

**Berkshire Bancorp, Inc. and its wholly-owned subsidiary Berkshire
Bank
Excessive or Luxury Expenditures Policy**

On February 17, 2009, the President of the United States signed into law The American Recovery and Reinvestment Act of 2009 (“ARRA”). The ARRA requires each recipient of funds under the Capital Purchase Program (“CPP”) of the Troubled Assets Relief Program (“TARP”) to have in place a company-wide policy regarding excessive or luxury expenditures as identified by the Secretary of the Department of the Treasury. This policy is intended to fulfill these requirements under the ARRA.

It is the policy of Berkshire Bancorp, Inc. and its subsidiary Berkshire Bank (collectively the “Bank”) to use corporate assets in a prudent manner and as such their employees and directors are prohibited from engaging in excessive or luxury expenditures. This prohibition includes excessive or luxury expenditures on

- entertainment or events,
- office and facility renovation,
- aviation or other transportation services, and
- other similar items, activities or events,

which are not reasonable expenditures for staff development, reasonable performance incentives, or other similar reasonable measures conducted in the normal course of business operations.

Entertainment or Event Expense:

Entertainment expenses are ordinary and necessary expenditures of the Bank’s funds by the Bank or an employee for business development purposes relating to current or prospective customer(s) and to further enhance the Bank’s marketing efforts. Customary entertainment expenses such as taking current or prospective customers to lunch, dinner, golfing, concerts, or sporting events are not deemed as luxury and are not subject to this policy, provided such expense does not exceed \$1,000 . All reimbursements for entertainment expenses exceeding \$1,000 must be approved by the Chief Executive Officer; the Chief Executive Officer’s entertainment expense exceeding \$1,000 must be approved by the Board of Directors.

Each proposed Bank-sponsored meeting or event must serve a legitimate business purpose, such as furthering the Bank’s marketing efforts or employee development, and be an ordinary and necessary expenditure of the Bank. Any event with a cost exceeding \$10,000 must be supported by documentation detailing a specific business purpose and must be approved by the Board of Directors.

All entertainment or event expense must be documented and detailed consistent with current Bank policy.

Renovations:

Renovations of facilities and office spaces should be relative to the approved current strategic plan and consistent with the capital expenditure policy of the Bank, except in the case of an emergency situation and the expenditure is necessary to make a facility operational for customer or employee use. All proposed office and facility capital improvements and/or renovations with a cost exceeding \$10,000 must be approved by the Chief Executive Officer, and in the case of an expenditure by the Chief Executive Officer exceeding \$50,000, by the Board of Directors.

At no time should renovations be done that would have the appearance of being extraordinary, luxurious or excessive from a shareholder perspective.

Conferences:

We encourage our staff to attend appropriate educational conferences that are related to the financial services industry and have a direct correlation to their jobs. All requests to attend a conference should be made to the employee's supervisor. Any conference for which expenses will exceed \$2,500 must be approved by the Chief Executive Officer prior to registration for the conference. Any conference for which the Chief Executive Officer desires to attend and for which expenses will exceed \$5,000 must be approved by the Board of Directors prior to registration. Any conference to be attended by any member of the Board of Directors must be approved by the Board of Directors.

Board Retreats should only be used for educational purposes and expenses associated therewith should not have the appearance of being extraordinary, luxurious or excessive from a shareholder perspective.

Aviation or Other Transportation Services:

Transportation expenses incurred in the ordinary course of business shall be submitted in accordance with the Bank's current expense reimbursement policy.

Transportation for Bank staff not in the ordinary course of business to outlying locations, including conferences, business development purposes and merger and acquisition research, should be conducted in the most cost appropriate way for the Bank. Any travel expenditures not in the ordinary course of business must be approved in writing by the Chief Executive Officer. Any travel expenditures to be made by the Chief Executive Officer not in the ordinary course of business must be approved in writing by the Chairman of the Board, and any travel expenditures to be made by a director must be approved by the independent members of the Board of Directors.

Other Similar Items and Expenses:

It is the intent of the Bank to eliminate and prohibit excessive and luxury expenditures. All expenses to which the Bank's reimbursement policy does not apply or not specifically addressed in this policy shall be approved by the Chief Executive Officer prior to an employee or director making such expenditure. Any such expenditure to be made by the Chief Executive Officer shall be approved by the Chairman of the Board and all such expenditures to be made by a director shall be approved by the independent members of the Board of Directors.

Administration of this Policy:

The Chief Financial Officer is responsible for the day-to-day administration of this policy. Any individual who violates this Policy or knows of any such violation must report the violation to the Chief Executive Officer or the Chairman of the Board. Any employee or director who violates this policy shall be subject to disciplinary action up to and including termination or removal from the Board.

The Chief Executive Officer and the Chief Financial Officer shall certify that the approval of any expenditure requiring the prior approval of the Chief Executive Officer, the Chairman of the Board, or the Board of Directors was properly obtained with respect to each expenditure.