

BERKSHIRE BANCORP INC /DE/  
Form 10-Q  
May 11, 2009

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 March 31, 2009

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  
Incorporation or Organization)

(I.R.S. Employer  
Identification No.)

**160 Broadway, New York, New York**

**10038**

(Address of Principal Executive Offices)

(Zip Code)

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  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

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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   
(Do not check if a smaller reporting company)

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

As of May 5, 2009, there were 7,054,183 outstanding shares of the issuer's Common Stock, \$.10 par value.

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**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, 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, 2008.*

*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)  
(unaudited)

	March 31, 2009	December 31, 2008
<b>ASSETS</b>		
Cash and due from banks	\$ 4,640	\$ 3,290
Interest bearing deposits	44,784	69,097
Federal funds sold		30,000
	<u>49,424</u>	<u>102,387</u>
Total cash and cash equivalents	49,424	102,387
Investment Securities:		
Available-for-sale	305,874	298,763
Held-to-maturity, fair value of \$361 in 2009 and \$362 in 2008	356	360
	<u>306,230</u>	<u>299,123</u>
Total investment securities	306,230	299,123
Loans, net of unearned income	453,939	466,753
Less: allowance for loan losses	(9,357)	(9,204)
	<u>444,582</u>	<u>457,549</u>
Net loans	444,582	457,549
Accrued interest receivable	5,422	5,866
Premises and equipment, net	8,723	8,844
Goodwill, net	18,549	18,549
Trade date securities receivable		13,431
Other assets	41,605	37,963
	<u>874,535</u>	<u>943,712</u>
Total assets	\$ 874,535	\$ 943,712
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Deposits:		
Non-interest bearing	\$ 53,524	\$ 51,312
Interest bearing	634,450	674,797
	<u>687,974</u>	<u>726,109</u>
Total deposits	687,974	726,109
Securities sold under agreements to repurchase	57,000	59,504
Long term borrowings	38,391	45,272
Subordinated debt	22,681	22,681
Accrued interest payable	6,021	6,522
Other liabilities	3,627	17,672
	<u>815,694</u>	<u>877,760</u>
Total liabilities	815,694	877,760
Stockholders equity		
Preferred stock - \$.01 Par value:		
Authorized 2,000,000 shares Issued 60,000 shares Outstanding March 31, 2009, 60,000 shares December 31, 2008, 60,000 shares	1	1
Common stock - \$.10 par value		
Authorized 10,000,000 shares Issued 7,698,285 shares Outstanding March 31, 2009, 7,054,183 shares December 31, 2008, 7,054,183 shares	770	770
Additional paid-in capital	150,985	150,985
Accumulated Deficits	(39,926)	(39,795)
Accumulated other comprehensive loss, net	(46,578)	(39,598)
Treasury Stock at cost March 31, 2009, 644,102 shares December 31, 2008, 644,102 shares	(6,411)	(6,411)

Total stockholders' equity	58,841	65,952
	\$ 874,535	\$ 943,712

The accompanying notes are an integral part of these statements

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

	For The Three Months Ended March 31,	
	2009	2008
<b>INTEREST INCOME</b>		
Loans, including related fees	\$ 7,771	\$ 8,205
Investment securities	4,403	7,867
Federal funds sold and interest bearing deposits	271	224
	12,445	16,296
<b>INTEREST EXPENSE</b>		
Deposits	4,017	7,733
Short-term borrowings	584	594
Long-term borrowings	767	806
	5,368	9,133
Net interest income	7,077	7,163
<b>PROVISION FOR LOAN LOSSES</b>	150	150
	6,927	7,013
<b>NON-INTEREST INCOME</b>		
Service charges on deposit accounts	122	155
Investment securities gains	75	58
Other income	202	253
	399	466
<b>NON-INTEREST EXPENSE</b>		
Salaries and employee benefits	2,361	2,399
Net occupancy expense	506	538
Equipment expense	99	95
FDIC assessment	683	106
Data processing expense	94	111
Other than temporary impairment charges on securities	1,025	
Other	912	661
	5,680	3,910
Income before provision for taxes	1,646	3,569
Provision for income taxes	577	920
	1,069	2,649
Net income	\$ 1,069	\$ 2,649
	1,200	
Dividends on preferred stock		

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(Loss) income allocated to common stockholders	\$	(131)	\$	2,649
<hr/>				
Net income (loss) per common share:				
Basic	\$	(.02)	\$	.38
<hr/>				
Diluted	\$		\$	.38
<hr/>				

The accompanying notes are an integral part of these statements.



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

**For The Three Months Ended March 31, 2009 and 2008**

(In Thousands)

(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
<b>Balance at January 1, 2008</b>	7,698		\$ 770	\$	\$ 90,986	\$ (3,439)	\$ 42,352	\$ (6,411)		\$ 124,258
Net income							2,649		2,649	2,649
Other comprehensive (loss) net of taxes						(9,486)			(9,486)	(9,486)
Comprehensive (loss)									\$ (6,837)	
<b>Balance at March 31, 2008</b>	7,698		\$ 770	\$	\$ 90,986	\$ (12,925)	\$ 45,001	\$ (6,411)		\$ 117,421
<b>Balance at January 1, 2009</b>	7,698	60	\$ 770	\$ 1	\$ 150,985	\$ (39,598)	\$ (39,795)	\$ (6,411)		\$ 65,952
Net income							1,069		1,069	1,069
Other comprehensive (loss) net of taxes						(6,980)			(6,980)	(6,980)