

BERKSHIRE HILLS BANCORP INC

Form S-4/A

July 17, 2007

As filed with the Securities and Exchange Commission on July 17, 2007.

Registration No. 333-144062

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Amendment No. 1 to
Form S-4**

**REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933**

Berkshire Hills Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

6036

(Primary Standard Industrial
Classification Code Number)

34-3510455

(I.R.S. Employer
Identification Number)

24 North Street

Pittsfield, Massachusetts 01201

(413) 443-5601

(Address, including zip code, and telephone number, including
area code, of registrant's principal executive offices)

Michael P. Daly

President and Chief Executive Officer

24 North Street

Pittsfield, Massachusetts 01201

(413) 443-5601

(Name, address, including zip code, and telephone number,
including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement and the conditions to the consummation of the merger described herein have been satisfied or waived.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

The boards of directors of Berkshire Hills Bancorp, Inc. and Factory Point Bancorp, Inc. have agreed to a merger of our companies. If the merger is completed, each share of Factory Point Bancorp common stock will be converted into the right to elect to receive either 0.5844 shares of Berkshire Hills Bancorp common stock or \$19.50, subject to proration so that 80% of the outstanding Factory Point Bancorp shares are converted into Berkshire Hills common stock and the balance is converted into the cash consideration. Berkshire Hills Bancorp's shareholders will continue to own their existing shares. After completion of the merger, we expect that current Berkshire Hills Bancorp shareholders will own approximately 82% of the combined company and Factory Point Bancorp shareholders will own approximately 18% of the combined company. Berkshire Hills Bancorp common stock is listed on the Nasdaq Global Select Market under the symbol BHLB. On July 13, 2007, the closing price of Berkshire Hills Bancorp common stock was \$31.18. Berkshire Hills Bancorp is offering approximately 1,919,527 shares of its common stock to Factory Point Bancorp shareholders (2,061,513 shares assuming all 303,701 outstanding stock options of Factory Point Bancorp as of May 31, 2007 are exercised before the closing of the merger).

We expect the merger to generally be tax-free to holders of Factory Point Bancorp common stock for federal income tax purposes except to the extent that they receive cash, including the cash consideration in the merger and any cash received instead of fractional shares of Berkshire Hills Bancorp common stock.

We cannot complete the merger unless we obtain the necessary government approvals and unless the shareholders of both companies approve the merger agreement. Each of us is asking our shareholders to consider and vote on this merger proposal at our respective meetings of shareholders. Whether or not you plan to attend your company's meeting, please take the time to vote by completing and mailing the enclosed proxy card to the appropriate company. If you sign, date and mail your proxy card without indicating how you want to vote, your proxy will be counted as a vote **FOR** the merger and the transactions contemplated by the merger agreement. If you do not return your proxy card, or if you do not instruct your broker how to vote any shares held for you in street name, the effect will be a vote against the merger agreement.

The places, dates and times of the shareholders meetings are as follows:

For Berkshire Hills Bancorp shareholders:

The Crowne Plaza Hotel
One West Street
Pittsfield, Massachusetts
August 28, 2007
10:00 a.m., local time

For Factory Point Bancorp shareholders:

The Equinox Hotel
3567 Main Street
Manchester Village, Vermont
August 28, 2007
2:00 p.m., local time

This document contains a more complete description of the shareholders meetings and the terms of the merger. We urge you to review this entire document carefully. You may also obtain information about Berkshire Hills Bancorp from documents it has filed with the Securities and Exchange Commission. We enthusiastically support the merger and recommend that you vote in favor of the merger agreement.

Michael P. Daly
President and Chief Executive Officer
Berkshire Hills Bancorp, Inc.

Guy H. Boyer
President and Chief Executive Officer
Factory Point Bancorp, Inc.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this joint proxy statement/prospectus or determined if this joint proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense. The securities we are offering through this document are not savings or deposit accounts or other obligations of any bank or non-bank subsidiary of either of our companies, and they are not insured by the Federal Deposit Insurance Corporation, the Savings Association Insurance Fund, the Bank Insurance Fund or any other governmental agency.

Joint Proxy Statement/Prospectus dated July 17, 2007

and first mailed to shareholders on or about July 23, 2007

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This document incorporates important business and financial information about Berkshire Hills Bancorp from documents filed with the Securities and Exchange Commission that have not been included in or delivered with this document. You may read and copy these documents at the Securities and Exchange Commission's public reference facilities. Please call the SEC at 1-800-SEC-0330 for information about these facilities. This information is also available at the Internet site the SEC maintains at <http://www.sec.gov>. See *Where You Can Find More Information* on page 104.

You also may request copies of these documents from Berkshire Hills Bancorp. Berkshire Hills Bancorp will provide you with copies of these documents, without charge, upon written or oral request to:

Berkshire Hills Bancorp

24 North Street

Pittsfield, Massachusetts 01201

Attention: Ann-Marie Racine

Telephone: (413) 236-3239

If you are a Berkshire Hills Bancorp shareholder and would like to request documents from Berkshire Hills Bancorp, please do so by August 21, 2007 to receive them before the Berkshire Hills Bancorp special meeting. If you are a Factory Point Bancorp shareholder and would like to request documents from Berkshire Hills Bancorp, please do so by August 21, 2007 to receive them before the Factory Point Bancorp special meeting.

BERKSHIRE HILLS BANCORP, INC.
24 North Street
Pittsfield, Massachusetts 01201

**Notice of Special Meeting of Shareholders
to be held August 28, 2007**

A special meeting of shareholders of Berkshire Hills Bancorp, Inc. will be held at 10:00 a.m., local time, on August 28, 2007 at The Crowne Plaza Hotel, One West Street, Pittsfield, Massachusetts. Any adjournments or postponements of the special meeting will be held at the same location.

At the special meeting, you will be asked to:

1. Consider and vote upon a proposal to approve the Agreement and Plan of Merger, dated as of May 14, 2007, by and between Berkshire Hills Bancorp, Inc. and Factory Point Bancorp, Inc. A copy of the merger agreement is included as Annex A to the accompanying joint proxy statement/prospectus;
2. Consider and vote upon a proposal to adjourn the special meeting to a later date or dates, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve the merger agreement; and
3. Transact such other business as may be properly presented at the special meeting and any adjournments or postponements of the special meeting.

The enclosed joint proxy statement/prospectus describes the merger agreement and the proposed merger in detail. We urge you to read these materials carefully. The enclosed joint proxy statement/prospectus forms a part of this notice.

The board of directors of Berkshire Hills Bancorp unanimously recommends that Berkshire Hills Bancorp shareholders vote FOR the proposal to approve the merger agreement and FOR the proposal to adjourn the special meeting, if necessary, to solicit additional proxies to vote in favor of the merger agreement.

The board of directors of Berkshire Hills Bancorp has fixed the close of business on July 13, 2007 as the record date for determining the shareholders entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting.

Your vote is very important. Your proxy is being solicited by the Berkshire Hills Bancorp board of directors. The proposal to approve the merger agreement must be approved by the affirmative vote of holders of a majority of the outstanding shares of Berkshire Hills Bancorp common stock entitled to vote in order for the proposed merger to be consummated. Whether or not you plan to attend the special meeting in person, we urge you to complete and mail the enclosed proxy card, in the accompanying envelope, which requires no postage if mailed in the United States. You may revoke your proxy at any time before the special meeting. If you attend the special meeting and vote in person, your proxy vote will not be used.

By Order of the Board of Directors

Lisa J. Lescarbeau
Secretary

Pittsfield, Massachusetts

July 23, 2007

FACTORY POINT BANCORP, INC.
4928 Main Street
Manchester Center, Vermont 05255

**Notice of Special Meeting of Shareholders
to be held August 28, 2007**

A special meeting of shareholders of Factory Point Bancorp, Inc. will be held at 2:00 p.m., local time, on August 28, 2007 at The Equinox Hotel, 3567 Main Street, Manchester Village, Vermont. Any adjournments or postponements of the special meeting will be held at the same location.

At the special meeting, you will be asked to:

1. Consider and vote upon a proposal to approve the Agreement and Plan of Merger, dated as of May 14, 2007, by and between Berkshire Hills Bancorp, Inc. and Factory Point Bancorp, Inc. A copy of the merger agreement is included as Annex A to the accompanying joint proxy statement/prospectus;
2. Consider and vote upon a proposal to adjourn the special meeting to a later date or dates, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve the merger agreement; and
3. Transact such other business as may be properly presented at the special meeting and any adjournments or postponements of the special meeting.

The enclosed joint proxy statement/prospectus describes the merger agreement and the proposed merger in detail. We urge you to read these materials carefully. The enclosed joint proxy statement/prospectus forms a part of this notice.

The board of directors of Factory Point Bancorp unanimously recommends that Factory Point Bancorp shareholders vote FOR the proposal to approve the merger agreement and FOR the proposal to adjourn the special meeting, if necessary, to solicit additional proxies to vote in favor of the merger agreement.

The board of directors of Factory Point Bancorp has fixed the close of business on July 13, 2007 as the record date for determining the shareholders entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting.

Your vote is very important. Your proxy is being solicited by the Factory Point Bancorp board of directors. The proposal to approve the merger agreement must be approved by the affirmative vote of holders of a majority of the outstanding shares of Factory Point Bancorp common stock entitled to vote in order for the proposed merger to be consummated. Whether or not you plan to attend the special meeting in person, we urge you to complete and mail the enclosed proxy card, in the accompanying envelope, which requires no postage if mailed in the United States. You may revoke your proxy at any time before the special meeting. If you attend the special meeting and vote in person, your proxy vote will not be used.

Under Delaware law, if the merger is completed, Factory Point Bancorp shareholders of record who do not vote to approve the merger agreement and otherwise comply with the applicable provisions of Delaware law pertaining to dissenters' rights will be entitled to exercise dissenters' rights and obtain payment in cash of the fair value of their shares of Factory Point Bancorp common stock by following the procedures set forth in detail in the enclosed joint proxy statement/prospectus. A copy of the section of the Delaware General Corporation Law pertaining to dissenters' rights is included as Annex D to the accompanying joint proxy statement/prospectus.

By Order of the Board of Directors

Edgar T. Campbell

Secretary

Manchester Center, Vermont

July 23, 2007

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Annex A	Agreement and Plan of Merger
Annex B	Fairness Opinion of Sandler O'Neill & Partners, L.P.
Annex C	Fairness Opinion of McConnell, Budd & Romano, Inc.
Annex D	Section 262 of the Delaware General Corporation Law (Dissenters' rights)

QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETINGS

Q: What am I being asked to vote on? What is the proposed transaction?

A: You are being asked to vote on the approval of a merger agreement that provides for the acquisition of Factory Point Bancorp by Berkshire Hills Bancorp. A copy of the merger agreement is provided as Annex A to this document. Each of the Factory Point Bancorp and Berkshire Hills Bancorp boards of directors has determined that the proposed merger is in the best interests of its respective shareholders, has unanimously approved the merger agreement and recommends that its respective shareholders vote FOR the approval of the merger agreement.

Q: What will Factory Point shareholders be entitled to receive in the merger?

A: Under the merger agreement, at the election of each Factory Point shareholder, each share of Factory Point Bancorp common stock will be exchanged for either 0.5844 shares of Berkshire Hills Bancorp common stock or \$19.50 in cash. Each Factory Point shareholder may elect either of these options or each Factory Point shareholder may elect to exchange some of his or her Factory Point Bancorp shares for cash and some of his or her Factory Point Bancorp shares for Berkshire Hills Bancorp shares.

Elections will be limited by, among other things, a requirement that 80% of the total number of outstanding shares of Factory Point Bancorp common stock be exchanged for Berkshire Hills Bancorp common stock. Therefore, the form of consideration received will depend in part on the elections of other Factory Point Bancorp shareholders.

Berkshire Hills Bancorp will not issue fractional shares in the merger. Instead, each Factory Point shareholder will receive a cash payment, without interest, for the value of any fraction of a share of Berkshire Hills Bancorp common stock that such shareholder would otherwise be entitled to receive. See *Description of the Merger Consideration to be Received in the Merger* on page 53 and *Description of Berkshire Hills Bancorp Capital Stock* on page 79.

Q: What dividends will be paid after the merger?

A: Berkshire Hills Bancorp currently pays a quarterly dividend of \$0.14 per share. Although Berkshire Hills Bancorp has paid quarterly dividends on its common stock without interruption since November 2000, there is no guarantee that Berkshire Hills Bancorp will continue to pay dividends on its common stock. All dividends on Berkshire Hills Bancorp common stock are declared at the discretion of the Berkshire Hills Bancorp board of directors.

Q: How does a Factory Point shareholder elect to receive cash, stock or a combination of both for his or her Factory Point Bancorp stock?

A: For each Factory Point shareholder, a form for making an election should have been provided under separate cover. For the election to be effective, the properly completed election form, along with the Factory Point Bancorp stock certificates or an appropriate guarantee of delivery, must be sent to and received by Registrar and Transfer Company, the exchange agent, on or before 5:00 p.m., Eastern time, on September 5, 2007. The election form should not be sent together with your proxy card. Instead, use the separate envelope specifically provided for the election form and your stock certificates. If a timely election is not made, you will be allocated Berkshire Hills Bancorp common stock and/or cash depending on the elections made by other shareholders.

Q: How does a Factory Point shareholder exchange his or her stock certificates?

A: If an election is made, the Factory Point Bancorp stock certificates or an appropriate guarantee of delivery must be returned with the election form. Shortly after the merger, Berkshire Hills Bancorp's transfer agent will allocate cash and Berkshire Hills Bancorp common stock among Factory Point Bancorp shareholders, consistent with

their elections and the allocation and proration procedures in the merger agreement. If a

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Factory Point shareholder does not submit an election form, Berkshire Hills Bancorp's transfer agent will send instructions on how and where to surrender the Factory Point Bancorp stock certificates after the merger is completed. Please do not send Factory Point Bancorp stock certificates with the proxy card.

Q: *What are the tax consequences of the merger to Factory Point shareholders?*

A: The tax consequence of the merger to Factory Point shareholders will depend on whether only cash, only Berkshire Hills Bancorp common stock, or a combination of cash and Berkshire Hills Bancorp common stock was received in exchange for shares of Factory Point Bancorp common stock. If shares were exchanged solely for Berkshire Hills Bancorp common stock, no gain or loss should be recognized except with respect to the cash received instead of any fractional share of Berkshire Hills Bancorp common stock. If shares were exchanged solely for cash, gain or loss should be recognized on the exchange. If shares were exchanged for a combination of Berkshire Hills Bancorp common stock and cash, capital gain should be recognized, but not any loss, on the exchange. Because the allocations of cash and Berkshire Hills Bancorp common stock received will depend on the elections of other Factory Point Bancorp shareholders, the actual tax consequences of the merger will not be known until the allocations are completed.

Q: *Are Factory Point shareholders entitled to dissenters' rights?*

A: Yes. Delaware law provides dissenters' rights in the merger to Factory Point shareholders. This means that Factory Point shareholders are legally entitled to receive payment in cash of the fair value of their shares, excluding any appreciation in value that results from the merger. To maintain your dissenters' rights you must (1) deliver written notice of your intent to demand payment for your shares to Factory Point Bancorp before the special meeting of Factory Point Bancorp shareholders or at the special meeting but before the vote is taken and (2) not vote in favor of the merger. This notice must be in addition to and separate from any abstention or any vote, in person or by proxy, cast against approval of the merger. Neither voting against, abstaining from voting, or failing to vote on the adoption of the merger agreement will constitute notice of intent to demand payment or demand for payment of fair value under Delaware law. Notices should be addressed to Factory Point Bancorp's Secretary and sent to 4928 Main Street, P.O. Box 1567, Manchester Center, Vermont 05255. Your failure to follow exactly the procedures specified under Delaware law will result in the loss of your dissenters' rights. A copy of the section of the Delaware General Corporation Law pertaining to dissenters' rights is provided as Annex D to this document. See *Rights of Dissenting Shareholders* on page 24.

Q: *Why do Factory Point Bancorp and Berkshire Hills Bancorp want to merge?*

A: Factory Point Bancorp believes that the proposed merger will provide Factory Point Bancorp shareholders with substantial benefits, and Berkshire Hills Bancorp believes that the merger will further its strategic growth plans. As a larger company, Berkshire Hills Bancorp can provide the capital and resources that Factory Point Bancorp needs to compete more effectively and to offer a broader array of products and services to better serve its banking customers. To review the reasons for the merger in more detail, see *Description of the Merger Factory Point Bancorp's Reasons for the Merger and Recommendation of the Board of Directors* on page 29 and *Description of the Merger Berkshire Hills Bancorp's Reasons for the Merger and Recommendation of the Board of Directors* on page 41.

Q: *What vote is required to approve the merger agreement?*

A: Holders of a majority of the outstanding shares of both Factory Point Bancorp common stock entitled to vote and Berkshire Hills Bancorp common stock entitled to vote must vote in favor of the proposal to approve the merger agreement.

Q: ***When and where is the Factory Point Bancorp special meeting?***

A: The special meeting of Factory Point Bancorp shareholders is scheduled to take place at The Equinox Hotel, 3567 Main Street, Manchester Village, Vermont at 2:00 p.m., local time, on August 28, 2007.

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Q: *Who is entitled to vote at the Factory Point Bancorp special meeting?*

A: Holders of shares of Factory Point Bancorp common stock at the close of business on July 13, 2007, which is the record date, are entitled to vote on the proposal to adopt the merger agreement. As of the record date, 4,105,103 shares of Factory Point Bancorp common stock were outstanding and entitled to vote.

Q: *If I plan to attend the Factory Point Bancorp special meeting in person, should I still return my proxy?*

A: Yes. Whether or not you plan to attend the Factory Point Bancorp special meeting, you should complete and return the enclosed proxy card. The failure of a Factory Point Bancorp shareholder to vote in person or by proxy will have the same effect as a vote AGAINST the merger agreement.

Q: *What do I need to do now to vote my shares of Factory Point Bancorp common stock?*

A: After you have carefully read and considered the information contained in this joint proxy statement/prospectus, please complete, sign, date and mail your proxy card in the enclosed return envelope as soon as possible. This will enable your shares to be represented at the special meeting. You may also vote in person at the special meeting. If you do not return a properly executed proxy card and do not vote at the special meeting, this will have the same effect as a vote against the merger agreement. If you sign, date and send in your proxy card, but you do not indicate how you want to vote, your proxy will be voted in favor of adoption of the merger agreement. You may change your vote or revoke your proxy before the special meeting by filing with the Secretary of Factory Point Bancorp a duly executed revocation of proxy, submitting a new proxy card with a later date, or voting in person at the special meeting.

Q: *If my shares are held in street name by my broker, will my broker automatically vote my shares for me?*

A: No. Your broker will not be able to vote your shares of Factory Point Bancorp common stock on the proposal to adopt the merger agreement unless you provide instructions on how to vote. Please instruct your broker how to vote your shares, following the directions that your broker provides. If you do not provide instructions to your broker on the proposal to approve the merger agreement, your shares will not be voted, and this will have the effect of voting against the merger agreement. Please check the voting form used by your broker to see if it offers telephone or Internet voting.

Q: *When and where is the Berkshire Hills Bancorp special meeting?*

A: The special meeting of Berkshire Hills Bancorp shareholders is scheduled to take place at The Crowne Plaza Hotel, One West Street, Pittsfield, Massachusetts at 10:00 a.m., local time, on August 28, 2007.

Q: *Who is entitled to vote at the Berkshire Hills Bancorp special meeting?*

A: Holders of shares of Berkshire Hills Bancorp common stock at the close of business on July 13, 2007, which is the record date, are entitled to vote on the proposal to adopt the merger agreement. As of the record date, 8,846,323 shares of Berkshire Hills Bancorp common stock were outstanding and entitled to vote.

Q: *If I plan to attend the Berkshire Hills Bancorp special meeting in person, should I still return my proxy?*

A: Yes. Whether or not you plan to attend the Berkshire Hills Bancorp special meeting, you should complete and return the enclosed proxy card. The failure of a Berkshire Hills Bancorp shareholder to vote in person or by proxy will have the same effect as a vote AGAINST the merger agreement.

Q: *What do I need to do now to vote my shares of Berkshire Hills Bancorp common stock?*

A: After you have carefully read and considered the information contained in this joint proxy statement/prospectus, please complete, sign, date and mail your proxy card in the enclosed return envelope as soon as possible. This will enable your shares to be represented at the special meeting. You may also vote in person at the special meeting. If you do not return a properly executed proxy card and do not vote at the

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special meeting, this will have the same effect as a vote against the merger agreement. If you sign, date and send in your proxy card, but you do not indicate how you want to vote, your proxy will be voted in favor of adoption of the merger agreement. You may change your vote or revoke your proxy prior to the special meeting by filing with the Secretary of Berkshire Hills Bancorp a duly executed revocation of proxy, submitting a new proxy card with a later date, or voting in person at the special meeting.

Q: *If my shares are held in street name by my broker, will my broker automatically vote my shares for me?*

A: No. Your broker will not be able to vote your shares of Berkshire Hills Bancorp common stock on the proposal to adopt the merger agreement unless you provide instructions on how to vote. Please instruct your broker how to vote your shares, following the directions that your broker provides. If you do not provide instructions to your broker on the proposal to approve the merger agreement, your shares will not be voted, and this will have the effect of voting against the merger agreement. Please check the voting form used by your broker to see if it offers telephone or Internet voting.

Q: *When is the merger expected to be completed?*

A: We will try to complete the merger as soon as possible. Before that happens, the merger agreement must be approved by both Factory Point Bancorp and Berkshire Hills Bancorp shareholders and we must obtain the necessary regulatory approvals. Assuming holders of at least a majority of the outstanding shares of Factory Point Bancorp common stock and Berkshire Hills Bancorp common stock vote in favor of the merger agreement and we obtain the other necessary approvals, we expect to complete the merger late in the third calendar quarter of 2007 or early in the fourth quarter.

Q: *Is completion of the merger subject to any conditions besides shareholder approval?*

A: Yes. The transaction must receive the required regulatory approvals, and there are other customary closing conditions that must be satisfied. To review the conditions of the merger in more detail, see *Description of the Merger Conditions to Completing the Merger* on page 64.

Q: *Who can answer my other questions?*

A: If you have more questions about the merger, or how to submit your proxy or if you need additional copies of this joint proxy statement/prospectus or the enclosed proxy form, both Berkshire Hills Bancorp and Factory Point Bancorp Shareholders should contact:

MacKenzie Partners, Inc.

105 Madison Avenue

14th Floor

New York, New York 10016

(800) 322-2885

Bank and brokers should call:

(212) 929-5500

SUMMARY

This summary highlights selected information in this joint proxy statement/prospectus and may not contain all of the information important to you. To understand the merger more fully, you should read this entire document carefully, including the documents attached to this joint proxy statement/prospectus.

The Companies

Berkshire Hills Bancorp, Inc.

24 North Street

Pittsfield, Massachusetts 01201

(413) 443-5601

Berkshire Hills Bancorp, Inc., a Delaware corporation, is a savings and loan holding company headquartered in Pittsfield, Massachusetts that was incorporated and commenced operations in 2000. Berkshire Hills Bancorp's common stock is listed on The NASDAQ Global Select Market under the symbol BHLB. Berkshire Hills Bancorp conducts its operations primarily through Berkshire Bank, a Massachusetts chartered savings bank with 31 full-service offices throughout Western Massachusetts and Northeastern New York. Berkshire Bank offers a full complement of deposit, lending, investment and insurance products from a team of employees with extensive experience in banking, insurance and investment management. At March 31, 2007, Berkshire Hills Bancorp had total assets of \$2.17 billion, total deposits of \$1.54 billion and total shareholders equity of \$263.1 million.

Factory Point Bancorp, Inc.

4928 Main Street

Manchester Center, Vermont 05255

(802) 362-2424

Factory Point Bancorp, Inc., a Delaware corporation, is bank holding company headquartered in Manchester Center, Vermont that was incorporated and commenced operations as a holding company in 1984. Its primary business is operating its subsidiary, The Factory Point National Bank of Manchester Center, which operates seven full-service community banking offices in Arlington, Dorset, Ludlow, Manchester and Rutland, Vermont. Factory Point Bancorp's common stock is quoted on the Over-the-Counter Bulletin Board under the symbol FAPB. Its primary business includes residential real estate lending (for portfolio and sale on the secondary market), small business loan and deposit services as well as variety of consumer loan and deposit services. Factory Point National Bank is chartered with trust powers and offers trust and investment services in the markets it serves. As of March 31, 2007, Factory Point Bancorp had total assets of \$339.4 million, total deposits of \$274.6 million and total shareholder's equity of \$29.6 million.

Special Meeting of Berkshire Hills Bancorp Shareholders; Required Vote (page 22)

A special meeting of Berkshire Hills Bancorp shareholders is scheduled to be held at The Crowne Plaza Hotel, One West Main Street, Pittsfield, Massachusetts at 10:00 a.m., local time, on August 28, 2007. At the special meeting, you will be asked to vote on a proposal to approve the merger agreement between Berkshire Hills Bancorp and Factory Point Bancorp. You also will be asked to vote on a proposal to adjourn the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the meeting to approve the merger agreement.

Only Berkshire Hills Bancorp shareholders of record as of the close of business on July 13, 2007 are entitled to notice of, and to vote at, the Berkshire Hills Bancorp special meeting and any adjournments or postponements of the meeting.

Approval of the merger agreement requires the affirmative vote of holders of a majority of the outstanding shares of Berkshire Hills Bancorp common stock entitled to vote. As of the record date, there were 8,846,323 shares of Berkshire Hills Bancorp common stock outstanding. The directors and executive officers of Berkshire Hills Bancorp (and their affiliates), as a group, beneficially owned 326,834 shares of Berkshire Hills

Bancorp common stock, representing 3.7% of the outstanding shares of Berkshire Hills Bancorp common stock as of the record date. This amount does not include shares that may be acquired upon the exercise of stock options.

Special Meeting of Factory Point Shareholders; Required Vote (page 20)

A special meeting of Factory Point Bancorp shareholders is scheduled to be held at The Equinox Hotel, 3567 Main Street, Manchester Village, Vermont at 2:00 p.m., local time, on August 28, 2007. At the special meeting, you will be asked to vote on a proposal to approve the merger agreement between Factory Point Bancorp and Berkshire Hills Bancorp. You also will be asked to vote on a proposal to adjourn the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the meeting to approve the merger agreement.

Only Factory Point Bancorp shareholders of record as of the close of business on July 13, 2007 are entitled to notice of, and to vote at, the Factory Point Bancorp special meeting and any adjournments or postponements of the meeting.

Approval of the merger agreement requires the affirmative vote of holders of a majority of the outstanding shares of Factory Point Bancorp common stock entitled to vote. As of the record date, there were 4,105,103 shares of Factory Point Bancorp common stock outstanding. The directors and executive officers of Factory Point Bancorp (and their affiliates), as a group, beneficially owned 668,591 shares of Factory Point Bancorp common stock, representing 16.3% of the outstanding shares of Factory Point Bancorp common stock as of the record date. The directors of Factory Point Bancorp, who collectively own 558,830 shares of Factory Point Bancorp common stock (13.6% of the outstanding shares of Factory Point Bancorp as of the record date) have agreed to vote their shares in favor of the merger at the special meeting. This amount does not include shares that may be acquired upon the exercise of stock options.

The Merger and the Merger Agreement (page 27)

Berkshire Hills Bancorp's acquisition of Factory Point Bancorp is governed by a merger agreement. The merger agreement provides that, if all of the conditions are satisfied or waived, Factory Point Bancorp will be merged with and into Berkshire Hills Bancorp, with Berkshire Hills Bancorp as the surviving entity. **We encourage you to read the merger agreement, which is included as Annex A to this joint proxy statement/prospectus.**

What Factory Point Bancorp Shareholders Will Receive in the Merger (page 53)

Under the merger agreement, at your election, each share of Factory Point Bancorp common stock you own will be exchanged for either 0.5844 shares of Berkshire Hills Bancorp common stock or \$19.50 in cash.

Comparative Market Prices

The following table shows the closing price per share of Berkshire Hills Bancorp common stock and the equivalent price per share of Factory Point Bancorp common stock, giving effect to the merger, on May 14, 2007, which is the last day on which shares of Berkshire Hills Bancorp common stock traded preceding the public announcement of the proposed merger, and on July 13, 2007, the most recent practicable date prior to the mailing of this joint proxy statement/prospectus. The equivalent price per share of Factory Point Bancorp common stock was computed by multiplying the price of a share of Berkshire Hills Bancorp common stock by the 0.5844 exchange ratio. See *Description of the Merger Consideration to be Received in the Merger* on page 53.

	Berkshire Hills Bancorp Common Stock	Equivalent Price Per Share of Factory Point Bancorp Common Stock
May 14, 2007	\$ 32.46	\$ 18.97
July 13, 2007	\$ 31.18	\$ 18.22

Recommendation of Factory Point Bancorp Board of Directors (page 29)

The Factory Point Bancorp board of directors has unanimously approved the merger agreement and the proposed merger. The Factory Point Bancorp board believes that the merger agreement, including the merger contemplated by the merger agreement, is fair to, and in the best interests of, Factory Point Bancorp and its shareholders, and therefore **unanimously recommends that Factory Point Bancorp shareholders vote FOR the proposal to approve the merger agreement.** In reaching this decision, Factory Point Bancorp's board of directors considered many factors, which are described in the section captioned *Description of the Merger Factory Point Bancorp's Reasons for the Merger and Recommendation of the Board of Directors* beginning on page 29.

Factory Point Bancorp's Financial Advisor Believes the Merger Consideration is Fair to Shareholders (page 31)

In deciding to approve the merger, Factory Point Bancorp's board of directors considered the opinion of McConnell, Budd & Romano, Inc. McConnell, Budd & Romano which served as financial advisor to Factory Point Bancorp's board of directors, delivered its opinion dated July 13, 2007, that the merger consideration is fair to the holders of Factory Point Bancorp common stock from a financial point of view. A copy of this opinion is included as Annex C to the joint proxy statement/prospectus. You should read the opinion carefully to understand the procedures followed, assumptions made, matters considered and limitations of the review conducted by McConnell, Budd & Romano. Factory Point Bancorp has agreed to pay McConnell, Budd & Romano fees estimated to total approximately \$823,000 for its services in connection with the merger.

Recommendation of Berkshire Hills Bancorp Board of Directors (page 41)

The Berkshire Hills Bancorp board of directors has unanimously approved the merger agreement and the proposed merger. The Berkshire Hills Bancorp board believes that the merger agreement, including the merger contemplated by the merger agreement, is fair to, and in the best interests of, Berkshire Hills Bancorp and its shareholders, and therefore **unanimously recommends that Berkshire Hills Bancorp shareholders vote FOR the proposal to approve the merger agreement.** In reaching this decision, Berkshire Hills Bancorp's board of directors considered many factors, which are described in the section captioned *Description of the Merger Berkshire Hills Bancorp's Reasons for the Merger and Recommendation of the Board of Directors* beginning on page 41.

Berkshire Hills Bancorp's Financial Advisor Believes the Merger Consideration is Fair to Shareholders (page 42)

In deciding to approve the merger, Berkshire Hills Bancorp's board of directors considered the opinion of Sandler O'Neill & Partners, L.P. Sandler O'Neill, which served as financial advisor to Berkshire Hills Bancorp's board of directors, delivered its opinion dated May 14, 2007, that the merger consideration is fair to the holders of Berkshire Hills Bancorp common stock from a financial point of view. A copy of this opinion is included as Annex B to the joint proxy statement/prospectus. You should read the opinion carefully to understand the procedures followed, assumptions made, matters considered and limitations of the review conducted by Sandler O'Neill. Berkshire Hills Bancorp has agreed to pay Sandler O'Neill fees totaling approximately \$400,000 for its services in connection with the merger.

Regulatory Approvals (page 59)

Under the terms of the merger agreement, the merger cannot be completed unless it is first approved by the Massachusetts Board of Bank Incorporation, the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation. Berkshire Hills Bancorp filed the required applications on June 27, 2007. As of the date of this document, Berkshire Hills Bancorp has not received any approvals from those regulators. While Berkshire Hills Bancorp does not know of any reason why it would not be able to obtain approval in a timely manner, Berkshire Hills Bancorp cannot be certain when or if it will receive regulatory approval.

Conditions to the Merger (page 64)

The completion of the merger is subject to the fulfillment of a number of conditions, including:

- **approval of the merger agreement at the special meetings by at least a majority of the outstanding shares of Factory Point Bancorp common stock and Berkshire Hills Bancorp common stock entitled to vote;**
- **approval of the transaction by the appropriate regulatory authorities;**
- **receipt by each party of opinions from their respective legal counsel to the effect that the merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code; and**
- **the continued accuracy of representations and warranties made on the date of the merger agreement.**

Termination (page 71)

The merger agreement may be terminated by mutual consent of Berkshire Hills Bancorp and Factory Point Bancorp at any time prior to the completion of the merger. Additionally, subject to conditions and circumstances described in the merger agreement, either Berkshire Hills Bancorp or Factory Point Bancorp may terminate the merger agreement if, among other things, any of the following occur:

- **the merger has not been consummated by January 31, 2008;**
- **Factory Point Bancorp shareholders do not approve the merger agreement at the Factory Point Bancorp special meeting;**
- **Berkshire Hills Bancorp shareholders do not approve the merger agreement at the Berkshire Hills Bancorp special meeting;**
- **a required regulatory approval is denied or a governmental authority blocks the merger; or**
- **there is a breach by the other party of any representation, warranty, covenant or agreement contained in the merger agreement, which cannot be cured, or has not been cured within 30 days after the giving of written notice to such party of such breach.**

Berkshire Hills Bancorp may also terminate the merger agreement if Factory Point Bancorp materially breaches its agreements regarding the solicitation of other acquisition proposals and the submission of the merger agreement to shareholders or if the board of directors of Factory Point Bancorp does not recommend approval of the merger in the joint proxy statement/prospectus or withdraws or revises its recommendation in a manner adverse to Berkshire Hills Bancorp.

Factory Point Bancorp may also terminate the merger agreement if both the average closing price of Berkshire Hills Bancorp common stock during a measurement period ending ten business days before the closing is less than \$28.36 and Berkshire Hills Bancorp common stock underperforms the weighted average price of a predetermined list of 17 thrift and bank holding companies between the date of the merger agreement and the measurement period by more than 20%, unless Berkshire Hills Bancorp agrees to increase the exchange ratio pursuant to a formula specified in the merger agreement.

Termination Fee (page 71)

Under certain circumstances described in the merger agreement, Berkshire Hills Bancorp may demand from Factory Point Bancorp a \$3,600,000 termination fee in connection with the termination of the merger agreement. Additionally, if: (1) either party terminates the merger agreement as a result of the failure of Factory Point Bancorp's shareholders to approve the merger; or (2) if Berkshire Hills Bancorp terminates the merger agreement because of Factory Point Bancorp's willful breach of any representation, warranty, covenant or agreement; and an acquisition proposal from a third party has been publicly announced, disclosed or communicated before the date of the shareholders meeting in clause (1) above or before the termination date in clause (2) above, then Factory Point Bancorp must pay 1/3 of the \$3,600,000 termination fee. If within 12 months after such termination, Factory Point Bancorp consummates or enters into any agreement with respect to an acquisition

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proposal, then it must pay the remainder of the fee. See *Description of the Merger Termination Fee* on page 71 for a list of the circumstances under which a termination fee is payable.

Interests of Officers and Directors in the Merger that are Different from Yours (page 60)

You should be aware that some of Factory Point Bancorp's directors and officers may have interests in the merger that are different from, or in addition to, the interests of Factory Point Bancorp shareholders generally. These include: severance payments that certain officers will receive under existing change-in-control agreements; consulting, termination and retention agreements that certain officers of Factory Point National Bank will become subject to upon completion of the merger; the acceleration of stock options and shares of restricted stock; provisions in the merger agreement relating to indemnification of directors and officers and insurance for directors and officers of Factory Point Bancorp for events occurring before the merger; and the appointment of one director of Factory Point Bancorp to the board of directors of Berkshire Hills Bancorp and Berkshire Bank. Factory Point Bancorp's board of directors was aware of these interests and took them into account in approving the merger. See *Description of the Merger Interests of Certain Persons in the Merger* on page 60.

Accounting Treatment of the Merger (page 56)

The merger will be accounted for as a purchase transaction in accordance with U.S. generally accepted accounting principles.

Certain Differences in Shareholder Rights (page 81)

When the merger is completed, Factory Point Bancorp shareholders who are to receive shares of Berkshire Hills Bancorp will become Berkshire Hills Bancorp shareholders and their rights will be governed by Delaware law and by Berkshire Hills Bancorp's certificate of incorporation and bylaws. See *Comparison of Rights of Shareholders* beginning on page 81 for a summary of the material differences between the respective rights of Factory Point Bancorp and Berkshire Hills Bancorp shareholders.

Dissenters' Rights (page 24)

Factory Point Bancorp shareholders may dissent from the merger and, upon complying with the requirements of Delaware law, receive cash in the amount of the fair value of their shares instead of shares of Berkshire Hills Bancorp common stock and/or the cash consideration specified in the merger agreement. A copy of the section of the Delaware General Corporation Law pertaining to dissenters' rights is attached as Annex D to this joint proxy statement/prospectus. **You should read the statute carefully and consult with your legal counsel if you intend to exercise these rights.**

Tax Consequences of the Merger (page 56)

The federal tax consequences of the merger to shareholders of Factory Point Bancorp will depend primarily on whether they exchange their Factory Point Bancorp common stock solely for Berkshire Hills Bancorp common stock, solely for cash or for a combination of Berkshire Hills Bancorp common stock and cash. Factory Point Bancorp shareholders who exchange their shares solely for Berkshire Hills Bancorp common stock should not recognize gain or loss except with respect to the cash they receive instead of a fractional share. Factory Point Bancorp shareholders who exchange their shares solely for cash should recognize gain or loss on the exchange. Factory Point Bancorp shareholders who exchange their shares for a combination of Berkshire Hills Bancorp common stock and cash should recognize capital gain, but not any loss, on the exchange. The actual federal income tax consequences to Factory Point Bancorp shareholders of electing to receive cash, Berkshire Hills Bancorp common stock or a combination of cash and stock will not be ascertainable at the time Factory Point Bancorp shareholders make their election because it will not be known at that time how, or to what extent, the allocation and proration procedures will apply.

This tax treatment may not apply to all Factory Point Bancorp shareholders. Determining the actual tax consequences of the merger to Factory Point Bancorp shareholders can be complicated. Factory Point

Bancorp shareholders should consult their own tax advisor for a full understanding of the merger's tax consequences that are particular to each shareholder.

To review the tax consequences of the merger to Factory Point Bancorp shareholders in greater detail, please see the section *Description of the Merger Tax Consequences of the Merger* beginning on page 56.

RISK FACTORS

In addition to the other information included in this joint proxy statement/prospectus, you should consider carefully the risk factors described below, which include all known material risks, in deciding how to vote. You should keep these risk factors in mind when you read forward-looking statements in this document. Please refer to the section of this joint proxy statement/prospectus titled "Caution About Forward-Looking Statements" beginning on page 13.

Factory Point Bancorp shareholders may receive a form of consideration different from what they elect.

The consideration to be received by Factory Point Bancorp shareholders in the merger is subject to the requirement that 80% of the shares of Factory Point Bancorp common stock be exchanged for Berkshire Hills Bancorp common stock and 20% be exchanged for cash. The merger agreement contains proration and allocation methods to achieve this desired result. If you elect all cash and the available cash is oversubscribed, then you will receive a portion of the merger consideration in Berkshire Hills Bancorp common stock. If you elect all stock and the available stock is oversubscribed, then you will receive a portion of the merger consideration in cash. The type of consideration you receive may also be affected by the requirement that the value of the stock portion of the merger consideration be equal to at least 40% of the total value of merger consideration.

The price of Berkshire Hills Bancorp common stock might decrease after the merger.

Following the merger, many holders of Factory Point Bancorp common stock will become shareholders of Berkshire Hills Bancorp. Berkshire Hills Bancorp common stock could decline in value after the merger. For example, during the twelve-month period ending on July 13, 2007 (the most recent practicable date before the printing of this joint proxy statement/prospectus), the price of Berkshire Hills Bancorp common stock varied from a low of \$29.78 to a high of \$39.67 and ended that period at \$31.18. The market value of Berkshire Hills Bancorp common stock fluctuates based upon general market economic conditions, Berkshire Hills Bancorp's business and prospects and other factors.

Berkshire Hills Bancorp may be unable to successfully integrate Factory Point Bancorp's operations and retain Factory Point Bancorp's employees.

The merger involves the integration of two companies that have previously operated independently. The difficulties of combining the operations of the two companies include:

- **integrating personnel with diverse business backgrounds;**
- **combining different corporate cultures; and**
- **retaining key employees.**

The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of the business and the loss of key personnel. The integration of the two companies will require the experience and expertise of certain key employees of Factory Point Bancorp who are expected to be retained by Berkshire Hills Bancorp. Berkshire Hills Bancorp may not be successful in retaining these employees for the time period necessary to successfully integrate Factory Point Bancorp's operations with those of Berkshire Hills Bancorp. The diversion of management's attention and any delays or difficulties encountered in connection with the merger and the integration of the two companies' operations could have an adverse effect on the business and results of operation of Berkshire Hills Bancorp following the merger.

The termination fee and the restrictions on solicitation contained in the merger agreement may discourage other companies from trying to acquire Factory Point Bancorp.

Until the completion of the merger, with some exceptions, Factory Point Bancorp is prohibited from soliciting, initiating, encouraging or participating in any discussion of or otherwise considering any inquiries or proposals that may lead to an acquisition proposal, such as a merger or other business combination transaction, with any person other than Berkshire Hills Bancorp. In addition, Factory Point Bancorp has agreed to pay a termination

fee to Berkshire Hills Bancorp in specified circumstances. These provisions could discourage other companies from trying to acquire Factory Point Bancorp even though those other companies might be willing to offer greater value to Factory Point Bancorp's shareholders than Berkshire Hills Bancorp has offered in the merger. The payment of the termination fee could also have a material adverse effect on Factory Point Bancorp's financial condition.

Certain of Factory Point Bancorp's officers and directors have interests that are different from, or in addition to, interests of Factory Point Bancorp's shareholders generally.

You should be aware that the directors and officers of Factory Point Bancorp have interests in the merger that are different from, or in addition to, the interests of Factory Point Bancorp shareholders generally. These include: severance payments that certain officers will receive under existing change-in-control agreements, consulting or retention agreements that certain officers of Factory Point National Bank will become subject to upon completion of the merger; the acceleration of stock options; provisions in the merger agreement relating to indemnification of directors and officers and insurance for directors and officers of Factory Point Bancorp for events occurring before the merger; and the appointment of one director of Factory Point Bancorp to the board of directors of Berkshire Hills Bancorp and Berkshire Bank. For a more detailed discussion of these interests, see *Description of the Merger Interests of Certain Persons in the Merger* beginning on page 60.

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CAUTION ABOUT FORWARD-LOOKING STATEMENTS

Certain statements contained in this document that are not historical facts may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (referred to as the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (referred to as the Securities Exchange Act), and are intended to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The sections of this document which contain forward-looking statements include, but are not limited to, *Questions And Answers About the Merger and the Special Meeting*, *Summary*, *Risk Factors*, *Description of the Merger Background of the Merger*, *Description of the Merger Berkshire Hills Bancorp s Reasons for the Merger*, and *Description of the Merger Factory Point Bancorp s Reasons for the Merger and Recommendation of the Board of Directors*. You can identify these statements from the use of the words may, will, should, could, would, plan, potential, estimate, project, believe, intend, anticipate, expect, target

These forward-looking statements are subject to significant risks, assumptions and uncertainties, including among other things, changes in general economic and business conditions and the risks and other factors set forth in the *Risk Factors* section beginning on page 11.

Because of these and other uncertainties, Berkshire Hills Bancorp s actual results, performance or achievements, or industry results, may be materially different from the results indicated by these forward-looking statements. In addition, Berkshire Hills Bancorp s and Factory Point Bancorp s past results of operations do not necessarily indicate Berkshire Hills Bancorp s and Factory Point Bancorp s combined future results. You should not place undue reliance on any forward-looking statements, which speak only as of the dates on which they were made. Berkshire Hills Bancorp is not undertaking an obligation to update these forward-looking statements, even though its situation may change in the future, except as required under federal securities law. Berkshire Hills Bancorp qualifies all of its forward-looking statements by these cautionary statements.

Further information on other factors which could affect the financial condition, results of operations, liquidity or capital resources of Berkshire Hills Bancorp before and after the merger is included in this joint proxy statement/prospectus under *Information About Berkshire Hills Bancorp Business and Information About Berkshire Hills Bancorp Management s Results of Operations*.

SELECTED HISTORICAL FINANCIAL INFORMATION

The following tables show summarized historical financial data for Berkshire Hills Bancorp and Factory Point Bancorp. You should read this summary financial information in connection with Berkshire Hills Bancorp's historical financial information, which is incorporated by reference into this document, and in connection with Factory Point Bancorp's historical financial information, which appears elsewhere in this joint proxy statement/prospectus.

Unaudited consolidated interim financial statements for Berkshire Hills Bancorp at or for the three months ended March 31, 2007 and 2006 and unaudited consolidated interim financial statements for Factory Point Bancorp at or for the three months ended March 31, 2007 and 2006 include normal, recurring adjustments necessary to fairly present the data for those periods. The unaudited data is not necessarily indicative of expected results of a full year's operation.

Selected Historical Financial Data of Berkshire Hills Bancorp

	At or For the Three Months Ended March 31, 2007 (unaudited) (In thousands, except per share amounts)		At or For the Year Ended December 31, 2006			2005	2004
FINANCIAL CONDITION DATA							
Total assets	\$ 2,174,573	\$ 2,056,333	\$ 2,149,642	\$ 2,035,553	\$ 1,310,115		
Securities	229,606	413,475	234,174	420,320	414,363		
Loans, net	1,710,408	1,435,415	1,679,617	1,407,229	818,842		
Goodwill and other intangibles	121,065	99,163	121,341	99,616	7,254		
Deposits	1,535,612	1,450,554	1,521,938	1,371,218	845,789		
Borrowings and subordinated debentures	367,102	351,729	360,469	412,917	327,926		
Total stockholders equity	263,087	247,637	258,161	246,066	131,736		
OPERATING DATA							
Total interest and dividend income	\$ 31,470	\$ 27,070	\$ 118,051	\$ 87,732	\$ 61,081		
Total interest expense	16,280	12,462	57,811	36,115	20,724		
Net interest income	15,190	14,608	60,240	51,617	40,357		
Provision for loan losses	750	290	7,860	1,313	1,565		
Service charge and fee income	7,733	3,176	13,539	9,373	5,493		
All other non-interest income (expense)	504	915	(1,491)	5,550	2,271		
Total non-interest expense	15,409	11,225	48,868	48,998	28,977		
Provision for income taxes continuing operations	2,326	2,366	4,668	8,003	5,639		
Net income (loss) from discounted operations			371		(431)		
Net income	\$ 4,942	\$ 4,818	\$ 11,263	\$ 8,226	\$ 11,509		
COMMON SHARE DATA							
Basic net income per share	\$ 0.57	\$ 0.57	\$ 1.32	\$ 1.16	\$ 2.18		
Diluted net income per share	0.56	0.55	1.29	1.10	2.01		
Dividends declared per share	0.14	0.14	0.56	0.52	0.48		
Book value per share	29.87	28.79	29.63	28.81	22.43		
Weighted average shares basic	8,662	8,476	8,538	7,122	5,284		
Weighted average shares diluted	8,842	8,755	8,730	7,503	5,731		
Shares outstanding end of period	8,807	8,601	8,713	8,540	5,874		
KEY OPERATING RATIOS							
Return on average assets	0.92	% 0.94	% 0.53	% 0.47	% 0.89		
Return on average equity	7.57	7.64	4.40	4.19	9.06		
Interest rate spread	2.78	2.87	2.81	3.00	3.10		
Net interest margin	3.24	3.27	3.24	3.33	3.37		
Non-interest expense to average assets	2.86	2.20	2.31	2.81	2.25		
Dividend payout ratio	24.69	24.97	42.92	45.06	22.71		
Nonperforming loans to total loans	0.49	0.06	0.45	0.08	0.14		
Nonperforming assets to total assets	0.39	0.04	0.35	0.06	0.09		
Allowance for loan losses to total loans	1.14	0.90	1.14	0.92	1.13		
Allowance for loan losses to nonperforming loans	2.30	x 14.42	x 2.55	x 10.96	x 8.11		
Total equity to total assets	12.10	12.04	12.01	12.09	10.06		

Selected Historical Financial Data of Factory Point Bancorp

	At or For the Three Months Ended March 31, 2007 (unaudited)		At or For the Year Ended December 31,		
	2006	2006	2006	2005	2004
FINANCIAL CONDITION DATA					
Total assets	\$ 339,378	\$ 328,264	\$ 340,499	\$ 319,485	\$ 304,148
Loans, net	223,901	209,028	225,534	206,670	201,235
Securities available for sale	85,942	91,879	89,090	86,431	74,426
Deposits	274,567	264,125	269,967	270,001	265,264
Total borrowings	32,552	34,874	39,030	20,030	11,405
Shareholders' equity	29,554	26,883	28,824	26,945	25,537
OPERATING DATA					
Interest and dividend income	\$ 5,243	\$ 4,689	\$ 20,201	\$ 16,418	\$ 13,696
Interest expense	2,051	1,364	7,007	3,577	2,289
Net interest income	3,192	3,325	13,194	12,841	11,407
Provision for loan losses		195	390	780	630
Net interest income after provision for loan losses	3,192	3,130	12,804	12,061	10,777
Noninterest income	889	750	3,104	3,302	2,976
Noninterest expense	2,645	2,410	9,890	9,453	8,703
Income before income taxes	1,436	1,470	6,018	5,910	5,050
Income taxes	357	397	1,553	1,510	1,292
Net income	\$ 1,079	\$ 1,072	\$ 4,465	\$ 4,400	\$ 3,758
COMMON SHARE DATA					
Basic net income per share	\$ 0.26	\$ 0.26	\$ 1.10	\$ 1.08	\$ 0.93
Diluted net income per share	0.26	0.26	1.08	1.06	0.90
Dividends declared per share	0.17	0.15	0.60	0.54	0.49
Book value per share	7.25	6.60	7.08	6.61	6.28
Weighted average shares - basic	4,077	4,076	4,073	4,063	4,057
Weighted average shares - diluted	4,140	4,157	4,150	4,163	4,157
Shares outstanding - end of period	4,093	4,077	4,074	4,078	4,057
KEY OPERATING RATIOS					
Return on average assets	1.29	% 1.35	% 1.35	% 1.41	% 1.23
Return on average equity	15.08	16.12	16.29	16.88	15.27
Net interest margin	4.25	4.69	4.50	4.66	4.19
Efficiency ratio	62.05	56.74	58.13	56.41	58.37
Dividend payout ratio	64.20	56.92	54.71	50.29	52.59
Nonperforming loans to total loans	0.47	0.29	0.46	0.34	0.22
Nonperforming assets to total assets	0.31	0.19	0.31	0.25	0.17
Allowance for loan losses to total loans	1.81	1.80	1.80	1.72	1.43
Allowance for loan losses to nonperforming loans	386.57	623.65	392.78	511.02	649.55
Average equity to average assets	8.56	8.40	8.31	8.38	8.03
Total equity to total assets	8.71	8.19	8.47	8.43	8.40

SUMMARY SELECTED PRO FORMA COMBINED DATA

The following table shows selected financial information on a pro forma combined basis giving effect to the merger as if the merger had become effective at the end of the periods presented, in the case of balance sheet information, and at the beginning of each period presented, in the case of income statement information. The pro forma information reflects the purchase method of accounting.

Berkshire Hills Bancorp anticipates that the merger will provide the combined company with financial benefits that include reduced operating expenses and the opportunity to earn more revenue. The pro forma information, while helpful in illustrating the financial characteristics of Berkshire Hills Bancorp following the merger under one set of assumptions, does not reflect all of these benefits and, accordingly, does not attempt to predict or suggest future results. The pro forma information also does not necessarily reflect what the historical results of Berkshire Hills Bancorp would have been had our companies been combined during these periods.

An exchange ratio of 0.5844 was used in preparing this pro forma information. You should read this summary pro forma information in conjunction with the information under *Pro Forma Financial Information* and with the historical information in this document on which it is based.

	Three Months Ended March 31, 2007	Year Ended December 31, 2006
Pro forma combined income statement data:		
Interest income	\$ 36,863	\$ 138,852
Interest expense	18,756	66,518
Net interest income	18,107	72,334
Provision for loan losses	750	8,250
Net interest income after provision for loan losses	17,357	64,084
Non-interest income	9,126	15,152
Non-interest expense	17,704	57,358
Income before income taxes	8,779	21,878
Income tax expense	2,708	6,321
Income from continuing operations	6,071	15,557
Net income from discontinued operations		371
Net income	\$ 6,071	\$ 15,928
Pro forma per share data:		
Basic net income	\$ 0.57	\$ 1.52
Diluted net income	0.56	1.49

	March 31, 2007 (In thousands)
Pro forma combined balance sheet data:	
Total assets	\$ 2,571,951
Loans receivable, net	1,929,009
Deposits	1,810,179
Total stockholders' equity	327,641

COMPARATIVE PER SHARE DATA

The following table shows information about Berkshire Hills Bancorp's and Factory Point Bancorp's diluted income per common share, dividends per share and book value per share, and similar information giving effect to the merger (which we refer to as "pro forma" information). In presenting the comparative pro forma information for the time periods shown, we assumed that we had been merged on the dates or at the beginning of the periods indicated. See *Pro Forma Financial Information*.

The information listed as "pro forma combined" was prepared using an exchange ratio of 0.5844. The information listed as "per equivalent Factory Point Bancorp share" was obtained by multiplying the pro forma amounts by an exchange ratio of 0.5844. We present this information to reflect the fact that some Factory Point Bancorp shareholders will receive shares of Berkshire Hills Bancorp common stock for each share of Factory Point Bancorp common stock exchanged in the merger. Berkshire Hills Bancorp anticipates that the combined company will derive financial benefits from the merger that include reduced operating expenses and the opportunity to earn more revenue. The pro forma information, while helpful in illustrating the financial characteristics of Berkshire Hills Bancorp following the merger under one set of assumptions, does not reflect these benefits and, accordingly, does not attempt to predict or suggest future results. The pro forma information also does not necessarily reflect what the historical results of Berkshire Hills Bancorp would have been had our companies been combined during these periods.

The information in the following table is based on, and should be read together with, the historical financial information that we have presented in this document. See *Pro Forma Financial Information*.

	Berkshire Hills Bancorp Historical	Factory Point Bancorp Historical	Pro Forma Combined (1) (2)	Per Equivalent Factory Point Bancorp Share
Book value per share:				
At March 31, 2007	\$ 29.87	\$ 7.25	\$ 30.56	\$ 17.86
Cash dividends declared per share:				
Three months ended March 31, 2007	\$ 0.14	\$ 0.17	\$ 0.14	\$ 0.08
Year ended December 31, 2006	0.56	0.60	0.56	0.33
Diluted net income per share:				
Three months ended March 31, 2007	\$ 0.56	\$ 0.26	\$ 0.56	\$ 0.33
Year ended December 31, 2006	1.29	1.08	1.49	0.87

- (1) Pro forma dividends per share represent Berkshire Hills Bancorp's historical dividends per share.
- (2) The pro forma combined book value per share of Berkshire Hills Bancorp common stock is based upon the pro forma combined common stockholders' equity for Berkshire Hills Bancorp and Factory Point Bancorp divided by total pro forma common shares of the combined entities.

MARKET PRICE AND DIVIDEND INFORMATION

Berkshire Hills Bancorp common stock is listed on The NASDAQ Global Select Market under the symbol BHLB. Factory Point Bancorp common stock is quoted on the OTC Bulletin Board under the symbol FAPB. The following table lists the high and low prices per share for Berkshire Hills Bancorp common stock and Factory Point Bancorp common stock and the cash dividends declared by each company for the periods indicated.

Quarter Ended	Berkshire Hills Bancorp Common Stock			Factory Point Bancorp Common Stock		
	High	Low	Dividends	High	Low	Dividends
September 30, 2007 (through July 13, 2007)	\$ 32.25	\$ 29.78	\$	\$ 18.51	\$ 18.10	\$
June 30, 2007	34.00	31.43	0.14	19.21	13.95	0.17
March 31, 2007	34.82	32.34	0.14	15.00	13.40	0.17
December 31, 2006	39.67	33.08	0.14	15.40	13.50	0.15
September 30, 2006	38.44	33.46	0.14	15.50	13.85	0.15
June 30, 2006	36.39	32.77	0.14	16.40	15.10	0.15
March 31, 2006	36.08	32.37	0.14	16.80	15.25	0.15
December 31, 2005	35.57	31.75	0.14	17.16	15.25	0.14
September 30, 2005	35.20	31.90	0.14	17.52	16.40	0.14
June 30, 2005	34.90	30.97	0.12	18.20	16.60	0.14
March 31, 2005	37.64	33.40	0.12	19.20	16.08	0.14

You should obtain current market quotations for Berkshire Hills Bancorp common stock, as the market price of Berkshire Hills Bancorp common stock will fluctuate between the date of this document and the date on which the merger is completed, and thereafter. You can get these quotations from a newspaper, on the Internet or by calling your broker.

As of July 13, 2007, there were approximately 2,085 holders of record of Berkshire Hills Bancorp common stock. As of July 13, 2007, there were approximately 324 holders of record of Factory Point Bancorp common stock. These numbers do not reflect the number of persons or entities who may hold their stock in nominee or street name through brokerage firms.

Following the merger, the declaration of dividends will be at the discretion of Berkshire Hills Bancorp's board of directors and will be determined after consideration of various factors, including earnings, cash requirements, the financial condition of Berkshire Hills Bancorp, applicable state law and government regulations and other factors deemed relevant by Berkshire Hills Bancorp's board of directors.

SPECIAL MEETING OF FACTORY POINT BANCORP SHAREHOLDERS

Date, Place, Time and Purpose

Factory Point Bancorp's board of directors is sending you this document to request that you allow your shares of Factory Point Bancorp to be represented at the special meeting by the persons named in the enclosed proxy card. At the special meeting, the Factory Point Bancorp board of directors will ask you to vote on a proposal to approve the merger agreement. You also will be asked to vote on a proposal to adjourn the special meeting if necessary to permit further solicitation of proxies if there are not sufficient votes at the time of the meeting to approve the merger agreement. The special meeting will be held at The Equinox Hotel, 3567 Main Street, Manchester Village, Vermont at 2:00 p.m., local time, on August 28, 2007.

Who Can Vote at the Meeting

You are entitled to vote if the records of Factory Point Bancorp showed that you held shares of Factory Point Bancorp common stock as of the close of business on July 13, 2007. As of the close of business on that date, a total of 4,105,103 shares of Factory Point Bancorp common stock were outstanding. Each share of common stock has one vote. If you are a beneficial owner of shares of Factory Point Bancorp common stock held by a broker, bank or other nominee (*i.e.*, in street name) and you want to vote your shares in person at the meeting, you will have to get a written proxy in your name from the broker, bank or other nominee who holds your shares.

Quorum; Vote Required

The special meeting will conduct business only if a majority of the outstanding shares of Factory Point Bancorp common stock entitled to vote is represented in person or by proxy at the meeting. If you return valid proxy instructions or attend the meeting in person, your shares will be counted for purposes of determining whether there is a quorum, even if you abstain from voting. Broker non-votes also will be counted for purposes of determining the existence of a quorum. A broker non-vote occurs when a broker, bank or other nominee holding shares of Factory Point Bancorp common stock for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner.

Approval of the merger agreement will require the affirmative vote of a majority of the outstanding shares of Factory Point Bancorp common stock entitled to vote at the meeting. Failure to return a properly executed proxy card or to vote in person will have the same effect as a vote against the merger agreement. Broker non-votes and abstentions from voting will have the same effect as voting against the merger agreement.

The affirmative vote of the majority of votes cast is required to approve the proposal to adjourn the meeting if necessary to permit further solicitation of proxies on the proposal to approve the merger agreement.

Shares Held by Factory Point Bancorp Officers and Directors and by Berkshire Hills Bancorp

As of July 13, 2007, directors and executive officers of Factory Point Bancorp beneficially owned 668,591 shares of Factory Point Bancorp common stock, not including shares that may be acquired upon the exercise of stock options. This equals 16.3% of the outstanding shares of Factory Point Bancorp common stock. As of the same date, Berkshire Hills Bancorp and its subsidiaries and its directors and executive officers owned 7,718 shares of Factory Point Bancorp common stock. This equals 0.2% of the total outstanding shares of Factory Point Bancorp common stock.

Voting and Revocability of Proxies

You may vote in person at the special meeting or by proxy. To ensure your representation at the special meeting, Factory Point Bancorp recommends that you vote by proxy even if you plan to attend the special meeting. You can always change your vote at the special meeting.

Factory Point Bancorp shareholders whose shares are held in street name by their broker, bank or other nominee must follow the instructions provided by their broker, bank or other nominee to vote their shares. Your broker or bank may allow you to deliver your voting instructions via the telephone or the Internet.

Voting instructions are included on your proxy form. If you properly complete and timely submit your proxy, your shares will be voted as you have directed. You may vote for, against, or abstain with respect to the approval of the merger agreement and the proposal to adjourn the meeting. If you are the record holder of your shares of Factory Point Bancorp common stock and submit your proxy without specifying a voting instruction, your shares of Factory Point Bancorp common stock will be voted FOR the proposal to adopt the merger agreement and FOR the proposal to adjourn the meeting if necessary to permit further solicitation of proxies on the proposal to approve the merger agreement. Factory Point Bancorp's board of directors recommends a vote FOR approval of the merger agreement and FOR approval of the proposal to adjourn the meeting if necessary to permit further solicitation of proxies on the proposal to approve the merger agreement.

You may revoke your proxy before it is voted by:

- **filing with the Secretary of Factory Point Bancorp a duly executed revocation of proxy;**
- **submitting a new proxy with a later date; or**
- **voting in person at the special meeting.**

Attendance at the special meeting will not, in and of itself, constitute a revocation of a proxy. All written notices of revocation and other communication with respect to the revocation of proxies should be addressed to:

Factory Point Bancorp, Inc.

Edgar T. Campbell, Secretary

4928 Main Street

Manchester Center, Vermont 05255

If any matters not described in this document are properly presented at the special meeting, the persons named in the proxy card will use their own judgment to determine how to vote your shares. Factory Point Bancorp does not know of any other matters to be presented at the meeting.

Solicitation of Proxies

Factory Point Bancorp will pay for this proxy solicitation. In addition to soliciting proxies by mail, MacKenzie Partners, Inc., a proxy solicitation firm, will assist Factory Point Bancorp in soliciting proxies for the special meeting. Factory Point Bancorp will pay \$2,400 for these services. Factory Point Bancorp will, upon request, reimburse brokers, banks and other nominees for their expenses in sending proxy materials to their customers who are beneficial owners and obtaining their voting instructions. Additionally, directors, officers and employees of Factory Point Bancorp may solicit proxies personally and by telephone. None of these persons will receive additional or special compensation for soliciting proxies.

SPECIAL MEETING OF BERKSHIRE HILLS BANCORP SHAREHOLDERS

Date, Place, Time and Purpose

Berkshire Hills Bancorp's board of directors is sending you this document to request that you allow your shares of Berkshire Hills Bancorp to be represented at the special meeting by the persons named in the enclosed proxy card. At the special meeting, the Berkshire Hills Bancorp board of directors will ask you to vote on a proposal to approve the merger agreement. You also will be asked to vote on a proposal to adjourn the special meeting if necessary to permit further solicitation of proxies if there are not sufficient votes at the time of the meeting to approve the merger agreement. The special meeting will be held at The Crowne Plaza Hotel, One West Street, Pittsfield, Massachusetts at 10:00 a.m., local time, on August 28, 2007.

Who Can Vote at the Meeting

You are entitled to vote if the records of Berkshire Hills Bancorp showed that you held shares of Berkshire Hills Bancorp common stock as of the close of business on July 13, 2007. As of the close of business on that date, a total of 8,846,323 shares of Berkshire Hills Bancorp common stock were outstanding. Each share of common stock has one vote. If you are a beneficial owner of shares of Berkshire Hills Bancorp common stock held by a broker, bank or other nominee (*i.e.*, in street name) and you want to vote your shares in person at the meeting, you will have to get a written proxy in your name from the broker, bank or other nominee who holds your shares.

Quorum; Vote Required

The special meeting will conduct business only if a majority of the outstanding shares of Berkshire Hills Bancorp common stock entitled to vote is represented in person or by proxy at the meeting. If you return valid proxy instructions or attend the meeting in person, your shares will be counted for purposes of determining whether there is a quorum, even if you abstain from voting. Broker non-votes also will be counted for purposes of determining the existence of a quorum. A broker non-vote occurs when a broker, bank or other nominee holding shares of Berkshire Hills Bancorp common stock for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner.

Approval of the merger agreement will require the affirmative vote of a majority of the outstanding shares of Berkshire Hills Bancorp common stock entitled to vote at the meeting. Failure to return a properly executed proxy card or to vote in person will have the same effect as a vote against the merger agreement. Broker non-votes and abstentions from voting will have the same effect as voting against the merger agreement.

The affirmative vote of the majority of votes cast is required to approve the proposal to adjourn the meeting if necessary to permit further solicitation of proxies on the proposal to approve the merger agreement.

Shares Held by Berkshire Hills Bancorp Officers and Directors and by Factory Point Bancorp

As of July 13, 2007, directors and executive officers of Berkshire Hills Bancorp beneficially owned 326,834 shares of Berkshire Hills Bancorp common stock, not including shares that may be acquired upon the exercise of stock options. This equals 3.7% of the outstanding shares of Berkshire Hills Bancorp common stock. As of the same date, Factory Point Bancorp and its directors and executive officers did not beneficially own any shares of Berkshire Hills Bancorp common stock.

Voting and Revocability of Proxies

You may vote in person at the special meeting or by proxy. To ensure your representation at the special meeting, Berkshire Hills Bancorp recommends that you vote by proxy even if you plan to attend the special meeting. You can always change your vote at the special meeting.

Berkshire Hills Bancorp shareholders whose shares are held in street name by their broker, bank or other nominee must follow the instructions provided by their broker, bank or other nominee to vote their shares. Your broker or bank may allow you to deliver your voting instructions via the telephone or the Internet.

Voting instructions are included on your proxy form. If you properly complete and timely submit your proxy, your shares will be voted as you have directed. You may vote for, against, or abstain with respect to the approval of the merger agreement and the proposal to adjourn the meeting. If you are the record holder of your shares of Berkshire Hills Bancorp common stock and submit your proxy without specifying a voting instruction, your shares of Berkshire Hills Bancorp common stock will be voted FOR the proposal to adopt the merger agreement and FOR the proposal to adjourn the meeting if necessary to permit further solicitation of proxies on the proposal to approve the merger agreement. Berkshire Hills Bancorp's board of directors recommends a vote FOR approval of the merger agreement and FOR approval of the proposal to adjourn the meeting if necessary to permit further solicitation of proxies on the proposal to approve the merger agreement.

You may revoke your proxy before it is voted by:

- **filing with the Secretary of Berkshire Hills Bancorp a duly executed revocation of proxy;**
- **submitting a new proxy with a later date; or**
- **voting in person at the special meeting.**

Attendance at the special meeting will not, in and of itself, constitute a revocation of a proxy. All written notices of revocation and other communication with respect to the revocation of proxies should be addressed to:

Berkshire Hills Bancorp, Inc.

Lisa J. Lescarbeau, Secretary

24 North Street

Pittsfield, Massachusetts 01201

If any matters not described in this document are properly presented at the special meeting, the persons named in the proxy card will use their own judgment to determine how to vote your shares. Berkshire Hills Bancorp does not know of any other matters to be presented at the meeting.

Solicitation of Proxies

Berkshire Hills Bancorp will pay for this proxy solicitation. In addition to soliciting proxies by mail, MacKenzie Partners, Inc., a proxy solicitation firm, will assist Berkshire Hills Bancorp in soliciting proxies for the special meeting. Berkshire Hills Bancorp will pay \$9,600 for these services. Berkshire Hills Bancorp will, upon request, reimburse brokers, banks and other nominees for their expenses in sending proxy materials to their customers who are beneficial owners and obtaining their voting instructions. Additionally, directors, officers and employees of Berkshire Hills Bancorp may solicit proxies personally and by telephone. None of these persons will receive additional or special compensation for soliciting proxies.

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RIGHTS OF DISSENTING SHAREHOLDERS

Under Delaware law, holders of Factory Point Bancorp common stock that do not wish to accept the merger consideration may elect to have the value of their shares of Factory Point Bancorp common stock judicially determined and paid in cash, together with a fair rate of interest, if any. The valuation will exclude any element of value arising from the accomplishment or expectation of the merger. A stockholder may only exercise such appraisal rights by complying with the provisions of Section 262 of the Delaware General Corporation Law.

The following summary of the provisions of Section 262 of the Delaware General Corporation Law is not a complete statement of the law pertaining to appraisal rights under the Delaware General Corporation Law and is qualified in its entirety by reference to the full text of Section 262 of the Delaware General Corporation Law, a copy of which is attached to this document as Annex D and incorporated into this summary by reference. If you wish to exercise appraisal rights or wish to preserve your right to do so, you should carefully review Section 262 and are urged to consult a legal advisor before electing or attempting to exercise these rights.

All references in Section 262 and in this summary to a shareholder are to the record holder of the shares of Factory Point Bancorp common stock as to which appraisal rights are asserted. A person having a beneficial interest in shares of Factory Point Bancorp common stock held of record in the name of another person, such as a bank, broker or other nominee, must act promptly to cause the record holder to follow properly the steps summarized below and in a timely manner to perfect appraisal rights.

Under Section 262, where a proposed merger is to be submitted for approval at a meeting of shareholders, as in the case of Factory Point Bancorp's special meeting, the corporation, not less than twenty (20) days prior to the meeting, must notify each of its shareholders entitled to appraisal rights that these appraisal rights are available and include in the notice a copy of Section 262. This document constitutes notice to the Factory Point Bancorp shareholders of the availability of appraisal rights, and the applicable statutory provisions of the Delaware General Corporation Law are attached to this document as Annex D.

Any Factory Point Bancorp shareholder wishing to exercise the right to demand appraisal under Section 262 of the Delaware General Corporation Law must satisfy each of the following conditions:

- The shareholder must deliver to Factory Point Bancorp a written demand for appraisal of its shares before the vote on the merger agreement at Factory Point Bancorp's special meeting. This demand will be sufficient if it reasonably informs Factory Point Bancorp of the identity of the shareholder and that the shareholder intends by that writing to demand the appraisal of its shares.
- The shareholder must not vote its shares of common stock in favor of the merger agreement. A proxy that does not contain voting instructions will, unless revoked, be voted in favor of the merger agreement. Therefore, a Factory Point Bancorp shareholder who votes by proxy and who wishes to exercise appraisal rights must vote against the merger agreement or abstain from voting on the merger agreement. Voting against, abstaining from voting on or failing to vote on the proposal to approve and adopt the merger agreement will not constitute a written demand for appraisal within the meaning of Section 262. The written demand for appraisal must be made in addition to and separate from any proxy you deliver or vote you cast in person.
- The shareholder must continuously hold its shares from the date of making the written demand through the completion of the merger. A shareholder who is the record holder of shares of common stock on the date the written demand for appraisal is made but who thereafter transfers those shares prior to the completion of the merger will lose any right to appraisal in respect of those shares.

Only a shareholder of record of shares of Factory Point Bancorp common stock is entitled to assert appraisal rights for those shares registered in that holder's name. A demand for appraisal should:

- be executed by or on behalf of the shareholder of record, fully and correctly, as its name appears on the stock transfer records of Factory Point Bancorp;

· voting in person at the special meeting.

- specify the shareholder's name and mailing address;
 - specify the number of shares of Factory Point Bancorp common stock owned by the shareholder;
- and
- specify that the shareholder intends thereby to demand appraisal of its common stock.

If the shares are owned of record by a person in a fiduciary capacity, such as a trustee, guardian or custodian, the demand should be executed in that capacity. If the shares are owned of record by more than one person as in a joint tenancy or tenancy in common, the demand should be executed by or on behalf of all owners. An authorized agent, including an agent for two or more joint owners, may execute a demand for appraisal on behalf of a shareholder; however, the agent must identify the record owner or owners and expressly disclose the fact that, in executing the demand, the agent is acting as agent for such owner or owners. A record holder such as a bank or broker who holds shares as nominee for several beneficial owners may exercise appraisal rights with respect to the shares held for one or more beneficial owners while not exercising these rights with respect to the shares held for one or more other beneficial owners. In this case, the written demand should set forth the number of shares as to which appraisal is sought, and where no number of shares is expressly mentioned the demand will be presumed to cover all shares held in the name of the record owner.

Shareholders who hold their shares in brokerage accounts or other nominee forms and who wish to exercise appraisal rights are urged to consult with their nominees to determine appropriate procedures for the making of a demand for appraisal by such nominee.

A shareholder who elects to exercise appraisal rights pursuant to Section 262 should mail or deliver a written demand to:

Factory Point Bancorp, Inc.
4928 Main Street
P.O. Box 1567
Manchester Center, Vermont 05255
Attention: Edgar T. Campbell
Corporate Secretary

Within ten days after the completion of the merger, Berkshire must send a notice as to the completion of the merger to each of Factory Point Bancorp's former shareholders who has made a written demand for appraisal in accordance with Section 262 and who has not voted in favor of or consented to adoption of the merger agreement. Within 120 days after the completion of the merger, but not after that date, either Berkshire or any shareholder who has complied with the requirements of Section 262 may file a petition in the Delaware Court of Chancery demanding a determination of the value of the shares of common stock held by all shareholders demanding appraisal of their shares. Berkshire is under no obligation to, and has no present intent to file a petition for appraisal, and shareholders seeking to exercise appraisal rights should not assume that Berkshire Hills Bancorp will file a petition or that it will initiate any negotiations with respect to the fair value of the shares. Accordingly, shareholders who desire to have their shares appraised should initiate any petitions necessary for the perfection of their appraisal rights within the time periods and in the manner prescribed in Section 262. Since Berkshire Hills Bancorp has no obligation to file a petition, the failure of affected shareholders to do so within the period specified could nullify any previous written demand for appraisal. Under the merger agreement, Factory Point Bancorp has agreed to give Berkshire Hills Bancorp prompt notice of any demands for appraisal it receives. Berkshire Hills Bancorp has the right to participate in all negotiations and proceedings with respect to demands for appraisal. Factory Point Bancorp will not, except with the prior written consent of Berkshire Hills Bancorp, make any payment with respect to any demands for appraisal, offer to settle, or settle, any demands.

Within 120 days after the completion of the merger, any shareholder that complies with the provisions of Section 262 to that point in time will be entitled to receive from Berkshire Hills Bancorp, upon written request, a statement setting forth the aggregate number of shares not voted in favor of the merger agreement and with respect to which Factory Point Bancorp received demands for appraisal and the aggregate number of holders of those

shares. Berkshire Hills Bancorp must mail this statement to the shareholder by the later of ten days after receipt of the request or ten days after expiration of the period for delivery of demands for appraisals under Section 262.

A shareholder who timely files a petition for appraisal with the Delaware Court of Chancery must serve a copy upon Berkshire Hills Bancorp. Berkshire Hills Bancorp must, within twenty days of receipt of the petition, file with the Delaware Register in Chancery a duly verified list containing the names and addresses of all shareholders who have demanded appraisal of their shares and who have not reached agreements with it as to the value of their shares. After notice to shareholders as may be ordered by the Delaware Court of Chancery, the Delaware Court of Chancery is empowered to conduct a hearing on the petition to determine which shareholders are entitled to appraisal rights. The Delaware Court of Chancery may require shareholders who have demanded an appraisal for their shares and who hold stock represented by certificates to submit their certificates to the Register in Chancery for notation on the certificates of the pendency of the appraisal proceedings, and if any shareholder fails to comply with the requirement, the Delaware Court of Chancery may dismiss the proceedings as to that shareholder. After determining what shareholders are entitled to an appraisal, the Delaware Court of Chancery will appraise the fair value of their shares. This value will exclude any element of value arising from the accomplishment or expectation of the merger, but will include a fair rate of interest, if any, to be paid upon the amount determined to be the fair value. The costs of the action may be determined by the Delaware Court of Chancery and taxed upon the parties as the Delaware Court of Chancery deems equitable. Upon application of a shareholder, the Delaware Court of Chancery may also order that all or a portion of the expenses incurred by any shareholder in connection with the appraisal proceeding be charged pro rata against the value of all of the shares entitled to appraisal. These expenses may include, without limitation, reasonable attorneys fees and the fees and expenses of experts. Shareholders considering seeking appraisal should be aware that the fair value of their shares as determined under Section 262 could be more than, the same as, or less than the merger consideration they would be entitled to receive pursuant to the merger agreement if they did not seek appraisal of their shares. Shareholders should also be aware that investment banking opinions as to fairness from a financial point of view are not necessarily opinions as to fair value under Section 262.

In determining fair value and, if applicable, a fair rate of interest, the Delaware Court of Chancery is to take into account all relevant factors. In *Weinberger v. UOP, Inc.*, the Delaware Supreme Court discussed the factors that could be considered in determining fair value in an appraisal proceeding, stating that proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court should be considered, and that fair price obviously requires consideration of all relevant factors involving the value of a company.

Section 262 provides that fair value is to be exclusive of any element of value arising from the accomplishment or expectation of the merger. In *Cede & Co. v. Technicolor, Inc.*, the Delaware Supreme Court stated that such exclusion is a narrow exclusion [that] does not encompass known elements of value, but which rather applies only to the speculative elements of value arising from such accomplishment or expectation. In *Weinberger*, the Delaware Supreme Court construed Section 262 to mean that elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered. Any shareholder who has duly demanded an appraisal in compliance with Section 262 will not, after the completion of the merger, be entitled to vote the shares subject to that demand for any purpose or be entitled to the payment of dividends or other distributions on those shares. However, shareholders will be entitled to dividends or other distributions payable to holders of record of shares as of a record date prior to the completion of the merger.

Any shareholder may withdraw its demand for appraisal and accept the merger consideration by delivering to Berkshire Hills Bancorp, within sixty days of the effective date of the merger, a written withdrawal of the shareholder's demands for appraisal. Any attempt to withdraw made more than sixty days after the effective date of the merger will require written approval of Berkshire Hills Bancorp. Moreover, no appraisal proceeding before the Delaware Court of Chancery as to any shareholder shall be dismissed without the approval of the Delaware Court of Chancery, and such approval may be conditioned upon any terms the Delaware Court of Chancery deems just. If Berkshire Hills Bancorp does not approve a shareholder's request to withdraw a demand for appraisal when the approval is required or if the Delaware Court of Chancery does not approve the dismissal of an appraisal proceeding, the shareholder would be entitled to receive only the appraised value determined in any such appraisal proceeding. This value could be higher or lower than, or the same as, the value of the merger consideration.

Failure to follow the steps required by Section 262 of the Delaware General Corporation Law for perfecting appraisal rights may result in the loss of appraisal rights, in which event you will be entitled to receive the consideration with respect to your dissenting shares in accordance with the merger agreement. In view of the complexity of the provisions of Section 262 of the Delaware General Corporation Law, if you are a Factory Point Bancorp shareholder and are considering exercising your appraisal rights under the Delaware General Corporation Law, you should consult your own legal advisor.

DESCRIPTION OF THE MERGER

The following summary of the merger agreement is qualified by reference to the complete text of the merger agreement. A copy of the merger agreement is attached as Annex A to this joint proxy statement/prospectus and is incorporated by reference into this joint proxy statement/prospectus. You should read the merger agreement completely and carefully as it, rather than this description, is the legal document that governs the merger.

General

The merger agreement provides for the merger of Factory Point Bancorp with and into Berkshire Hills Bancorp, with Berkshire Hills Bancorp as the surviving entity. Immediately following the merger of Factory Point Bancorp with Berkshire Hills Bancorp, Factory Point National Bank will merge with and into Berkshire Bank, with Berkshire Bank as the surviving entity.

Background of the Merger

At a regularly scheduled meeting on November 28, 2006, the Factory Point Bancorp board of directors discussed competitive pressures and other challenges to sustained growth facing Factory Point Bancorp. The board took note of the drop in Factory Point Bancorp's stock price from approximately \$17.00 per share a year earlier to the approximate \$14.00 per share trading price at the time of the meeting. David Budd of McConnell, Budd & Romano, financial advisor to Factory Point Bancorp, presented the board with an analysis of New England and Vermont peer banks and information on Northeast merger and acquisition transactions. He reviewed information about potential acquirers of Factory Point Bancorp and the impact of a potential acquisition on Factory Point Bancorp. David Budd also presented a present value analysis of Factory Point Bancorp stock using different growth rates and return on asset benchmarks. The board discussed the adverse effects on Factory Point Bancorp of the Vermont economy, shrinking customer loyalty and competition. As a result of discussions at this November 28 meeting, it was agreed that management would present a strategic and financial plan at the next board meeting with realistic growth rates for loans, deposits and earnings.

At a meeting of the Factory Point Bancorp board of directors on January 16, 2007, the board heard presentations from Charles J. Ferry of Rhoads & Sinon LLP, outside legal counsel to Factory Point Bancorp, on the fiduciary duty of a board of directors and from David Budd on strategic options, including a confidential controlled market check that could permit the board to test the potential benefits of a strategic plan against the benefits of a sale transaction. The Factory Point Bancorp board discussed the unique Factory Point Bancorp shareholder base comprised of significant blocks of shares held by individual shareholders and the feelings of at least some shareholders that Factory Point Bancorp should be sold. It was also noted that a continued strategy of independence posed a risk to the future stock price if Factory Point Bancorp could not achieve the strategic plan growth targets on which a decision to remain independent would be based. After discussion of the pros, cons and limitations of a confidential controlled market check, the Factory Point Bancorp board scheduled a special meeting for January 30, 2007 to continue review and discussion of strategic alternatives and the possibility of a market check.

At a meeting held on January 30, 2007, the Factory Point Bancorp board of directors discussed the characteristics of the Factory Point Bancorp shareholder base, the board's belief that future liquidity was important to many of the Factory Point Bancorp shareholders, and the difficult challenges faced by Factory Point Bancorp in achieving satisfactory future growth in its current markets. The board was concerned with the need to maintain control of its strategic planning process, including consideration of strategic alternatives if acceptable future earnings growth realistically could not be achieved. After discussion, the board unanimously approved working with David Budd to conduct a confidential controlled market check while at the same time directing management to

develop a three-year strategic plan. A special meeting of the Factory Point Bancorp board of directors was called for February 6, 2007.

At a special board meeting on February 6, 2007, the Factory Point Bancorp board determined that the full board, rather than a committee of the board, would serve as a strategic planning committee to consider strategic alternatives and oversee the controlled market check. At this meeting, David Budd advised the board of difficulties Factory Point Bancorp would face in growing by acquisitions, especially in light of the depressed Factory Point Bancorp stock price and low price/earnings ratio. He reviewed with the board the procedures to be followed in the confidential controlled market check approved at the January 30 meeting. The chief executive officers of selected financial institutions were to be screened by David Budd for interest in considering an acquisition of Factory Point Bancorp. If they expressed any interest they would be asked to sign a confidentiality agreement and then provided with information on Factory Point Bancorp. If they have an interest in proceeding further, they would be asked to submit a non-binding indication of interest. David Budd reviewed for the board the financial institutions he proposed to contact as part of the market check. After discussion, the Factory Point Bancorp board agreed on the institutions to be contacted in the market check.

At a meeting of the Factory Point Bancorp board acting as the strategic planning committee on March 20, 2007, David Budd reported on the results of the market check. Of the eleven financial institutions contacted, nine had signed confidentiality agreements and requested additional information, three had submitted written non-binding expressions of interest and one had submitted an oral non-binding expression of interest. David Budd reviewed for the board the financial terms of the expressions of interest and how the indicated parties compared to the potential return to Factory Point Bancorp shareholders of the Factory Point Bancorp stock price and dividend stream over the next five years using different assumed growth rates and discount values. Charles Ferry reviewed for the board the non-financial terms and conditions of the written expressions of interest. Upon the recommendation of David Budd, the Factory Point Bancorp board determined to narrow the list of potential acquirers to two (one of which was Berkshire Hills Bancorp), invite them to resubmit their proposals and invite the chief executive officers of the two potential acquirers to make presentations to the Factory Point Bancorp board of directors, after which negotiations could proceed if so determined by the Factory Point Bancorp board.

On March 29, 2007, the Factory Point Bancorp board of directors, acting as the strategic planning committee, heard separate presentations from the CEOs of the two finalists, including Michael P. Daly of Berkshire Hills Bancorp. David Budd presented a comparison of the two expressions of interest. At the conclusion of the meeting, all of the directors present (one director was absent) unanimously indicated a preference for Berkshire Hills Bancorp and requested that David Budd attempt to negotiate a higher price from Berkshire Hills Bancorp than the \$19.00, with 75% stock and 25% cash, proposed by Berkshire Hills Bancorp.

The Factory Point Bancorp board of directors met as the strategic planning committee again on April 5, 2007 to consider a revised offer from Berkshire Hills Bancorp. Berkshire Hills Bancorp had increased its original offer of \$19.00 per share, 75% stock and 25% cash, to \$19.50, with 80% stock and 20% cash, with a fixed exchange ratio to be fixed as of the date of execution of the definitive merger agreement. After discussion, the Factory Point Bancorp board of directors, with one abstention, authorized management to move forward with due diligence on Berkshire Hills Bancorp and negotiation of a definitive merger agreement with Berkshire Hills Bancorp.

Factory Point Bancorp's management and legal and financial advisors then proceeded to conduct due diligence and engage in negotiations of a definitive merger agreement with Berkshire Hills Bancorp and its advisors. Factory Point Bancorp and its advisors completed a due diligence review of Berkshire Hills Bancorp during April 2007. During this period, negotiations took place concerning the terms of the definitive merger agreement, including, among others, how the price of Berkshire Hills Bancorp common stock would be set for purposes of the proposed fixed exchange ratio equal to \$19.50 per share in value, severance benefits for Factory Point Bancorp employees who would not be retained by Berkshire Hills Bancorp after the transaction, the respective rights of the parties to terminate the merger agreement under specified circumstances and the size of the breakup or termination fee to be paid by Factory Point Bancorp under certain circumstances involving another acquisition proposal considered superior by Factory Point Bancorp.

On May 2, 2007, Berkshire Hills Bancorp submitted a revision to its non-binding expression of interest proposing to fix the exchange ratio at 0.5844 shares of Berkshire Hills Bancorp common stock per share of Factory

Point Bancorp common stock based on the average closing price of Berkshire Hills Bancorp over the prior 30 days. This proposal was incorporated into the draft definitive merger agreement.

A special meeting of the Factory Point Bancorp board of directors was held on May 14, 2007. At this time, the board considered the draft definitive merger agreement with Berkshire Hills Bancorp that had been negotiated. David Budd and Thomas Romano of McConnell, Budd & Romano presented to the board of directors McConnell, Budd & Romano's analysis of the proposed transaction and rendered McConnell, Budd & Romano's oral opinion that the consideration to be received by Factory Point Bancorp shareholders in the proposed merger with Berkshire Hills Bancorp was fair, from a financial point of view, to Factory Point Bancorp shareholders. Charles Ferry reviewed for the board of directors the terms of the draft merger agreement and related documents, including voting and affiliates agreements that Berkshire Hills Bancorp was requesting be signed by certain directors. After discussion, the Factory Point Bancorp board of directors unanimously approved the merger agreement with Berkshire Hills Bancorp and recommended approval of the agreement by the Factory Point Bancorp shareholders.

The Berkshire Hills Bancorp board of directors had previously unanimously approved the definitive merger agreement and related documents and authorized the execution of the merger agreement. After the close of the financial markets on May 14, 2007, Berkshire Hills Bancorp and Factory Point Bancorp executed the merger agreement and, before the opening of the financial markets on May 15, 2007, issued a joint press release publicly announcing the transaction.

Factory Point Bancorp's Reasons for the Merger and Recommendation of the Board of Directors

At its meeting on May 14, 2007, the Factory Point Bancorp board of directors determined that the terms of the merger agreement and the merger transaction with Berkshire Hills Bancorp were advisable and in the long-term best interests of the Factory Point Bancorp shareholders. In making this determination, the board concluded that the merger with Berkshire Hills Bancorp was preferable to the other alternatives available to Factory Point Bancorp and to the prospects of continuing to operate Factory Point Bancorp as an independent community-focused banking institution.

In the course of reaching its decision to approve the merger agreement, the Factory Point Bancorp board of directors consulted with McConnell, Budd & Romano, its financial adviser, and Rhoads & Sinon, its legal counsel. The board considered, among other things, the factors described above and the following:

- the terms of the merger agreement and the transactions contemplated by the merger;
- the historical trading ranges and dividends for Berkshire Hills Bancorp common stock and the consideration to be received by Factory Point Bancorp shareholders in the merger;
- the board's review of Berkshire Hills Bancorp's business prospects and financial condition, including its future prospects;
- the historical trading ranges and dividends for Factory Point Bancorp common stock;
- the opinion of McConnell, Budd & Romano that the consideration in the merger was fair to Factory Point Bancorp's shareholders from a financial point of view;
- the board's understanding of the limitations of further growth prospects of Factory Point Bancorp if it remained independent;
- the response to the controlled market check undertaken by Factory Point Bancorp;
- the alternatives of Factory Point Bancorp continuing as an independent community-focused banking company or combining with other potential merger partners, as compared to the effect of Factory Point Bancorp combining with Berkshire Hills Bancorp pursuant to the merger agreement;

- the potential for long-term appreciation in the price of Berkshire Hills Bancorp common stock;
- the liquidity offered by Berkshire Hills Bancorp common stock compared to the lack of liquidity of Factory Point Bancorp's common stock;
- the ability of Berkshire Hills Bancorp to pay the merger consideration;
- the opportunity to broaden products and services offered to customers by combining with a larger institution;
- the compatibility of the cultures of the two companies;
- the fact that 20% of the merger consideration will be composed of cash at \$19.50 per share, thereby permitting Factory Point Bancorp shareholders who wished to receive cash as opposed to Berkshire Hills Bancorp stock to elect an all cash exchange or an exchange composed of part Berkshire Hills Bancorp common stock and part cash, subject to the election, allocation and proration provisions of the merger agreement;
- Berkshire Hills Bancorp's agreement that one director from Factory Point Bancorp's board of directors will be appointed to the Berkshire Hills Bancorp board and the Berkshire Bank board;
- Berkshire Hills Bancorp's agreement that one director from Factory Point would be recommended for appointment to Berkshire Hills Foundation that will make contributions to organizations and programs in the markets served by the combined company;
- the relatively low level of cost savings that Berkshire Hills Bancorp will need to generate to make the transaction accretive to earnings of the combined company;
- the fact that Factory Point Bancorp employees who did not continue as Berkshire Hills Bancorp employees will be entitled to receive a minimum of four weeks and a maximum of 52 weeks of severance pay;
- the significant number of Factory Point Bancorp employees that were expected to be retained by the combined company after consummation of the merger;
- the prices, multiples of earnings per share and premiums over book value and market value paid in other recent acquisitions of financial institutions in the New England and Northeast region;
- the customer orientation of Berkshire Hills Bancorp;
- the pro forma financial effects of the proposed transaction, including the potential cost savings (resulting from efficiencies, consolidations and other cost savings) and enhanced revenue anticipated from the transaction and the effects of the transaction on the risk-based and leverage capital of the combined institution;
- the fact that Factory Point Bancorp shareholders who receive stock will have the ability to continue to participate in the growth of the combined company on a tax-deferred basis and also will benefit as a result of the significantly greater liquidity of the trading market for Berkshire Hills Bancorp common stock;
- the provision of the merger agreement permitting the Factory Point Bancorp board of directors to terminate the merger agreement if both the average closing price of Berkshire Hills Bancorp common stock during a measurement period ending ten business days before the closing is less than \$28.36 and the Berkshire Hills Bancorp common stock underperforms a weighted average price of a predetermined list of 17 thrift and bank holding

The Berkshire Hills Bancorp board of directors had previously unanimously approved the definitive merger agreement

companies between the date of the

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merger agreement and the measurement period by 20%, unless Berkshire Hills Bancorp agrees to increase the exchange ratio pursuant to a formula specified in the merger agreement;

- the provision of the merger agreement permitting the Factory Point Bancorp board of directors to consider a superior acquisition proposal under specified conditions; and
- the fact that the termination fee provision of the merger agreement requiring Factory Point Bancorp to pay Berkshire Hills Bancorp \$3,600,000 upon the occurrence of certain triggering events could have the effect of discouraging superior proposals for a business combination of Factory Point Bancorp and a third party.

The foregoing discussion of the information and factors considered by the Factory Point Bancorp board of directors is not intended to be exhaustive but is believed to include all material factors considered by the Factory Point Bancorp board of directors. In reaching its determination to approve and recommend the transaction, the Factory Point Bancorp board of directors did not assign any relative or specific weights to the foregoing factors and individual directors may have given differing weights to different factors.

After deliberating with respect to the merger transaction with Berkshire Hills Bancorp, considering, among other things, the matters discussed above and the opinion of McConnell, Budd & Romano referred to above, the Factory Point Bancorp board of directors unanimously approved and adopted the merger agreement and the merger transaction with Berkshire Hills Bancorp.

Opinion of Factory Point Bancorp's Financial Advisor

On May 14, 2007, McConnell, Budd & Romano, Factory Point Bancorp's financial advisor, delivered its oral opinion to the board of directors of Factory Point Bancorp that as of that date, the merger consideration to be received by Factory Point Bancorp shareholders was fair, from a financial point of view, to the shareholders of Factory Point Bancorp. The oral opinion was subsequently confirmed in writing and is attached to this document as Annex C.

Pursuant to the merger agreement, Factory Point Bancorp shareholders will receive 0.5844 shares of Berkshire Hills Bancorp common stock in exchange for each share of Factory Point Bancorp common stock or cash in the amount of \$19.50 per share. The exchange ratio is not subject to adjustment other than to the limited extent that Berkshire Hills Bancorp has an option to increase the exchange ratio if Factory Point Bancorp exercises its right to terminate the merger agreement. Because the exchange ratio has been fixed, the market value of the stock portion of the consideration to be paid to Factory Point Bancorp shareholders will fluctuate daily with changes in the stock price of Berkshire Hills Bancorp from the time of announcement up until the closing (see Fluctuating Value of Stock Portion of Consideration). The value of the cash consideration remains fixed at \$19.50 per share and will not fluctuate. It is not possible to predict whether the market value of the fixed exchange ratio common stock consideration will be greater than, equal to or less than \$19.50 per share as of the closing date. To the extent a shareholder of Factory Point Bancorp elects to exchange their shares for Berkshire common stock, they will, in effect, become a proxy shareholder of Berkshire as of the time they elect and are allocated Berkshire common stock. Factory Point Bancorp shareholders also need to be aware of the potentially different tax treatment that may result from the receipt of common stock as compared to cash. Each shareholder is encouraged to consult with their tax advisor in connection with this matter.

On an aggregate basis, using 4,096,273 Factory Point Bancorp shares outstanding as of April 30, 2007, the closing market price of Berkshire Hills Bancorp of \$32.95 on May 11, 2007 (the last trading day before the merger agreement was signed), and assuming 80% of outstanding shares receive stock, the amount of stock consideration equates to a value of approximately \$63,102,201. Assuming 20% of outstanding shares receive cash, the aggregate amount of cash consideration to be paid to Factory Point Bancorp shareholders is approximately \$15,975,465. This equates to a total transaction value of approximately \$79,077,665, or a blended (stock and cash) per share value of \$19.30, not including option shares. The total approximate transaction value, including the economic value of outstanding Factory Point Bancorp options, is \$81,458,671 (assuming 318,914 options with a weighted average exercise price of \$11.79 per share as of April 30, 2007).

The opinion of McConnell, Budd & Romano as to the fairness of the merger consideration was based on a number of factors, including the following:

- an analysis of the historical and projected future contributions to taxable recurring earnings by the parties;
- an analysis of the possible future earnings per share for the parties on both a combined and a stand-alone basis using the purchase method of accounting;
- consideration of the anticipated dilutive or accretive effects of the prospective transaction on future earnings per share equivalent of Berkshire Hills Bancorp;
- consideration of the prospects for the parties to achieve certain operational cost savings as a result of the transaction;
- consideration of the total equity capitalization, the tangible equity capitalization, the current risk based capital adequacy and the projected adequacy thereof for the combined company;
- the composition of loan portfolios and the methodology of creating reserves for loan and lease losses used by the parties;
- respective management opinions of the apparent adequacy of the reserves for loan and lease losses, as of a point in time for each of the parties;
- the apparent relative asset quality of the respective loan portfolios as disclosed by the parties;
- a review of the composition and maturity structure of the deposit bases of each of the parties;
- consideration of the liquidity position and liquidity strategy being pursued by each of the parties;
- analysis of the historical trading range, trading patterns, institutional ownership, and apparent relative liquidity of the common shares of Berkshire Hills Bancorp;
- consideration of the pro forma market capitalization of the anticipated combination; and
- contemplation of other factors, including certain intangible factors.

With respect to the pending merger with Berkshire Hills Bancorp, McConnell, Budd & Romano participated directly and indirectly in negotiations during the months of February through May 2007. McConnell, Budd & Romano participated in the due diligence process during April 2007 and presented its findings to the Factory Point Bancorp board of directors on May 14, 2007. On May 14, 2007, McConnell, Budd & Romano issued its oral fairness opinion to the Factory Point Bancorp board of directors that the total merger consideration to be received from Berkshire Hills Bancorp was fair, from a financial point of view, to Factory Point Bancorp shareholders. McConnell, Budd & Romano has acted on a contractual basis as a financial advisor to Factory Point Bancorp since August 1999.

McConnell, Budd & Romano was retained based on its qualifications and experience in the financial analysis of financial services holding companies, banking and thrift institutions generally, its knowledge of the Northeast regional banking market in particular and of the Eastern United States banking markets in general, as well as its experience with merger and acquisition transactions involving financial institutions. As a part of this investment banking business, McConnell, Budd & Romano is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions, private placements, and valuations for investment, corporate, estate and other purposes.

McConnell, Budd & Romano maintains an affiliation with each of Highlander Capital Group, Inc., a registered broker-dealer, and Highlander Capital Management, LLC, a registered investment advisory firm (together, Highlander), pursuant to which certain employees of McConnell, Budd & Romano are also employees or associated persons of Highlander. In the ordinary course of its business, Highlander may, from time to time, own the securities of Berkshire Hills Bancorp or Factory Point Bancorp for its own account, for the accounts of its customers and the customers of McConnell, Budd & Romano, and for the accounts of the individual employees of Highlander and/or McConnell, Budd & Romano. Accordingly, Highlander and/or McConnell, Budd & Romano and their respective employees may, from time to time, have a long or short position in, and buy or sell debt or equity securities of, Berkshire Hills Bancorp or Factory Point Bancorp. David Budd, a principal of McConnell, Budd & Romano, owns 21,000 share of Factory Point Bancorp common stock.

The full text of McConnell, Budd & Romano's opinion, which sets forth assumptions made, matters considered and limits on the review undertaken by McConnell, Budd & Romano, is attached to this document as Annex C. McConnell, Budd & Romano urges Factory Point Bancorp shareholders to read both the opinion in its entirety and this document in its entirety. The opinion of McConnell, Budd & Romano is directed to the financial fairness of the consideration offered to Factory Point Bancorp shareholders in the transaction as provided and described in the merger agreement dated as of May 14, 2007, and does not constitute a recommendation to any holder of Factory Point Bancorp common stock as to how such holder should vote at the Factory Point Bancorp shareholders meeting. The summary of the opinion and the matters considered in McConnell, Budd & Romano's analysis set forth in this document are qualified in their entirety by reference to the text of the opinion itself. The opinion is necessarily based upon conditions as of the date of the opinion and upon information made available to McConnell, Budd & Romano through the date of the opinion. In terms of the analytical process followed, no limitations were imposed by the Factory Point Bancorp board upon McConnell, Budd & Romano with respect to the investigations made, matters considered or procedures followed in the course of rendering the opinion.

In arriving at its opinion, McConnell, Budd & Romano considered the following:

- the draft merger agreement by and between Factory Point Bancorp and Berkshire Hills Bancorp presented to the Factory Point Bancorp board of directors at its meeting of May 14, 2007;
- Factory Point Bancorp's annual reports to shareholders for 2006, 2005 and 2004;
- Factory Point Bancorp's internal financial statements as provided by management for the first calendar quarter of 2007;
- Berkshire Hills Bancorp's annual reports to shareholders for 2006, 2005 and 2004;
- Berkshire Hills Bancorp's annual reports on Form 10-K for 2006, 2005 and 2004;
- Berkshire Hills Bancorp's quarterly report on Form 10-Q for the first calendar quarter of 2007;
- discussions relating to the business, earnings expectations, assets, liabilities, reserves for loan and lease losses and general prospects of the respective companies;
- the recent historical record of reported prices, trading volume and trading patterns for Berkshire Hills Bancorp common stock;
- the recent historical record of cash and stock dividend payments for the respective companies;
- discussions with certain members of the senior management of the companies concerning the past and current results of their respective operations and current financial condition and management's opinion of future prospects;

The Berkshire Hills Bancorp board of directors had previously unanimously approved the definitive merger agreement

- anecdotal information, supplemented by the analysis of certain available demographic data, with request to the current state of and future prospects for the economy of the Northeastern United States generally and the relevant market areas for Factory Point Bancorp and Berkshire Hills Bancorp in particular; and
- such other studies and analyses as McConnell, Budd & Romano considered appropriate under the circumstances associated with this particular transaction.

McConnell, Budd & Romano's opinion takes into account its assessment of general economic, market and financial conditions and its experience in other transactions, as well as its experience in securities valuation and its knowledge of the financial services industry generally. For purposes of rendering its opinion, McConnell, Budd & Romano has assumed and relied upon the accuracy and completeness of the information provided to it by Factory Point Bancorp and Berkshire Hills Bancorp and does not assume any responsibility for the independent verification of such information. In the course of rendering its opinion, McConnell, Budd & Romano has not completed any independent valuation or appraisal of any of the assets or liabilities of either Factory Point Bancorp or Berkshire Hills Bancorp and has not been provided with such valuations or appraisals from any other source. With respect to any forecasts considered by McConnell, Budd & Romano in the course of rendering its opinion, McConnell, Budd & Romano has assumed without independent verification that such forecasts have been reasonably prepared to reflect the best currently available estimates and judgments of the parties making such forecasts.

The following is a summary of the material analyses employed by McConnell, Budd & Romano in connection with rendering its opinion. Given that it is a summary, it is not a complete and comprehensive description of all of the analyses performed, or an enumeration of all the matters considered by McConnell, Budd & Romano in arriving at its opinion. The preparation of a fairness opinion is a complicated process, involving a determination as to the most appropriate and relevant methods of financial analysis and the application of those methods to the circumstances associated with a specific transaction. Therefore, such an opinion is not readily susceptible to a summary description. In arriving at its fairness opinion, McConnell, Budd & Romano did not attribute any particular weight to any one specific analysis or factor considered by it and made a number of qualitative as well as quantitative judgments as to the significance of each analysis and factor. Therefore, McConnell, Budd & Romano recommends that its analyses must be considered as a whole and feels that attributing undue weight to any single analysis or factor considered could create a misleading or incomplete view of the process leading to the formation of its opinion. In its analyses, McConnell, Budd & Romano has made certain assumptions with respect to banking industry performance, general business and economic conditions and other factors, many of which are beyond the control of management of Factory Point Bancorp, Berkshire Hills Bancorp and McConnell, Budd & Romano. Any estimates which are referred to in McConnell, Budd & Romano's analyses are not necessarily indicative of actual values or predictive of future results or values. Future results and values may vary significantly from any estimates set forth.

Fluctuating Value of Stock Portion of Consideration

The exchange ratio at which Factory Point Bancorp shareholders will exchange Factory Point Bancorp common stock for Berkshire Hills Bancorp common stock is fixed at 0.5844, although pursuant to the terms of the merger agreement, Berkshire Hills Bancorp does have an option to increase the exchange ratio in response to a termination notice from Factory Point Bancorp as a result of a price decline. Consequently, the total value of the stock portion of the consideration will fluctuate with fluctuations in the price of Berkshire Hills Bancorp common stock. McConnell, Budd & Romano analyzed potential total transaction values for Factory Point Bancorp using various prices for Berkshire Hills Bancorp. The following table illustrates these potential transaction values in the aggregate, with the total transaction value for any given Berkshire Hills Bancorp market price exclusive of the economic value of the conversion of outstanding Factory Point Bancorp option shares.

Potential Aggregate Transaction Values to be Received by Factory Point Bancorp Shareholders

Berkshire Hills Bancorp Stock Price	Fixed Exchange Ratio	Stock Portion Value per Share	Cash Portion Value per Share	Total Transaction Value(1)	Total Transaction Value Per Share(2)
\$40.04	0.5844	\$ 23.40	\$ 19.50	\$ 92,663,311	\$ 22.62
38.38	0.5844	22.43	19.50	89,467,984	21.84
36.71	0.5844	21.45	19.50	86,272,657	21.06
33.37	0.5844	19.50	19.50	79,882,003	19.50
30.03	0.5844	17.55	19.50	73,491,349	17.94
28.36	0.5844	16.58	19.50	70,296,022	17.16
26.70	0.5844	15.60	19.50	67,100,695	16.38

(1) Exclusive of value of converted options. Based on 4,096,273 shares of Factory Point Bancorp common stock outstanding as of April 30, 2007 and assumes 80% are exchanged for Berkshire Hills Bancorp common stock at the fixed exchange ratio and 20% are exchanged for \$19.50 per share in cash.

(2) Calculated by dividing the total transaction value in the previous column by 4,096,273, the number of shares of Factory Point Bancorp common stock outstanding as of April 30, 2007.

The examples above are intended to be illustrative only. The per share value of the merger consideration that you actually receive will be based on the price of Berkshire Hills Bancorp common stock at the time of closing times the exchange ratio, plus the percentage of cash received at \$19.50 per share. Therefore, if the price of Berkshire Hills Bancorp stock is above \$33.37, the stock value per share of Factory Point Bancorp will be greater than \$19.50. If the price of Berkshire Hills Bancorp is less than \$33.37, the stock value per share of Factory Point Bancorp will be less than \$19.50.

If at any time during the five day period commencing with the last day of the measurement period (as defined in the merger agreement) the price of Berkshire Hills Bancorp stock is less than \$28.36 and Berkshire Hills Bancorp common stock underperforms a bank peer index, as defined in the merger agreement, by more than 20%, Factory Point Bancorp has the right to terminate the transaction. In the event Factory Point Bancorp elects to terminate, Berkshire Hills Bancorp will have the option to increase the fixed exchange ratio to equal the lesser of (x) a number obtained by dividing (A) the product of \$28.36 and the exchange ratio by (B) the Berkshire Hills Bancorp price and (y) a number obtained by dividing (A) the product of the Index Ratio (as defined in the merger agreement) and the exchange ratio by (B) the Berkshire Hills Bancorp Bancorp Ratio (as defined in the merger agreement). The per share cash value of the consideration is fixed at \$19.50 and will not fluctuate.

As of June 4, 2007, a date proximate to the date of this document, Berkshire Hills Bancorp closing price was \$32.76, equating to a stock value per share of \$19.14 (0.5844 x \$32.76) and an aggregate transaction value (exclusive of the value of converted options) of approximately \$78,713,798.

Upstream Analysis

McConnell, Budd & Romano examined the hypothetical competitive acquisition capacity of other potential buyers in the New England and New York marketplaces that would logically be interested in acquiring Factory Point Bancorp across a range of purchase prices and transaction structures. The customary measures of financial impact of a potential merger were evaluated, including but not limited to, earnings per share dilution or accretion, book value and tangible book value dilution or accretion, the earnings impact of core deposit intangible amortization expense, resultant tangible capital ratios and reasonable levels of cost savings that may be achieved. Berkshire Hills Bancorp represented a competitive buyer in this regard, and compared favorably against other potential buyers for all of these measures.

Forecasted Pro Forma Financial Analysis

McConnell, Budd & Romano analyzed the estimated financial impact of the merger on Berkshire Hills Bancorp's earnings per share for 2007 and book value and tangible book value per share. For the purpose of this analysis, McConnell, Budd & Romano used the mean earnings per share estimate for Berkshire Hills Bancorp for 2007 and management's internal projection for forecasted earnings per share for Factory Point Bancorp. McConnell, Budd & Romano assumed that the merger will result in cost savings. The analysis indicated that the transaction is expected to be accretive within the first full year of combined operations.

With respect to pro forma capital adequacy, the analysis indicated that Berkshire Bank's leverage ratio, tier one risk based capital ratio and total risk based capital ratio would all remain above regulatory minimums for well-capitalized institutions.

Discounted Earnings Stream and Terminal Value Analysis

McConnell, Budd & Romano conducted an analysis that estimated the present value of a future stream of after-tax earnings of Factory Point Bancorp through December 31, 2011, utilizing various assumptions and earnings projections provided by Factory Point Bancorp management, in order to value the company on a stand-alone basis going forward. The purpose of this analysis is to compare the discounted present values at the end of five years with the per share consideration value of the merger. In evaluating Factory Point Bancorp's projected earnings stream across a five year time horizon, McConnell, Budd & Romano utilized internal forecasted net income for 2007, a 4% growth rate in earnings for subsequent years, and a 50% constant dividend payout ratio.

To approximate the terminal value of Factory Point Bancorp common stock at December 31, 2011, McConnell, Budd & Romano applied a range of price/earnings multiples, focusing on 14 x to 18 x. The earnings stream was then discounted to present values using a range of discount rates, focusing on 9% to 11%. A discount rate is applied to future earnings streams, consisting of essentially a risk-free rate of return, such as the 10 year treasury bond, plus an additional risk premium. The discount rate on this basis equals approximately 10.0%. The lower the discount rate, the higher the present value; the higher the discount rate, the lower the present value. McConnell, Budd & Romano examined the following present values per share:

Price/Earnings Multiple	14 x	15 x	16 x	17 x	18 x
Discount Rate					
9.0%	\$ 14.85	\$ 15.74	\$ 16.62	\$ 17.51	\$ 18.39
10.0	14.23	15.08	15.93	16.77	17.62
11.0	13.65	14.46	15.26	16.07	16.88

The resulting calculated values across the range of price/earnings multiples and discount rates, as illustrated in the above table, range from \$13.65 to \$18.39. Using the closing market price of \$32.95 for Berkshire Hills Bancorp stock on May 11, 2007 and the fixed exchange ratio of 0.5844, the implied blended (stock and cash) per share value in the merger, excluding the economic value of converted stock options, is \$19.30. This value falls above the range of calculated values for Factory Point Bancorp on a stand-alone basis, suggesting that Factory Point Bancorp shareholders' interests are better served by completing the proposed transaction than they might be remaining independent based on the assumptions used. As of June 4, 2007, a date proximate to the mailing of this document, the implied blended per share value in the merger is \$19.22, using a closing price of \$32.76 for Berkshire Hills Bancorp common stock on the same date. This value also falls above the range of calculated values for Factory Point Bancorp on a stand-alone basis.

McConnell, Budd & Romano emphasizes that terminal value analysis is a widely used valuation methodology, but the results of such methodology are dependent upon the numerous assumptions made. The results of such analysis may not be indicative of actual values or future results.

Analysis of Comparable Transactions

McConnell, Budd & Romano is reluctant to place excessive emphasis on the analysis of comparable transactions as a valuation methodology due to what it considers to be inherent limitations of the application of the

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results to specific cases. McConnell, Budd & Romano believes that this analysis frequently fails to adequately take into consideration such factors as:

- differences in the underlying capitalization of the comparable institutions which are being acquired;
- differences in the historic earnings (or loss) patterns recorded by the compared institutions which can depict a very different trend than might be implied by examining only recent financial results;
- failure to exclude non-recurring profit or loss items from the last twelve months earnings streams of target companies which can distort apparent earnings multiples;
- differences in the form or forms of consideration used to complete the transaction; and
- such less accessible factors as the relative population, business and economic demographics of the acquired entities markets as compared or contrasted to such factors for the markets in which comparable companies are doing business.

With these reservations in mind, McConnell, Budd & Romano nonetheless examined statistics associated with other merger and acquisition transactions. The following criteria were utilized to create the sample:

- commercial banks;
- announcement dates of June 30, 2006 through May 10, 2007; and
- northeast region of the United States.

The above criteria generated a list of 21 transactions as follows:

Buyer	Seller	Seller State	Date Announced	Deal Value (\$M)
Susquehanna Bancshares Inc.	Community Banks Inc.	PA	04/30/2007	852.3
New Hampshire Thrift Bancshares	First Community Bank	VT	04/16/2007	16.8
Bradford Bancorp Inc.	Patapsco Bancorp Inc.	MD	03/19/2007	45.3
BankFive MHC	New Bedford Community Bancorp	MA	02/20/2007	12.5
Chittenden Corp.	Merrill Merchant Bancshares	ME	01/18/2007	109.6
UCBH Holdings Inc.	CAB Holding LLC	DE	01/10/2007	130.7
Community Bank System Inc.	TLNB Financial Corp.	NY	01/09/2007	17.6
Northwest Bancorp Inc. (MHC)	Penn Laurel Financial Corp.	PA	01/04/2007	32.7
Citizens & Northern Corp.	Citizens Bancorp Inc.	PA	12/21/2006	29.1
Merrimack Bancorp MHC	Bow Mills Bank & Trust	NH	12/14/2006	22.4
New Hampshire Thrift Bancshares	First Brandon Financial Corp.	VT	12/14/2006	21.2
Butler Bancorp MHC	Marlborough Bancorp	MA	12/13/2006	NA
Sandy Spring Bancorp Inc.	CN Bancorp Inc.	MD	12/13/2006	44.2
New England Bancshares	First Valley Bancorp, Inc.	CT	11/21/2006	25.6
Provident Financial Services	First Morris Bank & Trust	NJ	10/15/2006	124.2
Lehman Brothers Holdings Inc.	Capital Crossing Bank	MA	09/19/2006	210.1
Community Banks Inc.	East Prospect State Bank	PA	09/12/2006	21.5
Conestoga Bancorp Inc.	PSB Bancorp Inc.	PA	08/30/2006	93.9
Community Bank System Inc.	ONB Corporation	NY	08/02/2006	15.7
Gardiner Savings Institution FSB	First Citizens Bank	ME	07/26/2006	20.9
New Alliance Bancshares Inc.	Westbank Corp.	MA	07/18/2006	116.5

Source: SNL Financial

The table that follows illustrates the resultant multiples on customary measures of transaction value and compares them to the proposed merger between Berkshire Hills Bancorp and Factory Point Bancorp. McConnell, Budd & Romano assumed a transaction value of \$19.30 per share for Berkshire Hills Bancorp and Factory Point Bancorp, which represents the blended (stock and cash) transaction value per share, excluding stock options, and based on the closing market price of Berkshire Hills Bancorp on May 11, 2007. In addition, considering Factory Point Bancorp's historical and current high level of profitability (based on ROAA and ROAE), it was appropriate to evaluate average multiples for the specific transactions in which the seller was high performing (ROAA > = 1.00%). McConnell, Budd & Romano found this group of transactions to be most comparable to Berkshire Hills Bancorp/Factory Point Bancorp. An important element of this analysis is to recognize that a transaction with an underperforming bank seller will often result in an artificially inflated price/earnings multiple.

Transaction Multiples
Transactions Announced Between 06/30/06 through 05/10/07

Seller	Deal Value (\$M)	Price/Trailing 12 Months Earnings (x)	Price/Tang. Book Value (%)	Price/Assets (%)	Core Deposit Premium (%)
Community Banks Inc.	852.3	19.86	NA	23.48	NA
First Community Bank	16.8	NM	205.96	20.11	15.27
Patapsco Bancorp Inc.	45.3	30.26	277.78	18.35	17.95
New Bedford Community Bancorp	12.5	18.68	168.37	18.07	9.27
Merrill Merchants Bancshares	109.6	17.70	295.27	24.63	NA
CAB Holding LLC	130.7	48.57	334.36	40.64	44.10
TLNB Financial Corp.	17.6	33.08	242.22	16.99	14.92
Penn Laurel Financial Corp.	32.7	15.90	180.97	15.17	9.52
Citizens Bancorp Inc.	29.1	20.14	159.41	20.38	11.93
Bow Mills Bank & Trust	22.4	25.29	221.10	18.00	11.37
First Brandon Financial Corp.	21.2	16.98	200.69	21.33	13.33
Marlborough Bancorp	NA	NA	NA	NA	NA
CN Bancorp Inc.	44.2	30.10	209.78	29.23	20.40
First Valley Bancorp, Inc.	25.6	26.49	226.99	13.84	10.40
First Morris Bank & Trust	124.2	46.79	327.61	21.76	18.74
Capital Crossing Bank	210.1	12.99	205.20	19.90	NM
East Prospect State Bank	21.5	20.38	153.17	37.40	19.49
PSB Bancorp Inc.	93.9	NM	NA	16.69	NA
ONB Corporation	15.7	20.98	167.85	16.41	8.38
First Citizens Bank	20.9	27.31	166.03	15.47	7.56
Westbank Corp.	116.5	24.21	304.23	14.17	16.75
Mean	98.1	25.32	224.83	21.10	15.59
Median	30.9	22.60	207.87	19.13	14.13
Factory Point Bancorp Bancorp	80.4	17.71	304.42	23.30	19.87
Mean High Performing Banks(1)	204.5	17.77	204.54	24.14	14.03
Median High Performing Banks(1)	65.6	18.19	200.69	22.41	13.33

Source: SNL Financial

(1) High Performing Bank = ROAA > = 1.00%

To gain additional perspective and to further highlight the high performing bank targets that comprise the averages in the above table, McConnell, Budd & Romano compared the underlying financial characteristics of the target companies to Factory Point Bancorp:

Selected Financial Data for Target Companies at Time of Announcement
Transactions Announced Between 06/30/06 through 05/10/07 Northeast Region

Seller(1)	Target Assets (\$000)	Target Tangible Equity/Assets (%)	Target ROAA (%)	Target ROAE (%)	Target Non-Performing Assets/Assets (%)
Community Banks Inc.	3,629,386	NA	1.09	7.93	0.43
First Community Bank	83,308	9.76	0.20	1.91	0.00
Patapsco Bancorp Inc.	246,814	6.48	0.60	7.62	0.20
New Bedford Community Bancorp	69,159	10.54	1.01	9.84	0.00
Merrill Merchants Bancshares	444,952	8.28	1.40	16.82	NA
CAB Holding LLC	321,597	12.36	0.83	6.07	0.49
TLNB Financial Corp.	103,575	7.21	0.52	6.33	1.41
Penn Laurel Financial Corp.	215,471	8.40	0.83	8.49	1.36
Citizens Bancorp Inc.	142,663	12.79	0.99	7.58	NA
Bow Mills Bank & Trust	124,295	8.14	0.65	8.34	0.85
First Brandon Financial Corp.	99,526	10.75	1.46	14.11	0.56
Marlborough Bancorp	86,386	10.54	(0.03)	(0.30)	0.00
CN Bancorp Inc.	151,250	13.58	0.96	7.26	NA
First Valley Bancorp, Inc.	184,753	5.74	0.57	9.37	0.14
First Morris Bank & Trust	570,554	6.65	0.26	3.81	0.00
Capital Crossing Bank	1,055,947	7.12	1.45	19.17	NA
East Prospect State Bank	57,479	24.42	2.63	10.30	0.00
PSB Bancorp Inc.	562,371	NA	(2.30)	(26.16)	0.53
ONB Corporation	95,457	9.78	0.87	8.66	0.22
First Citizens Bank	134,892	9.29	0.57	6.07	0.23
Westbank Corp.	821,836	4.43	0.45	7.76	0.24
Mean	438,175	9.80	0.71	6.71	0.39
Median	151,250	9.29	0.83	7.76	0.23
Berkshire Hills Bancorp/ Factory Point Bancorp	339,378	8.09	1.34	15.95	0.31
Mean High Performing Banks(2)	892,742	12.22	1.51	13.03	0.25
Median High Performing Banks(2)	272,239	10.54	1.43	12.21	0.22

Source: SNL Financial

- (1) Financial data for seller as of most recently reported financial date at time of announcement.
- (2) High Performing Bank = ROAA \geq 1.00%

The transaction multiples compare favorably with the high-performing mean and median multiples. On a price to last twelve months earnings basis, the transaction multiple of 17.71 x is approximately equivalent to the mean for the high-performing group, but below the median for this measure. In terms of price as a percentage of book and tangible book value, 266.27% and 288.56%, respectively, are significantly above both the means and medians for both of these measures for the group. A core deposit premium of 20.79% is significantly above the

mean and median for this measure and total price as a percentage of assets is below the mean for the group, but above the median. Underlying financial data for Factory Point Bancorp is as of or through March 31, 2007.

Conclusion

Based on the whole of McConnell, Budd & Romano's various analyses and taking into consideration the various factors which McConnell, Budd & Romano believes are relevant to the circumstances surrounding the proposed transaction and subject to the limitations and qualifications enumerated above, McConnell, Budd & Romano delivered its written opinion to the board of directors of Factory Point Bancorp that the merger consideration to be received by Factory Point Bancorp shareholders is fair from a financial point of view. McConnell, Budd & Romano's signed and dated written opinion appears in Annex C of this proxy statement-prospectus.

Compensation of McConnell, Budd & Romano

Pursuant to a letter agreement with Factory Point Bancorp dated April 11, 2007, McConnell, Budd & Romano received a fixed cash fee of \$10,000 for its services in soliciting non-binding, non-disclosable expressions of interest in a possible transaction from a selected group of financial institutions. In addition, McConnell, Budd & Romano will receive a cash transaction fee contingent upon the following events: (1) \$200,000 upon the execution and public announcement of a definitive agreement with respect to the transaction; (2) \$300,000 upon mailing of this document containing McConnell, Budd & Romano's written opinion; and (3) a final fee of 1.00% of the aggregate fair market value of the consideration to be paid to Factory Point Bancorp shareholders (including the value of in the money stock options converted in the merger), contingent on closing of the transaction, minus \$510,000 in fees previously paid. For purposes of the final fee, fair market value of stock consideration is to be determined based on the average closing price for Berkshire Hills Bancorp common stock for the 15 business days ended one business day prior to the closing date. The fair market value of the in the money converted options is to be based on the difference between the fair market value of Berkshire Hills Bancorp common stock and the weighted average exercise price of all outstanding options as of the same date. Based on outstanding shares and options of Factory Point Bancorp as of April 30, 2007 and assuming a fair market value of the merger consideration of \$19.50 per share, the aggregate fees to be received by McConnell, Budd & Romano in connection with the merger are estimated to be approximately \$823,000.

The transaction fee payable to McConnell, Budd & Romano represents compensation for services rendered in connection with the solicitation of indications of interest, analysis of the transaction, support of the negotiations, participation in the drafting of documentation, and for the rendering of McConnell, Budd & Romano's opinion. Factory Point Bancorp has also agreed to reimburse McConnell, Budd & Romano for its reasonable out-of-pocket expenses incurred in connection with the merger. Factory Point Bancorp has also agreed to indemnify McConnell, Budd & Romano and its directors, officers and employees against certain losses, claims, damages and liabilities relating to or arising out of its engagement, including liabilities under the federal securities laws.

During 2006, McConnell, Budd & Romano received aggregate fees of \$35,000 to render financial advisory and investment banking services to Factory Point Bancorp to include, but not limited to, evaluating the range of strategic opportunities available to Factory Point Bancorp. Of this amount, \$15,000 represented fees for general financial advisory services rendered in 2005.

McConnell, Budd & Romano has filed a written consent with the Securities and Exchange Commission relating to the inclusion of its fairness opinion and the reference to such opinion and to McConnell, Budd & Romano in the registration statement in which this document is included. In giving such consent, McConnell, Budd & Romano did not admit that it comes within the category of persons whose consent is required under Section 7 of the Securities Act of 1933 or the rules and regulations of the Securities and Exchange Commission thereunder, nor did McConnell, Budd & Romano thereby admit that it is an expert with respect to any part of such registration statement within the meaning of the term "expert" as used in the Securities Act of 1933, or the rules and regulations of the Securities and Exchange Commission thereunder.

Berkshire Hills Bancorp's Reasons for the Merger and Recommendation of the Board of Directors

Berkshire Hills Bancorp's board of directors believes that the merger is in the best interests of Berkshire Hills Bancorp and its shareholders. In deciding to approve the merger, Berkshire Hills Bancorp's board of directors considered a number of factors, including:

- **its understanding of Berkshire Hills Bancorp's business, operations, financial condition, earnings and prospects and of Factory Point Bancorp's business, operations, financial condition, earnings and prospects;**
- **its understanding of the current and prospective environment in which Berkshire Hills Bancorp and Factory Point Bancorp operate, including national and local economic conditions, the competitive environment for financial institutions generally and continuing consolidation in the financial services industry, and the likely effect of these factors on Berkshire Hills Bancorp in light of, and in absence of, the proposed transactions;**
- **the scale, scope, strength and diversity of operations, product lines and delivery systems that could be achieved by combining Berkshire Hills Bancorp and Factory Point Bancorp;**
- **achievement of Berkshire Hills Bancorp's long-standing objective to enter into the Southern Vermont market;**
- **the strength of Factory Point Bancorp's franchise, including its strong asset quality and performance metrics;**
- **that the acquired equity will provide surplus capital for stock repurchases or other general corporate purposes;**
- **Berkshire Hills Bancorp's historic performance in similar markets;**
- **the reports of Berkshire Hills Bancorp management and the financial presentation by Sandler O'Neill to Berkshire Hills Bancorp's board of directors concerning, among other things, the operations, financial condition and prospects of Factory Point Bancorp and the expected financial impact of the merger on the combined company, including pro form assets, earnings, deposits and regulatory capital ratios;**
- **the historical and current market prices of Berkshire Hills Bancorp common stock and Factory Point Bancorp common stock, as well as the financial analyses prepared by Sandler O'Neill;**
- **the opinion delivered to the Berkshire Hills Bancorp board of directors by Sandler O'Neill to the effect that, as of the date of the opinion and based upon and subject to the considerations described in its opinion and other matters as Sandler O'Neill considered relevant, the merger consideration to be paid to the shareholders in the merger was fair, from a financial point of view, to Berkshire Hills Bancorp and its shareholders;**
- **the review by the Berkshire Hills Bancorp board of directors with its management and legal and financial advisors of the structure of the merger and the financial and other terms of the merger, the consideration to be paid to Factory Point shareholders and the expectation of Berkshire Hills Bancorp's legal advisors that the merger will qualify as a transaction**
- **its understanding of Berkshire Hills Bancorp's business, operations, financial condition, e**

of a type that is generally tax-free to Berkshire Hills Bancorp and Factory Point shareholders for U.S. federal income tax purposes;

- the fact that Berkshire Hills Bancorp's management team will remain intact following the merger and that Berkshire Hills Bancorp and Berkshire Bank's boards of directors will be increased to

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accommodate the addition of the one current member of the Factory Point Bancorp board of directors;

- **the complementary nature of the business, market areas and corporate cultures of Berkshire Hills Bancorp and Factory Point Bancorp;**
- **that the combined company will have an attractive commercial and community banking franchise;**
- **the Factory Point brings a strong business and wealth management demographic to complement Berkshire Hills Bancorp's franchise;**
- **Berkshire Hills Bancorp's belief that the combination of Berkshire Hills Bancorp's and Factory Point will help create a powerful regional financial services provider;**
- **Berkshire Hills Bancorp's expectation that it will achieve cost savings equal to 25% of Factory Point Bancorp's current annualized non-interest expenses; and**
- **for 2008, the first full year of combined operations, Berkshire Hills Bancorp expects the transaction to be accretive to its earnings per share.**

While Berkshire Hills Bancorp's board of directors considered these and other factors, the board of directors did not assign any specific or relative weights to the factors considered and did not make any determination with respect to any individual factor. Berkshire Hills Bancorp's board of directors collectively made its determination with respect to the merger based on the conclusion reached by its members, based on the factors that each of them considered appropriate, that the merger is in the best interests of Berkshire Hills Bancorp's shareholders. The terms of the merger were the result of arm's-length negotiations between representatives of Berkshire Hills Bancorp and representatives of Factory Point Bancorp. The Berkshire Hills Bancorp board of directors recommends that Berkshire Hills Bancorp's shareholders vote to approve the merger agreement and the related transactions.

Opinion of Berkshire Hills Bancorp's Financial Advisor

By letter dated April 12, 2007, Berkshire Hills Bancorp retained Sandler O'Neill to act as its financial advisor in connection with a possible business combination involving Berkshire Hills Bancorp and Factory Point Bancorp. Sandler O'Neill is a nationally recognized investment banking firm whose principal business specialty is financial institutions. In the ordinary course of its investment banking business, Sandler O'Neill is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions.

Sandler O'Neill acted as financial advisor to Berkshire Hills Bancorp in connection with the proposed transaction and participated in certain of the negotiations leading to the execution of a definitive merger agreement on May 14, 2007. At the May 11, 2007 meeting at which Berkshire Hills Bancorp's board considered and approved the merger agreement, subject to satisfactory resolution of certain outstanding issues, Sandler O'Neill delivered to the board its opinion in writing, that, as of such date, the merger consideration was fair to Berkshire Hills Bancorp from a financial point of view. **The full text of Sandler O'Neill's opinion is attached as Annex B to this joint proxy statement/prospectus. The opinion outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Sandler O'Neill in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the opinion. Berkshire Hills Bancorp's shareholders are urged to read the entire opinion carefully in connection with their consideration of the proposed merger.**

Sandler O'Neill's opinion speaks only as of the date of the opinion. The opinion was directed to the Berkshire Hills Bancorp board and is directed only to the fairness of the merger consideration to Berkshire Hills Bancorp from a financial point of view. It does not address the underlying business decision of Berkshire Hills Bancorp to engage in the merger or any other aspect of the merger and is not a

for 2008, the first full year of combined operations, Berkshire Hills Bancorp reports the tr

recommendation to any Berkshire Hills Bancorp shareholder as to how such shareholder should vote at the special meeting with respect to the merger or any other matter.

In connection with rendering its May 14, 2007 opinion, Sandler O'Neill reviewed and considered, among other things:

- (1) the merger agreement;
- (2) certain publicly available financial statements and other historical financial information of Berkshire Hills Bancorp that Sandler O'Neill deemed relevant;
- (3) certain publicly available financial statements and other historical financial information of Factory Point Bancorp that Sandler O'Neill deemed relevant;
- (4) publicly available earnings per share estimates for Berkshire Hills Bancorp for the years ending December 31, 2007 and December 31, 2008 as published by I/B/E/S and reviewed with senior management of Berkshire Hills Bancorp;
- (5) internal financial projections for Factory Point Bancorp for the year ending December 31, 2007 furnished by senior management of Factory Point Bancorp and adjusted by senior management of Berkshire Hills Bancorp and an estimated earnings growth rate for the years thereafter;
- (6) to the extent publicly available, the financial terms of certain recent business combinations in the commercial banking industry;
- (7) the current market environment generally and the commercial banking environment in particular; and
- (8) such other information, financial studies, analyses and investigations and financial, economic and market criteria as Sandler O'Neill considered relevant.

Sandler O'Neill also discussed with certain members of senior management of Berkshire Hills Bancorp the business, financial condition, results of operations and prospects of Berkshire Hills Bancorp and held similar discussions with certain members of senior management of Factory Point Bancorp regarding the business, financial condition, results of operations and prospects of Factory Point Bancorp.

In performing its reviews and analyses and in rendering its opinion, Sandler O'Neill relied upon the accuracy and completeness of all the financial and other information that was available to them from public sources, that was provided to Sandler O'Neill by Berkshire Hills Bancorp or Factory Point Bancorp or their respective representatives or that was otherwise reviewed by Sandler O'Neill and have assumed such accuracy and completeness for purposes of rendering this opinion. Sandler O'Neill further relied on the assurances of the management of each Berkshire Hills Bancorp and Factory Point Bancorp that they are not aware of any facts or circumstances that would make any of such information inaccurate or misleading. Sandler O'Neill has not been asked to undertake, and has not undertaken, an independent verification of any of such information and Sandler O'Neill does not assume any responsibility or liability for the accuracy or completeness thereof. Sandler O'Neill did not make an independent evaluation or appraisal of the specific assets, the collateral securing the assets or the liabilities (contingent or otherwise) of Berkshire Hills Bancorp or Factory Point Bancorp or any of their subsidiaries, or the collectibility of any such assets, nor has Sandler O'Neill been furnished with any such evaluations or appraisals. Sandler O'Neill did not make an independent evaluation of the adequacy of the allowance for loan losses of Berkshire Hills Bancorp or Factory Point Bancorp nor has Sandler O'Neill reviewed any individual credit files relating to Berkshire Hills Bancorp or Factory Point Bancorp. Sandler O'Neill assumed, with Berkshire Hills Bancorp's consent, that the respective allowances for loan losses for both Berkshire Hills Bancorp and Factory Point Bancorp were adequate to cover such losses.

The consensus earnings per share estimates for Berkshire Hills Bancorp for the years ending December 31, 2007 and December 31, 2008 as published by I/B/E/S and the internal budgets and estimates for growth used and

for 2008, the first full year of combined operations, Berkshire Hills Bancorp expects the tr

relied upon by Sandler O'Neill in its analyses of Factory Point Bancorp were discussed with Berkshire Hills Bancorp senior management and Factory Point Bancorp, respectively, who confirmed to Sandler O'Neill that those budgets and estimates reflected the best currently available estimates and judgments of the future financial performance of Berkshire Hills Bancorp and Factory Point Bancorp. With respect to the internal budgets and growth estimates for Factory Point Bancorp, Sandler O'Neill used and relied on the budgets provided by the senior management, of Factory Point Bancorp, as adjusted by and discussed with Berkshire Hills Bancorp's senior management and those budgets and estimates reflected best currently available estimates and judgments of the future financial performance of Factory Point Bancorp. All projections of transaction costs, purchase accounting adjustments and expected cost savings related to the merger were provided by or reviewed with senior management of Berkshire Hills Bancorp and such senior management confirmed to Sandler O'Neill that those projections reflected to best currently available estimates and judgments of such senior management. Sandler O'Neill assumed that the financial performances reflected in all budgets, estimates and projections used by it in its analyses would be achieved. Sandler O'Neill expressed no opinion as to such budgets, estimates or projections or the assumptions on which they were based. Sandler O'Neill also assumed that there has been no material change in the assets, financial condition, results of operations, business or prospects of Berkshire Hills Bancorp or Factory Point Bancorp since the date of the last financial statements made available to them and that Berkshire Hills Bancorp and Factory Point Bancorp will remain as going concerns for all periods relevant to the analyses.

With respect to the merger agreement, Sandler O'Neill assumed that all of the representations and warranties contained in the merger agreement and all related agreements are true and correct, that each party to such agreements will perform all of the covenants required to be performed by such party under the agreements, that the conditions precedent in the merger agreement are not waived and that the merger will be a tax-free reorganization for federal income tax purposes. Finally, with Berkshire Hills Bancorp's consent, Sandler O'Neill relied upon the advice received from Berkshire Hills Bancorp's legal, accounting and tax advisors as to all legal, accounting and tax matters relating to the merger agreement and the other transactions contemplated by the agreement.

Sandler O'Neill's opinion was necessarily based upon market, economic and other conditions as they existed on, and could be evaluated as of, the date of its opinion. Events occurring after the date of the opinion could materially affect the opinion. Sandler O'Neill has not undertaken to update, revise, reaffirm or withdraw its opinion or otherwise comment upon events occurring after the date hereof. Sandler O'Neill expressed no opinion as to what the value of Berkshire Hills Bancorp's common stock will be when issued to Factory Point Bancorp's shareholders pursuant to the Agreement or the prices at which the common stock of Berkshire Hills Bancorp may trade at any time.

In rendering its May 14, 2007 opinion, Sandler O'Neill performed a variety of financial analyses. The following is a summary of the material analyses performed by Sandler O'Neill, but is not a complete description of all the analyses underlying Sandler O'Neill's opinion. The summary includes information presented in tabular format. **In order to fully understand the financial analyses, these tables must be read together with the accompanying text. The tables alone do not constitute a complete description of the financial analyses.** The preparation of a fairness opinion is a complex process involving subjective judgments as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. The process, therefore, is not necessarily susceptible to a partial analysis or summary description. Sandler O'Neill believes that its analyses must be considered as a whole and that selecting portions of the factors and analyses to be considered without considering all factors and analyses, or attempting to ascribe relative weights to some or all such factors and analyses, could create an incomplete view of the evaluation process underlying its opinion. Also, no company included in Sandler O'Neill's comparative analyses described below is identical to Berkshire Hills Bancorp or Factory Point Bancorp and no transaction is identical to the merger. Accordingly, an analysis of comparable companies or transactions involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading values or merger transaction values, as the case may be, of Berkshire Hills Bancorp and Factory Point Bancorp and the companies to which they are being compared.

In performing its analyses, Sandler O'Neill also made numerous assumptions with respect to industry performance, business and economic conditions and various other matters, many of which cannot be predicted and are beyond the control of Berkshire Hills Bancorp, Factory Point Bancorp and Sandler O'Neill. The analysis performed by Sandler O'Neill is not necessarily indicative of actual values or future results, both of which may be

significantly more or less favorable than suggested by such analyses. Sandler O'Neill prepared its analyses solely for purposes of rendering its opinion and provided such analyses to Berkshire Hills Bancorp's board at the board's May 14, 2007 meeting. Estimates on the values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold. Such estimates are inherently subject to uncertainty and actual values may be materially different. Accordingly, Sandler O'Neill's analyses do not necessarily reflect the value of Berkshire Hills Bancorp's common stock or the prices at which Berkshire Hills Bancorp's common stock may be sold at any time. The combined analysis of Sandler O'Neill and the opinions provided by each were among a number of factors taken into consideration by Berkshire Hills Bancorp's board in making its determination to adopt the plan of merger contained in the merger agreement and the analyses described below should not be viewed as determinative of the decision of Berkshire Hills Bancorp's board or management with respect to the fairness of the merger.

At the May 14, 2007 meeting of Berkshire Hills Bancorp's board of directors, Sandler O'Neill presented certain financial analyses of the merger. The summary below is not a complete description of the analyses underlying the opinions of Sandler O'Neill or the presentation made by Sandler O'Neill to Berkshire Hills Bancorp's board, but is instead a summary of the material analyses performed and presented in connection with the opinion.

In arriving at its opinion, Sandler O'Neill did not attribute any particular weight to any analysis or factor that it considered. Rather it made qualitative judgments as to the significance and relevance of each analysis and factor. The financial analyses summarized below include information presented in tabular format. Sandler O'Neill did not form an opinion as to whether any individual analysis or factor (positive or negative) considered in isolation supported or failed to support their respective opinions; rather Sandler O'Neill made its determination as to the fairness of the per share consideration on the basis of its experience and professional judgment after considering the results of all their analyses taken as a whole. Accordingly, Sandler O'Neill believes that the analysis and the summary of the analysis must be considered as a whole and that selecting portions of the analysis and factors or focusing on the information presented below in tabular format, without considering all analyses and factors or the full narrative description of the financial analyses, including methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the process underlying their analyses and opinions. The tables alone do not constitute complete descriptions of the financial analyses presented in such tables.

Summary of Proposal. Sandler O'Neill reviewed the financial terms of the proposed transaction. Using the fixed exchange ratio of 0.5844 shares of Berkshire Hills Bancorp common stock for each share of Factory Point Bancorp's common stock, based upon Berkshire Hills Bancorp's average stock price for 30 days as of April 30, 2007 of \$33.37, and a per share cash value of \$19.50, Sandler O'Neill calculated a transaction value of \$19.50 per share, or an aggregate transaction value of approximately \$81.9 million. Based upon financial information for Factory Point Bancorp as or for the twelve month period ended March 31, 2007, Sandler O'Neill calculated the following transaction ratios:

Transaction Ratios

Transaction Value/Last Twelve Months Net Income	17.9 x
Transaction Value/Tangible Book Value	291 %
Tangible Book Premium/ Core Deposits(1)	20.9 %
Premium over Current Market Price	39.3 %

(1) Core deposits exclude time deposits with account balances greater than \$100,000. Tangible book premium/core deposits calculated by dividing the excess of the aggregate transaction value of \$81.9 million over tangible book value by core deposits.

The aggregate transaction value was approximately \$81.9 million, based upon the offer price per share of \$19.50, 4,096,273 Factory Point Bancorp common shares outstanding and the offer value for Factory Point Bancorp's stock options of \$19.50 for 318,909 options of Factory Point Bancorp common stock at a weighted-average exercise price of \$11.79.

Comparable Company Analysis. Sandler O Neill used publicly available information to perform a comparison of selected financial and market trading information for Berkshire Hills Bancorp and selected financial information and market trading information for Factory Point Bancorp.

Sandler O Neill used publicly available information to compare selected financial and market trading information for Factory Point Bancorp and a group of financial institutions selected by Sandler O Neill. The Factory Point Bancorp peer group consisted of the following publicly traded commercial banks headquartered in New England with total assets between \$200 million and \$500 million:

Beverly National Corporation	Grand Bank Corporation
Centrix Bank & Trust	Katahdin Bankshares Corporation
Citizens National Bancorp	Ledyard National Bank
CNB Financial Corp.	Middlebury National Corporation
Community Bancorp	Peoples Trust Company of St. Albans
Community Bank & Trust Company	Salisbury Bancorp, Inc.
Connecticut River Bancorp, Inc.	SBT Bancorp, Inc.
First Ipswich Bancorp	Union Bankshares, Inc.

The analysis compared publicly available financial information for Factory Point Bancorp and the median financial and market trading data for the Factory Point Bancorp peer group as of and for the twelve months ended March 31, 2007. The table below sets forth the data for Factory Point Bancorp as of and for the twelve months ended March 31, 2007 and the median data for the Factory Point Bancorp's peer group as of and for the twelve months ended March 31, 2007, with pricing data as of May 11, 2007.

Comparable Group Analysis

	Factory Point Bancorp		Comparable Group Median Result	
Total Assets (<i>in millions</i>)	\$ 339		\$ 310	
Tangible Equity / Tangible Assets	8.09	%	8.63	%
Net Loans / Total Assets	66.6	%	71.9	%
Gross Loans / Total Deposits	83.1	%	89.8	%
Net Interest Margin	4.12	%	4.23	%
Efficiency Ratio	62.1	%	69.8	%
Return on Average Assets	1.34	%	0.94	%
Return on Average Equity	16.0	%	11.2	%
Price / Tangible Book Value	210	%	179	%
Price / Last Twelve Months Earnings per Share	12.8	x	15.5	x
Market Capitalization (<i>in millions</i>)	\$ 57.3		\$ 55.1	

Berkshire Hills Bancorp's peer group consisted of the following publicly traded savings institutions headquartered in New England and the Mid-Atlantic with total assets between \$800 million and \$4.0 billion and Tangible Equity / Tangible Assets less than 10.0%:

Benjamin Franklin Bancorp, Inc.	Parkvale Financial Corporation
Dime Community Bancshares, Inc.	Partners Trust Financial Group, Inc.
ESB Financial Corporation	Provident New York Bancorp
Flushing Financial Corporation	TrustCo Bank Corp NY
KNBT Bancorp, Inc.	Willow Financial Bancorp, Inc.
OceanFirst Financial Corp.	WSFS Financial Corporation

The analysis compared publicly available financial and market trading information for Berkshire Hills Bancorp and the high, low, mean, and median data for Berkshire Hills Bancorp peer group as of and for the twelve months ended March 31, 2007. The table below sets forth the data for Berkshire Hills Bancorp and the median data for Berkshire Hills Bancorp peer group as of and for the twelve months ended March 31, 2007, with pricing data as of May 11, 2007.

Comparable Group Analysis

	Berkshire Hills Bancorp		Comparable Group Median Result	
Total Assets (<i>in millions</i>)	\$	2,175	\$	2,854
Tangible Equity / Tangible Assets		6.92	%	6.97
Net Loans / Total Assets		78.9	%	67.2
Gross Loans / Total Deposits		112.7	%	96.6
Net Interest Margin		3.24	%	2.84
Efficiency Ratio		59.2	%	64.1
Return on Average Assets		0.53	%	0.71
Return on Average Equity		4.4	%	7.3
Price / Tangible Book Value		197	%	187
Price / Last Twelve Months Earnings per Share		24.6	x	17.3
Price / 2007 Estimated Earnings per Share (1)		14.7	x	20.0
Price / 2008 Estimated Earnings per Share (1)		13.1	x	14.8
Market Capitalization (<i>in millions</i>)	\$	280.0	\$	373.4

(1) Based on I/B/E/S consensus estimates outstanding.

Stock Trading History. Sandler O'Neill also reviewed the history of the publicly reported trading prices of Berkshire Hills Bancorp's common stock for the one-year period ended May 9, 2007 and the three-year period ended May 9, 2007. Sandler O'Neill also reviewed the history of the reported trading prices and volume of Factory Point Bancorp's common stock for the one year and the three year periods ended May 9, 2007. Sandler O'Neill then compared the relationship between the movements in the price of Berkshire Hills Bancorp's common stock against the movements in the prices of the Standard & Poor's 500 Index, the NASDAQ Bank Index, the Standard & Poor's Bank Index and the median performance of a composite peer group - a weighted average (by market capitalization) composite of publicly traded comparable depository institutions selected by Sandler O'Neill. Sandler O'Neill also compared the relationship between the movements in the prices of Factory Point Bancorp's common stock to movements in the prices of the Nasdaq Bank Index, S&P Bank Index, and S&P 500 Index and the median performance of a composite peer group - a weighted average (by market capitalization) composite of publicly traded comparable depository institutions selected by Sandler O'Neill. The composition of the peer group for Berkshire Hills Bancorp is discussed under the relevant section under "Comparable Group Analysis" above. The composition of the peer group for Factory Point Bancorp is discussed under the relevant section under "Comparable Group Analysis" above.

During the one-year period ended May 9, 2007, Berkshire Hills Bancorp's common stock underperformed the indices to which it was compared. During the one-year period ended May 9, 2007, Berkshire Hills Bancorp's common stock outperformed the peer group to which it was compared.

Berkshire Hills Bancorp's One-Year Stock Performance

	Beginning Index Value May 9, 2006		Ending Index Value May 9, 2007	
Berkshire Hills Bancorp	100.0	%	98.0	%
Selected Peer Group(1)	100.0		92.7	
NASDAQ Bank Index	100.0		100.6	
S&P Bank Index	100.0		104.5	
S&P 500 Index	100.0		114.1	

(1) Refers to the peer group outlined in the Comparable Group Analysis section above.

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During the three-year period ended January 9, 2007, Berkshire Hills Bancorp's common stock underperformed the various indices and outperformed the peer group to which it was compared.

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Berkshire Hills Bancorp's Three-Year Stock Performance

	Beginning Index Value May 7, 2004	Ending Index Value May 9, 2007
Berkshire Hills Bancorp	100.0%	101.9%
Selected Peer Group(1)	100.0	94.8
NASDAQ Bank Index	100.0	119.5
S&P Bank Index	100.0	127.1
S&P 500 Index	100.0	137.7

(1) Refers to the peer group outlined in the Comparable Group Analysis section above.

During the one-year period ended May 9, 2007, Factory Point Bancorp's common stock underperformed the indices and peer group to which it was compared.

Factory Point Bancorp's One-Year Stock Performance

	Beginning Index Value May 9, 2006	Ending Index Value May 9, 2007
Factory Point Bancorp	100.0 %	90.2 %
Selected Peer Group(1)	100.0	108.4
NASDAQ Bank Index	100.0	100.6
S&P Bank Index	100.0	104.5
S&P 500 Index	100.0	114.1

(1) Refers to the peer group outlined in the Comparable Group Analysis section above.

During the three-year period ended January 9, 2007, Factory Point Bancorp's common stock underperformed the various indices and the peer group to which it was compared.

Factory Point Bancorp's Three-Year Stock Performance

	Beginning Index Value May 7, 2004	Ending Index Value May 9, 2007
Factory Point Bancorp	100.0 %	94.1 %
Selected Peer Group(1)	100.0	113.1
NASDAQ Bank Index	100.0	119.5
S&P Bank Index	100.0	127.1
S&P 500 Index	100.0	137.7

(1) Refers to the peer group outlined in the Comparable Group Analysis section above.

Analysis of Selected Merger Transactions. Sandler O'Neill reviewed 174 merger transactions announced nationwide from January 1, 2006 through May 11, 2007 involving banks as acquired institutions with announced transaction values greater than \$15 million and less than \$250 million. Sandler O'Neill reviewed twelve (12) merger transactions announced from January 1, 2005 through May 11, 2007 involving New England-based commercial banks as the acquired institution with a transaction value greater than \$15 million and less than \$250 million. Sandler O'Neill reviewed the following multiples: transaction price at announcement to last twelve months' net income, transaction value to tangible book value, tangible book premium to core deposits and premium to market price and then computed high, low, mean, median multiples and premiums for the transactions. The median multiples were applied to Factory

Point Bancorp's financial information as of and for the twelve months ended March 31, 2007. As illustrated in the following tables, Sandler O'Neill derived an imputed range of values for a share of Factory Point Bancorp's common stock of \$13.68 to \$23.22 based upon the median multiples for the New England transactions and an imputed range of values for a share of Factory Point Bancorp's common stock of

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\$16.93 to \$25.22 based upon the median multiples for the Nationwide transactions. Sandler O'Neill calculated an actual transaction value of \$19.50 per share.

Transaction Multiples

	New England		Implied	Nationwide		Implied
	Median		Value	Median		Value
	Multiple			Multiple		
Price per Share / Last twelve months Net Income	21.3	x	\$23.22	23.1	x	\$25.22
Price per Share / Tangible Book Value	206	%	\$13.68	255	%	\$16.93
Core Deposit Premium(1)	15.3	%	\$15.61	21.9	%	\$19.39
Market Premium	21.7	%	\$17.03	25.1	%	\$17.52

(1) Core deposits are defined as total deposits less time deposits over \$100,000. The core deposit premium is calculated by taking transaction value, less tangible book value, divided by core deposits.

Net Present Value Analysis. Sandler O'Neill performed an analysis that estimated the net present value per share of Factory Point Bancorp's common stock under various circumstances. In the analysis, Sandler O'Neill assumed Factory Point Bancorp performed in accordance with the 2007 net income projection provided by Factory Point Bancorp management, as adjusted by Berkshire Hills Bancorp's senior management. To approximate the terminal value of Factory Point Bancorp's common stock at December 31, 2010, Sandler O'Neill applied price to last twelve months earnings multiples of 12.0x to 20.0x and multiples of tangible book value ranging from 150% to 275%. The terminal values were then discounted to present values using different discount rates ranging from 11.0% to 14.0% chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of Factory Point Bancorp's common stock. In addition, the net present value of Factory Point Bancorp's common stock at December 31, 2006 was calculated using the same range of price to last twelve months earnings multiples (12.0x - 20.0x) applied to a range of discounts and premiums to budget projections. The range applied to the budgeted net income was 25% under budget to 25% over budget, using a discount rate of 13.0% for the analysis.

As illustrated in the following tables, the analysis indicated an imputed range of values per share for Factory Point Bancorp's common stock of \$12.62 to \$21.59 when applying the price/earnings multiples to the matched budget, \$10.35 to \$18.88 when applying multiples of tangible book value to the matched budget, and \$10.30 to \$24.78 when applying the price/earnings multiples to the -25% / +25% budget range.

Earnings Per Share Multiples

Discount Rate	12.0x	14.0x	16.0x	18.0x	20.0x
11.00%	\$ 13.85	\$ 15.78	\$ 17.72	\$ 19.65	\$ 21.59
11.50	13.63	15.53	17.44	19.34	21.24
12.00	13.42	15.29	17.16	19.03	20.90
12.50	13.21	15.05	16.89	18.73	20.57
13.00	13.01	14.82	16.63	18.44	20.25
13.50	12.81	14.59	16.37	18.15	19.93
14.00	12.62	14.37	16.12	17.87	19.62

Earnings Per Share Multiples

Budget Variance	12.0x	14.0x	16.0x	18.0x	20.0x
(25.0%)	\$ 10.30	\$ 11.66	\$ 13.01	\$ 14.37	\$ 15.73
(20.0)	10.84	12.29	13.74	15.19	16.63
(15.0)	11.38	12.92	14.46	16.00	17.54
(10.0)	11.93	13.56	15.19	16.82	18.45
(5.0)	12.47	14.19	15.91	17.63	19.35
0.0	13.01	14.82	16.63	18.45	20.26
5.0	13.56	15.46	17.36	19.26	21.16
10.0	14.10	16.09	18.08	20.07	22.07
15.0	14.64	16.73	18.81	20.89	22.97
20.0	15.19	17.36	19.53	21.70	23.88
25.0	15.73	17.99	20.26	22.52	24.78

Tangible Book Value Per Share Multiples

Discount Rate	150%	175%	200%	225%	275%
11.00%	\$ 11.34	\$ 12.85	\$ 14.36	\$ 15.86	\$ 18.88
11.50	11.17	12.65	14.13	15.61	18.58
12.00	11.00	12.45	13.91	15.37	18.29
12.50	10.83	12.26	13.70	15.13	18.00
13.00	10.67	12.08	13.49	14.90	17.72
13.50	10.51	11.89	13.28	14.67	17.44
14.00	10.35	11.71	13.08	14.44	17.17

Sandler O Neill also performed an analysis that estimated the net present value per share of Factory Point Bancorp's common stock under various circumstances and assuming after-tax cost savings of \$1,957 million in 2008, \$2,085 in 2009, and \$2,221 in 2010 based on Berkshire Hills Bancorp management's guidance of 25% cost savings. In the analysis we assumed Factory Point Bancorp's performance in accordance with the 2007 net income projection provided by Factory Point Bancorp management, as adjusted by Berkshire Hills Bancorp's senior management. To approximate the terminal value of Factory Point Bancorp's common stock at December 31, 2010, Sandler O Neill applied price to last twelve months earnings multiples of 12.0x to 20.0x and multiples of tangible book value ranging from 150% to 275%. The terminal values were then discounted to present values using different discount rates ranging from 11.0% to 14.0% chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of Factory Point Bancorp's common stock. In addition, the net present value of Factory Point Bancorp's common stock at December 31, 2006 was calculated using the same range of price to last twelve months earnings multiples (12.0x - 20.0x) applied to a range of discounts and premiums to budget projections. The range applied to the budgeted net income was 25% under budget to 25% over budget, using a discount rate of 13.0% for the analysis.

As illustrated in the following tables, the analysis indicated an imputed range of values per share for Factory Point Bancorp's common stock of \$16.63 to \$28.60 when applying the price/earnings multiples to the matched budget, \$11.50 to \$20.68 when applying multiples of tangible book value to the matched budget, and \$13.54 to \$32.87 when applying the price/earnings multiples to the -25% / +25% budget range.

Earnings Per Share Multiples

Discount Rate	12.0x	14.0x	16.0x	18.0x	20.0x
11.00%	\$ 18.27	\$ 20.86	\$ 23.44	\$ 26.02	\$ 28.60
11.50	17.99	20.53	23.06	25.60	28.14
12.00	17.70	20.20	22.70	25.19	27.69
12.50	17.43	19.88	22.34	24.79	27.25
13.00	17.16	19.57	21.99	24.40	26.82
13.50	16.89	19.27	21.64	24.02	26.39
14.00	16.63	18.97	21.31	23.64	25.98

Earnings Per Share Multiples

Budget Variance	12.0x	14.0x	16.0x	18.0x	20.0x
(25.0%)	\$ 13.54	\$ 15.35	\$ 17.16	\$ 18.98	\$ 20.79
(20.0)	14.26	16.20	18.13	20.06	21.99
(15.0)	14.99	17.04	19.10	21.15	23.20
(10.0)	15.71	17.89	20.06	22.24	24.41
(5.0)	16.44	18.73	21.03	23.32	25.62
0.0	17.16	19.58	21.99	24.41	26.83
5.0	17.89	20.42	22.96	25.50	28.03
10.0	18.61	21.27	23.93	26.58	29.24
15.0	19.34	22.12	24.89	27.67	30.45
20.0	20.06	22.96	25.86	28.76	31.66
25.0	20.79	23.81	26.83	29.85	32.87

Tangible Book Value Per Share Multiples

Discount Rate	150%	175%	200%	225%	275%
11.00%	\$ 12.59	\$ 14.21	\$ 15.83	\$ 17.45	\$ 20.68
11.50	12.40	13.99	15.58	17.17	20.35
12.00	12.21	13.78	15.34	16.91	20.03
12.50	12.03	13.57	15.11	16.64	19.72
13.00	11.85	13.36	14.87	16.39	19.41
13.50	11.67	13.16	14.65	16.14	19.11
14.00	11.50	12.96	14.43	15.89	18.82

Sandler O'Neill performed an analysis that estimated the net present value per share of Berkshire Hills Bancorp's common stock under various circumstances, assuming (i) Berkshire Hills Bancorp performed in accordance with the consensus earnings per share estimates for the years ending December 31, 2007 and December 31, 2008 as published by I/B/E/S and reviewed with management of Berkshire Hills Bancorp. To approximate the net present value of Berkshire Hills Bancorp's common stock at December 31, 2010, Sandler O'Neill applied price to last twelve months earnings multiples of 12.0x to 20.0x and multiples of tangible book value ranging from 125% to 225%. The and terminal values were then discounted to present values using different discount rates ranging from 10.0% to 13.0% chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of Berkshire Hills Bancorp common stock. In addition, the net present value of Berkshire Hills Bancorp's common stock at December 31, 2010 was calculated using the same range of price to last twelve months earnings multiples (12.0x - 20.0x) applied to a range of discounts and premiums to management's budget projections. The range applied to the budgeted net income was 25.0% under budget to 25.0% over budget, using a discount rate of 10.65% for the tabular analysis. As illustrated in the following tables, this analysis indicated an imputed range of values per share for Berkshire Hills Bancorp's common stock of \$22.74 to \$40.60 when applying the price to earnings multiples to the matched budget, \$20.89 to \$39.88 when applying multiples of tangible book value to the matched budget, and \$19.04 to \$49.06 when applying the price/earnings multiples to the -25.0% / +25.0% budget range.

Earnings Per Share Multiples

Discount Rate	12.0x	14.0x	16.0x	18.0x	20.0x
10.0%	\$ 25.24	\$ 29.08	\$ 32.92	\$ 36.76	\$ 40.60
10.5	24.80	28.57	32.34	36.11	39.89
11.0	24.37	28.07	31.78	35.48	39.19
11.5	23.95	27.59	31.22	34.86	38.50
12.0	23.54	27.11	30.69	34.26	37.83
12.5	23.14	26.65	30.16	33.67	37.18
13.0	22.74	26.19	29.64	33.09	36.54

Earnings Per Share Multiples

Budget Variance	12.0x	14.0x	16.0x	18.0x	20.0x
(25.0%)	\$ 19.04	\$ 21.85	\$ 24.67	\$ 27.48	\$ 30.30
(20.0)	20.17	23.17	26.17	29.17	32.17
(15.0)	21.29	24.48	27.67	30.86	34.05
(10.0)	22.42	25.79	29.17	32.55	35.93
(5.0)	23.54	27.11	30.67	34.24	37.80
0.0	24.67	28.42	32.17	35.93	39.68
5.0	25.79	29.73	33.67	37.61	41.55
10.0	26.92	31.05	35.18	39.30	43.43
15.0	28.05	32.36	36.68	40.99	45.31
20.0	29.17	33.67	38.18	42.68	47.18
25.0	30.30	34.99	39.68	44.37	49.06

Tangible Book Value Per Share Multiples

Discount Rate	125%	150%	175%	200%	225%
10.0%	\$ 23.17	\$ 27.34	\$ 31.52	\$ 35.70	\$ 39.88
10.5	22.76	26.87	30.97	35.07	39.18
11.0	22.37	26.40	30.43	34.46	38.49
11.5	21.99	25.95	29.90	33.86	37.82
12.0	21.61	25.50	29.39	33.28	37.16
12.5	21.25	25.06	28.88	32.70	36.52
13.0	20.89	24.64	28.39	32.14	35.89

In connection with its analyses, Sandler O'Neill considered how the present value analyses would be affected by changes in the underlying assumptions, including variations with respect to net income. Sandler O'Neill noted that the terminal value analysis is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, and the results thereof are not necessarily indicative of actual values or future results.

Pro Forma Merger Analysis. Sandler O'Neill analyzed certain potential pro forma effects of the merger, assuming the following: (1) the merger closes in the 4th quarter of 2007; (2) the deal value per share is equal to \$19.50 per Factory Point Bancorp share; (3) options for Factory Point Bancorp's stock will be converted into cash; (4) Factory Point Bancorp performed in accordance with 2007 net income projections and earnings per share provided by Factory Point Bancorp's management and adjusted by Berkshire Hills Bancorp's senior management; and (5) consensus earnings per share estimates for Berkshire Hills Bancorp for the years ending December 31, 2007 and December 31, 2008 as published by I/B/E/S and reviewed with management of Berkshire Hills Bancorp. The analyses indicated that for the year ending December 31, 2008, the merger would be accretive to Berkshire Hills Bancorp's projected earnings per share and, at December 31, 2008 the merger would be dilutive to Berkshire Hills Bancorp's tangible book value per

share. From the standpoint of a Factory Point Bancorp stockholder, for the year ending December 31, 2008, the

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merger would be accretive to earnings per share and, at December 31, 2008, the merger would be accretive to tangible book value per share. The actual results achieved by the combined company may vary from projected results and the variations may be material.

Miscellaneous. Berkshire Hills Bancorp has agreed to pay Sandler O'Neill a transaction fee in connection with the merger of approximately \$400,000, of which \$150,000 became due when Sandler O'Neill rendered their opinion, and the balance of which is contingent, and payable, upon closing of the merger. Berkshire Hills Bancorp has also agreed to reimburse certain of Sandler O'Neill reasonable out-of-pocket expenses incurred in connection with its engagement and to indemnify Sandler O'Neill and its affiliates and their respective partners, directors, officers, employees, agents, and controlling persons against certain expenses and liabilities, including liabilities under the securities laws.

In the ordinary course of their respective broker and dealer businesses, Sandler O'Neill may purchase securities from and sell securities to Berkshire Hills Bancorp and Factory Point Bancorp and their affiliates. Sandler O'Neill may also actively trade the debt and/or equity securities of Berkshire Hills Bancorp or their affiliates for their own accounts and for the accounts of their customers and, accordingly, may at any time hold a long or short position in such securities.

Consideration to be Received in the Merger

When the merger becomes effective, each share of Factory Point Bancorp common stock issued and outstanding immediately before the completion of the merger will automatically be converted into the right to receive, at the holder's election, either (a) \$19.50 in cash without interest or (b) 0.5844 shares of Berkshire Hills Bancorp common stock and cash instead of fractional shares.

Although shareholders of Factory Point Bancorp are being given the choice of whether to receive cash or Berkshire Hills Bancorp common stock in exchange for their shares of Factory Point Bancorp common stock, all cash and stock elections will be subject to the allocation and proration procedures as well as other provisions in the merger agreement.

If Berkshire Hills Bancorp declares a stock dividend or distribution on shares of its common stock or subdivides, splits, reclassifies or combines the shares of Berkshire Hills Bancorp common stock prior to the effective time of the merger, then the exchange ratio will be adjusted to provide Factory Point Bancorp shareholders with the same economic effect as contemplated by the merger agreement prior to any of these events.

Factory Point Bancorp shareholders will not receive fractional shares of Berkshire Hills Bancorp common stock. Instead, Factory Point Bancorp shareholders will receive a cash payment for any fractional shares in an amount equal to the product of (i) the fraction of a share of Berkshire Hills Bancorp common stock to which such shareholder is entitled multiplied by (ii) the average closing price of Berkshire Hills Bancorp common stock during the ten consecutive trading days ending on the day that is ten business days before the closing date of the merger.

Assumption of Factory Point Bancorp Stock Options

At the effective time of the merger, each option to purchase shares Factory Point Bancorp common stock granted under Factory Point Bancorp's stock option plans that is outstanding and unexercised immediately before the closing of the merger will cease to represent a right to acquire shares of Factory Point Bancorp common stock and will be converted automatically into an option to purchase shares of Berkshire Hills Bancorp common stock and Berkshire Hills Bancorp will assume each Factory Point Bancorp stock option, in accordance with the terms of the Factory Point Bancorp stock option plan and stock option agreement by which it is evidenced, including without limitation all terms pertaining to the acceleration and vesting of the holder's option exercise rights, except that from and after the effective time of the merger:

- each Factory Point Bancorp stock option assumed by Berkshire Hills Bancorp will be exercisable solely for shares of Berkshire Hills Bancorp common stock;
- the number of shares of Berkshire Hills Bancorp common stock subject to such Factory Point Bancorp stock option will be equal to the number of shares of Factory Point Bancorp common

stock subject to such Factory Point Bancorp stock option immediately before the effective time of the merger multiplied by the exchange ratio, rounded to the nearest whole share; and

- the per share exercise price under each Factory Point Bancorp stock option will be adjusted by dividing the per share exercise price under such Factory Point Bancorp stock option by the exchange ratio, rounded to the nearest whole cent.

Pursuant to the merger agreement, Berkshire Hills Bancorp agreed to register under the Securities Act of 1933 the shares of Berkshire Hills Bancorp common stock issuable upon exercise of the substitute stock options to be issued pursuant to the merger agreement as soon as practicable after consummation of the merger.

Cash or Stock Election

Under the terms of the merger agreement, Factory Point Bancorp shareholders may elect to convert their shares into cash, Berkshire Hills Bancorp common stock or a mixture of cash and Berkshire Hills Bancorp common stock. All elections of Factory Point Bancorp shareholders are further subject to the allocation and proration procedures described in the merger agreement. These procedures provide that the number of shares of Factory Point Bancorp common stock to be converted into Berkshire Hills Bancorp common stock in the merger must be 80% of the total number of shares of Factory Point Bancorp common stock issued and outstanding on the date of the merger and that the total value of the stock portion of the merger consideration must be equal to at least 40% of the merger consideration. Neither Berkshire Hills Bancorp nor Factory Point Bancorp is making any recommendation as to whether Factory Point Bancorp shareholders should elect to receive cash or Berkshire Hills Bancorp common stock in the merger. Holders of Factory Point Bancorp common stock must make their own decisions with respect to such election.

It is unlikely that elections will be made in the exact proportions provided for in the merger agreement. As a result, the merger agreement describes procedures to be followed if Factory Point Bancorp shareholders in the aggregate elect to receive more or less of the Berkshire Hills Bancorp common stock than Berkshire Hills Bancorp has agreed to issue. These procedures are summarized below.

- ***If Stock Is Oversubscribed:*** If Factory Point Bancorp shareholders elect to receive more Berkshire Hills Bancorp common stock than Berkshire Hills Bancorp has agreed to issue in the merger, then all Factory Point Bancorp shareholders who have elected to receive cash or who have made no election will receive cash for their Factory Point Bancorp shares and all shareholders who elected to receive Berkshire Hills Bancorp common stock will receive a pro rata portion of the available Berkshire Hills Bancorp shares plus cash for those shares not converted into Berkshire Hills Bancorp common stock.
- ***If Stock Is Undersubscribed:*** If Factory Point Bancorp shareholders elect to receive fewer shares of Berkshire Hills Bancorp common stock than Berkshire Hills Bancorp has agreed to issue in the merger, then all Factory Point Bancorp shareholders who have elected to receive Berkshire Hills Bancorp common stock will receive Berkshire Hills Bancorp common stock and those shareholders who elected to receive cash or who have made no election will be treated in the following manner:
 - If the number of shares held by Factory Point Bancorp shareholders who have made no election is sufficient to make up the shortfall in the number of Berkshire Hills Bancorp shares that Berkshire Hills Bancorp is required to issue, then all Factory Point Bancorp shareholders who elected cash will receive cash, and those shareholders who made no election will receive both cash and Berkshire Hills Bancorp common stock in whatever proportion is necessary to make up the shortfall.
 - If the number of shares held by Factory Point Bancorp shareholders who have made no election is insufficient to make up the shortfall, then all Factory Point Bancorp shareholders who made no election will receive Berkshire Hills Bancorp common stock and those Factory Point Bancorp shareholders who elected to receive cash will receive

cash and Berkshire Hills Bancorp common stock in whatever proportion is necessary to make up the shortfall.

Notwithstanding these rules, as described under *Tax Consequences of the Merger*, it may be necessary for Berkshire Hills Bancorp to reduce the number of shares of Factory Point Bancorp common stock that will be converted into the right to receive cash and correspondingly increase the number of shares of Factory Point Bancorp common stock that will be converted into Berkshire Hills Bancorp common stock. If this adjustment is necessary, shareholders who elect to receive cash or a mixture of cash and stock may be required on a pro rata basis to receive a greater amount of Berkshire Hills Bancorp common stock than they otherwise would have received.

No guarantee can be made that Factory Point Bancorp shareholders will receive the amounts of cash and/or stock they elect. As a result of the allocation procedures and other limitations outlined in this document and in the merger agreement, Factory Point Bancorp shareholders may receive Berkshire Hills Bancorp common stock or cash in amounts that vary from the amounts they elect to receive.

Election Procedures; Surrender of Stock Certificates

An election form is being provided under separate cover to holders of shares of Factory Point Bancorp common stock. Each election form entitles the holder of the Factory Point Bancorp common stock to elect to receive cash, Berkshire Hills Bancorp common stock, or a combination of cash and stock, or make no election with respect to the merger consideration he or she wishes to receive.

To make an effective election, Factory Point Bancorp shareholders must submit a properly completed election form, along with their Factory Point Bancorp stock certificates representing all shares of Factory Point Bancorp common stock covered by the election form (or an appropriate guarantee of delivery), to Registrar and Transfer Company on or before 5:00 p.m., Eastern Time, on September 5, 2007. Registrar and Transfer Company will act as exchange agent in the merger and in that role will process the exchange of Factory Point Bancorp stock certificates for cash and/or Berkshire Hills Bancorp common stock. The exchange agent will allocate cash and stock among Factory Point Bancorp shareholders, consistent with their elections and the allocation and proration procedures. If Factory Point Bancorp shareholders do not submit an election form, Factory Point Bancorp shareholders will receive instructions from the exchange agent on where to surrender their Factory Point Bancorp stock certificates after the merger is completed. In any event, Factory Point Bancorp shareholders should not forward their Factory Point Bancorp stock certificates with their proxy cards.

Factory Point Bancorp shareholders may change their election at any time before the election deadline by written notice accompanied by a properly completed and signed later dated election form received by the exchange agent before the election deadline or by withdrawal of their stock certificates by written notice before the election deadline. All elections will be revoked automatically if the merger agreement is terminated. If Factory Point Bancorp shareholders have a preference for receiving either Berkshire Hills Bancorp stock and/or cash for their Factory Point Bancorp stock, they should complete and return the election form. If Factory Point Bancorp shareholders do not make an election, they will be allocated Berkshire Hills Bancorp common stock and/or cash depending on the elections made by other shareholders.

Neither Berkshire Hills Bancorp nor Factory Point Bancorp makes any recommendation as to whether Factory Point Bancorp shareholders should elect to receive cash, stock or a combination of cash and stock in the merger. Factory Point Bancorp shareholders must make their own decision with respect to their election. Generally, the merger will be a tax-free transaction for Factory Point Bancorp shareholders to the extent they receive Berkshire Hills Bancorp common stock. See *Tax Consequences of the Merger*.

If certificates for Factory Point Bancorp common stock are not immediately available or Factory Point Bancorp shareholders are unable to send the election form and other required documents to the exchange agent before the election deadline, Factory Point Bancorp shares may be properly exchanged, and an election will be effective, if:

- such exchanges are made by or through a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., or by a commercial bank or trust company having an office, branch or agency in the United States;
- the exchange agent receives, before the election deadline, a properly completed and duly executed notice of guaranteed delivery substantially in the form provided with the election form (delivered by hand, mail, telegram, telex or facsimile transmission); and
- the exchange agent receives, within three business days after the election deadline, the certificates for all exchanged Factory Point Bancorp shares, or confirmation of the delivery of all such certificates into the exchange agent's account with The Depository Trust Company in accordance with the proper procedures for such transfer, together with a properly completed and duly executed election form and any other documents required by the election form.

Factory Point Bancorp shareholders who do not submit a properly completed election form or revoke their election form before the election deadline and do not submit a new properly completed election form before the election deadline will have their shares of Factory Point Bancorp common stock designated as non-election shares. Factory Point Bancorp stock certificates represented by elections that have been revoked will be promptly returned without charge to the Factory Point Bancorp shareholder revoking the election upon written request.

After the completion of the merger, the exchange agent will mail to Factory Point Bancorp shareholders who do not submit election forms or who have revoked such forms a letter of transmittal, together with instructions for the exchange of their Factory Point Bancorp common stock certificates for the merger consideration. Until Factory Point Bancorp shareholders surrender their Factory Point Bancorp stock certificates for exchange after completion of the merger, Factory Point Bancorp shareholders will not be paid dividends or other distributions declared after the merger with respect to any Berkshire Hills Bancorp common stock into which their Factory Point Bancorp shares have been converted. When Factory Point Bancorp shareholders surrender their Factory Point Bancorp stock certificates, Berkshire Hills Bancorp will pay any unpaid dividends or other distributions, without interest. After the completion of the merger, there will be no further transfers of Factory Point Bancorp common stock. Factory Point Bancorp stock certificates presented for transfer after the completion of the merger will be canceled and exchanged for the merger consideration.

If their Factory Point Bancorp stock certificates have been either lost, stolen or destroyed, Factory Point Bancorp shareholders will have to prove your ownership of these certificates and that they were lost, stolen or destroyed before they receive any consideration for your shares. The election form includes instructions on how to provide evidence of ownership.

Accounting Treatment

Berkshire Hills Bancorp will account for the merger under the purchase method of accounting in accordance with U.S. generally accepted accounting principles. Using the purchase method of accounting, the assets and liabilities of Factory Point Bancorp will be recorded by Berkshire Hills Bancorp at their respective fair values at the time of the completion of the merger. The excess of Berkshire Hills Bancorp's purchase price over the net fair value of the assets acquired and liabilities assumed will then be allocated to identified intangible assets, with any remaining unallocated cost recorded as goodwill.

Tax Consequences of the Merger

General. The following summary discusses the material anticipated U.S. federal income tax consequences of the merger applicable to a holder of shares of Factory Point Bancorp common stock who surrenders all of the shareholder's common stock for shares of Berkshire Hills Bancorp common stock and/or cash in the merger. This discussion is based upon the Internal Revenue Code, Treasury Regulations, judicial authorities, published positions of the Internal Revenue Service (IRS), and other applicable authorities, all as in effect on the date of this document and all of which are subject to change or differing interpretations (possibly with retroactive effect). This discussion is limited to U.S. residents and citizens who hold their shares as capital assets for U.S. federal income tax purposes (generally, assets held for investment). No attempt has been made to comment on all U.S. federal income

tax consequences of the merger and related transactions that may be relevant to holders of shares of Factory Point Bancorp common stock. This discussion also does not address all of the tax consequences that may be relevant to a particular person or the tax consequences that may be relevant to persons subject to special treatment under U.S. federal income tax laws (including, among others, tax-exempt organizations, dealers in securities or foreign currencies, banks, insurance companies, financial institutions or persons who hold their shares of Factory Point Bancorp common stock as part of a hedge, straddle, constructive sale or conversion transaction, persons whose functional currency is not the U.S. dollar, holders that exercise dissenters' rights, persons that are, or hold their shares of Factory Point Bancorp common stock through, partnerships or other pass-through entities, or persons who acquired their shares of Factory Point Bancorp common stock through the exercise of an employee stock option or otherwise as compensation). In addition, this discussion does not address any aspects of state, local, non-U.S. taxation or U.S. federal taxation other than income taxation. No ruling has been requested from the IRS regarding the U.S. federal income tax consequences of the merger. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences set forth below.

Factory Point Bancorp shareholders are urged to consult their tax advisors as to the U.S. federal income tax consequences of the merger, as well as the effects of state, local, non-U.S. tax laws and U.S. tax laws other than income tax laws.

Opinion Conditions. It is a condition to the obligations of Berkshire Hills Bancorp and Factory Point Bancorp that Berkshire Hills Bancorp receive an opinion by Muldoon Murphy & Aguggia LLP and that Factory Point Bancorp receive an opinion by Rhoads & Sinon LLP to the effect that the merger will constitute a reorganization for U.S. federal income tax purposes within the meaning of Section 368(a)(1)(A) of the Internal Revenue Code. Berkshire Hills Bancorp and Factory Point Bancorp both expect to be able to obtain the tax opinions if, as expected:

- **Berkshire Hills Bancorp and Factory Point Bancorp are able to deliver customary representations to Berkshire Hills Bancorp's and Factory Point Bancorp's respective tax counsel; and**
- **there is no adverse change in U.S. federal income tax law.**

Although the merger agreement allows both Berkshire Hills Bancorp and Factory Point Bancorp to waive the condition that tax opinions be delivered by Muldoon Murphy & Aguggia LLP and Rhoads & Sinon LLP, neither party currently anticipates doing so. However, if this condition were waived, Factory Point Bancorp would re-solicit the approval of its shareholders before completing the merger.

In addition, in connection with the filing of the registration statement of which this joint proxy statement/prospectus forms a part, Muldoon Murphy & Aguggia LLP and Rhoads & Sinon LLP have delivered their opinions to Berkshire Hills Bancorp and Factory Point Bancorp, respectively, dated as of the date of this joint proxy statement/prospectus, that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. Copies of these opinions have been filed as Exhibits 8.1 and 8.2 to the registration statement. Such opinions have been rendered on the basis of facts, representations and assumptions set forth or referred to in such opinions and factual representations contained in certificates of officers of Berkshire Hills Bancorp and Factory Point Bancorp, all of which must continue to be true and accurate in all material respects as of the effective time of the merger.

If any of the representations or assumptions upon which the opinions are based are inconsistent with the actual facts, the tax consequences of the merger could be adversely affected. The determination by tax counsel as to whether the proposed merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code will depend upon the facts and law existing at the effective time of the proposed merger. The following discussion assumes that the merger will constitute a reorganization for U.S. federal income tax purposes within the meaning of Section 368(a) of the Internal Revenue Code.

Exchange Solely for Berkshire Hills Bancorp Common Stock. No gain or loss will be recognized by a Factory Point Bancorp shareholder who receives solely shares of Berkshire Hills Bancorp common stock (except for cash received in lieu of fractional shares, as discussed below) in exchange for all of his or her shares of Factory

· there is no adverse change in U.S. federal income tax law.

Point Bancorp common stock. The tax basis of the shares of Berkshire Hills Bancorp common stock received by a Factory Point Bancorp shareholder in such exchange will be equal (except for the basis attributable to any fractional shares of Berkshire Hills Bancorp common stock, as discussed below) to the basis of the Factory Point Bancorp common stock surrendered in exchange for the Berkshire Hills Bancorp common stock. The holding period of the Berkshire Hills Bancorp common stock received will include the holding period of shares of Factory Point Bancorp common stock surrendered in exchange for the Berkshire Hills Bancorp common stock, provided that such shares were held as capital assets of the Factory Point Bancorp shareholder at the effective time of the merger.

Exchange Solely for Cash. A Factory Point Bancorp shareholder who receives solely cash in exchange for all of his or her shares of Factory Point Bancorp common stock (and is not treated as constructively owning Berkshire Hills Bancorp common stock after the merger under the circumstances referred to below under *Possible Dividend Treatment*) will recognize gain or loss for federal income tax purposes equal to the difference between the cash received and such shareholder's tax basis in the Factory Point Bancorp common stock surrendered in exchange for the cash. Such gain or loss will be a capital gain or loss, provided that such shares were held as capital assets of the Factory Point Bancorp shareholder at the effective time of the merger. Such gain or loss will be long-term capital gain or loss if the Factory Point Bancorp shareholder's holding period is more than one year. The Internal Revenue Code contains limitations on the extent to which a taxpayer may deduct capital losses from ordinary income.

Exchange for Berkshire Hills Bancorp Common Stock and Cash. A Factory Point Bancorp shareholder who receives a combination of Berkshire Hills Bancorp common stock and cash in exchange for his or her Factory Point Bancorp common stock will not be permitted to recognize any loss for federal income tax purposes. Such a shareholder will recognize gain, if any, equal to the lesser of (1) the amount of cash received or (2) the amount of gain realized in the transaction. The amount of gain a Factory Point Bancorp shareholder realizes will equal the amount by which (a) the cash plus the fair market value at the effective time of the merger of Berkshire Hills Bancorp common stock received exceeds (b) the shareholder's basis in the Factory Point Bancorp common stock to be surrendered in the exchange for the cash and Berkshire Hills Bancorp common stock. Any recognized gain could be taxed as a capital gain or a dividend, as described below. The tax basis of the shares of Berkshire Hills Bancorp common stock received by such Factory Point Bancorp shareholder will be the same as the basis of the shares of Factory Point Bancorp common stock surrendered in exchange for the shares of Berkshire Hills Bancorp common stock, adjusted as provided in Section 358(a) of the Internal Revenue Code for the cash received in exchange for such shares of Factory Point Bancorp common stock. The holding period for shares of Berkshire Hills Bancorp common stock received by such Factory Point Bancorp shareholder will include such shareholder's holding period for the Factory Point Bancorp common stock surrendered in exchange for the Berkshire Hills Bancorp common stock, provided that such shares were held as capital assets of the shareholder at the effective time of the merger.

A Factory Point Bancorp shareholder's federal income tax consequences will also depend on whether his or her shares of Factory Point Bancorp common stock were purchased at different times at different prices. If they were, the Factory Point Bancorp shareholder could realize gain with respect to some of the shares of Factory Point Bancorp common stock and loss with respect to other shares. Such Factory Point Bancorp shareholder would have to recognize such gain to the extent such shareholder receives cash with respect to those shares in which the shareholder's adjusted tax basis is less than the amount of cash plus the fair market value at the effective time of the merger of the Berkshire Hills Bancorp common stock received, but could not recognize loss with respect to those shares in which the Factory Point Bancorp shareholder's adjusted tax basis is greater than the amount of cash plus the fair market value at the effective time of the merger of the Berkshire Hills Bancorp common stock received. Any disallowed loss would be included in the adjusted basis of the Berkshire Hills Bancorp common stock. Such a Factory Point Bancorp shareholder is urged to consult his or her own tax advisor respecting the tax consequences of the merger to that shareholder.

Possible Dividend Treatment. In certain circumstances, a Factory Point Bancorp shareholder who receives solely cash or a combination of cash and Berkshire Hills Bancorp common stock in the merger may receive ordinary income, rather than capital gain, treatment on all or a portion of the gain recognized by that shareholder if the receipt of cash has the effect of the distribution of a dividend. The determination of whether a cash payment has such effect is based on a comparison of the Factory Point Bancorp shareholder's proportionate interest in Berkshire Hills Bancorp after the

merger with the proportionate interest the shareholder would have had if the shareholder had received solely Berkshire Hills Bancorp common stock in the merger. This could happen because of your purchase

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(or the purchase by a family member) of additional Berkshire Hills Bancorp common stock or a repurchase of shares by Berkshire Hills Bancorp. For purposes of this comparison, the Factory Point Bancorp shareholder may be deemed to constructively own shares of Berkshire Hills Bancorp common stock held by certain members of the shareholder's family or certain entities in which the shareholder has an ownership or beneficial interest and certain stock options may be aggregated with the shareholder's shares of Berkshire Hills Bancorp common stock. The amount of the cash payment that may be treated as a dividend is limited to the shareholder's ratable share of the accumulated earnings and profits of Factory Point Bancorp at the effective time of the merger. Any gain that is not treated as a dividend will be taxed as a capital gain, provided that the shareholder's shares were held as capital assets at the effective time of the merger. Because the determination of whether a cash payment will be treated as having the effect of a dividend depends primarily upon the facts and circumstances of each Factory Point Bancorp shareholder, shareholders are urged to consult their own tax advisors regarding the tax treatment of any cash received in the merger.

Cash in Lieu of Fractional Shares. A Factory Point Bancorp shareholder who holds Factory Point Bancorp common stock as a capital asset and who receives in the merger, in exchange for such stock, solely Berkshire Hills Bancorp common stock and cash in lieu of a fractional share interest in Berkshire Hills Bancorp common stock will be treated as having received such cash in full payment for such fractional share of stock and as capital gain or loss, notwithstanding the dividend rules discussed above.

Backup Withholding. Unless an exemption applies under the backup withholding rules of Section 3406 of the Internal Revenue Code, the exchange agent shall be required to withhold, and will withhold, 28% of any cash payments to which a Factory Point Bancorp shareholder is entitled pursuant to the merger, unless the Factory Point Bancorp shareholder signs the substitute Internal Revenue Service Form W-9 enclosed with the letter of transmittal sent by the exchange agent. Unless an applicable exemption exists and is proved in a manner satisfactory to the exchange agent, this completed form provides the information, including the Factory Point Bancorp shareholder's taxpayer identification number, and certification necessary to avoid backup withholding.

Tax Treatment of the Entities. No gain or loss will be recognized by Berkshire Hills Bancorp or Factory Point Bancorp as a result of the merger.

Regulatory Matters Relating to the Merger

Holding Company Merger. Berkshire Hills Bancorp is required to file an application to become a bank holding company with the Massachusetts Board of Bank Incorporation. In its review of the merger, the Board of Bank Incorporation is required to consider, among other things, whether or not competition among banking institutions will be unreasonably affected and whether or not public convenience and advantage will be promoted. In making such determination, the commissioner will consider, but not be limited to, a showing of net new benefits meaning initial capital investments, job creation plans, consumer and business services, commitments to maintain and open branch offices within a bank's delineated local community and such other matters as the board may determine. In addition, Massachusetts law provides that the board cannot approve the merger until it has received notice from the Massachusetts Housing Partnership Fund that arrangements satisfactory to the fund have been made for Berkshire Hills Bancorp to make 0.9% of its assets located in the Commonwealth of Massachusetts following the merger available for call by the fund for a period of ten years for purposes of funding various affordable housing programs. Berkshire Hills Bancorp filed an application with the Massachusetts Board of Bank Incorporation on June 27, 2007.

Berkshire Hills Bancorp also filed a notice with the Federal Reserve Board on June 27, 2007, requesting confirmation that it may acquire Factory Point Bancorp without the filing of a formal application. Pursuant to applicable regulations, formal application to the Federal Reserve Board is not required if: (1) the bank merger occurs simultaneously with the acquisition of the shares of the acquired bank holding company and the acquired bank is not operated as a separate entity; (2) the transaction requires the prior approval of a federal supervisory agency under the Bank Merger Act; (3) the transaction does not involve the acquisition of any non-bank company requiring approval under the Bank Holding Company Act; (4) both before and after the transaction, the acquired bank holding company meets the Federal Reserve Board's capital adequacy guidelines; and (5) the acquiring bank holding company provides the Federal Reserve Board at least ten days prior written notice of the transaction, including a description of the transaction and a copy of the application made to the appropriate federal regulatory

agency. The Federal Reserve Board issued a letter dated July 6, 2007 confirming that Berkshire Hills Bancorp could acquire Factory Point Bancorp without the filing of a formal application.

The Bank Merger. Immediately following the merger of Factory Point Bancorp with and into Berkshire Hills Bancorp, Berkshire Hills Bancorp expects to merge Factory Point National Bank with and into Berkshire Bank. The bank merger is subject to the approval by the Federal Deposit Insurance Corporation under the Bank Merger Act. In granting its approval under the Bank Merger Act, the Federal Deposit Insurance Corporation must consider the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the communities to be served.

The bank merger is also subject to approval by the Massachusetts Commissioner of Banks under the bank merger provisions of the Massachusetts General Laws. The regulatory standards for the bank merger are similar to those applicable to the merger. The bank merger cannot be completed until arrangements satisfactory to the Massachusetts Depositors Insurance Fund, which insures the deposits of Massachusetts-chartered savings banks in excess of the Federal Deposit Insurance Corporation deposit insurance limits, have been made. The Depositors Insurance Fund informed the Massachusetts Commissioner of Banks in a letter dated June 28, 2007 that arrangements satisfactory to the Depositors Insurance Fund had been made in connection with the bank merger.

Berkshire Bank filed the requisite applications for the bank merger with the Federal Deposit Insurance Corporation and with the Massachusetts Commissioner of Banks on June 27, 2007.

In addition, a period of 15 to 30 days must expire following approval by the Federal Deposit Insurance Corporation before completion of the merger is allowed, within which period the United States Department of Justice may file objections to the merger under the federal antitrust laws. While Berkshire Hills Bancorp and Factory Point Bancorp believe that the likelihood of objection by the Department of Justice is remote in this case, there can be no assurance that the Department of Justice will not initiate proceedings to block the merger, or that the Attorney General of the State will not challenge the merger, or if any proceeding is instituted or challenge is made, as to the result of the challenge.

The merger cannot proceed in the absence of the requisite regulatory approvals. See *Description of the Merger Conditions to Completion of the Merger* and *Termination*. There can be no assurance that the requisite regulatory approvals will be obtained, and if obtained, there can be no assurance as to the date of any approval. There can also be no assurance that any regulatory approvals will not contain a condition or requirement that causes the approvals to fail to satisfy the condition set forth in the merger agreement and described under *Description of the Merger Conditions to Completion of the Merger*.

The approval of any application merely implies the satisfaction of regulatory criteria for approval, which does not include review of the merger from the standpoint of the adequacy of the cash consideration or the exchange ratio for converting Factory Point Bancorp common stock to Berkshire Hills Bancorp common stock. Furthermore, regulatory approvals do not constitute an endorsement or recommendation of the merger.

Interests of Certain Persons in the Merger

Share Ownership. On the record date for the Factory Point Bancorp special meeting, Factory Point Bancorp's directors and officers beneficially owned, in the aggregate, 668,591 shares of Factory Point Bancorp's common stock (excluding shares that may be acquired upon the exercise of stock options), representing approximately 16.3% of the outstanding shares of Factory Point Bancorp common stock.

As described below, certain of Factory Point Bancorp's officers and directors have interests in the merger that are in addition to, or different from, the interests of Factory Point Bancorp's shareholders generally. Factory Point Bancorp's board of directors was aware of these conflicts of interest and took them into account in approving the merger.

Change in Control/Termination Agreements. Each of Guy H. Boyer, President of Factory Point Bancorp and President and Chief Executive Officer of Factory Point National Bank, Paul J. Beaulieu, Vice President of Factory Point Bancorp and Executive Vice President and Chief Operating Officer of Factory Point National Bank,

Daniel X. Stannard, Senior Vice President of Factory Point Bancorp and Senior Lending Officer of Factory Point National Bank, Timothy J. Kononan, Vice President and Senior Retail Officer of Factory Point National Bank, Katherine P. Mosenthal, Vice President and Trust Administrative Officer of Factory Point National Bank, and Sheri A. Savage, Vice President and Trust Investment Officer of Factory Point National Bank, has entered into a change in control agreement with Factory Point National Bank and Factory Point Bancorp. Under the agreements, upon the executive's termination of employment pursuant to a change in control, which is defined to include the parties' execution of the merger agreement, Factory Point Bancorp will pay to the executive three times (two times in the case of Ms. Mosenthal and Ms. Savage and one time in the case of Mr. Kononan) the greater of: (1) the executive's base salary in effect immediately before the termination pursuant to a change in control, plus any cash bonuses and annual incentive cash compensation earned by the executive with respect to the calendar year immediately preceding the change in control; or (2) executive's base salary in effect immediately before the change in control, plus any cash bonuses and annual incentive cash compensation earned by the executive with respect to the calendar year immediately preceding the change in control. The agreements also provide for life, disability and accident and health insurance coverages for three years (two years in the case of Ms. Mosenthal and Ms. Savage and one year in the case of Mr. Kononan) following the date of the executive's termination of employment. The agreements provide that if any payment to Executive would not be deductible as a result of Section 280G of the Internal Revenue Code and a reduction in such payment or benefit of no greater than 5% would result in full deductibility of all payments and benefits, then such payment or benefit shall be reduced up to the maximum amount necessary to achieve full deductibility. If a 5% reduction is not sufficient to achieve full deductibility, then no reduction shall be made. In addition, if any required payments to the executive are deemed to constitute excess parachute payments within the meaning of Section 280G of the Internal Revenue Code and would cause the executive to incur an excise tax under Section 4999 of the Internal Revenue Code, Factory Point Bancorp shall pay to the executive an amount such that after payment of all federal, state and local income tax and any additional excise tax, the executive will be fully reimbursed for the amount of such excise tax. Excess parachute payments generally are payments in excess of three times the recipient's average annual compensation from the employer includable in the recipient's gross income during the most recent five taxable years ending before the date of a change in control of the employer (the base amount). Recipients of excess parachute payment are subject to a 20% excise tax on the amount by which such payments exceed one times the base amount, in addition to regular income taxes, and payments in excess of the base amount are not deductible by the employer as compensation expense for federal income tax purposes.

In connection with the execution of the merger agreement, each of the above-mentioned executives each entered into a Termination Agreement with Factory Point Bancorp and Berkshire Hills Bancorp under which each person's existing change in control agreement was terminated in exchange for the right to receive certain cash payments. The Termination Agreements provide for a payment of \$614,702, \$378,359, \$286,322, \$93,953, \$203,381 and \$212,069 to be paid to Messrs. Boyer, Beaulieu, Stannard, Kononan, Ms. Mosenthal and Ms. Savage, respectively, at the effective time of the merger. Each payment is subject to such person remaining employed with Factory Point Bancorp through the closing of the merger. Additionally, Mr. Kononan's agreement provides that for one year after the completion of the merger, he will not: (1) work for a financial institution located within Bennington, Rutland or Windsor Counties, Vermont that offers competing products or services with those of Berkshire Hills Bancorp; (2) interfere with the relationship of Berkshire Hills Bancorp and any of its employees, agents, or representatives; or (3) solicit any customer of Berkshire Hills Bancorp.

Consulting Agreements. In connection with the execution of the merger agreement, Messrs. Boyer and Beaulieu each entered into a consulting agreement with Berkshire Hills Bancorp, which provides, among other things, that:

- Messrs. Boyer and Beaulieu will provide consulting and other relevant services and advice as Berkshire Hills Bancorp will reasonably request, including, but not limited to, assisting with the integration of Factory Point Bancorp and Factory Point National into Berkshire Hills Bancorp and Berkshire Bank during the six-month period following consummation of the merger;
- during the one-year period following the consummation of the merger, Messrs. Boyer and Beaulieu will not work for another financial institution that offers products or services competing with those offered by Berkshire Hills Bancorp from any office within thirty-five miles from the main office or any branch of Berkshire Hills Bancorp; (2) interfere with the relationship of

Berkshire Hills Bancorp and any of its employees, agents, or representatives; or (3) solicit any customer of Berkshire Hills Bancorp; and

- Berkshire Hills Bancorp will pay Messrs. Boyer and Beaulieu \$208,057 and \$107,329, respectively, half of which is to be received on the closing date of the merger and the remainder on a monthly basis over the term of the agreement, in consideration for his consulting services and his other obligations under the consulting agreement.

Retention Agreement. In connection with the execution of the merger agreement, Mr. Stannard entered into a retention agreement with Berkshire Bank, which provides, among other things, that:

- Mr. Stannard will provide specified duties as an employee of Berkshire Bank during the one-year period following the closing of the merger; and
- Mr. Stannard will receive \$45,225 on the closing date of the merger and a salary equal to his salary immediately before the closing of the merger plus \$45,525 to be paid over the term of the agreement, in consideration for his services under the agreement.

Equity-Based Awards. Pursuant to Factory Point Bancorp existing stock-based plans, all unvested options to purchase shares of Factory Point Bancorp common stock will become vested and exercisable upon consummation of the merger. In addition, all outstanding shares of restricted stock will become fully vested at such time. The following table sets forth the number of unvested options and number of unvested shares of restricted stock which were held by the executive officers of Factory Point Bancorp and all non-employee directors of Factory Point Bancorp as a group as of July 13, 2007.

Name	Number of Unvested Stock Options	Weighted Average Exercise Price	Number of Unvested Shares of Restricted Stock
Guy H. Boyer	15,000	\$ 11.60	4,393
Paul J. Beaulieu	6,800	11.40	2,800
Tamara E. Heaton	800	11.59	1,331
Timothy J. Kononan	300	13.28	
Katherine P. Mosenthal	500	11.18	1,162
Sheri A. Savage	600	10.78	1,825
Daniel X. Stannard	2,900	11.35	2,500

All non-employee directors as a group

The merger agreement provides that upon completion of the merger, each outstanding and unexercised option to acquire shares of Factory Point common stock will cease to represent the right to acquire shares of Factory Point Bancorp common stock and will become a right to acquire Berkshire Hills Bancorp. The number of shares and the exercise price subject to the converted options will be adjusted for the exchange ratio in the merger, and the duration and other terms of the new Berkshire Hills Bancorp options will be the same as the prior Factory Point Bancorp options. See *Assumption of Factory Point Bancorp Stock Options*.

Appointment of a Director to the Berkshire Hills Bancorp Board of Directors. Berkshire Hills Bancorp will appoint one of Factory Point Bancorp's directors to the boards of directors of Berkshire Hills Bancorp and Berkshire Bank. That person will be Susan M. Hill.

Continued Director and Officer Liability Coverage. For a period of six years following the effective time of the merger, Berkshire Hills Bancorp has agreed to indemnify and hold harmless the current and former officers and directors of

Factory Point Bancorp and its subsidiaries against any costs or expenses incurred in connection with any claim, action, suit, proceeding or investigation that is a result of matters that existed or occurred at or before the effective time of the merger to the same extent as Factory Point Bancorp currently provides for indemnification of

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its officers and directors. For a period of six years following the effective time of the merger, Berkshire Hills Bancorp has also agreed to provide coverage to the officers and directors of Factory Point Bancorp immediately prior to the effective time of the merger under the directors and officers liability insurance policy currently maintained by Factory Point Bancorp or under a policy with comparable or better coverage.

Employee Matters

Each person who is an employee of Factory Point National Bank as of the closing of the merger (whose employment is not specifically terminated upon the closing) will become an employee of Berkshire Bank. Berkshire Hills Bancorp will make available employer provided health and other employee welfare benefit plans to each continuing employee on the same basis that it provides such coverage to Berkshire Hills Bancorp employees except that any pre-existing condition, eligibility waiting period or other limitations or exclusion otherwise applicable under such plans to new employees will not apply to a continuing employee or their covered dependents who were covered under a similar Factory Point Bancorp plan at the closing of the merger. Former employees of Factory Point National Bank will be treated as new employees for purposes of Berkshire Hills Bancorp's 401(k) plan; *provided, however*, that continuing employees will receive credit for service with Factory Point Bancorp for purposes of vesting and determination of eligibility to participate in Berkshire Hills Bancorp's 401(k) plan, but not accrual of benefits. Each continuing employee with sufficient Factory Point Bancorp service credit to satisfy the Berkshire Hills Bancorp 401(k) eligibility service requirement who has also reached the requisite plan participation age will be eligible to participate in the Berkshire Hills Bancorp 401(k) on the effective time of the merger. Before the consummation of the merger, Factory Point National will make its 2007 budgeted discretionary contribution to the Factory Point National Bank 401(k) Profit Sharing Plan.

Before the consummation of the merger, Factory Point Bancorp may make payouts to Factory Point Bancorp employees under its incentive compensation plan and discretionary bonus fund consistent with its 2007 budget in an amount not to exceed \$284,000.

Berkshire Hills Bancorp will pay each employee of Factory Point Bancorp who is not otherwise covered by a specific change in control agreement whose employment is terminated (other than for cause) on or within one year after the effective time of the merger a lump sum cash payment equal to two weeks of such employee's then current base salary for each full year of service with Factory Point Bancorp, with a minimum of four weeks base pay and a maximum of 52 weeks base pay. Additionally, Berkshire Hills Bancorp will provide customary outplacement services to all employees of Factory Point Bancorp, including executive officers, whose employment is terminated in connection with the merger.

Employees of Factory Point Bancorp are eligible to receive a retention bonus from Factory Point Bancorp in an amount determined by the President of Factory Point Bancorp (with the approval of the President of Berkshire Hills Bancorp) if such employee remains an employee of Factory Point Bancorp until the date the systems conversion occurs (or such other date established or adjusted by Berkshire Hills Bancorp not to exceed forty-five 45 days following the date the system conversion occurs) or is terminated before the date of the systems conversion, but after the effective time of the merger and satisfactorily fulfills his or her duties and responsibilities through the employee's termination date.

Operations of Berkshire Bank after the Merger

After the merger of Berkshire Bank and Factory Point National Bank, the former offices of Factory Point National Bank will operate as branch offices of Berkshire Bank under the name Berkshire Bank.

Restrictions on Resale of Shares of Berkshire Hills Bancorp Common Stock

All shares of Berkshire Hills Bancorp common stock issued to Factory Point Bancorp's shareholders in connection with the merger will be freely transferable, except that shares received by persons deemed to be affiliates of Factory Point Bancorp under the Securities Act at the time of the Factory Point Bancorp special meeting may be resold only in transactions permitted by Rule 145 under the Securities Act or otherwise permitted under the Securities Act. This joint proxy statement/prospectus does not cover any resales of the shares of Berkshire Hills Bancorp common stock to be received by Factory Point Bancorp's shareholders upon completion of the

merger, and no person may use this joint proxy statement/prospectus in connection with any resale. Based on the number of shares of Berkshire Hills Bancorp common stock anticipated to be received in the merger, it is expected that Rule 145 will limit the amount of shares that certain affiliates of Factory Point Bancorp will be able to sell into the market. Persons who may be deemed affiliates of Factory Point Bancorp for this purpose generally include directors, executive officers and the holders of 10% or more of the outstanding shares of Berkshire Hills Bancorp's common stock.

Time of Completion

Unless the parties agree otherwise and unless the merger agreement has otherwise been terminated, the closing of the merger will take place on a date designated by Berkshire Hills Bancorp that is no later than 30 days following the date on which all of the conditions to the merger contained in the merger agreement are satisfied or waived. See *Conditions to Completion of the Merger*. On the closing date, Berkshire Hills Bancorp will file a certificate of merger with the Delaware Secretary of State merging Factory Point Bancorp into Berkshire Hills Bancorp. The merger will become effective at the time stated in the certificate of merger.

Berkshire Hills Bancorp and Factory Point Bancorp are working to complete the merger quickly. It is currently expected that the merger will be completed at the end of the third calendar quarter of 2007 or the beginning of the fourth quarter. However, because completion of the merger is subject to regulatory approvals and other conditions, the parties cannot be certain of the actual timing.

Conditions to Completing the Merger

Berkshire Hills Bancorp's and Factory Point Bancorp's obligations to consummate the merger are conditioned on the following:

- approval of the merger agreement by each of Berkshire Hills Bancorp and Factory Point Bancorp shareholders;
- receipt of all required regulatory approvals without any materially adverse conditions and the expiration of all statutory waiting periods;
- no party to the merger being subject to any legal order, decree or injunction that prohibits consummating any part of the transaction, no governmental entity having instituted any proceeding to block the transaction and the absence of any statute, rule or regulation that prohibits completion of any part of the transaction;
- the registration statement of which this joint proxy statement/prospectus forms a part being declared effective by the Securities and Exchange Commission, the absence of any pending or threatened proceeding by the Securities and Exchange Commission to suspend the effectiveness of the registration statement and the receipt of all required state "blue sky" approvals;
- receipt by each party of all consents and approvals from third parties (other than those required from government agencies) required to complete the merger, unless failure to obtain those consents or approvals would not have a material adverse effect on Berkshire Hills Bancorp after completion of the merger;
- receipt by each party of opinions from their respective legal counsel to the effect that the merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code;
- the other party having performed in all material respects its obligations under the merger agreement, the other party's representations and warranties being true and correct as of the date of the merger agreement and as of the closing date, and receipt of a certificate signed by the other party's chief executive officer and chief financial officer to that effect; and

- to the extent required, the shares of Berkshire Hills Bancorp common stock issuable pursuant to the merger being approved for listing on The NASDAQ Global Select Market.

Berkshire Hills Bancorp and Factory Point Bancorp cannot guarantee whether all of the conditions to the merger will be satisfied or waived by the party permitted to do so.

Conduct of Business Before the Merger

Factory Point Bancorp has agreed that, until completion of the merger and unless permitted by Berkshire Hills Bancorp, neither it nor its subsidiaries will:

General Business

- conduct its business other than in the regular, ordinary and usual course consistent with past practice;
- fail to maintain and preserve intact its business organization, properties, leases, employees and advantageous business relationships and retain the services of its officers and key employees;
- take any action that would adversely affect or delay its ability to perform its obligations under the merger agreement or to consummate the transactions contemplated by the merger agreement;

Indebtedness

- incur, modify, extend or renegotiate any indebtedness for borrowed money or, assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligations of any person or entity, other than (a) the creation of deposit liabilities in the ordinary course of business consistent with past practice; and (b) advances from the Federal Home Loan Bank with a maturity of not more than one year;
- prepay any such indebtedness so as to cause itself to incur a prepayment penalty thereunder;

Capital Stock

- adjust, split, combine or reclassify its capital stock;
- pay any cash or stock dividends or make any other distribution on its capital stock, except for regular quarterly cash dividends at a rate not exceeding \$0.17 per share of Factory Point Bancorp common stock and dividends paid by any of Factory Point Bancorp's subsidiaries to enable Factory Point Bancorp to pay such dividends;
- grant any stock appreciation rights or grant any third party a right to acquire any of its shares of capital stock;
- issue any additional shares of capital stock or any securities or obligations convertible or exercisable for any shares of its capital stock, except pursuant to the exercise of outstanding stock options;
- except in connection with the exercise of stock options or withholdings of taxes under any of the Factory Point Bancorp stock-based incentive plans, redeem, purchase or otherwise acquire any shares of its capital stock;

Dispositions

- dispose of any of its material assets or cancel, release or assign any indebtedness, other than in the ordinary course of business or pursuant to commitments existing as of the date of the merger agreement;

Investments

- make any equity investment or purchase any property or assets other than pursuant to commitments existing as of the date of the merger agreement;

Contracts

- enter into, renew, amend or terminate any contract or agreement, or make any change in any of its leases or contracts, other than with respect to those involving the payment of less than \$10,000 per year, and those specifically permitted by the merger agreement;

Loans

- make, renegotiate, renew, increase, extend, modify or purchase any loans, leases, advances, credit enhancements or extensions, other than existing loan commitments or those in conformity with lending policies in effect as of the date of the merger agreement, in amounts not to exceed an aggregate of \$500,000 with respect to any one borrower;
- make or increase any loan or extension of credit or commit to make or increase any such loan or extension of credit to any director or executive officer of Factory Point Bancorp or Factory Point National Bank, except for loans or extensions of credit on terms made available to the general public and other than renewals of existing loans or commitments to loan;

Employees

- increase the compensation or fringe benefits of any of its employees or directors, except in the ordinary course of business consistent with past practice and pursuant to policies currently in effect;
- pay any bonus, pension, retirement allowance or contribution not required by any existing plan or agreement to any employees or directors; provided, however, that Factory Point Bancorp may make payouts to employees under its incentive compensation plan and discretionary bonus fund before the consummation of the merger consistent with its 2007 budget and in an amount not to exceed \$284,000;
- become a party to, amend or commit to any benefit plan or employment agreement;
- voluntarily accelerate the vesting or the lapsing of any restrictions with respect to any stock options or other stock-based compensation;
- elect any new senior executive officer or director;
- hire any employee with an annual total compensation in excess of \$30,000;

Settling Claims

- settle any claim against it for more than \$20,000 or impose or agree to material restrictions on its operations;

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Governing Documents

- amend its certificate of incorporation or bylaws;

Investment in Debt Securities

- restructure or make any material change to its investment securities portfolio or interest rate risk position, through purchases, sales or otherwise, or in the manner in which the portfolio is classified;
- make any investment in any debt security, including mortgage-backed and mortgage-related securities, other than U.S. government and U.S. government agency securities with final maturities not greater than one year;

Capital Expenditures

- other than certain capital expenditures previously disclosed by Factory Point Bancorp, make any capital expenditures other than pursuant to binding commitments existing of the date of the merger agreement and other than expenditures necessary to maintain existing assets in good repair or to make payment of necessary taxes;

Branches

- establish or commit to establish any new branch or other office or file an application to relocate or terminate the operation of an existing banking office;

Accounting

- change its method of accounting, except as required by changes in generally accepted accounting principles or regulatory guidelines;

Merger Agreement

- take any action that is intended or expected to result in any of its representations and warranties under the merger agreement being or becoming untrue in any material respect or in the conditions to the merger not being satisfied or in a violation of a provision of the merger agreement;
- knowingly take any action that would prevent or impede the merger from qualifying as a reorganization under Section 368 of the Internal Revenue Code; or

Other Agreements

- agree to take, commit to take any or adopt any resolutions in support of any of the foregoing actions.

Berkshire Hills Bancorp has agreed that, until the completion of the merger and unless permitted by Factory Point Bancorp, it will not:

- take any action that would adversely affect or delay its ability to perform its obligations under the merger agreement or to consummate the transactions contemplated by the merger agreement;

- take any action that is intended or expected to result in any of its representations and warranties under the merger agreement being or becoming untrue in any material respect or in the conditions to the merger not being satisfied or in a violation of a provision of the merger agreement;

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- knowingly take any action that would prevent or impede the merger from qualifying as a reorganization under Section 368 of the Internal Revenue Code; or
- agree to take, commit to take or adopt any resolutions in support of any of the foregoing actions.

Berkshire Hills Bancorp also agreed that it would not:

- enter into any definitive merger agreement, purchase and assumption agreement or similar document involving Berkshire Hills Bancorp or any of its subsidiaries without the prior notification by written, oral or electronic means to the Board of Directors or Chief Executive Officer of Factory Point Bancorp; or
- issue or agree to issue any additional shares of Berkshire Hills Bancorp common stock or any securities convertible into Berkshire Hills Bancorp common stock, except for existing and future grants under Berkshire Hills Bancorp's stock-based benefit plans, without the prior notification by written, oral or electronic means to the Board of Directors or Chief Executive Officer of Factory Point Bancorp.

Covenants of Factory Point Bancorp and Berkshire Hills Bancorp in the Merger Agreement

Agreement Not to Solicit Other Proposals. Factory Point Bancorp and its officers, directors, employees and representatives have agreed not to: (1) solicit, initiate, encourage or facilitate any acquisition proposal by a third party; (2) participate in discussions or negotiations regarding an acquisition proposal; (3) enter into any agreement requiring it to abandon or terminate the merger agreement with Berkshire Hills Bancorp; (4) make any public statement critical of Berkshire Hills Bancorp, its board of directors, its management or the merger; or (5) join with or assist any person or entity in opposing the merger. An acquisition proposal includes the following:

- any merger, consolidation, share exchange, business combination, or other similar transaction involving Factory Point Bancorp or its subsidiaries;
- any sale, lease, exchange, mortgage, pledge, transfer or other disposition of 25% or more of the assets of Factory Point Bancorp;
- any tender offer or exchange offer for 25% or more of the outstanding shares of capital stock of Factory Point Bancorp; and
- any public announcement of a proposal, plan or intention to do any of the foregoing or any agreement to engage in any of the foregoing.

Despite the agreement of Factory Point Bancorp not to solicit other acquisition proposals, Factory Point Bancorp may generally negotiate or have discussions with, or provide information to, a third party who makes an unsolicited, written, bona fide acquisition proposal, provided that the Factory Point Bancorp board of directors:

- after consultation with and receipt of advice from outside legal counsel, in good faith deems such action to be necessary for the proper discharge of its fiduciary duties to Factory Point Bancorp shareholders under applicable law; and
- (1) after consultation with its outside legal counsel and its financial advisor, determines in good faith that the transaction presented by such unsolicited acquisition proposal, taking into account all legal, financial and regulatory aspects of the proposal, the person making the proposal and the prospects and interests of Factory Point

Bancorp and its shareholders, is a more favorable transaction than the transactions contemplated by the merger agreement with Berkshire Hills Bancorp; (2) is not conditioned on obtaining financing; (3) is for all of Factory Point Bancorp's common stock; and (4) is, in the written opinion of Factory Point Bancorp's financial advisor,