PATRIOT NATIONAL BANCORP INC
Form S-1/A
September 08, 2006

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As filed with the Securities and Exchange Commission on September 8, 2006

Registration No. 333-136824

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

Amendment No. 1
to
Form S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Patriot National Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Connecticut	**6021**	**06-1559137**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

900 Bedford Street
Stamford, Connecticut 06901
(203) 324-7500

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Charles F. Howell	**Robert F. O'Connell**
President	*Senior Executive Vice President and Chief Financial Officer*

Patriot National Bancorp, Inc.
900 Bedford Street
Stamford, Connecticut 06901
(203) 324-7500

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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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 any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box: o

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

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 number of the earlier effective registration statement for the same offering. o

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 number of the earlier effective registration statement for the same offering. o

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.

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 is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion dated September 8, 2006

PRELIMINARY PROSPECTUS

1,100,000 Shares
Common Stock

PATRIOT NATIONAL BANCORP, INC.

We are offering shares of our common stock. Our common stock is listed on the NASDAQ Global Market under the symbol "PNBK." Due in part to our common stock being thinly traded on the NASDAQ Global Market, the last reported sale price of our common stock, which was $27.15 per share on September 6, 2006, may not accurately reflect its value in a more liquid and efficient market. By comparison, the weighted average closing sale price for our common stock from September 21, 2005, the closing date of our 2005 Rights Offering, to September 6, 2006 was $22.96. The public offering price of our common stock to be sold in this offering may, therefore, be less than the last reported sale price on the NASDAQ Global Market. No determination has yet been made as to the price of the shares to be sold in this offering. The public offering price of our common stock to be sold in this offering will be determined based on negotiations with our underwriter.

Investing in our common stock involves risks. See "Risk Factors" beginning on page 8.

	Per Share	Total
Price to public	$	$
Underwriting discount(1)	$	$
Proceeds, before expenses, to Patriot National Bancorp, Inc.	$	$

(1) Certain of our executive officers and directors and an advisor to our chairman have indicated an intention to purchase at least $3 million of the shares to be sold in this offering at the public offering price. The underwriting discount for shares sold to our executive officers, directors and employees and advisors to our chairman will be 2% of the aggregate purchase price, up to an aggregate of $10 million, while the underwriting discount for all other shares sold in this offering will be 6% of the aggregate purchase price.

We have granted the underwriter a 30-day option to purchase up to 165,000 additional shares of common stock at the public offering price, less the underwriting discount, to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

These securities are not savings accounts, deposits or other obligations of any bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

The underwriter expects to deliver the shares to purchasers against payment in New York, New York on or about , 2006, subject to customary closing conditions.

Sandler O'Neill + Partners, L.P.

The date of this prospectus is , 2006.

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As a prospective investor, you should rely only on the information contained in this prospectus. We have not, and the underwriter has not, authorized anyone to provide prospective investors with information different from that contained in this prospectus. If anyone provides you with additional, different or inconsistent information, you should not rely on it. This prospectus is not an offer to sell nor is it seeking an offer to buy these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information included in this prospectus is accurate as of any date other than the date of this prospectus. Our business, financial condition, results of operations, cash flows and/or future prospects may have changed since that date.

In this prospectus we rely on and refer to information and statistics regarding the banking industry, Fairfield County, Connecticut, Westchester County, New York and the greater New York City metropolitan area. We obtained this market data from independent publications or other publicly available information. Although we believe these sources are reliable, we have not independently verified and do not guarantee the accuracy and completeness of this information.

Prospectus Summary

This summary highlights only some of the information contained in this prospectus and does not contain all the information you should consider in making your investment decision. You should read carefully the entire prospectus, including the "Risk Factors" section and the financial statements and notes to those financial statements appearing elsewhere in this prospectus, before making an investment decision. Unless otherwise indicated, all information in this prospectus assumes that the underwriter will not exercise its option to purchase additional shares to cover over-allotments.

In this prospectus, we frequently use the terms "we," "our" and "us" to refer to Patriot National Bancorp, Inc. and our subsidiary, Patriot National Bank.

Our Company

We are the bank holding company for Patriot National Bank, the largest publicly-held commercial bank headquartered in Fairfield County, Connecticut. We conduct our operations solely through the Bank. We and the Bank are headquartered at our main office in Stamford, Connecticut, approximately 40 miles east of New York City. The Bank began operations in 1994 and was reorganized as our subsidiary in 1999. The Bank has ten branch office locations serving customers located in the Fairfield County communities of Stamford, Greenwich, Old Greenwich, Norwalk, Wilton, Darien and Southport. In addition, we have loan production offices in Stamford, Connecticut, Melville (Long Island), New York and New York City, New York. During the fourth quarter of this year, we plan to open four additional branch offices in the Connecticut communities of Fairfield, Fairfield Center, Milford and Trumbull. In addition, in July 2006, we entered into an agreement to acquire a small bank branch office in New York City, New York. As of July 21, 2006, this branch had deposits of approximately $4.1 million. Although this branch is located in New York City, the primary reason for this acquisition is to permit us to expand our branch locations into Westchester County, New York, which is adjacent to Fairfield County, Connecticut. We do not anticipate further branch office expansion in New York City.

The Bank offers a broad range of commercial and consumer banking services with an emphasis on serving the needs of small and medium-sized businesses, commercial real estate investors and builders, professionals such as accountants and attorneys, as well as individuals. The Bank offers commercial real estate and construction loans to area businesses and developers, commercial loans to area businesses, as well as one- to four-family residential mortgage loans, home improvement loans and home equity lines of credit to individuals. The Bank offers consumer and commercial deposit accounts such as checking accounts, insured money market accounts, time certificates of deposit, and savings accounts. As of June 30, 2006, on a consolidated basis, we had total assets of $559.0 million, net loans of $450.5 million, total deposits of $472.6 million and total shareholders' equity of $31.7 million.

Investment Highlights

Growth

The strategic and operational leadership of our management team has resulted in significant growth in our assets, loans, deposits and net income over the past four and one half years. From December 31, 2001 through June 30, 2006, we have grown:

- Total assets from $202.6 million to $559.0 million;
- Net loans from $135.7 million to $450.5 million;
- Total deposits from $183.3 million to $472.6 million; and
- Non-interest bearing deposits from $17.0 million to $50.9 million.

During this period of growth, we have also emphasized the importance of a disciplined credit culture and have been successful in maintaining strong asset quality. Net loan charge-offs from December 31, 2001 to June 30, 2006 totaled $5,000. We had an aggregate of $5.2 million of

non-performing loans at June 30, 2006, which constituted 0.9% of total assets at such date. These non-performing loans included two loans in the aggregate amount of $3.4 million that were adequately collateralized and in the process of collection, and one loan in the amount of $1.1 million that was adequately collateralized and current as to principal and interest payments. The Bank is considered a well-capitalized institution under applicable regulations, with a total risk-based capital ratio of 10.70% and a Tier 1 risk-based capital ratio of 9.45% at June 30, 2006.

Market Overview

Our market is located within the greater New York City metropolitan area, and is highly dependent on the economy of New York City. Our primary market area encompasses the Fairfield County communities where our branches are located. From these branches, we also provide lending services in adjoining areas of Fairfield County and neighboring Westchester County, New York. In addition, we have established loan production offices in Melville (Long Island) and New York City, New York.

In 2005, the population of Fairfield County was estimated to be approximately 903,000 people, which represents approximately 25% of the population of Connecticut. The estimated median household income in 2004 was over $73,000, more than 50% higher than the estimated median household income for the United States of approximately $44,700. In June 2006, unemployment in Fairfield County was reported to be 3.9% compared to 4.1% for Connecticut and 4.6% for the United States.

Westchester County, New York shares similar demographics with neighboring Fairfield County. In 2005, the population of Westchester County was estimated to be approximately 941,000 people, which represents approximately 5% of the population of the greater New York City metropolitan area. The estimated median household income in 2004 was approximately $70,100 compared to approximately $44,700 estimated in the United States. In June 2006, unemployment in Westchester County was reported to be 3.9% compared to 4.9% for New York City, 4.6% for New York State and 4.6% for the United States.

As of June 30, 2006, the Bank had $472.6 million of total deposits. As of June 30, 2005, the most recent date such information is available, the Bank had approximately 1.62% of the approximately $22.7 billion of total deposits within Fairfield County. As of June 30, 2005, total deposits within Westchester County exceeded $27.8 billion. Consequently, there are substantial opportunities for the Bank to continue to grow its market share of deposits within its primary market area.

Fairfield and Westchester Counties are home to a large number of Fortune 500 corporate headquarters, including Pitney Bowes, Clairol, Xerox, GE Capital and Time Warner Cable in Connecticut, and IBM Corporation, Pepsico Incorporated, New York Life Insurance and Snapple Beverage Group/Motts, Inc. in New York. Many senior executives and employees of these and other businesses based in the greater New York City metropolitan area reside within our market area. Our market is also characterized by a large number of small and medium-sized businesses that have developed to meet the needs of the community. We are focused on serving these individuals and small to medium-size businesses.

Experienced Management Team

Our growth since 2001 is primarily due to our experienced team of banking executives:

Angelo De Caro, our Chairman and Chief Executive Officer, is a former partner and senior financial officer of Goldman Sachs & Co. Mr. De Caro served on the executive committees of Goldman Sachs Swiss Private Bank and Goldman Sachs Trust Services. Mr. De Caro has extensive experience in financial management and risk analysis and his responsibilities at

Goldman Sachs included auditing, tax and financial controls. He has focused us on our strategic growth objectives with respect to both our loan portfolio and core deposits.

Charles F. Howell, our President, and the Chief Executive Officer of the Bank, has over 30 years of banking experience in Fairfield County, including prior service as the president of a bank and as the chief operating officer and chief lending officer at another bank.

Robert F. O'Connell, our Senior Executive Vice President and Chief Financial Officer, has experience as a CPA in a major national accounting firm and has served as a senior executive officer and CFO of four other banks over a 30-year period. He also has responsibility for operations, retail banking and human resources.

Philip W. Wolford, our Chief Operating Officer, has over 30 years of banking experience and has been a senior executive officer of three banks. Mr. Wolford served as the controller of a large New York City savings bank and has had responsibility for operations, information technology, compliance, retail banking and loan operations. He has been with the Bank since it opened in 1994.

Our other four senior officers have over 100 years of combined banking and mortgage banking experience. We have also hired several senior commercial lenders with considerable experience and business relationships from other banks and financial institutions in our market area, and we expect to hire additional experienced lenders as we continue to grow.

Growth Strategy

We continue to attract new customers by providing a targeted line of commercial and consumer financial services while maintaining our reputation for excellent service, professionalism and integrity. Our goal is to maintain our growth strategy from our base in Fairfield County, Connecticut. We will continue to emphasize growth over profitability for the foreseeable future as we pursue this strategy. We believe that by continuing to grow through branch expansion, we will be able to create long-term value for our shareholders. Our strategy for achieving our growth objectives includes the following:

Expand our geographical footprint. We are the largest, independently owned commercial bank headquartered in Fairfield County. We believe that Fairfield County and neighboring areas of Connecticut with similar demographics continue to offer attractive opportunities for additional branch expansion. Our management is very familiar with Fairfield County and regularly evaluates opportunities to establish new bank branches by reviewing market demographics with a view towards loan and deposit growth, customer accessibility, proximity to competitors, renovation costs, and suitability. Financial institution consolidation within Fairfield County in recent years has confused brand loyalties, disrupted banking relationships and inconvenienced customers with branch office relocations and consolidations. In some cases, we have been able to lease existing bank branch buildings, which is an efficient and cost-effective alternative to building new facilities. We have received regulatory approval to open four additional branches, three in Fairfield County and one in the neighboring town of Milford, in New Haven County, Connecticut, all of which we plan to bring into service during the fourth quarter of this year.

Fairfield County shares similar demographics with neighboring Westchester County, New York. We have provided lending services in Westchester County for many years from our base in Connecticut. We now intend to open full service branch locations in Westchester County. In July 2006, we entered into an agreement with another financial institution to acquire a small branch office and assume the lease at 45 West End Avenue, New York, New York. This acquisition, which we expect to complete before the end of 2006, subject to receipt of all required regulatory approvals, will allow us to establish additional bank branch offices in Westchester County, our primary reason for the New York City branch acquisition. We do not anticipate further branch office expansion in New York City. We have signed a letter of intent to lease a facility in Bedford, in Westchester County, New York. Initially, we plan to operate this facility as a loan production office. Following the completion of our acquisition of the New York City bank branch office, we plan to apply during the first quarter of 2007 for regulatory approval to operate the Bedford loan production office as a full service bank branch office.

We typically establish loan production offices in areas where we have the opportunity to acquire lenders with a local following. We currently have loan production offices in Melville (Long Island) and New York City, New York. We may open additional loan production offices in other areas of metropolitan New York in the future. Except for the acquisition of a mortgage brokerage business in 1999 and our current agreement to acquire the small branch office in New York City, we have not historically supplemented our growth through acquisitions.

Increase our deposit balances. We focus on increasing our core deposits, which consist of non-interest-bearing demand accounts, NOW accounts, savings accounts, money market deposit accounts and certificates of deposit in amounts less than $100,000. We have grown our core deposits from $157.9 million at December 31, 2001 to $351.6 million at June 30, 2006 with a weighted average interest rate of 2.8% as of June 30, 2006. We intend to continue to increase our core deposits by capturing deposits from new and existing loan customers, and by attracting new depositors who seek a high level of personalized banking services. We believe that our personalized service and our role in providing commercial real estate and construction loans in the local business community distinguishes us from most of our competitors, many of which are larger banks and other institutions with a regional or national focus.

Increase the number and size of our loans. We seek to expand and attract new lending relationships, particularly residential construction, commercial real estate and commercial business loans. Additional capital will allow us to retain a greater portion of loans originated and to better meet the lending needs of our borrowers. Our growth strategy is to continue to maintain a strong loan-to-deposit ratio.

Attract and retain experienced lending professionals. Our senior management team includes individuals with extensive experience and business contacts in the Fairfield County and metropolitan New York City areas. We seek to hire additional experienced commercial lenders with strong business relationships and knowledge of our market areas both to enhance our presence in existing markets as well as in new locations as we continue to grow. We also consider the availability of experienced lenders in connection with our plans to establish new branch locations. This strategy will be particularly important as we expand on our current lending operations in Westchester County with investments in new branch office locations. During the six months ended June 30, 2006, we hired four experienced lenders from local competitors, and a fifth lender joined us in August, 2006. All of these new employees are from our market area and have extensive lending experience, business contacts and relationships in the region. We intend to identify similarly credentialed individuals as we open new branch offices in Westchester County. We have also increased our credit analysis and administrative functions to support the current and anticipated expansion of our lending sales staff.

Office and Other Information

Our principal executive offices are located at 900 Bedford Street, Stamford, Connecticut 06901, and our telephone number is (203) 324-7500. Our Internet address is www.pnbk.com. The information contained on our web site is not part of this prospectus.

The Offering

Common stock offered by us	1,100,000 shares.[1]
Common stock to be outstanding immediately after this offering	4,339,494 shares.[2]
Net proceeds	The net proceeds from this offering are expected to be approximately $23.1 million based on the assumptions set forth under "Use of Proceeds" without giving effect to any exercise of the underwriter's over-allotment option.
Use of proceeds	We currently intend to contribute substantially all of the net proceeds of this offering to the Bank. The Bank intends to utilize the proceeds to enhance capital to further its branch expansion program and for general corporate purposes. We believe that by continuing to grow the Bank, we will be able to create long-term value for our shareholders. The net proceeds of this offering will be invested initially in primarily short-term investments.
Dividend policy	We historically have paid cash dividends. In the quarter ended June 30, 2006, we declared a quarterly cash dividend of $0.045 per share of common stock. We intend to continue to pay dividends, but our payment of dividends in the future will depend on a number of factors. We cannot assure you that we will continue to pay dividends or that the amount of dividends we pay will not be reduced in the future. See "Dividend Policy."
NASDAQ symbol	Our common stock is listed on the NASDAQ Global Market under the symbol "PNBK."

(1) Certain of our executive officers and directors and an advisor to our chairman have indicated an intention to purchase at least $3 million of the shares to be sold in this offering at the public offering price. At our request, the underwriter has advised us that it will reserve shares for this purpose. Any reserved shares which are not purchased will be offered by the underwriter to the general public on the same basis as the other shares offered by this prospectus.

(2) The number of shares of common stock that will be outstanding after this offering includes 3,239,494 shares outstanding as of August 15, 2006, but does not include (i) 165,000 shares of common stock issuable pursuant to the underwriter's over-allotment option; and (ii) 65,000 shares of common stock reserved for issuance upon exercise of stock options with a weighted-average exercise price of $10.13, which have been granted and remained outstanding as of August 15, 2006.

Risk Factors

Before investing you should carefully consider the matters set forth under "Risk Factors" beginning on page 8 of this prospectus for a discussion of risks related to an investment in our common stock.

Selected Consolidated Financial and Other Data

We have derived the selected consolidated financial and other data for the years ended December 31, 2005 and 2004 from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the selected consolidated financial and other data for the years ended December 31, 2003, 2002 and 2001 from our audited consolidated financial statements that are not included in this prospectus. The selected consolidated financial data as set forth below as of June 30, 2006 and 2005, and for the six months ended June 30, 2006 and June 30, 2005, have been derived from our unaudited financial statements which are included elsewhere in this prospectus. We have prepared the unaudited financial statements on a basis consistent with our audited annual financial statements. In our opinion, the unaudited financial statements include all normal recurring adjustments necessary for a fair presentation of our results of operations and financial condition for such periods. Our operating results for the six months ended June 30, 2006 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2006. You should read the selected consolidated financial information below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and notes related to those financial statements included elsewhere in this prospectus.

	Six Months Ended June 30,		Years Ended December 31,				
	2006	2005	2005	2004	2003	2002	2001
	(dollars in thousands, except share and per share data)						
Selected Operating Data:							
Interest and dividend income	$ 17,193	$ 11,403	$ 25,149	$ 18,678	$ 15,215	$ 12,605	$ 13,723
Interest expense	7,614	4,495	10,270	7,009	5,588	4,765	6,867
Net interest income	9,579	6,908	14,879	11,670	9,626	7,840	6,856
Provision for loan losses	924	360	1,110	556	563	468	250
Noninterest income	1,212	1,532	3,229	2,702	4,814	4,114	3,510
Noninterest expense	8,434	7,008	14,634	12,257	11,659	9,813	8,676
Net income	907	638	1,407	926	1,341	1,052	876
Per Share Data:							
Basic income per share	$ 0.28	$ 0.26	$ 0.52	$ 0.38	$ 0.56	$ 0.44	$ 0.37
Diluted income per share	0.28	0.25	0.51	0.37	0.55	0.43	0.36
Dividends per share	0.085	0.075	0.155	0.135	0.115	0.095	0.060
Weighted average shares outstanding Basic	3,230,649	2,488,247	2,696,676	2,449,679	2,400,879	2,400,525	2,400,488
Weighted average shares outstanding Diluted	3,257,349	2,537,133	2,738,718	2,502,691	2,443,236	2,427,314	2,426,501
Common shares outstanding at end of period	3,230,649	2,489,391	3,230,649	2,486,391	2,408,607	2,400,525	2,400,525
Book value per share	9.82	8.06	9.71	7.95	7.80	7.73	7.25
Tangible book value per share(1)	9.54	7.69	9.42	7.57	7.41	7.34	6.86

	June 30, 2006	As of December 31, 2005	2004	2003	2002	2001
Balance Sheet Data:						
Cash and due from banks	$ 8,542	$ 7,221	$ 6,670	$ 4,024	$ 5,386	$ 7,544
Federal funds sold	13,600	6,500	37,500	15,000	3,000	12,700
Short term investments	169	2,247	11,460	10,431	3,349	6,789
Investment securities	75,896	80,991	78,259	92,331	61,721	35,817
Loans, net	450,452	364,244	263,875	214,421	170,795	135,680
Total assets	559,006	470,641	405,047	342,469	248,497	202,569
Total deposits	472,629	419,075	367,005	289,992	217,911	183,264
Total borrowings	51,248	17,248	16,248	31,301	10,293	839
Total shareholders' equity	31,735	31,375	19,756	18,780	18,545	17,406

	At or for the Six Months Ended June 30,		At or for the Year Ended December 31,				
	2006	2005	2005	2004	2003	2002	2001
	(dollars in thousands, except share and per share data)						
Selected Financial Ratios and Other Data(2):							
Return on average assets	0.36%	0.31%	0.33%	0.26%	0.46%	0.47%	0.46%
Return on average equity	5.67	6.36	6.00	4.74	7.09	5.82	5.10
Interest rate spread(3)	3.30	3.08	3.13	3.02	3.10	3.31	3.11
Net interest margin(4)	3.83	3.45	3.54	3.35	3.41	3.67	3.75
Non-interest expense to average assets	3.31	3.42	3.41	3.52	4.13	4.59	4.75
Efficiency ratio(5)	78.16	83.03	80.82	85.28	80.74	82.09	83.69
Tangible capital to tangible assets(6)	5.52	4.61	6.48	4.66	5.23	7.12	8.17
Regulatory Capital Ratios(7):							
Tier I capital to average total assets	7.53%	6.44%	8.56%	6.79%	7.51%	6.99%	8.15%
Tier I capital to total risk-weighted assets	9.59	8.86	11.45	9.04	10.00	9.13	9.61
Total capital to total risk-weighted assets	10.84	10.49	12.70	10.70	11.87	10.39	10.74
Asset Quality Ratios:							
Non-performing loans(8) as a percent of gross loans	1.14%	0.82%	0.60%	1.51%	0.14%	0.79%	2.14%
Non-performing assets as a percent of total assets	0.93	0.60	0.47	1.00	0.09	0.56	1.46
Allowance for loan losses as a percent of gross loans	1.21	1.26	1.25	1.31	1.35	1.37	1.38
Allowance for loan losses as a percent of total non-performing loans	106.06	153.27	207.60	86.12	931.43	172.76	64.12
Number of full-service customer facilities	10	10	10	9	7	4	4

(1) Represents the result of total shareholders' equity minus goodwill, divided by the number of shares outstanding

(2) All ratios are annualized where appropriate.

(3) Represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities.

(4) Represents net interest income as a percent of average interest-earning assets.

(5) Represents non-interest expense divided by the sum of net interest income and noninterest income.

(6) Represents total consolidated common equity, less intangibles, divided by total consolidated assets, less intangibles.

(7) See note 14 to our audited consolidated financial statements for additional information about our regulatory capital positions and requirements and the regulatory capital positions and requirements of the Bank.

(8) Consists of loans past due 90 days or more and still accruing, and loans placed on non-accrual status.

Risk Factors

An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below before making an investment decision. You should also refer to the other information in this prospectus, including our financial statements and the related notes included elsewhere in this prospectus. The risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. If any of the following risks actually occur, our business, results of operations and financial condition could suffer. In that event, the trading price of our common stock could decline, and you may lose all or part of your investment in our common stock. The risks discussed below also include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements.

The shares of common stock offered through this prospectus are not savings accounts, deposits or other obligations of a bank and are not insured by the Federal Deposit Insurance Corporation, or FDIC, or any other governmental agency.

Risks Related to our Business

We intend to continue our emphasis on growth over earnings for the foreseeable future.

We have actively sought growth of our institution in recent years, by opening additional branches, initiating internal growth programs, completing one acquisition of a mortgage brokerage company and contracting to acquire a small branch office in New York City. We may not be able to sustain our historical rate of growth or may not even be able to continue to grow at all. Various factors, such as economic conditions and competition, may impede or prohibit us from opening new branches. In addition, we may not be able to obtain the financing necessary to fund additional growth and we may not be able to find suitable candidates for acquisition.

Sustaining our growth has placed significant demands on our management as well as on our administrative, operational and financial resources. We have received regulatory approval to open four new branch offices, which we currently plan to bring into service during the fourth quarter of 2006. We expect our acquisition of the small branch office in New York City, which had deposits of approximately $4.1 million at July 21, 2006, will close before the end of 2006, subject to receipt of all required regulatory approvals. We expect to open additional branch offices in Connecticut and Westchester County, New York in the near future. In August 2006, we signed a letter of intent to lease a facility in Bedford, New York. Integrating these new branch offices, particularly the four branch offices scheduled to open during the fourth quarter of 2006, will place increased demands on the time and resources of our management, and may temporarily distract management's attention from our day-to-day business. We cannot assure you that we will successfully integrate new branch offices into our operations, or that we will achieve anticipated benefits from opening new branch offices or achieve earnings results in the future similar to those that we have achieved in the past.

For us to continue to manage our growth, we must continue to:

- attract and retain qualified management and experienced bankers;
- find suitable markets for expansion;
- find suitable, affordable branch office locations;
- attract funding to support additional growth;
- maintain our asset quality;
- maintain adequate regulatory capital; and
- maintain adequate controls.

Although we believe that our earnings will increase as we build our franchise, earnings are expected to continue to be adversely affected by the costs of opening new branches and the time necessary to build a customer base at each new branch.

If we are unable to continue our historical levels of growth, or if our growth comes at greater financial expense than has been incurred in the past, we may not be able to achieve our financial goals and our profitability may be adversely affected.

We will be expanding into a new geographic market in which our current senior management has limited experience.

We intend to expand into Westchester County and the surrounding counties in New York State. In July 2006, we entered into an agreement with another financial institution to acquire a small branch office in New York City, New York, which had deposits of approximately $4.1 million at July 21, 2006. We expect this acquisition will close before the end of 2006, subject to receipt of all required regulatory approvals. This acquisition will allow us to establish additional bank branch offices in Westchester County, New York, which is the primary reason for the acquisition. We do not anticipate further branch expansion in New York City. We have signed a letter of intent to lease a facility in Bedford, in Westchester County, New York. Initially, we plan to operate this facility as a loan production office. Following the completion of our acquisition of the New York City bank branch office, we plan to apply during the first quarter of 2007 for regulatory approval to operate the Bedford loan production office as a full service bank branch office.

The vast majority of our current deposits and loans are derived from and made to customers who live and work in Fairfield County, Connecticut. Although we believe that the demographics for Westchester County, New York closely resemble those of Fairfield County, Connecticut, we do not currently conduct significant deposit activity in New York State. Our senior management team includes several individuals with substantial banking experience in Connecticut, but with less experience in New York. Our ability to compete effectively in New York State will depend in part on our ability to hire and retain key employees who know the Westchester County market better than we do.

We have no experience opening bank branch offices in Westchester County, New York.

Historically, our investment in capital equipment to open a new branch office has ranged between $315,000 and $450,000. However, total branch operating costs also include a variety of variable costs, including the prevailing rental rates in the local branch office area, the size of the branch, the availability of facilities that are ready to be operated as bank branches, and the number of employees. We have not opened branches in Westchester County in the past and we may not be able to estimate accurately the variable costs associated with opening branch offices in this area. If we underestimate these variable costs, then the branches that we establish in these areas may prove to be more costly than anticipated and, as a further consequence, our branch expansion program may be delayed or reduced in scope, or both, which may have an adverse effect on our business and results of operations.

Because we intend to increase our commercial real estate, construction and commercial business loan originations, our lending risk will increase, and downturns in the real estate market could adversely affect our earnings.

Commercial real estate, construction and commercial business loans generally have more risk than residential mortgage loans. Both commercial real estate and construction loans, for example, often involve larger loan balances concentrated with single borrowers or groups of related borrowers as compared to single-family residential loans. Construction loans are secured by the property under construction, the value of which is uncertain prior to completion. Thus, it is more difficult to evaluate accurately the total loan funds required to complete a project and the related loan-to-value ratios.

Speculative construction loans involve additional risk because the builder does not have a contract for the sale of the property at the time of construction.

Because the repayment of commercial real estate, construction and commercial business loans depends on the successful management and operation of the borrower's properties or related businesses, repayment of such loans can be affected by adverse conditions in the real estate market or the local economy. As of June 30, 2006, 76.3% of our total loan portfolio was secured by real estate located in Fairfield County, Connecticut and Westchester County, New York. As a result, a downturn in the real estate market, especially within our market area, could adversely impact the value of properties securing these loans. Our ability to recover on defaulted loans by selling the underlying real estate would be diminished, and we would be more likely to suffer losses on defaulted loans. As our commercial real estate, construction and commercial business loan portfolios increase, the corresponding risks and potential for losses from these loans may also increase. The additional capital provided through the net proceeds of this offering will enable the Bank to increase the size of individual and relationship loans, which may exacerbate these risks.

Our business is subject to various lending and other economic risks that could adversely impact our results of operations and financial condition.

Changes in economic conditions, particularly an economic slowdown in Fairfield County, Connecticut and the New York metropolitan area, could hurt our financial performance. Our business is directly affected by political and market conditions, broad trends in industry and finance, legislative and regulatory changes, changes in governmental monetary and fiscal policies, and inflation, all of which are beyond our control. A deterioration in economic conditions, in particular an economic slowdown within Fairfield County, Connecticut and/or the New York metropolitan area, could result in the following consequences, any of which may hurt our business materially:

- loan delinquencies may increase;
- problem assets and foreclosures may increase;
- demand for our products and services may decline; and
- assets and collateral associated with our loans, especially real estate, may decline in value, thereby reducing a customer's borrowing power.

We may suffer losses in our loan portfolio despite our underwriting practices. We seek to mitigate the risks inherent in our loan portfolio by adhering to specific underwriting practices. These practices include analysis of a borrower's prior credit history, financial statements, tax returns and cash flow projections, valuation of collateral based on reports of independent appraisers and verification of liquid assets. Although we believe that our underwriting criteria are appropriate for the various kinds of loans we make, we may incur losses on loans that meet our underwriting criteria, and these losses may exceed the amounts set aside as reserves in our allowance for loan losses.

Our allowance for loan losses may not be adequate to cover actual losses.

Like all financial institutions, we maintain an allowance for loan losses to provide for loan defaults and non-performance. Our allowance for loan losses may not be adequate to cover actual loan losses, and future provisions for loan losses could materially and adversely affect our operating results. Our allowance for loan losses is based on an evaluation of the risks associated with our loans receivable as well as our prior experience. A substantial portion of our loans are unseasoned and lack an established record of performance. To date, we have experienced negligible losses. The amount of future losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates, that may be beyond our control, and these losses may exceed current estimates. Federal regulatory agencies, as an integral part of their examination process, review our loans and assess the adequacy of the allowance for loan losses. While we believe that our allowance for loan losses is adequate to cover current losses, we cannot assure you that we will not need to increase our allowance for loan losses or that regulators will not require us to increase this allowance. Either of these occurrences could materially and adversely affect our earnings and profitability.

Our business is subject to interest rate risk and variations in interest rates may negatively affect our financial performance.

We are unable to predict fluctuations of market interest rates, which are affected by many factors, including:

- inflation;
- recession;
- a rise in unemployment;
- tightening money supply; and
- domestic and international disorder and instability in domestic and foreign financial markets.

Changes in the interest rate environment may reduce our profits. We realize income from the differential or "spread" between the interest earned on loans, securities and other interest-earning assets, and interest paid on deposits, borrowings and other interest-bearing liabilities. Net interest spreads are affected by the difference between the maturities and repricing characteristics of interest-earning assets and interest-bearing liabilities. We are vulnerable to a decrease in interest rates because our interest-earning assets generally have shorter durations than our interest-bearing liabilities. As a result, material and prolonged decreases in interest rates would decrease our net interest income. In contrast, an increase in the general level of interest rates may adversely affect the ability of some borrowers to pay the interest on and principal of their obligations. Accordingly, changes in levels of market interest rates could materially and adversely affect our net interest spread, asset quality, levels of prepayments and cash flow as well as the market value of our securities portfolio and overall profitability.

Fee income derived from mortgage brokerage activities is also affected by interest rate fluctuations. Generally, increases in interest rates often lead to decreases in home refinancing activity, thus reducing the number of mortgage loans we originate.

Our investment portfolio includes securities which are sensitive to interest rates and variations in interest rates may adversely impact our profitability.

At June 30, 2006, our securities portfolio aggregated $72.1 million, all of which was classified as available-for-sale, and was comprised of mortgage-backed securities which are insured or guaranteed by U.S. government agencies or government-sponsored enterprises, U.S. government agency securities and money market preferred equity securities. These securities amounted to approximately 12.9% of our total assets and are sensitive to interest rate fluctuations. The unrealized gains or losses in our available-for-sale portfolio are reported as a separate component of shareholders' equity. As a result, future interest rate fluctuations may impact shareholders' equity, causing material fluctuations from quarter to quarter. Failure to hold our securities until payments are received on mortgage-backed securities or until maturity on other investments or until market conditions are favorable for a sale could adversely affect our earnings and profitability.

We are dependent on our management team, and the loss of our senior executive officers or other key employees could impair our relationship with our customers and adversely affect our business and financial results.

Our success is dependent upon the continued services and skills of Angelo De Caro, Charles F. Howell, Robert F. O'Connell, Philip W. Wolford and other senior officers including Martin G. Noble, our chief lender, Marcus Zavattaro, our residential lending sales manager, and John Kantzas, a founder and an executive vice president. While we have employment agreements containing non-competition provisions with Messrs. Howell, O'Connell and Zavattaro, these agreements do not prevent any of them from terminating their employment with us. The unexpected loss of services of one or more of these key personnel could have an adverse impact on our business because of their skills, knowledge of our market, years of industry experience and the difficulty of promptly finding qualified replacement personnel.

Our success also depends, in part, on our continued ability to attract and retain experienced commercial lenders and residential mortgage originators, as well as other management personnel. The loss of the services of several of such key personnel could adversely affect our growth strategy and prospects to the extent we are unable to replace such personnel. In the past year, we have hired several experienced commercial loan officers who have strong business relationships in order to expand and enhance our current deposit and commercial banking operations. Competition for commercial lenders and residential mortgage originators is strong within the commercial banking and mortgage banking industries, and we may not be successful in retaining or attracting additional personnel necessary to maintain our growth plans.

A breach of information security could negatively affect our earnings.

Increasingly, we depend upon data processing, communication and information exchange on a variety of computing platforms and networks, and over the internet to conduct our business. We cannot be certain that all of our systems are entirely free from vulnerability to attack, despite safeguards we have instituted. In addition, we rely on the services of a variety of vendors to meet our data processing and communication needs. If information security is breached, information can be lost or misappropriated, resulting in financial loss or costs to us or damages to others. These costs or losses could materially exceed the amount of insurance coverage, if any, which would have an adverse effect on our results of operations and financial condition. In addition, the Bank's reputation could be harmed, which also could materially adversely affect our financial condition and results of operations.

Changing regulation of corporate governance and public disclosure.

Recently enacted laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, new SEC regulations and NASDAQ Global Market rules, are adding to the responsibilities that companies such as ours have. These laws, regulations and standards are subject to varying interpretations, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could make compliance more difficult and result in higher costs due to ongoing revisions to disclosure and governance practices. We are committed to maintaining high standards of corporate governance and public disclosure. As a result, our efforts to comply with evolving laws, regulations and standards have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. In addition, during our fiscal year ending December 31, 2007, we will be required to comply with Section 404 of the Sarbanes-Oxley Act of 2002 and the related regulations regarding our required assessment of our internal controls over financial reporting and our external auditors' audit of that assessment. In order to prepare for this, we will need to commit significant financial and managerial resources beginning in 2006. If we do not effectively comply with these laws, regulations and standards, our reputation may be harmed.

Risks Related to the Offering

We may sell the shares of common stock in this offering at a price below the recent trading price of our common stock and, as a result, the market price of our common stock may decline after the stock offering.

The price per share at which we sell our common stock in this offering may be less than the market price of our common stock on the date the offering is completed. Our common stock is thinly traded and, as a result, the current market price may not accurately reflect the current market value of our common stock. The weighted average closing sale price of our common stock from September 21, 2005, the closing date of our 2005 Rights Offering, to September 6, 2006, is $22.96 per share. The last reported sale price of our common stock on the NASDAQ Global Market on September 6, 2006 was $27.15. If the public offering price is less than the current market price for our common stock, some purchasers in this offering may be inclined to immediately sell shares of common stock to try to realize a profit. Any such sales, depending on the volume and timing, is likely to cause the market price of our common stock to decline. Also, because stock pr