

HARRIS PREFERRED CAPITAL CORP
Form 10-Q
August 14, 2012

United States
Securities and Exchange Commission

Washington, D.C. 20549

Form 10-Q

Quarterly Report under Section 13 or 15 (d)
of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2012

Commission file number 1-13805

Harris Preferred Capital Corporation

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction

of incorporation

36-4183096
(I.R.S. Employer

Identification No.)

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or organization)

111 West Monroe Street,

Chicago, Illinois
(Address of principal executive offices)

60603
(Zip Code)

Registrant's telephone number, including area code: (312) 461-2121

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
7 3/8% Noncumulative Exchangeable Preferred Stock, Series A, par value \$1.00 per share	New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act: None	

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(232.405 of this chapter) 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 this registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of accelerated filer, large 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

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 shares of Common Stock, \$1.00 par value, outstanding on August 14, 2012 was 1,180. No common equity is held by nonaffiliates.

Harris Preferred Capital Corporation

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Harris Preferred Capital Corporation

Consolidated Balance Sheets

	June 30, 2012 (unaudited)	December 31, 2011 (audited) (in thousands)	June 30, 2011 (unaudited)
Assets			
Cash on deposit with BMO Harris Bank N.A.	\$ 312	\$ 948	\$ 1,217
Securities purchased from BMO Harris Bank N.A. under agreement to resell	7,508	22,000	22,500
Total cash and cash equivalents	\$ 7,820	\$ 22,948	\$ 23,717
Notes receivable from BMO Harris Bank N.A.	2,115	2,488	3,184
Securities available-for-sale, at fair value			
Mortgage-backed	319,650	461,356	488,752
U.S. Treasury Bills	254,998	100,000	70,000
Accrued interest receivable	943	1,587	1,694
Total assets	\$ 585,526	\$ 588,379	\$ 587,347
Liabilities and Stockholders Equity			
Accrued expenses	\$ 41	\$ 111	\$ 49
Accrued taxes payable and deferred tax liabilities	2,316	1,644	1,148
Total liabilities	\$ 2,357	\$ 1,755	\$ 1,197
Stockholders Equity			
7 3/8% Noncumulative Exchangeable Preferred Stock, Series A (\$1 par value); liquidation value of \$250,000; 20,000,000 shares authorized; 10,000,000 shares issued and outstanding	\$ 250,000	\$ 250,000	\$ 250,000
Common stock (\$1 par value); 5,000 shares authorized; 1,180 issued and outstanding	1	1	1
Additional paid-in capital	320,733	320,733	320,733
Earnings in excess of (less than) distributions	106	(425)	1,516
Accumulated other comprehensive income - net unrealized gains on securities available-for-sale	12,329	16,315	13,900
Total stockholders equity	\$ 583,169	\$ 586,624	\$ 586,150
Total liabilities and stockholders equity	\$ 585,526	\$ 588,379	\$ 587,347

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

Harris Preferred Capital Corporation

Consolidated Statements of Income

and Comprehensive Income

(Unaudited)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
(in thousands except share and per share amounts)				
Interest income:				
Securities purchased from BMO Harris Bank N.A. under agreement to resell	\$ 39	\$ 10	\$ 62	\$ 32
Notes receivable from BMO Harris Bank N.A.	40	51	77	104
Securities available-for-sale:				
Mortgage-backed	2,783	4,531	6,314	9,201
U.S. Treasury Bills	8	1	11	2
Total interest income	\$ 2,870	\$ 4,593	\$ 6,464	\$ 9,339
Noninterest income:				
Gains (losses) on sale of securities	\$ 4,618	\$ (44)	\$ 4,618	\$ 3,071
Total income	\$ 7,488	\$ 4,549	\$ 11,082	\$ 12,410
Operating expenses:				
Loan servicing fees paid to BMO Harris Bank N.A.	\$ 2	\$ 2	\$ 3	\$ 5
Advisory fees paid to BMO Harris Bank N.A.	40	37	83	68
General and administrative	91	74	228	195
Total operating expenses	\$ 133	\$ 113	\$ 314	\$ 268
Income before income taxes	\$ 7,355	\$ 4,436	\$ 10,768	\$ 12,142
Applicable state income taxes	698	421	1,022	1,153
Net Income	\$ 6,657	\$ 4,015	\$ 9,746	\$ 10,989
Other comprehensive income:				
Securities available-for-sale :				
Unrealized holding gains (losses) arising during the period, net of deferred state taxes	(111)	5,264	196	(3,228)
Less: reclassification adjustment for realized gains (losses) included in net income, net of state tax effect	4,179	(40)	4,179	2,779
Total other comprehensive (loss) income	(4,290)	5,224	(3,983)	(449)
Comprehensive income	\$ 2,367	\$ 9,239	\$ 5,763	\$ 10,540
Preferred stock dividends	4,609	4,609	9,218	9,218
Net income (loss) available to common stockholder	\$ 2,048	\$ (594)	\$ 528	\$ 1,771
Basic and diluted earnings (loss) per common share	\$ 1,736	\$ (504)	\$ 447	\$ 1,501
Average number of common shares outstanding	1,180	1,180	1,180	1,180

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

Harris Preferred Capital Corporation

Consolidated Statements of Changes in Stockholders' Equity

(Unaudited)

	Six Months Ended	
	June 30	
	2012	2011
	(in thousands)	
Balance at January 1	\$ 586,624	\$ 584,828
Net income	9,746	10,989
Other comprehensive loss	(3,983)	(449)
Dividends declared on preferred stock (\$.921880 per share)	(9,218)	(9,218)
Balance at June 30	\$ 583,169	\$ 586,150

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

Harris Preferred Capital Corporation
Consolidated Statements of Cash Flows

(Unaudited)

	Six Months Ended June 30,	
	2012	2011
	(in thousands)	
Operating Activities:		
Net income	\$ 9,746	\$ 10,989
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of securities	(4,618)	(3,071)
Decrease in other assets	644	87
Decrease in accrued expenses	(70)	(65)
Increase in accrued taxes payable and deferred taxes	672	4
Net cash provided by operating activities	\$ 6,374	\$ 7,944
Investing Activities:		
Repayments of notes receivable from BMO Harris Bank N.A.	\$ 373	\$ 185
Purchases of securities available-for-sale	(392,995)	