

BERKSHIRE BANCORP INC /DE/
Form 10-Q
May 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 **March 31, 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)

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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 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 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 May 11, 2012, there were 14,443,183 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, rules and regulations, 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)****(unaudited)**

	March 31, 2012	December 31, 2011
ASSETS		
Cash and due from banks	\$7,423	\$ 12,105
Interest bearing deposits	115,754	88,931
Total cash and cash equivalents	123,177	101,036
Investment Securities:		
Available-for-sale	420,493	415,170
Held-to-maturity, fair value of \$291 in 2012 and \$293 in 2011	291	298
Total investment securities	420,784	415,468
Loans, net of unearned income	321,856	317,021
Less: allowance for loan losses	(17,720)	(17,720)
Net loans	304,136	299,301
Accrued interest receivable	3,212	3,224
Premises and equipment, net	7,381	7,474
Other assets	30,409	35,626
Total assets	\$889,099	\$ 862,129
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	\$75,924	\$ 74,073
Interest bearing	603,619	584,819
Total deposits	679,543	658,892
Securities sold under agreements to repurchase	50,000	50,000
Borrowings	4,982	6,139
Subordinated debt	22,681	22,681
Accrued interest payable	6,623	6,996
Other liabilities	1,726	1,893
Total liabilities	765,555	746,601
Stockholders' equity		
Preferred stock - \$.01 Par value: Authorized — 2,000,000 shares Issued — 0 shares	—	—
Common stock - \$.10 par value Authorized — 25,000,000 shares Issued — 14,443,183 shares	1,444	1,444
Outstanding — March 31, 2012, 14,443,183 shares December 31, 2011, 14,443,183 shares		
Additional paid-in capital	143,900	143,900
Accumulated Deficit	(17,163)	(19,299)
Accumulated other comprehensive loss, net	(4,637)	(10,517)
Total stockholders' equity	123,544	115,528

Total liabilities and stockholders' equity	\$ 889,099	\$ 862,129
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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 March 31,	
	2012	2011
INTEREST INCOME		
Loans, including related fees	\$ 4,905	\$ 5,679
Investment securities	2,437	3,181
Interest bearing deposits	59	61
Total interest income	7,401	8,921
INTEREST EXPENSE		
Deposits	1,226	1,566
Securities sold under agreements to repurchase	444	499
Interest expense on borrowings	197	262
Total interest expense	1,867	2,327
Net interest income	5,534	6,594
PROVISION FOR LOAN LOSSES	—	1,200
Net interest income after provision for loan losses	5,534	5,394
NON-INTEREST INCOME		
Service charges on deposit accounts	86	127
Investment securities gains	220	55
Other income	217	97
Total non-interest income	523	279
NON-INTEREST EXPENSE		
Salaries and employee benefits	2,480	2,435
Net occupancy expense	584	565
Equipment expense	78	82
FDIC assessment	300	384
Data processing expense	112	109
Other	636	836
Total non-interest expense	4,190	4,411
Income before provision for taxes	1,867	1,262
Benefit for income taxes	(269)	(218)
Net income	\$ 2,136	\$ 1,480
Dividends on preferred stock	—	1,200
Income allocated to common stockholders	\$ 2,136	\$ 280
Net income per common share:		
Basic	\$.15	\$.04
Diluted	\$.15	\$.04

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

Basic	14,443	7,054
Diluted	14,443	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 Three Months Ended March 31,	
	2012	2011
Net earnings	\$ 2,136	\$ 1,480
Other comprehensive income, net of tax:		
Unrealized gains on available-for-sale securities, net of taxes of \$4,008 and \$1,871, respectively	6,012	2,806
Reclassification adjustment for realized gains included in net earnings, net of taxes of \$88 and \$22, respectively	132	33
Other comprehensive income	\$ 5,880	\$ 2,773
Comprehensive income	\$ 8,016	\$ 4,253

The accompanying notes are an integral part of these statements

BERKSHIRE BANCORP INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY****and COMPREHENSIVE INCOME (LOSS)****For The Three Months Ended March 31, 2012 and 2011**

(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	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							1,480		1,480
Other comprehensive income net of taxes						2,773			2,773
Cash dividends - Preferred Stock							(1,200)		(1,200)
Balance at March 31, 2011	7,698	60	\$ 770	\$ 1	\$ 150,985	\$ (5,816)	\$ (64,843)	\$ (6,411)	\$ 74,686
Balance at December 31, 2011	14,443	—	\$ 1,444	\$ —	\$ 143,900	\$ (10,517)	\$ (19,299)	\$ —	\$ 115,528
Net income							2,136		2,136
Other comprehensive income net of taxes						5,880			5,880
Balance at March 31, 2012	14,443	—	\$ 1,444	\$ —	\$ 143,900	\$ (4,637)	\$ (17,163)	\$ —	\$ 123,544

The accompanying notes are an integral part of these statements.

BERKSHIRE BANCORP INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)****(unaudited)**

	For The Three Months Ended	
	March 31,	
	2012	2011
Cash flows from operating activities:		
Net income	\$ 2,136	\$ 1,480
Adjustments to reconcile net income to net cash provided by operating activities:		
Realized gains on investment securities	(220)	(55)
Net amortization of premiums of investment securities	601	430
Depreciation and amortization	122	123
Provision for loan losses	—	1,200
Decrease (increase) in accrued interest receivable	12	(263)
Decrease in other assets	5,217	12,195
(Decrease) increase in accrued interest payable and other liabilities	(540)	52
Net cash provided by operating activities	7,328	15,162
Cash flows from investing activities:		
Investment securities available for sale		
Purchases	(62,333)	(110,782)
Sales, maturities and calls	62,509	55,880
Investment securities held to maturity		
Maturities	7	5
Net (increase) decrease in loans	(4,835)	16,726
Acquisition of premises and equipment	(29)	(28)
Net cash used in investing activities	(4,681)	(38,199)
Cash flows from financing activities:		
Net increase in non interest bearing deposits	1,851	5,658
Net increase in interest bearing deposits	18,800	3,815
Repayment of borrowings	(1,157)	(1,113)
Net cash provided by financing activities	19,494	8,360
Net increase (decrease) in cash and cash equivalents	22,141	(14,677)
Cash and cash equivalents at beginning of period	101,036	79,117
Cash and cash equivalents at end of period	\$ 123,177	\$ 64,440
Supplemental disclosures of cash flow information:		
Cash used to pay interest	\$ 2,240	\$ 2,116

Cash used to pay income taxes, net of refunds	\$ 78	\$ —
Schedule of non-cash investing activities:		
Schedule of non-cash financing activities:		
Dividends declared and not paid	\$ —	\$ 1,200

The accompanying notes are an integral part of these statements.

BERKSHIRE BANCORP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2012 and 2011

(unaudited)

Note 1