

BERKSHIRE BANCORP INC /DE/  
Form 10-Q  
November 14, 2012

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**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**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 0-13649

**BERKSHIRE BANCORP INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware** **94-2563513**  
(State or Other Jurisdiction of (I.R.S. Employer  
Incorporation or Organization) Identification No.)

**160 Broadway, New York, New York 10038**  
(Address of Principal Executive (Zip Code)  
Offices)

Registrant's Telephone Number, Including Area Code: **(212) 791-5362**

**N/A**

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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 x 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 x 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 x  
(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 x

As of November 12, 2012, there were 14,416,198 outstanding shares of the issuer's Common Stock, \$.10 par value.

BERKSHIRE BANCORP INC. AND SUBSIDIARIES

FORWARD-LOOKING STATEMENTS

**Forward-Looking Statements.** *Statements in this Quarterly Report on Form 10-Q that are not based on historical fact may be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "believe", "may", "will", "expect", "estimate", "anticipate", "continue" or similar terms identify forward-looking statements. A wide variety of factors could cause the actual results and experiences of Berkshire Bancorp Inc. (the "Company") to differ materially from the results expressed or implied by the Company's forward-looking statements. Some of the risks and uncertainties that may affect operations, performance, results of the Company's business, the interest rate sensitivity of its assets and liabilities, and the adequacy of its loan loss allowance, include, but are not limited to: (i) deterioration in local, regional, national or global economic conditions which could result, among other things, in an increase in loan delinquencies, a decrease in property values, or a change in the housing turnover rate; (ii) changes in market interest rates or changes in the speed at which market interest rates change; (iii) changes in laws and regulations affecting the financial services industry; (iv) changes in competition; (v) changes in consumer preferences; (vi) changes in banking technology; (vii) ability to maintain key members of management; (viii) possible disruptions in the Company's operations at its banking facilities; (ix) cost of compliance with new corporate governance requirements, rules and regulations; (x) the potential impact on our operations and customers resulting from natural or man-made disasters, including the potential impact of Hurricane Sandy; and other factors referred to in this Quarterly Report and in Item 1A, "Risk Factors", of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.*

Certain information customarily disclosed by financial institutions, such as estimates of interest rate sensitivity and the adequacy of the loan loss allowance, are inherently forward-looking statements because, by their nature, they represent attempts to estimate what will occur in the future.

The Company cautions readers not to place undue reliance upon any forward-looking statement contained in this Quarterly Report. Forward-looking statements speak only as of the date they were made and the Company assumes no obligation to update or revise any such statements upon any change in applicable circumstances.

BERKSHIRE BANCORP INC. AND SUBSIDIARIES  
 QUARTERLY REPORT ON FORM 10-Q

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BERKSHIRE BANCORP INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(Dollars in Thousands, Except Share Data)  
(unaudited)

	September 30, 2012	December 31, 2011
<b>ASSETS</b>		
Cash and due from banks	\$ 5,260	\$ 12,105
Interest bearing deposits	100,019	88,931
Total cash and cash equivalents	105,279	101,036
Investment Securities:		
Available-for-sale	398,679	415,170
Held-to-maturity, fair value of \$274 in 2012 and \$293 in 2011	281	298
Total investment securities	398,960	415,468
Loans, net of unearned income	308,900	317,021
Less: allowance for loan losses	(13,525 )	(17,720 )
Net loans	295,375	299,301
Accrued interest receivable	3,414	3,224
Premises and equipment, net	7,241	7,474
Other assets	37,002	35,626
Total assets	\$ 847,271	\$ 862,129
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Deposits:		
Non-interest bearing	\$ 78,823	\$ 74,073
Interest bearing	572,171	584,819
Total deposits	650,994	658,892
Securities sold under agreements to repurchase	50,000	50,000
Borrowings	2,672	6,139
Subordinated debt	7,217	22,681
Accrued interest payable	1,722	6,996
Other liabilities	2,259	1,893
Total liabilities	714,864	746,601
Stockholders' equity		
Preferred stock - \$.01 Par value: 2,000,000 shares authorized - none issued		
Common stock - \$.10 par value Authorized — 25,000,000 shares Issued — 14,416,198 shares Outstanding — September 30, 2012, 14,416,198 shares December 31, 2011, 14,443,183 shares	1,442	1,444
Additional paid-in capital	143,903	143,900
Accumulated Deficit	(10,636 )	(19,299 )
Accumulated other comprehensive loss, net	(2,302 )	(10,517 )
Total stockholders' equity	132,407	115,528
Total liabilities and stockholders' equity	\$ 847,271	\$ 862,129

**The accompanying notes are an integral part of these statements**

BERKSHIRE BANCORP INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Dollars In Thousands, Except Per Share Data)  
(unaudited)

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2012	2011	2012	2011
<b>INTEREST INCOME</b>				
Loans, including related fees	\$ 4,658	\$ 5,229	\$ 14,445	\$ 16,406
Investment securities	2,406	3,240	7,143	9,901
Interest bearing deposits	59	65	243	199
Total interest income	7,123	8,534	21,831	26,506
<b>INTEREST EXPENSE</b>				
Deposits	1,144	1,503	3,544	4,612
Securities sold under agreements to repurchase	446	481	1,337	1,475
Interest expense on borrowings	69	240	410	752
Total interest expense	1,659	2,224	5,291	6,839
Net interest income	5,464	6,310	16,540	19,667
<b>PROVISION FOR LOAN LOSSES</b>	(4,193 )	—	(4,193 )	1,600
Net interest income after provision for loan losses	9,657	6,310	20,733	18,067
<b>NON-INTEREST INCOME</b>				
Service charges on deposit accounts	110	127	344	364
Investment securities gains	61	1,100	169	963
Other income	595	82	897	43,246
Total non-interest income	766	1,309	1,410	44,573
<b>NON-INTEREST EXPENSE</b>				
Salaries and employee benefits	2,263	2,243	7,123	7,077
Net occupancy expense	567	921	1,728	1,986
Equipment expense	86	76	252	236
FDIC assessment	300	300	900	952
Data processing expense	112	74	336	335
Other	652	728	1,984	2,475
Total non-interest expense	3,980	4,342	12,323	13,061
Income before provision for taxes	6,443	3,277	9,820	49,579
Provision for income taxes	3,260	281	1,157	2,374
Net income	\$ 3,183	\$ 2,996	\$ 8,663	\$ 47,205
Dividends on preferred stock	—	1,200	—	3,600
Income (loss) allocated to common stockholders	\$ 3,183	\$ 1,796	\$ 8,663	\$ 43,605
Net income (loss) per common share:				
Basic	\$ .22	\$ .25	\$ .60	\$ 6.18
Diluted	\$ .22	\$ .25	\$ .60	\$ 6.18

Number of shares used to compute net income (loss) per common share:

Basic	14,416	7,054	14,416	7,054
Diluted	14,416	7,054	14,416	7,054

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



BERKSHIRE BANCORP INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)  
 (unaudited)

	For The Nine Months Ended September 30,	
	2012	2011
Net earnings	\$ 8,663	\$ 47,205
Other comprehensive income, net of tax:		
Unrealized gains (losses) on available- for-sale securities, net of taxes (benefits) of \$5,409 and (\$1,203), in 2012 and 2011, respectively	8,114	(1,805 )
Reclassification adjustment for realized gains (losses) included in net earnings, net of taxes of \$68 and \$385, in 2012 and 2011, respectively	101	578
Comprehensive income	\$ 16,878	\$ 45,978

**The accompanying notes are an integral part of these statements**

BERKSHIRE BANCORP INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For The Nine Months Ended September 30, 2012 and 2011

(Dollars In Thousands, Except Share Data)

(Unaudited)

	Common Shares	Preferred Shares	Common Stock Par Value	Preferred Stock Par Value	Additional paid-in capital	Accumulated other comprehensive (loss), net	Retained Earnings/ (Accumulated deficit)	Treasury stock	Comprehensive income (loss)	Total stockholders' equity
Balance at December 31, 2010	7,698	60	\$770	\$1	\$150,985	\$(8,589)	\$(65,123)	\$(6,411)		\$71,633
Net income							47,205		47,205	47,205
Other comprehensive loss net of taxes						(1,227)			(1,227)	(1,227)
Comprehensive income									\$45,978	
Cash dividends - Preferred Stock							(3,600)			(3,600)
Balance at September 30, 2011	7,698	60	\$770	\$1	\$150,985	\$(9,816)	\$(21,518)	\$(6,411)		\$114,011
Balance at December 31, 2011	14,443	—	\$1,444	\$						