



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Berkshire Bancorp, Inc.

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CPP Funds Received:	\$2,892,000	Holding Company Docket Number: (For Thrift Holding Companies)	N/A
CPP Funds Repaid to Date:	\$0	FDIC Certificate Number: (For Depository Institutions)	57492
Date Funded (first funding):	6/12/2009	City:	Wyomissing
Date Repaid ¹ :		State:	Pennsylvania

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	Loans increased approximately \$765,000 from 6/30/2009 to 12/31/2009. Loan growth primarily was related to business/commercial loans. In addition, \$4.275 million of residential loans were originated and sold in the secondary market.
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<input checked="" type="checkbox"/> To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	<p>The Bank embarked on originating Small Business Administration loans during late 2009 and early 2010. To date, the Bank has funded \$1.434 million thus far in 2010.</p>
<input checked="" type="checkbox"/> Increase securities purchased (ABS, MBS, etc.).	<p>Total investment purchases from 6/30/2009 thru 12/31/2009 were \$3 million consisting primarily of agency securities with yields ranging from 5% to 5.75%. These purchases approximated 36% of total investment purchases during 2009.</p>
<input type="checkbox"/> Make other investments	
<input checked="" type="checkbox"/> Increase reserves for non-performing assets	<p>During November of 2009, the Bank recorded a provision for loan losses in the amount of \$570,000 to reflect the increase in impaired commercial loans. Non-performing loans increased from \$3.7 million at 6/30/2009 to \$5.4 million at 12/31/2009.</p>

<input checked="" type="checkbox"/>	Reduce borrowings	Borrowings from the FHLB of Pittsburgh were reduced from a level of \$14.3 million as of 6/30/2009 to \$4.3 million as of 12/31/2009.
<input checked="" type="checkbox"/>	Increase charge-offs	Chargeoffs as of 6/30/2009 were at a level of \$141,822 and the Bank ended the year with total chargeoffs of \$288,537 which reflects an increase of \$146,715 due to deteriorating local market conditions during this time frame.
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input type="checkbox"/>	Held as non-leveraged increase to total capital	

What actions were you able to avoid because of the capital infusion of CPP funds?

The Bank was able to maintain capital ratios at the well-capitalized level and not fall below these guidelines due to the capital infusion of CPP funds. The Bank was willing and able to make loans when customer demand warranted. The CPP funds provided the necessary capital "cushion" to protect the Bank from adverse conditions in the local market. The funds provided the necessary stabilization when considering the increased levels of non-performing loans which manifested itself during the last half of 2009.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

Berkshire Bank was able to grow the balance sheet from \$135.6 million at June 30, 2009 to \$144.6 million at December 31, 2009. Growth in the balance sheet enabled the bank to leverage itself and by doing so resulted in an improved net interest margin. The Bank was able to achieve profitability in the beginning of the first quarter of 2010 due to the capital infusion that enabled growth.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

The Bank continued to support and contribute positively to the community in which it is situate.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.