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BERKSHIRE BANCORP INC /DE/

Form 8-K

May 14, 2001

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): March, 30, 2001

Berkshire Bancorp Inc.

(Exact name of registrant as specified in its charter)

Delaware ----- (State or other jurisdiction of incorporation)	0-13649 ----- (Commission File Number)	94-2563513 ----- (I.R.S. Employer Identification No.)
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160 Broadway, New York, New York ----- (Address of principal executive offices)	10038 ----- (Zip Code)
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Registrant's telephone number, including area code: (212) 791-5362

Not Applicable

Former name or former address, if changed since last report

INFORMATION TO BE INCLUDED IN THE REPORT

Items 1, 3, 4, 5, 6, 8 and 9 are not applicable and are omitted from this Current Report. The information required by Items 2 and 7(c) has been previously

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filed. This amended report is filed to provide the financial information required by Items 7(a) and 7(b).

Item 2. Acquisition of GSB Financial Corporation and Goshen Savings Bank.

On March 30, 2001, Berkshire Bancorp Inc. ("Berkshire"), through its wholly owned subsidiaries, The Berkshire Bank and Greater American Finance Group, Inc., completed its merger with GSB Financial Corporation ("GSB Financial"). Under the terms of the merger, 978,032 shares of GSB Financial common stock were converted into 589,460 shares of Berkshire common stock, and 974,338 shares of GSB Financial common stock were purchased for \$20.75 per share totaling approximately \$20.2 million. This transaction was accounted for under the purchase method of accounting. Goodwill of approximately \$8.5 million will be amortized over a 15-year period.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

a. Financial Statements of Business Acquired.

See Exhibit 20

b. Proforma financial statements.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined financial information should be read in conjunction with the historical consolidated financial statements and related notes of Berkshire and GSB Financial Corp. The unaudited pro forma information is presented for illustration purposes only in accordance with the assumptions set forth below. This information is not necessarily indicative of the operating results or of the financial position that would have occurred if the merger had been consummated nor is it necessarily indicative of future operating results or financial position of the combined enterprise. The unaudited pro forma condensed combined financial information does not reflect any adjustments to conform accounting practices or to reflect any cost savings or other synergies anticipated as a result of the merger.

Unaudited Pro Forma Condensed Combined Balance Sheet

The following unaudited pro forma condensed combined balance sheet presents, under the purchase method of accounting, the consolidated balance sheets of Berkshire and GSB combined as of December 31, 2000 as if the merger had occurred on that date.

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Condensed Combined Proforma Balance Sheet
As of December 31, 2000
(unaudited)

	Historical		Adju
	Berkshire	GSB	
ASSETS			
Cash and due from banks	\$ 2,512	\$ 3,940	\$ --
Interest bearing deposits	6,605	-	
Federal funds sold	27,250	525	(20,2
	-----	-----	-----
Total cash and cash equivalents	36,367	4,465	(20,2
	-----	-----	-----
Total investment securities	117,060	53,333	
Net loans	74,515	128,861	
Accrued interest receivable	1,355	1,654	
Premises and equipment, net	359	3,244	
Prepaid expenses and other	2,824	1,438	(1,1
Goodwill, net	11,543	-	8,1
	-----	-----	-----
Total assets	\$244,023	\$192,995	\$ (13,2
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits	\$137,647	\$120,415	
Securities sold under agreements to repurchase	23,127	-	
Borrowings	1,500	39,000	
Other liabilities	2,642	2,273	
	-----	-----	-----
Total liabilities	164,916	161,688	
	-----	-----	-----
Stockholders' equity			
Common stock	256	22	(
Additional paid-in capital	78,549	21,560	(21,5
			10,2
			(4
			1,1
Accumulated other comprehensive (loss) income, net	(85)	(88)	
Retained earnings	8,352	15,478	(15,5
Unearned ISAP stock	-	(471)	4
Unallocated ESOP stock	-	(1,169)	1,1
Less: Treasury stock	(7,965)	(4,025)	7,8
	-----	-----	3,4
Total stockholders' equity	79,107	31,307	(13,2
	-----	-----	-----
	\$244,023	\$192,995	\$ (13,2
	=====	=====	=====

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- (1) Elimination of equity of the company
 (2) Purchase price of \$20,221,880 (\$20.75 per share of GSB common stock) in cash and 589,460 share of Berkshire common stock.

	Berkshire -----	GSB -----
Common Stock - Berkshire Bancorp, Inc. (\$0.10 par value)	2,566,095	
Common Stock - GSB (\$0.01 par value)		1,952,370
Common Stock outstanding issued		(978,032)
Common Stock issued (exchange rate .6027)		
	-----	-----
		974,338
	=====	=====
Shares Issued for Purchase		
Fair Value at 12/31/00		
Less Treasury stock, cost recorded (3)		
Amount Capitalized into Additional Paid in Capital		

- (3) Issuance of treasury stock for all shares purchased by GSB shareholders at an average cost of \$13.38.
- (4) Termination of ESOP plan with the shares sold back to the company to repay debt of the ESOP. Remaining shares distributed to participates creating additional goodwill of \$1.1 million, included in goodwill of \$8.5 million.
- (5) Termination of ISAP assuming that all remaining shares will be terminated.
- (6) Direct costs associated with the acquisition which are capitalized into Goodwill.
- (7) Goodwill represents the difference between the fair value of the net assets and total purchase price of \$38.2 million and certain adjustments for direct costs, termination of benefit plans described above.

The following unaudited pro forma condensed combined income statements present, under the purchase method of accounting, the consolidated income statements of Berkshire and GSB for the year ended December 31, 2000 as if the merger had occurred on January 1, 2000.

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Condensed Combined Proforma Income Statement
For the year ended December 31, 2000
(unaudited)

	Historical		ADJUSTMENTS
	BERKSHIRE	GSB	
INTEREST INCOME			
Short-term interest-earning assets	\$ 1,241	\$ 33	\$(1,011)
Securities and other investments	6,381	3,791	
Loans	6,397	9,187	
Total interest income	14,019	13,011	(1,011)
INTEREST EXPENSE			
Deposits	4,344	4,303	
Borrowings	840	2,740	
Total interest expense	5,184	7,043	-
Net interest income	8,835	5,968	(1,011)
PROVISION FOR LOAN LOSSES	55	135	
Net interest income after provision for loan losses	8,780	5,833	(1,011)
NON-INTEREST INCOME			
Investment securities gain	13,288	138	
Other income	1,330	565	
Total non-interest income	14,618	703	-
NON-INTEREST EXPENSE			
Salaries and employee benefits	2,125	1,929	
Net occupancy expense	548	367	
Amortization of goodwill	635	-	424
Other	1,156	1,732	-
Total non-interest expense	4,464	4,028	424
Income before provision for taxes	18,934	2,508	(1,435)
Provision for income taxes	6,868	1,073	(465)
Net income	\$12,066	\$1,435	\$ (970)
Net income per share:			
Basic	\$ 5.76	\$ 0.80	
Diluted	\$ 5.76	\$ 0.78	
Shares Outstanding - Basic	2,095	1,790	(1,790)
Shares Outstanding - Diluted	2,096	1,829	(1,829)

(1) Interest forgone for cash paid for acquisition (\$20.2 million), assuming a 5% interest rate and a net tax benefit utilizing an effective tax rate of 46%.

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- (2) Goodwill amortization of \$8.5 million over a 15 year period.
- (3) Conversion of GSB shares to Berkshire Bancorp common shares.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BERKSHIRE BANCORP INC.

Dated: May 11, 2001

By: /s/ Steven Rosenberg

Steven Rosenberg
President and Chief Financial Officer

INDEX TO EXHIBITS

Exhibit No.	Page	Description
-----	----	-----
20		Consolidated financial statements of GSB Financial Corporation and Subsidiaries as of December 31, 2000 and 1999, and for each of the years ended December 31, 2000 and 1999, the three months ended December 31, 1998 and the year ended September 30, 1998
23		Consent of Nugent & Haeussler P.C.