability to enter new markets successfully and capitalize on growth opportunities, and to otherwise implement our growth strategy;

- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission (“SEC”) and the Public Company Accounting Oversight Board;
- changes in our organization, compensation and benefit plans
- loss of key personnel; and

other risk discussed in this report, in our final prospectus dated May 21, 2012 as filed with the SEC on May 23, 2012 and in other reports we may file.

Because of these and a wide variety of other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements. You should not put undue reliance on any forward-looking statements.

**PART I****Item 1. Financial Statements****Howard Bancorp, Inc. and Subsidiary**

## Consolidated Balance Sheets

(in thousands)	Unaudited September 30, 2012	December 31, 2011
<b>ASSETS</b>		
Cash and due from banks	\$ 11,858	\$ 17,926
Federal funds sold	6,478	279
Total cash and cash equivalents	18,336	18,205
Securities available-for-sale	35,952	13,376
Nonmarketable equity securities	1,205	1,313
Loans held for sale	573	646
Loans and leases, net of unearned income	298,814	276,531
Allowance for credit losses	(2,733 )	(3,433 )
Net loans Net loans and leases	296,081	273,098
Bank premises and equipment, net	9,659	9,484
Other real estate owned	2,903	1,885
Deferred income taxes	1,208	1,679
Interest receivable and other assets	2,564	3,396
Total assets	\$ 368,481	\$ 323,082
<b>LIABILITIES</b>		
Noninterest-bearing deposits	\$ 79,934	\$ 62,044
Interest-bearing deposits	207,492	200,598
Total deposits	287,426	262,642
Short-term borrowings	27,619	12,984
Long-term borrowings	6,000	10,000
Accrued expenses and other liabilities	1,114	826
Total liabilities	322,159	286,452
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Preferred stock—par value \$0.01 (liquidation preference of \$1,000 per share) authorized 5,000,000; shares issued and outstanding 12,562 series AA at September 30, 2012 and December 31, 2011, net of issuance cost	12,562	12,562
	40	26

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Common stock - par value of \$0.01 authorized 5,000,000 shares; issued and outstanding 4,036,628 shares at September 30, 2012 and 2,640,264 shares at December 31, 2011

Capital surplus	37,379	28,413
Accumulated deficit	(3,681 )	(4,391 )
Accumulated other comprehensive income	22	20
Total shareholders' equity	46,322	36,630
Total liabilities and shareholders' equity	\$ 368,481	\$ 323,082

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated Statements of Operations

(in thousands)	Unaudited Nine months ended		Three months ended	
	September 30, 2012	2011	September 30, 2012	2011
<b>INTEREST INCOME</b>				
Interest and fees on loans and leases	\$11,386	\$10,728	\$ 3,854	\$ 3,666
Interest and dividends on securities	74	82	29	30
Other interest income	46	17	15	6
Total interest income	11,506	10,827	3,898	3,702
<b>INTEREST EXPENSE</b>				
Deposits	1,371	1,300	432	441
Short-term borrowings	125	137	40	50
Long-term borrowings	53	72	14	18
Total interest expense	1,549	1,509	486	509
<b>NET INTEREST INCOME</b>	9,957	9,318	3,412	3,193
Provision for credit losses	650	740	308	558
Net interest income after provision for credit losses	9,307	8,578	3,104	2,635
<b>NONINTEREST INCOME</b>				
Service charges on deposit accounts	235	229	87	75
Gains on the sale of loans	111	18	31	4
Loss on the sale of other real estate owned	(131 )	-	-	-
Other operating income	334	256	98	60
Total noninterest income	549	503	216	139
<b>NONINTEREST EXPENSE</b>				
Compensation and benefits	4,291	3,752	1,491	1,256
Occupancy and equipment	1,124	1,061	381	341
Marketing and business development	435	368	145	109
Professional fees	445	250	134	79
Data processing fees	331	257	116	92
FDIC Assessment	228	258	83	42
Provision for OREO	48	393	-	-
Other operating expense	940	1,018	309	293
Total noninterest expense	7,843	7,357	2,659	2,212
<b>INCOME BEFORE INCOME TAXES</b>	2,013	1,724	661	561
Income tax expense	831	693	274	224
<b>NET INCOME</b>	\$1,182	\$1,031	\$ 387	\$ 337
Preferred stock dividends	471	278	157	115
Net income available to common shareholders	\$711	\$753	\$ 230	\$ 222
<b>NET INCOME PER COMMON SHARE AVAILABLE</b>				
Basic	\$0.24	\$0.29	\$ 0.06	\$ 0.08
Diluted	\$0.24	\$0.29	\$ 0.06	\$ 0.08



The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income

(in thousands)	Unaudited			
	Nine months ended		Three months ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Net Income	\$1,182	\$1,031	\$ 387	\$ 337
Other comprehensive income				
Investments available-for-sale:				
Unrealized holding (losses) gains	3	(1 )	15	(37 )
Related income tax benefit (expense)	(1 )	-	(5 )	15
Comprehensive income	\$1,184	\$1,030	\$ 397	\$ 315

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

(dollars in thousands, except per share data)	Preferred stock	Number of shares	Common stock	Capital Surplus	Accumulated deficit	Accumulated other comprehensive gain/(loss)	Total
Balances at January 1, 2011	\$6,272	2,636,837	\$ 26	\$28,285	\$ (5,325 )	\$ 30	\$29,288
Net income	-	-	-	-	1,031	-	1,031
Net unrealized gain/(							