

BERKSHIRE BANCORP INC /DE/
Form 10-Q
August 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 June 30, 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 August 7, 2009, there were 7,054,183 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, 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)

	June 30, 2009	December 31, 2008
ASSETS		
Cash and due from banks	\$ 6,545	\$ 3,290
Interest bearing deposits	50,119	69,097
Federal funds sold		30,000
	<u>56,664</u>	<u>102,387</u>
Total cash and cash equivalents	56,664	102,387
Investment Securities:		
Available-for-sale	308,711	298,763
Held-to-maturity, fair value of \$354 in 2009 and \$362 in 2008	349	360
	<u>309,060</u>	<u>299,123</u>
Total investment securities	309,060	299,123
Loans, net of unearned income	446,333	466,753
Less: allowance for loan losses	(9,757)	(9,204)
	<u>436,576</u>	<u>457,549</u>
Net loans	436,576	457,549
Accrued interest receivable	4,885	5,866
Premises and equipment, net	8,611	8,844
Goodwill, net	18,549	18,549
Trade date securities receivable		13,431
Other assets	31,195	37,963
	<u>865,540</u>	<u>943,712</u>
Total assets	\$ 865,540	\$ 943,712
LIABILITIES AND STOCKHOLDERS EQUITY		
Deposits:		
Non-interest bearing	\$ 56,196	\$ 51,312
Interest bearing	614,663	674,797
	<u>670,859</u>	<u>726,109</u>
Total deposits	670,859	726,109
Securities sold under agreements to repurchase	57,000	59,504
Long term borrowings	36,473	45,272
Subordinated debt	22,681	22,681
Accrued interest payable	3,780	6,522
Other liabilities	4,140	17,672
	<u>794,933</u>	<u>877,760</u>
Total liabilities	794,933	877,760
Stockholders equity		
Preferred stock - \$.01 Par value:		
Authorized 2,000,000 shares		
Issued 60,000 shares		
Outstanding		
June 30, 2009, 60,000 shares		
December 31, 2008, 60,000 shares	1	1
Common stock - \$.10 par value		
Authorized 10,000,000 shares	770	770
Issued 7,698,285 shares		
Outstanding		

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June 30, 2009, 7,054,183 shares

December 31, 2008, 7,054,183 shares

Additional paid-in capital	150,985	150,985
Accumulated Deficit	(43,561)	(39,795)
Accumulated other comprehensive loss, net	(31,177)	(39,598)
Treasury Stock at cost June 30, 2009, 644,102 shares December 31, 2008, 644,102 shares	(6,411)	(6,411)
Total stockholders' equity	70,607	65,952
	<u>\$ 865,540</u>	<u>\$ 943,712</u>

The accompanying notes are an integral part of these statements

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

	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2009	2008	2009	2008
INTEREST INCOME				
Loans, including related fees	\$ 7,449	\$ 8,096	\$ 15,220	\$ 16,301
Investment securities	4,042	7,254	8,445	15,121
Federal funds sold and interest bearing deposits	182	200	453	424
Total interest income	11,673	15,550	24,118	31,846
INTEREST EXPENSE				
Deposits	3,237	6,355	7,254	14,088
Short-term borrowings	591	520	1,175	1,114
Long-term borrowings	578	804	1,345	1,610
Total interest expense	4,406	7,679	9,774	16,812
Net interest income	7,267	7,871	14,344	15,034
PROVISION FOR LOAN LOSSES	400	654	550	804
Net interest income after provision for loan losses	6,867	7,217	13,794	14,230
NON-INTEREST INCOME				
Service charges on deposits accounts	116	138	238	293
Investment securities gains	112	20	187	78
Other income	150	219	352	472
Total non-interest income	378	377	777	843
NON-INTEREST EXPENSE				
Salaries and employee benefits	2,311	2,417	4,672	4,816
Net occupancy expense	546	507	1,052	1,045
Equipment expense	95	97	194	192
FDIC assessment	585	132	1,268	238
Data processing expense	116	110	210	221
Other than temporary impairment charges on securities	4,100		5,125	
Other	861	714	1,773	1,375
Total non-interest expense	8,614	3,977	14,294	7,887
Income (loss) before provision for taxes	(1,369)	3,617	277	7,186
Provision for income taxes	1,066	975	1,643	1,895
Net income (loss)	\$ (2,435)	\$ 2,642	\$ (1,366)	\$ 5,291
Dividends on preferred stock	1,200		2,400	

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Income (loss) allocated to common stockholders	\$ (3,635)	\$ 2,642	\$ (3,766)	\$ 5,291
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Net income (loss) per common share:				
Basic	\$ (.52)	\$.37	\$ (.53)	\$.75
<hr/>				
Diluted	\$ (.52)	\$.37	\$ (.53)	\$.75
<hr/>				
Number of shares used to compute net income (loss) per common share:				
Basic	7,054	7,054	7,054	7,054
<hr/>				
Diluted	7,054	7,055	7,054	7,055
<hr/>				
Dividends per share	\$.10	\$.10	\$.10	\$.10
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The accompanying notes are an integral part of these statements.

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

For The Six Months Ended June 30, 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
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