

BERKSHIRE HILLS BANCORP INC

Form 424B3

February 02, 2011

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Registration No. 333-170798

## MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

The boards of directors of Berkshire Hills Bancorp, Inc. and Rome Bancorp, Inc. have agreed to a merger of our companies. If the merger is completed, each share of Rome Bancorp, Inc. common stock will be converted into the right to receive either 0.5658 shares of Berkshire Hills Bancorp, Inc. common stock or \$11.25 in cash, subject to 70% of Rome Bancorp, Inc. common stock being exchanged for Berkshire Hills Bancorp, Inc. s common stock and 30% of

Rome Bancorp, Inc. common stock being exchanged for cash. Berkshire Hills Bancorp, Inc. s stockholders will continue to own their existing shares. After completion of the merger, we expect that current Berkshire Hills Bancorp, Inc. stockholders will own approximately 84% of the combined company and Rome Bancorp, Inc. stockholders will own approximately 16% of the combined company. Berkshire Hills Bancorp, Inc. common stock is listed on the Nasdaq Global Select Market under the symbol BHLB. On January 27, 2011, the closing price of Berkshire Hills Bancorp, Inc. common stock was \$22.06. Berkshire Hills Bancorp, Inc. is offering approximately 2,618,000 shares of its common stock to Rome Bancorp, Inc. stockholders.

We expect the merger to generally be tax-free for federal income tax purposes solely to holders of Rome Bancorp, Inc. common stock to the extent they receive Berkshire Hills Bancorp, Inc. common stock. Any cash consideration received will be taxable to Rome Bancorp, Inc. stockholders.

We cannot complete the merger unless we obtain the necessary government approvals and unless the stockholders of Rome Bancorp, Inc. approve the merger agreement. Rome Bancorp, Inc. is asking its stockholders to consider and vote on this merger proposal at its special meeting of stockholders. Whether or not you plan to attend the Rome Bancorp, Inc. stockholder meeting, please take the time to vote by completing and mailing the enclosed proxy card to Rome Bancorp, Inc. 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. Rome Bancorp, Inc. stockholders have dissenters rights and may receive payment in cash of the fair value of their shares, excluding any appreciation in value that results from the merger. To maintain its dissenters rights a stockholder must (1) deliver written notice of its intent to demand payment for its shares to Rome Bancorp, Inc. before the special meeting of Rome Bancorp, Inc. stockholders or at the special meeting but before the vote is taken and (2) either vote against the merger or not submit a proxy. See *Questions and Answers About the Merger and the Special Meeting* on page 1 and *Rights of Dissenting Stockholders* on page 34.

Rome Bancorp, Inc. s board of directors has unanimously determined that the merger is advisable, fair to, and in the best interests of Rome Bancorp, Inc. and its stockholders and recommends that you vote **FOR** the approval of the merger agreement.

The place, date and time of the Rome Bancorp, Inc. stockholders meeting is as follows:

The Rome Savings Bank  
100 W. Dominick Street

Rome, New York  
March 9, 2011  
5:30 p.m., local time

This document contains a more complete description of the Rome Bancorp, Inc. stockholders meeting and the terms of the merger. We urge you to review this entire document carefully. You may also obtain information about Berkshire Hills Bancorp, Inc. from documents it has filed with the Securities and Exchange Commission.

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

Charles M. Sprock  
President and Chief Executive Officer  
Rome Bancorp, Inc.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the merger or the securities to be issued under this proxy statement/prospectus or determined if this 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 or any other governmental agency.**

Proxy Statement/Prospectus dated January 28, 2011  
and first mailed to stockholders on or about February 2, 2011

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TABLE OF CONTENTS

This document incorporates important business and financial information about Berkshire Hills Bancorp, Inc. 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 107.

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

Berkshire Hills Bancorp, Inc.  
24 North Street  
Pittsfield, Massachusetts 01201  
Attention: Investor Relations Department  
Telephone: (413) 236-3239

***If you are a Rome Bancorp, Inc. stockholder and would like to request documents from Berkshire Hills Bancorp, Inc., please do so by March 2, 2011 to receive them before the Rome Bancorp, Inc. special meeting.***

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TABLE OF CONTENTS

**ROME BANCORP, INC.  
100 W. Dominick Street  
Rome, New York 13440**

Notice of Special Meeting of Stockholders  
to be held March 9, 2011

A special meeting of stockholders of Rome Bancorp, Inc. will be held at 5:30 p.m., local time, on March 9, 2011 at The Rome Savings Bank, 100 W. Dominick Street, Rome, New York. 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 October 12, 2010, by and between Berkshire Hills Bancorp, Inc. and Rome Bancorp, Inc. A copy of the merger agreement is included as Annex A to the accompanying 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 proxy statement/prospectus describes the merger agreement and the proposed merger in detail. We urge you to read these materials carefully. The enclosed proxy statement/prospectus forms a part of this notice.

**The board of directors of Rome Bancorp, Inc. unanimously recommends that Rome Bancorp, Inc. stockholders 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 Rome Bancorp, Inc. has fixed the close of business on January 27, 2011 as the record date for determining the stockholders 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 Rome Bancorp, Inc. 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 Rome Bancorp, Inc. 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.

Rome Bancorp, Inc. stockholders have dissenters' rights and may receive payment in cash of the fair value of their shares, excluding any appreciation in value that results from the merger. To maintain its dissenters' rights a stockholder must (1) deliver written notice of its intent to demand payment for its shares to Rome Bancorp, Inc. before the special meeting of Rome Bancorp, Inc. stockholders or at the special meeting but before the vote is taken and (2) either vote against the merger or not submit a proxy. See *Questions and Answers About the Merger and the Special Meeting*

on page 1 and *Rights of Dissenting Stockholders* on page 34. A copy of the section of the Delaware General Corporation Law pertaining to dissenters' rights is included as Annex C to the accompanying proxy statement/prospectus.

By Order of the Board of Directors

Crystal M. Seymore  
Secretary

Rome, New York  
February 2, 2011

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TABLE OF CONTENTS

**Berkshire Hills Bancorp, Inc.**

**TABLE OF CONTENTS**

	Page
<u>QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING</u>	1
<u>SUMMARY</u>	4
<u>RISK FACTORS</u>	9
<u>CAUTION ABOUT FORWARD-LOOKING STATEMENTS</u>	12
<u>SELECTED HISTORICAL FINANCIAL INFORMATION</u>	13
<u>SELECTED HISTORICAL FINANCIAL AND OTHER DATA OF BERKSHIRE HILLS BANCORP, INC.</u>	14
<u>SELECTED HISTORICAL FINANCIAL AND OTHER DATA OF ROME BANCORP, INC.</u>	16
<u>UNAUDITED PRO FORMA COMBINED CONDENSED CONSOLIDATED FINANCIAL INFORMATION RELATING TO THE ROME BANCORP, INC. AND LEGACY BANCORP, INC. MERGERS</u>	18
<u>NOTES TO THE UNAUDITED PRO FORMA COMBINED CONDENSED CONSOLIDATED FINANCIAL INFORMATION</u>	22
<u>COMPARATIVE PRO FORMA PER SHARE DATA</u>	29
<u>MARKET PRICE AND DIVIDEND INFORMATION</u>	31
<u>SPECIAL MEETING OF ROME BANCORP, INC. STOCKHOLDERS</u>	32
<u>RIGHTS OF DISSENTING STOCKHOLDERS</u>	34
<u>DESCRIPTION OF THE MERGER</u>	38
<u>DESCRIPTION OF BERKSHIRE HILLS BANCORP, INC. CAPITAL STOCK</u>	78
<u>COMPARISON OF RIGHTS OF STOCKHOLDERS</u>	80
<u>MANAGEMENT AND OPERATIONS AFTER THE MERGER</u>	83
<u>INFORMATION ABOUT ROME BANCORP, INC.</u>	84
<u>ADJOURNMENT OF THE SPECIAL MEETING</u>	107
<u>LEGAL MATTERS</u>	107
<u>EXPERTS</u>	107
<u>STOCKHOLDER PROPOSALS</u>	107
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	107
<u>INDEX TO FINANCIAL STATEMENTS</u>	110
<u>Annex A</u>	
<u>Agreement and Plan of Merger</u>	A-1
<u>Annex B</u>	
<u>Fairness Opinion of Sandler O'Neill &amp; Partners, L.P.</u>	B-1
<u>Annex C</u>	
<u>Section 262 of the Delaware General Corporation Law (Dissenters' rights)</u>	C-1

TABLE OF CONTENTS

## QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING

**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 Rome Bancorp, Inc. ( Rome Bancorp ) by Berkshire Hills Bancorp, Inc. ( Berkshire Hills ). A copy of the merger agreement is provided as Annex A to this document. The Rome Bancorp board of directors has determined that the proposed merger is advisable and in the best interests of its stockholders, has unanimously approved the merger agreement and recommends that its stockholders vote FOR the approval of the merger agreement.

**Q:** *What will Rome Bancorp stockholders be entitled to receive in the merger?*

A: Under the merger agreement, at the election of each Rome Bancorp stockholder, each share of Rome Bancorp common stock will be exchanged for either 0.5658 shares of Berkshire Hills common stock or \$11.25 in cash. Each Rome Bancorp stockholder may elect either of these options or each Rome Bancorp stockholder may elect to exchange some of his or her Rome Bancorp shares for cash and some of his or her Rome Bancorp shares for Berkshire Hills shares.

Elections will be limited by, among other things, a requirement that 70% of the total number of outstanding shares of Rome Bancorp common stock be exchanged for Berkshire Hills common stock. Therefore, the form of consideration received will depend in part on the elections of other Rome Bancorp stockholders.

Berkshire Hills will not issue fractional shares in the merger. Instead, each Rome Bancorp stockholder will receive a cash payment, without interest, for the value of any fraction of a share of Berkshire Hills common stock that such stockholder would otherwise be entitled to receive. See *Description of the Merger Consideration to be Received in the Merger* on page 57 and *Description of Berkshire Hills Capital Stock* on page 78.

**Q:** *What dividends will be paid after the merger?*

A: Berkshire Hills currently pays a quarterly dividend of \$0.16 per share. Although Berkshire Hills has paid quarterly dividends on its common stock without interruption since November 2000, there is no guarantee that Berkshire Hills will continue to pay dividends on its common stock. All dividends on Berkshire Hills common stock are declared at the discretion of the Berkshire Hills board of directors.

**Q:** *How does a Rome Bancorp stockholder elect to receive cash, stock or a combination of both for his or her Rome Bancorp stock?*

A: For each Rome Bancorp stockholder, a form for making an election will be provided under separate cover. For the election to be effective, the properly completed election form, along with the Rome 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 the date specified on the election form. 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 common stock and/or cash depending on your election and the elections made by other stockholders.

**Q:** *How does a Rome Bancorp stockholder exchange his or her stock certificates?*

A: If an election is made, the Rome Bancorp stock certificates or an appropriate guarantee of delivery must be returned with the election form. Shortly after the merger, the exchange agent will allocate cash and Berkshire Hills common stock among Rome Bancorp stockholders, consistent with their elections and the allocation and proration procedures in the merger agreement. If a Rome Bancorp stockholder does not submit an election form, Berkshire Hills's transfer agent will send instructions on how and where to surrender the Rome Bancorp stock certificates after the merger is completed. Please do not send Rome Bancorp stock certificates with the proxy card.

TABLE OF CONTENTS

**Q: What are the tax consequences of the merger to Rome Bancorp stockholders?**

A: The tax consequence of the merger to Rome Bancorp stockholders will depend on whether only cash, only Berkshire Hills common stock, or a combination of cash and Berkshire Hills common stock and cash is received in exchange for shares of Rome Bancorp common stock. If shares are exchanged solely for Berkshire Hills common stock, no gain or loss should be recognized except with respect to the cash received instead of any fractional share of Berkshire Hills common stock. If shares are exchanged solely for cash, gain or loss should be recognized on the exchange. If shares were exchanged for a combination of Berkshire Hills common stock and cash, gain should be recognized equal to the lesser of the cash received or the gain realized in the merger (that is, the fair market value of the Berkshire Hills common stock received, plus the cash received, and minus the Rome Bancorp stockholder's basis in the stockholder's Rome Bancorp common stock). No loss should be recognized. See *Description of the Merger - Material Tax Consequences of the Merger* on page 61.

Because the allocations of cash and Berkshire Hills common stock received will depend on the elections of other Rome Bancorp stockholders, the actual tax consequences of the merger will not be known until the allocations are completed.

**Q: Are Rome Bancorp stockholders entitled to dissenters' rights?**

A: Yes. Delaware law provides dissenters' rights in the merger to Rome Bancorp stockholders. This means that Rome Bancorp stockholders 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 Rome Bancorp's Secretary and sent to 100 W. Dominick Street, Rome, New York 13440 before the special meeting of Rome Bancorp stockholders or at the special meeting but before the vote is taken and (2) either vote against the merger or not submit a proxy. This notice must be in addition to and separate from any failure to vote, abstention from voting, 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. 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 C to this document. See *Rights of Dissenting Stockholders* on page 34.

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

A: Rome Bancorp believes that the proposed merger will provide Rome Bancorp stockholders with substantial benefits, and Berkshire Hills believes that the merger will further its strategic growth plans. As a larger company, Berkshire Hills can provide the capital and resources that Rome 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 - Reasons for the Merger; Recommendation of the Rome Bancorp Board of Directors* on page 44.

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

A: Holders of a majority of the outstanding shares of Rome Bancorp common stock entitled to vote must vote in favor of the proposal to approve the merger agreement.

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

A: The special meeting of Rome Bancorp stockholders is scheduled to take place at The Rome Savings Bank, 100 Dominick Street, Rome, New York at 5:30 p.m., local time, on March 9, 2011.



TABLE OF CONTENTS

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

Holdings of shares of Rome Bancorp common stock at the close of business on January 27, 2011, which is the record date, are entitled to vote on the proposal to adopt the merger agreement. As of the record date, 6,777,551 shares of Rome Bancorp common stock were outstanding and entitled to vote.

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

Yes. Whether or not you plan to attend the Rome Bancorp special meeting, you should complete and return the enclosed proxy card. The failure of a Rome Bancorp stockholder 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 Rome Bancorp common stock?**

After you have carefully read and considered the information contained in this 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 Rome 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?**

No. Your broker will not be able to vote your shares of Rome 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?**

We will try to complete the merger as soon as possible. Before that happens, the merger agreement must be approved by Rome Bancorp stockholders and we must obtain the necessary regulatory approvals. Assuming holders of at least a majority of the outstanding shares of Rome 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 first calendar quarter of 2011.

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

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 70.

**Q: Who can answer my other questions?**

If you have more questions about the merger, or how to submit your proxy or if you need additional copies of this proxy statement/prospectus or the enclosed proxy form, Rome Bancorp stockholders should contact:

Phoenix Advisory Partners, LLC  
110 Wall Street  
27<sup>th</sup> Floor  
New York, NY 10005  
(800) 576-4314

Banks and brokers should call:  
(212) 493-3910



TABLE OF CONTENTS

## SUMMARY

*This summary highlights selected information in this 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 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' common stock is listed on The NASDAQ Global Select Market under the symbol BHLB. Berkshire Hills conducts its operations primarily through Berkshire Bank, a Massachusetts chartered savings bank with 41 full-service financial centers in Massachusetts, New York and Vermont. Berkshire Bank offers a full complement of deposit, lending and investment products from a team of employees with extensive experience in banking, insurance and investment management.

Berkshire Hills is also the holding company for Berkshire Insurance Group, an insurance agency in western Massachusetts. At September 30, 2010, Berkshire Hills had total assets of \$2.8 billion, total deposits of \$2.1 billion and total stockholders' equity of \$382.9 million.

On December 21, 2010, Berkshire Hills announced that it had entered into a definitive merger agreement under which it would acquire Legacy Bancorp, Inc. and Legacy Banks. At September 30, 2010, Legacy Bancorp, Inc. had total assets of \$972.0 million, total deposits of \$695.0 million and total stockholders' equity of \$117.4 million. Under the terms of the Berkshire Hills Legacy Bancorp, Inc. merger agreement, each outstanding share of Legacy Bancorp, Inc. common stock will be exchanged for 0.56385 shares of Berkshire Hills common stock and 10% will be in the form of cash. The merger is expected to be completed by June 30, 2011. Consummation of this agreement is subject to the approval of the stockholders of each of Berkshire Hills and Legacy Bancorp, Inc., as well as state and federal regulatory agencies. It is anticipated that there will be some divestiture of deposits in Berkshire County, Massachusetts; any divestiture gains will be shared in accordance with the Legacy merger agreement. The merger of Legacy Bancorp, Inc. into Berkshire Hills is not conditioned on the completion of the Rome Bancorp merger into Berkshire Hills. Similarly, the merger of Rome Bancorp into Berkshire Hills is not conditioned on the completion of the Legacy Bancorp, Inc. merger into Berkshire Hills.

***Rome Bancorp, Inc.***

100 W. Dominick Street  
Rome, New York 13440  
(315) 336-7300

Rome Bancorp, Inc., a Delaware corporation, is a savings and loan holding company headquartered in Rome, New York that was incorporated and commenced operations as a holding company in 1999. Its primary business is operating its subsidiary, The Rome Savings Bank, which operates five full-service community banking offices in Rome, Lee and New Hartford, New York. Rome Bancorp's common stock is quoted on the NASDAQ Global Market under the symbol ROME. 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. As of September 30, 2010, Rome Bancorp had total assets of \$331.6 million, total deposits of \$226.9 million and total stockholders equity of \$61.8 million.

TABLE OF CONTENTS

## **Special Meeting of Rome Bancorp Stockholders; Required Vote (page 32)**

A special meeting of Rome Bancorp stockholders is scheduled to be held at The Rome Savings Bank, 100 W. Dominick Street, Rome, New York at 5:30 p.m., local time, on March 9, 2011. At the special meeting, you will be asked to vote on a proposal to approve the merger agreement between Rome Bancorp and Berkshire Hills. You may also be asked to vote 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 Rome Bancorp stockholders of record as of the close of business on January 27, 2011 are entitled to notice of, and to vote at, the Rome 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 Rome Bancorp common stock entitled to vote. As of the record date, there were 6,771,551 shares of Rome Bancorp common stock outstanding. The directors and executive officers of Rome Bancorp, as a group, beneficially owned 1,353,232 shares of Rome Bancorp common stock (not including shares that may be acquired upon the exercise of stock options), representing 19.97% of the outstanding shares of Rome Bancorp common stock as of the record date and have agreed to vote their shares in favor of the merger at the special meeting.

## **The Merger and the Merger Agreement (page 38)**

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

## **What Rome Bancorp Stockholders Will Receive in the Consideration to be Received in the Merger (page 57)**

Under the merger agreement, at your election, each share of Rome Bancorp common stock you own will be exchanged for either 0.5658 shares of Berkshire Hills common stock or \$11.25 in cash, or a combination of cash and Berkshire Hills common stock, subject to 70% of the aggregate merger consideration being exchanged for Berkshire Hills common stock.

## **Comparative Market Prices (page 31)**

The following table shows the closing price per share of Berkshire Hills common stock and the equivalent price per share of Rome Bancorp common stock, giving effect to the merger, on October 11, 2010, which is the last day on which shares of Berkshire Hills common stock traded preceding the public announcement of the proposed merger, and on January 27, 2011, the most recent practicable date prior to the mailing of this proxy statement/prospectus. The equivalent price per share of Rome Bancorp common stock was computed by multiplying the price of a share of Berkshire Hills common stock by the 0.5658 exchange ratio. See *Description of the Merger Consideration to be Received in the Merger* on page 57.

	Berkshire Hills Common Stock	Equivalent Price Per Share of Rome Bancorp Common Stock
October 11, 2010	\$ 18.78	\$ 10.63
January 27, 2011	\$ 22.06	\$ 12.48

## Recommendation of Rome Bancorp Board of Directors (page 44)

The Rome Bancorp board of directors has unanimously approved the merger agreement and the proposed merger. The Rome Bancorp board believes that the merger agreement, including the merger contemplated by the merger agreement, is fair to, and in the best interests of, Rome Bancorp and its stockholders, and therefore **unanimously recommends that Rome Bancorp stockholders vote FOR the proposal to approve the merger agreement.** In its reaching this decision, Rome Bancorp's board of directors considered a variety of factors, which are described in the section captioned *Description of the Merger Rome Bancorp's Reasons for the Merger; Recommendation of the Rome Bancorp Board of Directors* beginning on page 44.

## TABLE OF CONTENTS

The Rome Bancorp board of directors **unanimously recommends that Rome Bancorp stockholders vote FOR the 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.**

### **Opinion of Rome Bancorp's Financial Advisor (page 50)**

In deciding to approve the merger, one of the factors considered by Rome Bancorp's board of directors was the opinion of Sandler O'Neill & Partners, L.P., (Sandler O'Neill) which served as financial advisor to Rome Bancorp's board of directors. Sandler O'Neill delivered its oral opinion on October 8, 2010, which was confirmed in writing on October 12, 2010, that the merger consideration is fair to the holders of Rome Bancorp common stock from a financial point of view. The full text of this opinion is included as Annex B to the 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. Rome Bancorp has agreed to pay Sandler O'Neill a fee equal to one percent of the aggregate purchase price contingent upon completion of the merger for its services in connection with the merger.

Sandler O'Neill has received a fee of \$200,000 for the rendering of its fairness opinion, which fee shall be credited against the one percent fee referenced above if the merger is completed.

### **Regulatory Matters Relating to the Merger (page 64)**

Under the terms of the merger agreement, the merger cannot be completed unless it is first approved by the Office of Thrift Supervision, the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation. Berkshire Hills filed the required applications on November 17, 2010. As of the date of this document, Berkshire Hills has not received any approvals from those regulators. While Berkshire Hills does not know of any reason why it would not be able to obtain approval in a timely manner, Berkshire Hills cannot be certain when or if it will receive regulatory approval.

### **Conditions to Completing the Merger (page 70)**

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

approval of the merger agreement at the special meeting by at least a majority of the outstanding shares of Rome 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;

the continued accuracy of representations and warranties made on the date of the merger agreement; and

no material adverse effect on either party has occurred.

### **Terminating the Merger Agreement (page 75)**

The merger agreement may be terminated by mutual consent of Berkshire Hills and Rome 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 or Rome Bancorp may terminate the merger agreement if, among other things, any of the following occur:

the merger has not been consummated by June 30, 2011;

Rome Bancorp stockholders do not approve the merger agreement at the Rome 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.

6

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## TABLE OF CONTENTS

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

### **Termination Fee (page 76)**

Under certain circumstances described in the merger agreement, Berkshire Hills may demand from Rome Bancorp a \$3.5 million termination fee in connection with the termination of the merger agreement. See *Description of the Merger Termination Fee* on page 76 for a list of the circumstances under which a termination fee is payable.

### **Interests of Certain Persons in the Merger that are Different from Yours (page 65)**

In considering the recommendation of the board of directors of Rome Bancorp to adopt the merger agreement, you should be aware that officers and directors of Rome Bancorp have employment and other compensation agreements or plans that give them interests in the merger that are somewhat different from, or in addition to, their interests as Rome Bancorp stockholders. These interests and agreements, which provide for payments in the aggregate amount of approximately \$3.15 million, excluding amounts already vested under the Benefit Restoration Plan and the Directors Deferred Compensation Plan, but including:

- Employment agreements that provide for severance payments in connection with a termination of employment without cause or for good reason following a change in control;
- Change in control agreements that provide for severance payments in connection with a termination of employment without cause or for good reason following a change in control;
- Interests under a Benefit Restoration Plan and Directors Deferred Compensation Plan, each of which will be terminated in connection with the change in control, with the benefits paid to the participants in a lump sum;
- An agreement between Berkshire Hills and Rome Bancorp to make a one-time payment to John A. Reinhardt, a director of Rome Bancorp, upon the completion of the merger;
- A consulting and non-competition agreement that Berkshire Hills and Berkshire Bank have entered into with Charles M. Sprock, President and Chief Executive Officer of Rome Bancorp and The Rome Savings Bank;
- The termination of all outstanding Rome Bancorp stock options, whether or not vested; with a payment to the holder of the option of an amount of cash equal to (i) the greater of (A) the excess, if any, of the cash consideration over the applicable per share price of that option or (B) \$1.00, multiplied by (ii) the number of shares of Rome Bancorp common stock that the holder could have purchased with the option if the holder had exercised the option immediately prior to the effective time;
- The acceleration of vesting of outstanding restricted stock awards; and
- Rights of Rome Bancorp officers and directors to continued indemnification coverage and continued coverage under directors and officers liability insurance policies.

### **Accounting Treatment of the Merger (page 60)**

The merger will be accounted for using the acquisition method in accordance with U.S. generally accepted accounting principles.

## **Comparison of Rights of Stockholders (page 80)**

When the merger is completed, Rome Bancorp stockholders who are to receive shares of Berkshire Hills will become Berkshire Hills stockholders and their rights will be governed by Delaware law and by Berkshire Hills certificate of incorporation and bylaws. See *Comparison of Rights of Stockholders* beginning on page 80 for a summary of the material differences between the respective rights of Rome Bancorp and Berkshire Hills stockholders.

7

---

TABLE OF CONTENTS

**Rights of Dissenting Stockholders (page 34)**

Rome Bancorp stockholders 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 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 C to this proxy statement/prospectus. **You should read the statute carefully and consult with your legal counsel if you intend to exercise these rights.**

**Material Tax Consequences of the Merger (page 61)**

The federal tax consequences of the merger to stockholders of Rome Bancorp will depend primarily on whether they exchange their Rome Bancorp common stock solely for Berkshire Hills common stock, solely for cash or for a combination of Berkshire Hills common stock and cash. Rome Bancorp stockholders who exchange their shares solely for Berkshire Hills common stock should not recognize gain or loss except with respect to the cash they receive instead of a fractional share. Rome Bancorp stockholders who exchange their shares solely for cash should recognize gain or loss on the exchange. Rome Bancorp stockholders who exchange their shares for a combination of Berkshire Hills common stock and cash should recognize gain, but not any loss, on the exchange. The actual federal income tax consequences to Rome Bancorp stockholders of electing to receive cash, Berkshire Hills common stock or a combination of cash and stock will not be ascertainable at the time Rome Bancorp stockholders 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 Rome Bancorp stockholders. Determining the actual tax consequences of the merger to Rome Bancorp stockholders can be complicated. Rome Bancorp stockholders should consult their own tax advisor for a full understanding of the merger's tax consequences that are particular to each stockholder.**

To review the tax consequences of the merger to Rome Bancorp stockholders in greater detail, please see the section *Description of the Merger - Material Tax Consequences of the Merger* beginning on page 61.

TABLE OF CONTENTS

## **RISK FACTORS**

*In addition to the other information contained in or incorporated by reference into this proxy statement/prospectus, you should consider carefully the risk factors described below, 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 proxy statement/prospectus titled *Caution About Forward-Looking Statements* beginning on page 12.*

### **Rome Bancorp stockholders may receive a form of consideration different from what they elect.**

The consideration to be received by Rome Bancorp stockholders in the merger is subject to the requirement that 70% of the shares of Rome Bancorp common stock be exchanged for Berkshire Hills common stock and the remaining 30% 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 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 price of Berkshire Hills common stock might decrease after the merger.**

Following the merger, many holders of Rome Bancorp common stock will become stockholders of Berkshire Hills. Berkshire Hills common stock could decline in value after the merger. For example, during the twelve-month period ending on January 27, 2011 (the most recent practicable date before the printing of this proxy statement/prospectus), the price of Berkshire Hills common stock varied from a low of \$16.20 to a high of \$22.92 and ended that period at \$22.06. The market value of Berkshire Hills common stock fluctuates based upon general market economic conditions, Berkshire Hills business and prospects and other factors. In addition, the market value of Berkshire Hills common stock may fluctuate based in part on its proposed acquisition of Legacy Bancorp, Inc. and any risks associated with the integration of Legacy Bancorp, Inc.'s operations.

### **Berkshire Hills may be unable to successfully integrate Rome Bancorp's operations and retain Rome 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 Rome Bancorp who are expected to be retained by Berkshire Hills. Berkshire Hills may not be successful in retaining these employees for the time period necessary to successfully integrate Rome Bancorp's operations with those of Berkshire Hills. 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 following the merger. In addition, Berkshire Hills may be unable to successfully integrate Legacy Bancorp, Inc., which could have an adverse effect on the business and results of operation of Berkshire Hills following the merger.

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

Until the completion of the merger, with some exceptions, Rome 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. In addition, Rome Bancorp has agreed to pay a termination fee to Berkshire

## TABLE OF CONTENTS

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

### **Certain of Rome Bancorp's officers and directors have interests that are different from, or in addition to, interests of Rome Bancorp's stockholders generally.**

You should be aware that the directors and officers of Rome Bancorp have interests in the merger that are different from, or in addition to, the interests of Rome Bancorp stockholders generally. These include: severance payments that certain officers will receive under existing employment or change-in-control agreements, a consulting and non-compete agreement that one former officer of Rome Bancorp will become subject to upon completion of the merger; the payment for stock options; provisions in the merger agreement relating to indemnification of directors and officers and insurance for directors and officers of Rome Bancorp for events occurring before the merger; and the establishment of an advisory board of directors comprised of Rome Bancorp board members. For a more detailed discussion of these interests, see *Description of the Merger - Interests of Certain Persons in the Merger that are Different from Yours* beginning on page 65.

### **Multiple lawsuits have been filed against Rome Bancorp and Berkshire Hills challenging the merger, and an adverse judgment in any such lawsuit may prevent the merger from being completed or from being completed within the expected timeframe.**

Rome Bancorp, Berkshire Hills and the directors of Rome Bancorp are named as defendants in purported class action lawsuits brought by Rome Bancorp stockholders challenging the proposed merger, seeking, among other things, to enjoin completion of the merger on the agreed-upon terms. See *Description of the Merger - Litigation Relating to the Merger* beginning on page 76 for more information about the purported class action lawsuits related to the merger that have been filed.

One of the conditions to the closing of the merger is that no order, injunction (whether temporary, preliminary or permanent) or decree issued by a court or other agency of competent jurisdiction that makes the merger or the bank merger illegal or prohibits the completion of the merger shall be in effect. As such, if the plaintiffs are successful in obtaining an injunction prohibiting the completion of the merger on the agreed-upon terms, then such injunction may prevent the merger from being completed, or from being completed within the expected timeframe.

### **If you are a Rome Bancorp stockholder and you make a valid cash or stock election, you will not be able to sell your shares during certain times.**

If you are a Rome Bancorp stockholder of record as of the record date for the special meeting, holding your shares in certificated form and want to make a valid cash or stock election, you will have to deliver a properly completed and signed form of election and your stock certificates to the exchange agent. For further details on the determination of the election deadline, see *Description of the Merger - Election Procedures; Surrender of Stock Certificates* on page 59. The election deadline will be the later of the day of the Rome Bancorp special meeting and the date the parties believe to be as near as practicable to five business days before the completion of the merger. You will not be able to

sell any certificated shares of Rome Bancorp common stock that you have delivered as part of your election unless you revoke your election before the deadline by providing written notice to the exchange agent. If you do not revoke your election before the election deadline, you will not be able to liquidate your investment in Rome Bancorp common stock for any reason until you receive cash and/or Berkshire Hills common stock following completion of the merger. Similarly, holders of book-entry shares of Rome Bancorp common stock who have made a valid election and have not revoked their election prior to the election deadline will not be able to sell any shares for which they have made a valid election after the election deadline. In the time between the election deadline and the completion of the merger, the trading price of Rome Bancorp or Berkshire Hills common stock may decrease, and you might otherwise want to sell your shares of Rome Bancorp common stock to gain access to cash, make other investments, or reduce the potential for a decrease in the value of your investment. The date that you will receive your merger consideration depends on the completion date of the merger, which is uncertain. The completion date of the merger might be later than expected due to unforeseen events, such as delays in obtaining regulatory approvals.

TABLE OF CONTENTS

**Failure to complete the merger could negatively impact the stock prices and future businesses and financial results of Berkshire Hills and Rome Bancorp.**

If the merger is not completed, the ongoing businesses of Berkshire Hills and Rome Bancorp may be adversely affected and Berkshire Hills and Rome Bancorp will be subject to several risks, including the following:

Berkshire Hills and Rome Bancorp will be required to pay certain costs relating to the merger, whether or not the merger is completed, such as legal, accounting, financial advisor and printing fees; under the merger agreement, Rome Bancorp is subject to certain restrictions on the conduct of its business prior to completing the merger, which may adversely affect its ability to execute certain of its business strategies; and matters relating to the merger may require substantial commitments of time and resources by Berkshire Hills and Rome Bancorp management, which could otherwise have been devoted to other opportunities that may have been beneficial to Berkshire Hills and Rome Bancorp as independent companies, as the case may be.

In addition, if the merger is not completed, Berkshire Hills and/or Rome Bancorp may experience negative reactions from the financial markets and from their respective customers and employees. Berkshire Hills and/or Rome Bancorp also could be subject to litigation related to any failure to complete the merger or to enforcement proceedings commenced against Berkshire Hills or Rome Bancorp to perform their respective obligations under the merger agreement. If the merger is not completed, Berkshire Hills and Rome Bancorp cannot assure their stockholders that the risks described above will not materialize and will not materially affect the business, financial results and stock prices of Berkshire Hills and/or Rome Bancorp.

**The shares of Berkshire Hills common stock to be received by Rome Bancorp stockholders receiving the stock consideration as a result of the merger will have different rights from shares of Rome Bancorp common stock.**

Following completion of the merger, Rome Bancorp stockholders who receive the stock consideration will no longer be stockholders of Rome Bancorp, a Delaware corporation, but will instead be stockholders of Berkshire Hills, a Delaware corporation. There will be important differences between your current rights as a Rome Bancorp stockholder and the rights to which you will be entitled as a Berkshire Hills stockholder. See *Comparison of Rights of Stockholders* beginning on page 80 for a discussion of the different rights associated with Berkshire Hills common stock and Rome Bancorp common stock.

**The fairness opinion obtained by Rome Bancorp from its financial advisor will not reflect changes in circumstances subsequent to the date of the fairness opinion.**

**SANDLER O NEILL, ROME BANCORP, INC S FINANCIAL ADVISOR IN CONNECTION WITH THE MERGER, HAS DELIVERED TO THE BOARD OF DIRECTORS OF ROME BANCORP ITS OPINION DATED AS OF OCTOBER 12, 2010. THE OPINION OF SANDLER O NEILL STATED THAT AS OF SUCH DATE, AND BASED UPON AND SUBJECT TO THE FACTORS AND ASSUMPTIONS SET FORTH THEREIN, THE MERGER CONSIDERATION TO BE PAID TO THE HOLDERS OF THE OUTSTANDING SHARES OF ROME BANCORP COMMON STOCK PURSUANT TO THE MERGER AGREEMENT WAS FAIR FROM A FINANCIAL POINT OF VIEW TO SUCH HOLDERS. THE OPINION DOES NOT REFLECT CHANGES THAT MAY OCCUR OR MAY HAVE OCCURRED AFTER THE DATE OF THE OPINION, INCLUDING CHANGES TO THE OPERATIONS AND PROSPECTS OF BERKSHIRE HILLS OR ROME BANCORP, CHANGES IN GENERAL MARKET AND ECONOMIC CONDITIONS OR**



**REGULATORY OR OTHER FACTORS. ANY SUCH CHANGES, OR CHANGES IN OTHER FACTORS ON WHICH THE OPINION IS BASED, MAY MATERIALLY ALTER OR AFFECT THE RELATIVE VALUES OF BERKSHIRE HILLS AND ROME BANCORP.**

TABLE OF CONTENTS

## 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*, and *Description of the Merger Rome 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*, *potential*, *estimate*, *project*, *believe*, *intend*, *anticipate*, *expect*, *target* and similar expressions.

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 9.

Because of these and other uncertainties, Berkshire Hills' 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' and Rome Bancorp's past results of operations do not necessarily indicate Berkshire Hills' and Rome 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 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 qualifies all of its forward-looking statements by these cautionary statements.

TABLE OF CONTENTS

## **SELECTED HISTORICAL FINANCIAL INFORMATION**

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

Unaudited consolidated interim financial statements for Berkshire Hills at or for the nine months ended September 30, 2010 and 2009 and unaudited consolidated interim financial statements for Rome Bancorp at or for the nine months ended September 30, 2010 and 2009 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.

13

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TABLE OF CONTENTS

# SELECTED HISTORICAL FINANCIAL AND OTHER DATA OF BERKSHIRE HILLS BANCORP, INC.

<i>(In thousands)</i>	At September 30, 2010	At December 31,					
	2009	2008	2007	2006	2005		
<b>Selected Financial Condition Data:</b>							
Total assets	\$2,798,439	\$2,700,424	\$2,666,729	\$2,513,432	\$2,149,642	\$2,035,553	
Loans, net	2,022,273	1,929,842	1,984,244	1,921,900	1,679,617	1,407,229	
Securities	413,207	420,966	341,516	258,497	234,174	420,320	
Total cash and cash equivalents	38,382	32,608	44,798	41,142	30,985	31,087	
Goodwill and other intangibles assets	173,796	176,100	178,830	182,452	121,341	99,616	
Total deposits	2,068,747	1,986,762	1,829,580	1,822,563	1,521,938	1,371,218	
Borrowings and subordinated debentures	309,276	306,668	374,621	349,938	360,469	412,917	
Total stockholders' equity	382,915	384,581	408,425	326,837	258,161	246,066	
Allowance for loan losses	31,836	31,816	22,908	22,116	19,370	13,001	
Non-performing loans	16,386	38,700	12,171	10,508	7,592	1,186	
Non-performing assets	19,286	38,730	12,669	11,374	7,592	1,186	
<i>(In thousands)</i>	For the Nine Months Ended September 30,		For the Years Ended December 31,				
	2010	2009	2009	2008	2007	2006	2005
<b>Selected Operating Data:</b>							
Total interest and dividend income	\$83,908	\$87,105	\$115,476	\$133,211	\$131,944	\$118,051	\$87,732
Total interest expense	27,056	35,505	45,880	57,471	68,019	57,811	36,115
Net interest income	56,852	51,600	69,596	75,740	63,925	60,240	51,617
Service charges and fee income	22,662	22,071	28,181	30,334	26,654	13,539	9,373
All other non-interest income (loss)	714	2,266	808	1,261	(2,011 )	(1,491 )	5,550
Total non-interest income	23,376	24,337	28,989	31,595	24,643	12,048	14,923
Total net revenue	80,228	75,937	98,585	107,335	88,568	72,288	66,540
Provision for loan losses	6,526	9,000	47,730	4,580	4,300	7,860	1,313
Total non-interest expense	60,314	57,375	78,571	71,699	65,494	48,868	48,998
Income tax expense (benefit) continuing operations	3,220	1,426	(11,649 )	8,812	5,239	4,668	8,003
Net income from discontinued operations						371	
Net income (loss)	\$10,168	\$8,136	\$(16,067 )	\$22,244	\$13,535	\$11,263	\$8,226
Less: Cumulative preferred stock dividends and accretion		1,030	1,030				
Less: Deemed dividend from preferred stock repayment		2,954	2,954				

Net income (loss) available to common stockholders	\$ 10,168	\$ 4,152	\$ (20,051 )	\$ 22,244	\$ 13,535	\$ 11,263	\$ 8,226
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14

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TABLE OF CONTENTS

Note: All performance ratios are based on average balance sheet amounts where applicable.

(1) Efficiency ratio is computed by dividing total tangible recurring non-interest expense by the sum of total net interest income on a fully taxable equivalent basis and total recurring non-interest income. The Company uses this non-GAAP measure, which is used widely in the banking industry, to provide important information regarding its operational efficiency.

(2) Tangible common stockholders' equity to tangible assets exclude goodwill and other intangibles. This is a non-GAAP financial measure that the Company believes provide investors with information that is useful in understanding our financial performance and condition.

15

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TABLE OF CONTENTS**SELECTED HISTORICAL FINANCIAL AND OTHER  
DATA OF ROME BANCORP, INC.**

	At September 30, 2010 (in thousands)	At December 31,			
		2009	2008	2007	
<b>Selected Financial Condition Data:</b>					
Total assets	\$ 331,607	\$ 329,922	\$ 337,886	\$ 318,131	
Loans, net	275,238	285,617	298,453	281,042	
Securities	18,065	14,677	8,588	6,165	
Total cash and cash equivalents	15,998	7,574	9,579	8,018	
Total deposits	226,877	216,639	205,932	203,032	
Borrowings	37,873	47,869	66,324	40,333	
Total equity	61,819	60,365	60,344	69,037	
Allowance for loan losses	2,595	2,132	1,936	1,910	
Non-performing loans	2,072	1,915	1,273	1,003	
Non-performing assets	2,072	1,915	1,604	1,100	
	For the Nine Months Ended September 30, 2010		For the Years Ended December 31,		
	2009	2009	2008	2007	
<b>Selected Operating Data:</b>					
Interest income	\$ 12,637	\$ 12,996	\$ 17,291	\$ 17,954	\$ 17,919
Interest expense	2,300	3,259	4,250	4,887	4,798
Net interest income	10,337	9,737	13,041	13,067	13,121
Provision for loan losses	540	200	300	300	50
Net interest income after provision for loan losses	9,797	9,537	12,741	12,767	13,071
<b>Non-interest income:</b>					
Service charges and other income	1,997	1,806	2,449	2,209	2,152
Net gain (loss) on securities and real estate transactions	574	26	73	(265 )	11
Total non-interest income	2,571	1,832	2,522	1,944	2,163
Total non-interest expense	8,417	8,010	10,689	10,410	10,572
Income before income taxes	3,951	3,359	4,574	4,301	4,662
Income taxes	1,272	1,096	1,487	1,396	1,608
Net income	\$ 2,679	\$ 2,263	\$ 3,087	\$ 2,905	\$ 3,054

TABLE OF CONTENTS

	At or For the Nine Months Ended September 30,		At or for the Years Ended December 31,		
	2010	2009	2009	2008	2007
<b>Selected Financial Ratios and Other Data</b>					
<b>Performance Ratios:</b>					
Basic earnings per share	\$0.41	\$0.34	\$0.47	\$0.42	\$0.39
Diluted earnings per share	\$0.41	\$0.34	\$0.47	\$0.41	\$0.39
Return on average assets	1.09 %	0.90 %	0.92 %	0.89 %	1.00 %
Return on average equity	5.97 %	5.14 %	5.27 %	4.47 %	4.14 %
Net interest rate spread (tax equivalent)	4.29 %	3.83 %	3.85 %	3.90 %	4.06 %
Net interest margin (tax equivalent)	4.61 %	4.23 %	4.24 %	4.40 %	4.74 %
Non-interest expense to average assets	3.43 %	3.19 %	3.18 %	3.18 %	3.45 %
Efficiency ratio <sup>(1)</sup>	68.23 %	69.33 %	68.95 %	68.04 %	68.99 %
Average interest earning assets to average interest-bearing liabilities	131.33 %	128.25 %	128.39 %	130.86 %	139.84 %
<b>Capital Ratios:</b>					
Average equity to average assets	18.27 %	17.56 %	17.46 %	19.84 %	24.09 %
Equity to total assets at end of period	18.64 %	17.81 %	18.30 %	17.86 %	21.70 %
Book value per share	\$9.12	\$8.75	\$8.88	\$8.55	\$8.86
<b>Regulatory Capital Ratios:</b>					
Core capital (Tier 1 capital) <sup>(2)</sup>	17.25 %	15.58 %	16.27 %	17.15 %	20.24 %
Total risk-based capital <sup>(2)</sup>	23.78 %	22.51 %	23.04 %	24.45 %	27.73 %
<b>Asset Quality Ratios:</b>					
Nonperforming loans as percent of loans	0.75 %	0.62 %	0.67 %	0.42 %	0.35 %
Nonperforming assets as percent of total assets	0.62 %	0.53 %	0.58 %	0.47 %	0.35 %
Allowance for loan losses as a percent of loans	0.93 %	0.72 %	0.74 %	0.64 %	0.68 %
Allowance for loan losses as a percent of non-performing loans	125.2 %	115.9 %	111.4 %	152.1 %	190.4 %
<b>Other Data:</b>					
<b>Number of:</b>					
Deposit accounts	34,253	34,968	34,618	35,159	35,484
Full service offices	5	5	5	5	5

(1) Non-interest expense divided by the sum of net interest income, the tax equivalent adjustment on tax-exempt municipal securities and other non-interest income.

(2) Regulatory capital ratios are computed for The Rome Savings Bank.



TABLE OF CONTENTS

# **UNAUDITED PRO FORMA COMBINED CONDENSED CONSOLIDATED FINANCIAL INFORMATION RELATING TO THE ROME BANCORP, INC. AND LEGACY BANCORP, INC. MERGERS**

The unaudited pro forma combined condensed consolidated financial information has been prepared using the acquisition method of accounting, giving effect to the proposed mergers of Berkshire Hills with Rome Bancorp and with Legacy Bancorp, Inc. The unaudited pro forma combined condensed consolidated statement of financial condition combines the historical financial information of Berkshire Hills, Rome Bancorp, and Legacy Bancorp, Inc. as of September 30, 2010 and assumes that the proposed mergers were completed on that date. The unaudited pro forma combined condensed consolidated statements of operations combine the historical financial information of Berkshire Hills, Rome Bancorp, and Legacy Bancorp, Inc. and give effect to the mergers as if they had been completed as of January 1, 2009. The unaudited pro forma combined condensed consolidated financial information is presented for illustrative purposes only and is not necessarily indicative of the results of operations or financial condition had the mergers been completed on the dates described above, nor is it necessarily indicative of the results of operations in future periods or the future financial position of the combined entities. The financial information should be read in conjunction with the accompanying Notes to the Unaudited Pro Forma Combined Condensed Consolidated Financial Information. Certain reclassifications have been made to Rome Bancorp's and Legacy Bancorp, Inc.'s historical financial information in order to conform to Berkshire Hills' presentation of financial information.

The value of Berkshire Hills common stock issued in connection with these mergers will be based on the closing price of Berkshire Hills common stock on the dates the mergers are completed. It is anticipated that the merger with Rome Bancorp will be completed near the end of the first quarter of 2011 and that the merger with Legacy Bancorp, Inc. will be completed near the end of the second quarter of 2011. There can be no assurance that the mergers will be completed as anticipated. For purposes of the pro forma financial information, the fair value of Berkshire Hills common stock to be issued in connection with the Rome Bancorp merger was based on the \$18.78 closing price of the stock on October 11, 2010, which was the last closing price before the Agreement and Plan of Merger was executed. The fair value of Berkshire Hills common stock to be issued in connection with the Legacy Bancorp, Inc. merger was based on the \$20.75 average closing price of the stock for the ten day period ending December 15, 2010, which was shortly prior to the date of the execution of the Agreement and Plan of Merger on December 21, 2010.

The pro forma financial information includes estimated adjustments to record assets and liabilities of Rome Bancorp and Legacy Bancorp, Inc. at their respective fair values and represents the pro forma estimates by Berkshire Hills based on available fair value information as of the dates of the respective Agreements and Plans of Merger.

The pro forma adjustments included herein are subject to change depending on changes in interest rates and the components of assets and liabilities and as additional information becomes available and additional analyses are performed. The final allocation of the purchase price for each merger will be determined after each merger is completed and after completion of thorough analyses to determine the fair value of Rome Bancorp's and Legacy Bancorp, Inc.'s tangible and identifiable intangible assets and liabilities as of the dates the mergers are completed. Increases or decreases in the estimated fair values of the net assets as compared with the information shown in the unaudited pro forma combined condensed consolidated financial information may change the amount of the purchase price allocated to goodwill and other assets and liabilities and may impact Berkshire Hills' statement of operations due

to adjustments in yield and/or amortization of the adjusted assets or liabilities. Any changes to Rome Bancorp's or Legacy Bancorp, Inc.'s stockholders' equity, including results of operations from September 30, 2010 through the dates the mergers are completed, will also change the purchase price allocation, which may include the recording of a lower or higher amount of goodwill. The final adjustments may be materially different from the unaudited pro forma adjustments presented herein.

Berkshire Hills anticipates that the mergers with Rome Bancorp and Legacy Bancorp, Inc. will provide the combined company with financial benefits that include reduced operating expenses. Berkshire Hills expects to realize cost savings approximating 35% of the anticipated non-interest expense of Rome Bancorp and approximating 42% of the anticipated non-interest expense of Legacy Bancorp, Inc. These cost savings are not included in these pro forma statements and there can be no assurance that the expected cost savings will be

TABLE OF CONTENTS

realized. The pro forma information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the benefits of expected cost savings or opportunities to earn additional revenue and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had our companies been combined during these periods.

The unaudited pro forma combined condensed consolidated financial information has been derived from and should be read in conjunction with the historical consolidated financial statements and the related notes of Berkshire Hills and Rome Bancorp, which are incorporated in this joint proxy statement/prospectus by reference. See *Where You Can Find More Information* on page 107.

**The unaudited pro forma stockholders' equity and net income (loss) are qualified by the statements set forth under this caption and should not be considered indicative of the market value of Berkshire Hills common stock or the actual or future results of operations of Berkshire Hills for any period. Actual results may be materially different than the pro forma information presented.**

## **Unaudited Combined Condensed Pro Forma Consolidated Statement of Financial Condition As of September 30, 2010**

*The accompanying notes are an integral part of these consolidated financial statements.*

TABLE OF CONTENTS

**Unaudited Pro Forma Combined Condensed  
Consolidated Statement of Operations  
For the Nine Months Ended September 30, 2010**

*The accompanying notes are an integral part of these consolidated financial statements.*

TABLE OF CONTENTS

**Unaudited Pro Forma Combined Condensed  
Consolidated Statement of Operations  
For the Year Ended December 31, 2009**

*The accompanying notes are an integral part of these consolidated financial statements.*

TABLE OF CONTENTS

# NOTES TO THE UNAUDITED PRO FORMA COMBINED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## **Note A Basis of Presentation**

The unaudited pro forma combined condensed consolidated financial information and explanatory notes show the impact on the historical financial condition and results of operations of Berkshire Hills resulting from the proposed mergers with Rome Bancorp and Legacy Bancorp, Inc. under the acquisition method of accounting. Under the acquisition method of accounting, the assets and liabilities of Rome Bancorp and Legacy Bancorp, Inc. are recorded by Berkshire Hills at their respective fair values as of the date each merger is completed. The unaudited pro forma combined condensed consolidated statement of financial condition combines the historical financial information of Berkshire Hills, Rome Bancorp, and Legacy Bancorp, Inc. as of September 30, 2010, and assumes that the proposed mergers were completed on that date. The unaudited pro forma combined condensed consolidated statements of operations give effect to the proposed Rome Bancorp merger and the proposed Legacy Bancorp, Inc. merger as if both mergers had been completed on January 1, 2009.

As the mergers are recorded using the acquisition method of accounting, all loans are recorded at fair value, including adjustments for credit, and no allowance for credit losses is carried over to Berkshire Hills' statement of financial condition. In addition, certain anticipated nonrecurring costs associated with the mergers such as severance, professional fees, legal fees, and conversion related expenditures are not reflected in the pro forma statements of operations.

While the recording of the acquired loans at their fair value will impact the prospective determination of the provision for loan losses and the allowance for loan losses, for purposes of the unaudited pro forma combined condensed consolidated statement of operations for the nine months ended September 30, 2010 and the year ended December 31, 2009, we assumed no adjustments to the historical amount of Rome Bancorp's or Legacy Bancorp, Inc.'s provision for credit losses. If such adjustments were estimated, there could be a reduction, which could be significant, to the historical amounts of Rome Bancorp's or Legacy Bancorp, Inc.'s provision for loan losses presented.

The historical financial results of Berkshire Hills include \$4.0 million of preferred stock dividends and discount accretion. These amounts relate to Berkshire Hills' participation in the U.S. Department of the Treasury's Capital Purchase Program, which participation was ended with the repayment of the preferred stock and the repurchase of common stock warrants in the second quarter of 2009.

## **Note B Accounting Policies and Financial Statement Classifications**

The accounting policies of Rome Bancorp and Legacy Bancorp, Inc. are in the process of being reviewed in detail by Berkshire Hills. On completion of such review, conforming adjustments or financial statement reclassifications may be determined.

## **Note C Merger and Acquisition Integration Costs**

In connection with the proposed mergers, the plans to integrate the operations of Berkshire Hills with those of Rome Bancorp and Legacy Bancorp, Inc. are still being developed. The specific details of these plans will continue to be refined over the next several months, and will include assessing personnel, benefit plans, premises, equipment, and service contracts to determine where there may be potential advantages in eliminating redundancies. Certain decisions arising from these assessments may involve involuntary termination of employees, vacating leased premises, changing information systems, canceling contracts with certain service providers and selling or otherwise disposing of certain premises, furniture and equipment. Berkshire Hills expects to incur merger related costs including professional fees, legal fees, system conversion costs, and costs related to communications with customers and others. To the extent there are costs associated with these actions, the costs will be recorded based on the nature of the cost and timing of these integration actions.

TABLE OF CONTENTS

## **Note D Estimated Annual Cost Savings**

Berkshire Hills expects to realize annualized cost savings of approximately \$3.8 million (35%) of Rome Bancorp's expected non-interest expense and \$11.1 million (42%) of Legacy Bancorp, Inc.'s expected non-interest expenses following the mergers. Berkshire Hills expects to achieve approximately 75% of the anticipated annualized savings related to Rome Bancorp in 2011 and 100% of the anticipated annualized savings thereafter. Berkshire Hills expects to achieve approximately 25% of the anticipated annualized savings related to Legacy Bancorp, Inc. in 2011 and 100% of the anticipated annualized savings thereafter. These cost savings are not reflected in the pro forma financial information and there can be no assurance they will be achieved in the amount or manner currently contemplated.

## **Note E Divestiture of Deposits of Legacy Bancorp, Inc.**

The merger with Legacy Bancorp, Inc. is expected to require a divestiture of deposits in order to satisfy federal regulations. The actual amount of the deposits to be divested (if any) will be determined by federal regulatory authorities during the merger approval process. Due to the uncertainty of the divestiture requirement, there have been no adjustments recorded in the statement of financial condition or in the statements of operations. Berkshire Hills anticipates that a potential divestiture amount of \$200 million might be required and that the divestiture date would be shortly after the effective date of the Legacy Bancorp, Inc. merger. It is anticipated that the divestiture would involve the sale of certain Legacy Bancorp, Inc. branches and that these sales would include the sale of loans totaling approximately \$140 million and securities totaling approximately \$56 million. It is anticipated that the potential branch divestiture would be priced at a premium of 3.5% of deposits, resulting in a one-time gain of approximately \$7 million before tax and \$4 million after tax. This sale would reduce annualized interest income at an assumed amount equivalent to approximately 5.7% of the sold loans and 3.0% of the divested investment securities. Interest expense is assumed to be reduced by approximately 1.20% of the divested deposits. Non-interest income is assumed to decrease by approximately 0.2% of the divested deposits, and non-interest expense is assumed to decrease by approximately 0.7% of the divested deposits. The resulting annualized anticipated reduction in income would approximate \$6.3 million on a pre-tax basis and \$3.7 million after tax. Because the specific divestiture amounts have not been determined, these anticipated impacts are not included as adjustments in the pro forma financial statements and actual divestiture amounts and related impacts may differ from those contemplated herein.

## **Note F Pro Forma Adjustments**

The following pro forma adjustments have been reflected in the unaudited pro forma combined condensed consolidated financial information. All adjustments are based on current assumptions and valuations, which are subject to change.

- The adjustment results from the assumption that cash and cash equivalents will be used to pay for after tax one-time merger and integration expenses which will be expensed against income. Those estimated amounts total \$5.7 million and \$12.2 million for Rome Bancorp and Legacy Bancorp, Inc., respectively. The cash adjustment also includes capital expenditures which are directly related to the mergers, totaling \$1.1 million for Rome Bancorp and \$3.0 million for Legacy Bancorp, Inc., including information technology equipment along with furniture and fixtures related to the facilities consolidations.
- (1) The cash adjustment also includes capital expenditures which are directly related to the mergers, totaling \$1.1 million for Rome Bancorp and \$3.0 million for Legacy Bancorp, Inc., including information technology equipment along with furniture and fixtures related to the facilities consolidations.
- (2) The cash component of merger consideration is assumed to be funded by the sale of investment securities. This adjustment is partially offset by an estimated fair value adjustment to investment securities. For the Rome Bancorp merger, the expected sale of securities for merger consideration totals \$22.7 million which is partially offset by an expected \$0.6 million premium to be recorded to the fair value of investment securities. For the Legacy Bancorp,



Inc. merger, the expected sale of securities for merger consideration totals \$11.3 million, and in addition there was a \$7.0 million expected credit related discount to be recorded to the fair value of investment securities related to equity investments in commercial real estate related securities. Also, securities investments are reduced by the \$3.6 million book value of 391,600 Legacy Bancorp, Inc. common shares previously purchased by Berkshire Hills, which will be cancelled under the terms of the merger agreement and which are accounted for as merger consideration.

23

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TABLE OF CONTENTS

Represents the estimated fair value adjustment to loans, which includes an estimate of credit losses. Accordingly, the existing Rome Bancorp and Legacy Bancorp, Inc. allowances for loan losses cannot be carried over. The (3) estimated fair value adjustment to loans for Rome Bancorp includes a discount of \$4.1 million for estimated credit losses. The estimated fair value adjustment to loans for Legacy Bancorp, Inc. includes a discount of \$17.0 million for estimated credit losses.

Represents adjustments to goodwill resulting from recording the assets and liabilities of Rome Bancorp and Legacy Bancorp, Inc. at fair value. These adjustments are preliminary and are subject to change. The final adjustments will (4) be calculated when the mergers are completed and may be materially different than those presented here. The excess of consideration paid over the fair value of net assets acquired was recorded as goodwill and is summarized for Rome Bancorp and Legacy Bancorp, Inc. in Note F-9.

Represents the elimination of existing identifiable intangibles of Legacy Bancorp, Inc., offset by the recognition of the fair value of the core deposit intangible asset, which is assumed to be 2.5% of core deposit liabilities assumed. Core deposits are defined as total deposits less time deposits over \$100,000. Rome Bancorp has no existing (5) identifiable intangible assets. Its core deposits were measured at \$207.0 million as of June 30, 2010. For Legacy Bancorp, Inc., core deposits (net of the impact of estimated divestitures) were estimated at \$402.9 million as of September 30, 2010. Also, an amount of \$4.8 million was assigned as the value of identifiable intangible assets in the form of wealth management customer lists.

Includes adjustment for the fair value of net premises and equipment. This adjustment is a premium of \$1.2 million for Rome Bancorp and \$7.0 million for Legacy Bancorp, Inc. Also includes adjustments in the net deferred tax (6) assets resulting from the fair value adjustments related to the acquired assets and liabilities, identifiable intangibles, and other deferred tax items. The actual tax asset adjustments will depend on facts and circumstances existing at the completion of the mergers. Also includes anticipated capital expenditures as discussed in Note F-1.

(7) Represents the estimated fair value adjustment to certificate of deposit liabilities.

(8) Represents the estimated fair value adjustment to borrowings.

TABLE OF CONTENTS

(9) The actual equity adjustment will be based on the fair value of Berkshire Hills common stock on the date that the merger closes and could be materially different from the amount presented here. A summary of the net impact of adjustments to stockholders' equity and goodwill for Rome Bancorp and Legacy Bancorp, Inc. is as follows (dollars and shares in thousands):

Equity and Goodwill Adjustment Detail For Rome Bancorp:	
Equity adjustment:	
Fair value of Berkshire Hills common shares to be issued	\$49,162 <sup>(a)</sup>
Elimination of Rome Bancorp stockholders' equity	(61,819 )
After tax integration expenses charged against cash and equivalents	(5,733 )
Total stockholders' equity adjustment	\$(18,390 )
Goodwill adjustment:	
Fair value of Berkshire Hills common shares to be issued	\$49,162 <sup>(a)</sup>
Cash payments to Rome Bancorp stockholders	22,307 <sup>(b)</sup>
Value of Rome Bancorp options	354 <sup>(c)</sup>
Total consideration	\$71,823
Carrying value of Rome Bancorp net assets at September 30, 2010	\$61,819
Fair value adjustments (debit/(credit))	
Investment securities	583
Loans, net	(2,644 )
Identifiable intangible assets - core deposit intangible	5,175
Certificates of deposit	(528 )
Borrowings	(1,396 )
Other assets	1,200
Net adjustments to deferred tax assets	(857 )
Total fair value adjustments	1,533
Fair value of net assets acquired at September 30, 2010	\$63,352
Excess of consideration paid over fair value of net assets acquired (goodwill)	\$8,471

(a) Berkshire Hills common stock issued to Rome Bancorp stockholders is calculated as follows:

Rome Bancorp common shares outstanding as of June 30, 2010:	
Issued	9,896
Less treasury shares	(3,118 )
Less pro forma unallocated ESOP shares to be rescinded as a result of the merger	(168 )
Pro forma outstanding Rome Bancorp shares to be exchanged for Berkshire Hills consideration	6,610
Stock portion of consideration	70 %
Pro forma outstanding Rome Bancorp shares to be exchanged for Berkshire Hills stock consideration	4,627
Multiplied by exchange ratio	0.5658
Berkshire Hills common shares to be issued	2,618
Closing price per share of Berkshire Hills stock on October 11, 2011	\$ 18.78

Fair value of Berkshire Hills common shares to be issued	\$ 49,162
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25

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TABLE OF CONTENTS

(b) The cash portion of the consideration to stockholders is calculated as follows:

Pro forma outstanding Rome Bancorp shares to be exchanged for Berkshire Hills consideration	6,610	
Cash portion of consideration	30	%
Pro forma outstanding Rome Bancorp shares to be exchanged for Berkshire Hills cash consideration	1,983	
Cash value per share exchanged	\$11.25	
Total cash consideration	\$22,307	

(c) Under the terms of the merger agreement, all of the 354,000 options for Rome Bancorp stock are exchanged for cash at \$1.00 per share.

### Equity and Goodwill Adjustment Detail For Legacy:

Equity adjustment:		
Fair value of Berkshire Hills common shares to be issued	\$90,367	(a)
Fair value of Legacy Bancorp, Inc. stock options converted to Berkshire Hills options	1,070	(c)
Gain on Legacy Bancorp, Inc. stock owned by Berkshire Hills, recorded in income	1,451	(d)
Elimination of Legacy Bancorp, Inc. stockholders' equity	(117,445)	
After tax integration expenses charged against cash and equivalents	(12,250)	
Total stockholders' equity adjustment	\$(36,807)	
Goodwill adjustment:		
Fair value of Berkshire Hills common shares to be issued	\$90,367	(a)
Cash payments to Legacy Bancorp, Inc. stockholders	10,041	(b)
Fair value of Legacy Bancorp, Inc. stock options converted to Berkshire Hills options	1,070	(c)
Cash payments for Legacy Bancorp, Inc. stock options being canceled	1,269	(c)
Cost of Legacy Bancorp, Inc. shares previously purchased by Berkshire Hills	3,640	(d)
Gain on Legacy Bancorp, Inc. stock owned by Berkshire Hills, recorded in income	1,451	(d)
Total consideration	\$107,837	
Carrying value of Legacy Bancorp, Inc. net assets at September 30, 2010	\$117,445	
Fair value adjustments (debit/(credit))		
Write off of Legacy Bancorp, Inc. goodwill	(11,558)	)
Write off of Legacy Bancorp, Inc. other identifiable intangibles	(3,676)	)
Investment securities	(7,000)	)
Loans, net	(12,925)	)
Identifiable intangible assets	14,872	)
Certificates of deposit	(5,207)	)
Borrowings	(11,442)	)

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Other assets	7,000
Net adjustments to deferred tax assets	34
Total fair value adjustments	(29,902 )
Fair value of net assets acquired at September 30, 2010	\$87,543
Excess of consideration paid over fair value of net assets acquired (goodwill)	\$20,294

26

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TABLE OF CONTENTS

(a) Berkshire Hills common stock issued for Legacy Bancorp, Inc. is calculated as follows:

Legacy Bancorp, Inc. common shares outstanding as of September 30, 2010:	
Issued	10,309
Less treasury shares	(1,655 )
Less pro forma unallocated ESOP shares to be rescinded as a result of the merger	(538 )
Less Legacy Bancorp, Inc. shares owned by Berkshire Hills	(392 )
Pro forma outstanding Legacy Bancorp, Inc. shares to be exchanged for Berkshire Hills consideration	7,723.720
Multiplied by exchange ratio	0.56385
Berkshire Hills common shares to be issued	4,355
Average closing price per share of Berkshire Hills stock for ten days ended December 15, 2010	\$20.75
Fair value of Berkshire Hills common shares to be issued	\$90,367

(b) The cash portion of the merger consideration is calculated as follows:

Pro forma outstanding Legacy Bancorp, Inc. shares to be exchanged for Berkshire Hills consideration	7,723.720
Cash consideration per share of outstanding Legacy Bancorp, Inc. shares	\$1.30
Total cash consideration	\$10,041

(c) Under the terms of the merger agreement, 422,900 of the out-of-the money stock options are exchanged for cash at \$3.00 per share. The remaining 312,810 options automatically vest and convert into options of Berkshire Hills stock with the same remaining term. Each Legacy Bancorp, Inc. share option converts into 0.6265 Berkshire Hills share option at an exercise price equal to the Legacy Bancorp, Inc. price divided by 0.6265. These new Berkshire Hills options were valued at \$5.46 per share based on the Black Scholes model, resulting in a total consideration value of \$1.1 million.

(d) Berkshire Hills purchased 391,600 shares of Legacy Bancorp, Inc. common stock prior to negotiating the merger. The \$3.6 million cost basis of this stock is accounted for as an element of consideration in determining goodwill. The \$1.5 million gain will be recorded in income and is therefore credited as an adjustment to equity (there is no tax offset due to capital loss carryforwards).

(10) Includes the amortization/accretion of fair value adjustments related to loans, investment securities, deposits and borrowings utilizing the interest method over the estimated lives of the related asset or liability, excluding any adjustments related to estimated loan credit losses. For Rome Bancorp, estimated lives are 5 - 7 years for loans, 5 years for investment securities, 2 years for deposits, and 3 years for borrowings. Legacy Bancorp, Inc. estimated lives are 4.7 years for loans, 1.5 years for deposits, and 4 years for borrowings. For both mergers, there is no adjustment to pro forma investment income to exclude interest income foregone on securities sold or the reduction in cash, as there have been no specific determinations of the specific securities which will be sold, and the effective yield on cash is insignificant. It is anticipated that there will a reduction of interest income equivalent to the loss of a 4% yield on investment securities sold. There is no accretion projected for the credit related Legacy Bancorp, Inc. securities discount.

(11) Non-interest income does not reflect revenue enhancement opportunities. It also does not reflect the \$4.0 million after-tax gain expected on the Legacy Bancorp, Inc. deposit divestiture and the \$1.5 million gain expected on the existing Legacy Bancorp, Inc. shares currently owned by





TABLE OF CONTENTS

Berkshire Hills. The latter gain is reflected in the Legacy Bancorp, Inc. merger adjustments related to goodwill and equity in the pro forma balance sheet.

(12)

See Note G below.

Adjustments to non-interest expense consist primarily of amortization of the identifiable intangible assets over an eight year life using the sum of the years digits method. Additionally, the adjustments include straight line depreciation of capital expenditures directly related to the merger; this annual depreciation is \$280 thousand for Rome Bancorp and \$450 thousand for Legacy Bancorp, Inc. The adjustments also include additional depreciation expense for the amortization of the fixed asset fair value premiums, totaling \$60 thousand per year for Rome Bancorp and \$400 thousand for Legacy Bancorp, Inc. Non-interest expenses do not reflect anticipated cost savings, which are estimated at 35% of total non-interest expenses for Rome Bancorp and 42% for Legacy Bancorp, Inc. Non-interest expenses also do not include one-time merger and integration expenses which will be expensed against income and which are accounted for as balance sheet adjustments to cash and equity in these pro forma financial statements. Those amounts, on an after-tax basis, total \$5.7 million and \$12.2 million for Rome Bancorp and Legacy Bancorp, Inc., respectively.

(14) Reflects the tax impact of the pro forma merger adjustments at Berkshire Hills statutory income tax rate of 41.5%.

Adjustment reflects the elimination of Rome Bancorp and Legacy Bancorp, Inc. weighted average shares outstanding, offset by the shares expected to be issued in connection with the mergers. The adjustment to weighted average diluted shares outstanding for the year ended December 31, 2009 is further adjusted as the combined pro forma weighted average diluted shares outstanding cannot be greater than the combined pro forma weighted average basic shares outstanding as that would result in anti-dilution to the diluted earnings per share amount presented. Based on the merger agreements, it is expected that unallocated ESOP shares of Rome Bancorp and Legacy Bancorp, Inc. will be cancelled in satisfaction of the outstanding loans used to purchase such shares, and are, therefore, not included in the number of pro forma Berkshire Hills combined outstanding common shares at September 30, 2010. Similarly, it is expected that the 391,600 shares of Legacy Bancorp, Inc. presently owned by Berkshire Hills will be canceled, and they are not included in pro forma combined Berkshire Hills common shares outstanding.

**Note G Effect of Hypothetical Adjustments on Rome Bancorp s and Legacy Bancorp, Inc. s Historical Financial Statements**

The unaudited pro forma combined condensed consolidated statement of operations presents the pro forma results assuming both the Rome Bancorp and Legacy Bancorp, Inc. mergers occurred on January 1, 2009. As required by Regulation S-X Article 11, the pro forma financial statements for the nine months ended September 30, 2010 and for the year ended December 31, 2009 do not reflect any adjustments to eliminate Rome Bancorp s or Legacy Bancorp, Inc. s historical provision for credit losses.

Both Rome Bancorp s and Legacy Bancorp, Inc. s provision for credit losses for the periods presented relate to loans that Berkshire Hills is required to initially record at fair value. Such fair value adjustments include a component related to the expected credit losses on those loan portfolios. Berkshire Hills believes that these provisions would not have been recorded in Berkshire Hills combined consolidated financial statements for the periods presented had the mergers been completed on January 1, 2009.

TABLE OF CONTENTS

## COMPARATIVE PRO FORMA PER SHARE DATA

The following table summarizes selected share and per share information about Berkshire Hills, Rome Bancorp, and Legacy Bancorp, Inc. giving effect to the mergers (which we refer to as pro forma information). The data in the table should be read together with the financial information and the financial statements of Berkshire Hills, Rome Bancorp, and Legacy Bancorp, Inc. incorporated by reference or included in this proxy statement/prospectus. The pro forma information is presented as an illustration only. The data does not necessarily indicate the combined financial position per share or combined results of operations per share that would have been reported if the mergers had occurred when indicated, nor is the data a forecast of the combined financial position or combined results of operations for any future period.

The information about book value per share and shares outstanding assumes that the mergers took place as of September 30, 2010 and December 31, 2009 and is based on the assumptions set forth in the preceding unaudited pro forma combined consolidated statements of financial condition. The information about dividends and earnings per share assumes that the mergers took place as of January 1, 2009 and is based on the assumptions set forth in the preceding unaudited pro forma combined consolidated statements of operations. No pro forma adjustments have been included in these statements of operation which reflect potential effects of the mergers related to integration expenses, cost savings or operational synergies which are expected to be obtained by combining the operations of Berkshire Hills, Rome Bancorp, and Legacy Bancorp, Inc., or the costs of combining the companies and their operations. It is further assumed that Berkshire Hills will pay a cash dividend after the completion of the merger at the annual rate of \$0.64 per share. The actual payment of dividends is subject to numerous factors, and no assurance can be given that Berkshire Hills will pay dividends following the completion of the merger or that dividends will not be reduced in the future.

(1) Pro forma dividends per share represent Berkshire Hills historical dividends per share.

TABLE OF CONTENTS

The pro forma combined book value per share of Berkshire Hills common stock is based on the pro forma  
(2) combined common stockholders' equity for the merged entities divided by total pro forma common shares of the combined entities.

The pro forma combined diluted net income (loss) per share of Berkshire Hills common stock is based on the pro  
(3) forma combined diluted net income (loss) for the merged entities divided by total pro forma diluted common shares of the combined entities.

The Berkshire Hills/Rome Bancorp pro forma equivalent shares are calculated by multiplying the amounts in the Berkshire Hills/Rome Bancorp pro forma combined column by a 0.5658 exchange ratio, which represents the number of shares of Berkshire Hills common stock a Rome Bancorp stockholder receiving stock consideration will receive for each share of Rome Bancorp stock owned. The Berkshire Hills/Rome Bancorp/Legacy Bancorp, Inc.  
(4) pro forma equivalent shares are calculated by multiplying the amounts in the Berkshire Hills/Rome Bancorp/Legacy Bancorp, Inc. pro forma combined column by the same 0.5658 exchange ratio, showing the equivalent impact to a Rome Bancorp stockholder of the changes in book value per share of the total combination include the Legacy Bancorp, Inc. merger.

30

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TABLE OF CONTENTS**MARKET PRICE AND DIVIDEND INFORMATION**

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

Quarter Ended	Berkshire Hills Common Stock			Rome Bancorp Common Stock		
	High	Low	Dividends	High	Low	Dividends
March 31, 2011 (through January 27, 2011)	\$ 22.92	\$ 21.19	\$ 0.16	\$ 12.49	\$ 11.70	\$ 0.090
December 31, 2010	\$ 22.49	\$ 17.90	\$ 0.16	\$ 12.96	\$ 9.20	\$ 0.090
September 30, 2010	\$ 20.94	\$ 17.08	\$ 0.16	\$ 9.90	\$ 8.73	\$ 0.090
June 30, 2010	\$ 22.84	\$ 16.81	\$ 0.16	\$ 9.95	\$ 8.12	\$ 0.090
March 31, 2010	\$ 20.99	\$ 16.20	\$ 0.16	\$ 9.66	\$ 7.61	\$ 0.090
December 31, 2009	\$ 22.85	\$ 18.05	\$ 0.16	\$ 8.69	\$ 7.70	\$ 0.085
September 30, 2009	\$ 24.88	\$ 19.92	\$ 0.16	\$ 9.10	\$ 7.75	\$ 0.085
June 30, 2009	\$ 26.99	\$ 19.87	\$ 0.16	\$ 9.70	\$ 7.52	\$ 0.085
March 31, 2009	\$ 31.39	\$ 18.46	\$ 0.16	\$ 9.10	\$ 7.00	\$ 0.085

You should obtain current market quotations for Berkshire Hills common stock, as the market price of Berkshire Hills 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 January 27, 2011, there were approximately 2,143 holders of record of Berkshire Hills common stock. As of January 27, 2011, there were approximately 1,400 holders of record of Rome 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 board of directors and will be determined after consideration of various factors, including earnings, cash requirements, the financial condition of Berkshire Hills, applicable state law and government regulations and other factors deemed relevant by Berkshire Hills board of directors.

TABLE OF CONTENTS

# SPECIAL MEETING OF ROME BANCORP, INC. STOCKHOLDERS

## Date, Place, Time and Purpose

Rome Bancorp's board of directors is sending you this document to request that you allow your shares of Rome Bancorp to be represented at the special meeting by the persons named in the enclosed proxy card. At the special meeting, the Rome Bancorp board of directors will ask you to vote on a proposal to approve the merger agreement. You may also be asked to vote 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 Rome Savings Bank, 100 W. Dominick Street, Rome, New York at 5:30 p.m., local time, on March 9, 2011.

## Who Can Vote at the Meeting

You are entitled to vote if the records of Rome Bancorp showed that you held shares of Rome Bancorp common stock as of the close of business on January 27, 2011. As of the close of business on that date, a total of 6,777,551 shares of Rome Bancorp common stock were outstanding. Each share of common stock has one vote. If you are a beneficial owner of shares of Rome 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 Rome 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 Rome 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.

**Proposal 1: Approval of the merger agreement.** Approval of the merger agreement will require the affirmative vote of a majority of the outstanding shares of Rome 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.

**Proposal 2: Adjourn the meeting if necessary to permit further solicitation of proxies.** 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 Rome Bancorp Officers and Directors and by Berkshire Hills**

As of January 27, 2011, directors and executive officers of Rome Bancorp beneficially owned 1,353,232 shares of Rome Bancorp common stock, not including shares that may be acquired upon the exercise of stock options. This equals 19.97% of the outstanding shares of Rome Bancorp common stock. The directors and executive officers of Rome Bancorp have agreed to vote their shares in favor of the merger at the special meeting. As of the same date, Berkshire Hills and its subsidiaries and its directors and executive officers owned 59,081 shares of Rome Bancorp common stock. This equals less than 1.0% of the total outstanding shares of Rome 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, Rome 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.

Rome Bancorp stockholders 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.

## TABLE OF CONTENTS

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 Rome Bancorp common stock and submit your proxy without specifying a voting instruction, your shares of Rome 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. Rome 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 Rome 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:

Rome Bancorp, Inc.  
Crystal M. Seymore, Secretary  
100 W. Dominick Street  
Rome, New York 13440

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. Rome Bancorp does not know of any other matters to be presented at the meeting.

## **Solicitation of Proxies**

Rome Bancorp will pay for this proxy solicitation. In addition to soliciting proxies by mail, Phoenix Advisory Partners, LLC, a proxy solicitation firm, will assist Rome Bancorp in soliciting proxies for the special meeting. Rome Bancorp will pay \$5,000 for these services. Rome 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 Rome Bancorp may solicit proxies personally and by telephone. None of these persons will receive additional or special compensation for soliciting proxies.

TABLE OF CONTENTS

## **RIGHTS OF DISSENTING STOCKHOLDERS**

Under Delaware law, holders of Rome Bancorp common stock that do not wish to accept the merger consideration may elect to have the value of their shares of Rome 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 C 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 stockholder are to the record holder of the shares of Rome Bancorp common stock as to which appraisal rights are asserted. A person having a beneficial interest in shares of Rome 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 stockholders, as in the case of Rome Bancorp's special meeting, which is scheduled for March 9, 2011, the corporation, not less than 20 days prior to the meeting, must notify each of its stockholders 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 Rome Bancorp stockholders of the availability of appraisal rights, and the applicable statutory provisions of the Delaware General Corporation Law are attached to this document as Annex C.

Any Rome Bancorp stockholder 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 stockholder must deliver to Rome Bancorp a written demand for appraisal of its shares before the vote on the merger agreement at Rome Bancorp's special meeting, which is scheduled for March 9, 2011. This demand will be sufficient if it reasonably informs Rome Bancorp of the identity of the stockholder and that the stockholder intends by that writing to demand the appraisal of its shares.

The stockholder 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 Rome Bancorp stockholder 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. Neither voting against, abstaining from voting, nor failing to vote on the adoption of the merger agreement will constitute a written demand for appraisal within the meaning of Section 262. The written demand for appraisal must be in addition to and separate from any failure to vote, abstention from voting, or any vote, in person or by proxy, cast against approval of the merger.

The stockholder must continuously hold its shares from the date of making the written demand through the completion of the merger. A stockholder 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 stockholder of record of shares of Rome 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 stockholder of record, fully and correctly, as its name appears on the stock transfer records of Rome Bancorp;

34

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TABLE OF CONTENTS

specify the stockholder's name and mailing address;  
specify the number of shares of Rome Bancorp common stock owned by the stockholder; and  
specify that the stockholder 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 stockholder; 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.

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

Rome Bancorp, Inc.  
100 W. Dominick Street  
P.O. Box 1567  
Rome, New York 13440  
Attention: Crystal M. Seymore  
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 Rome Bancorp's former stockholders 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 stockholder 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 stockholders demanding appraisal of their shares. Berkshire is under no obligation to, and has no present intent to file a petition for appraisal, and stockholders seeking to exercise appraisal rights should not assume that Berkshire Hills will file a petition or that it will initiate any negotiations with respect to the fair value of the shares. Accordingly, stockholders 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 has no obligation to file a petition, the failure of affected stockholders to do so within the period specified could nullify any previous written demand for appraisal. Under the merger agreement, Rome Bancorp has agreed to give Berkshire Hills prompt notice of any demands for appraisal it receives. Berkshire Hills has the right to participate in all negotiations and proceedings with respect to demands for appraisal. Rome Bancorp will not, except with the prior written consent of Berkshire Hills, 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 stockholder that complies with the provisions of Section 262 to that point in time will be entitled to receive from Berkshire Hills, 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 Rome Bancorp received demands for appraisal and the aggregate number of holders of those shares. Berkshire Hills must mail this statement to the stockholder 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.

TABLE OF CONTENTS

A stockholder who timely files a petition for appraisal with the Delaware Court of Chancery must serve a copy upon Berkshire Hills. Berkshire Hills must, within 20 days of receipt of the petition, file with the Delaware Register in Chancery a duly verified list containing the names and addresses of all stockholders 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 stockholders 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 stockholders are entitled to appraisal rights. The Delaware Court of Chancery may require stockholders 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 stockholder fails to comply with the requirement, the Delaware Court of Chancery may dismiss the proceedings as to that stockholder. After determining what stockholders 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 stockholder, the Delaware Court of Chancery may also order that all or a portion of the expenses incurred by any stockholder 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. Stockholders 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. Stockholders 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 stockholder 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, stockholders 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 stockholder may withdraw its demand for appraisal and accept the merger consideration by delivering to Berkshire Hills, within 60 days of the effective date of the merger, a written withdrawal of the stockholder's demands for appraisal. Any attempt to withdraw made more than 60 days after the effective date of the merger will require written approval of Berkshire Hills. Moreover, no appraisal proceeding before the Delaware Court of Chancery as to any stockholder 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 does not approve a stockholder'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 stockholder 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.

TABLE OF CONTENTS

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 Rome Bancorp stockholder and are considering exercising your appraisal rights under the Delaware General Corporation Law, you should consult your own legal advisor.

37

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TABLE OF CONTENTS

## **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 proxy statement/prospectus and is incorporated by reference into this 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 Rome Bancorp with and into Berkshire Hills, with Berkshire Hills as the surviving entity. Immediately following the merger of Rome Bancorp with and into Berkshire Hills, The Rome Savings Bank will merge with and into Berkshire Bank, with Berkshire Bank as the surviving entity.

### **Background of the Merger**

As part of the ongoing consideration and evaluation of its long-term prospects and strategies, the Berkshire Hills board of directors looks for and considers various opportunities for growth through strategic acquisitions of, or combinations with, other financial institutions. During certain of its regularly scheduled board meetings in 2010, the Berkshire Hills board of directors discussed and reviewed general market conditions, the mergers and acquisitions landscape and potential opportunities for growth with its senior management.

The Rome Bancorp board of directors and senior management have regularly reviewed and assessed Rome Bancorp's business strategies and objectives, including strategic opportunities, all with the goal of enhancing stockholder value.

As part of this ongoing review and assessment, the Rome Bancorp board of directors has considered a range of potential opportunities, including acquisitions, business combinations and other strategic alternatives. In particular, beginning shortly after the third anniversary of the company's second step conversion in March of 2008, Rome Bancorp periodically received unsolicited, informal inquiries from other banks regarding a potential transaction. Rome Bancorp utilized the services of several investment banking or consulting firms to assist it in evaluating several of these proposals, none of which proceeded beyond the preliminary stage.

In the spring of 2010, a director of Rome Bancorp received an unsolicited inquiry from a director of a publicly traded community bank headquartered in New York regarding the possibility of the community bank acquiring Rome Bancorp. Rome Bancorp asked Sandler O'Neill to assist it in evaluating its strategic options, including a possible business combination with the community bank. 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. In particular, in the opinion of the Rome Bancorp board of directors, Sandler O'Neill has an excellent reputation for knowledge of and experience with banks in the New York and New England regions. Sandler O'Neill had informal discussions with the financial advisor for the community bank from time to time over the next several months. During this same time period, in order to get a sense of the potential market for a transaction with Rome Bancorp, Sandler O'Neill also contacted four other banks in the region that Sandler O'Neill believed might be interested in a transaction with Rome Bancorp. On April 12, 2010, the community bank entered into a confidentiality agreement with Sandler O'Neill, pursuant to which Sandler O'Neill agreed to provide the community bank with confidential and proprietary information about Rome Bancorp and the community bank agreed, among other things, to keep such information confidential and not to disclose such information except as set forth in the confidentiality agreement. Confidentiality agreements were later signed with two of the other four banks contacted

by Sandler O'Neill.

In late April of 2010, Rome Bancorp received an unsolicited, non-binding proposal from a private investor group to acquire control of Rome Bancorp. Under this proposal, the investor group would purchase a majority interest in Rome Bancorp common stock in a private placement of newly issued shares and gain control of the management and board of directors of the company. Immediately following the private placement, Rome Bancorp would conduct a tender offer to purchase 100% of the outstanding shares of common stock of Rome Bancorp, excluding shares owned by the investor group, at \$11.05 per share. The

38

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TABLE OF CONTENTS

investor group subsequently increased the price it would pay in the tender offer to \$11.25 per share. The proposal was at all times subject to the investor group's due diligence review of Rome Bancorp. On May 17, 2010, the board of directors met to discuss the proposal from the investor group. At the meeting, the board of directors expressed concerns regarding the highly contingent nature and viability of the investor group's proposal. Specifically, the board had significant concerns about the structure of the transaction, including that the tender offer structure was not in the best interests of the Rome Bancorp stockholders; the inability of the current board of directors to protect the interests of the company's stockholders in the tender offer after the change in control had occurred; the lack of any clear fiduciary out or ability of the board to consider alternative, and possibly superior, proposals under the proposed transaction structure; and the possibility that the NASDAQ rules could require the approval of Rome Bancorp's stockholders to complete the first-step private placement despite the tender offer structure being designed in part to complete the transaction more quickly than a traditional merger transaction. In addition, the board was concerned that, other than wishing to use Rome Bancorp and The Rome Savings Bank as a platform to acquire other banks in order to become a regional banking franchise, the investor group did not seem to have a well articulated business plan; the investor group had not identified the new management team and board of directors for the company; and the investor group had not yet raised the capital necessary to complete the transaction, or obtained commitments from investors to raise such capital. Moreover, based on its discussions with SNR Denton US LLP, the company's legal counsel, the board believed that there was significant uncertainty regarding the ability of the investor group to obtain, in a timely manner or at all, the regulatory approvals necessary to acquire control of Rome Bancorp. The board was also concerned that even if such approval were obtained, any approval was likely to include conditions that could threaten or delay the closing of a transaction. The board also discussed the advantages and disadvantages of selling the company compared to remaining independent. As a result of all the foregoing considerations, the board unanimously voted not to proceed with the investor group's proposal and determined that it would continue to execute its independent business plan. Subsequent to the board decision, the investor group offered to increase the transaction value to \$11.75 per share, consisting of \$11.25 in cash and \$0.50 in stock, again subject to the investor group's due diligence. The board considered the revised proposal, but, based on the board's concerns regarding the highly contingent nature and viability of the offer and its continuing concerns regarding the factors discussed above, the board again unanimously voted not to proceed with the investor group's proposal.

On June 3, 2010, after continued discussions between Sandler O'Neill and the financial advisor for the above referenced community bank, Rome Bancorp received a written, non-binding proposal from the community bank to enter into a merger agreement with Rome Bancorp. Pursuant to the terms of the proposal, the community bank offered to acquire 100% of the outstanding shares of common stock of Rome Bancorp for a combination of cash and common stock. The initial proposal specified that 80% of the merger consideration was to be paid in the community bank's common stock at a fixed exchange ratio and 20% of the merger consideration was to be paid in cash at \$11.00 per share. Based on the closing price of the community bank's common stock on the NASDAQ Stock Market on the date prior to the proposal, the aggregate transaction value was approximately \$74.8 million, or \$11.00 per share of Rome Bancorp stock outstanding. In addition, in the proposal, the community bank agreed to designate one Rome Bancorp director to serve on its board of directors following completion of the merger. The proposal also provided that Rome Bancorp employment agreements, change-in-control agreements, and other existing management severance arrangements would be honored with any contractually due severance payments to be handled in a tax efficient manner. In addition, the proposal provided that any employees of The Rome Savings Bank who would not be retained by the community bank after the merger would be entitled to receive severance payments. Any definitive merger agreement would contain normal and customary representations, warranties and terms and conditions. The transaction would be subject to any required regulatory and stockholder approvals. The proposal was subject to a due diligence review of Rome Bancorp by the community bank.

On June 10, 2010, by letter dated April 8, 2010, Rome Bancorp formally engaged Sandler O'Neill to act as its financial advisor to assist it in evaluating its strategic options, including a possible business combination with another party. On

June 17, 2010, at a meeting of the board in which Sandler O'Neill participated, the board discussed the initial written, non-binding proposal from the community bank and the verbal, non-binding expressions of interest from one of the other four banks contacted by Sandler O'Neill. The other three banks contacted by Sandler O'Neill did not submit any expressions of interest to Rome Bancorp. After

TABLE OF CONTENTS

extensive discussion, the board directed Sandler O'Neill to request an increase in the proposed purchase price from the community bank. The board rejected the verbal, non-binding expression of interest from the other bank due to the inadequacy of the price offered. Sandler O'Neill informed this other bank that the board had rejected its expression of interest because the price was inadequate and invited the bank to increase its offer. However, the other bank declined to do so.

On June 23, 2010, Rome Bancorp received a revised written, non-binding proposal from the community bank to enter into a merger agreement with Rome Bancorp. Pursuant to the terms of the revised proposal, the community bank offered to acquire 100% of the outstanding shares of common stock of Rome Bancorp for a combination of cash and common stock. The revised proposal specified that 80% of the merger consideration was to be paid in the community bank's common stock at a fixed exchange ratio and 20% of the merger consideration was to be paid in cash at \$11.25 per share. Based on the closing price of the community bank's common stock on the NASDAQ Stock Market on the date prior to the proposal, the aggregate transaction value was approximately \$76.5 million, or \$11.25 per share of Rome Bancorp stock outstanding. The other terms of the community bank's initial written proposal did not change. At its regularly scheduled meeting on June 23, 2010, the board of directors of Rome Bancorp discussed the terms of the community bank's proposal with Sandler O'Neill. After extensive discussion, the board authorized management to proceed with discussions with the community bank under the terms set forth in the community bank's revised proposal. The parties agreed to an exclusivity period that would last through August 8, 2010.

Over the next several weeks, the community bank conducted a due diligence review of Rome Bancorp. On July 8, 2010, legal counsel to the community bank transmitted a draft merger agreement to Rome Bancorp and its advisors. SNR Denton US LLP transmitted the comments of Rome Bancorp, Sandler O'Neill and SNR Denton US LLP to the community bank's legal counsel on July 14, 2010. On July 19, 2010, based on the results of its due diligence review, the community bank provided Rome Bancorp with a second revised, non-binding proposal to acquire Rome Bancorp in which the stock portion of the merger consideration was increased from 80% to 90%; the cash portion of the merger consideration was reduced from 20% to 10%; the price of the cash consideration was reduced from \$11.25 per share to \$10.50 per share; and the fixed exchange ratio was reduced to a figure that would result in the stock consideration being priced at \$10.50 per share (based on the community bank's closing price on the NASDAQ Stock Market on date of the revised proposal). As a result of these changes, the proposed aggregate transaction value had been reduced to \$71.4 million from \$76.5 million. After reviewing the community bank's revised proposal at a meeting in which Sandler O'Neill and SNR Denton US LLP participated, the board of directors of Rome Bancorp concluded that the price reduction proposed by the community bank was not merited, rejected the community bank's proposal, and asked its advisors to request that the community bank increase its offer. At this time, the board of directors decided not to proceed with its due diligence review of the community bank until the pricing issues were resolved.

The parties continued to discuss the terms of a possible agreement and exchanged various proposals to address the community bank's due diligence concerns and Rome Bancorp's concerns about price. During this time, the community bank revised its second revised proposal to increase the cash portion of the merger consideration to \$11.62 per share and to reduce the fixed exchange ratio. On the date it was made, the third revised proposal resulted in aggregate merger consideration of \$74.3 million, or \$10.92 per share of Rome Bancorp's common stock (based on the community bank's closing price on the NASDAQ Stock Market on date of the second revised proposal). Rome Bancorp and its advisors continued to negotiate with the community bank to attempt to increase the price of the transaction. During this time, the Rome Bancorp board of directors held several meetings at which the negotiations were discussed in detail among the board and the company's legal and financial advisors. At these meetings, the directors noted that the community bank's stock price had begun to fluctuate significantly, which, due to the fixed exchange ratio, meant that the transaction value to Rome Bancorp also fluctuated significantly. As a result, the board became concerned about the downside risk of the community bank's common stock if a transaction were to be consummated and asked the community bank to consider a floating exchange ratio that would fix the merger

consideration at \$11.25 per share.

TABLE OF CONTENTS

On August 8, 2010, the parties agreed to extend the exclusivity period to the earlier of August 23, 2010 or the date on which either party terminated merger discussions. After the parties continued to negotiate over the next several days, the community bank asked Rome Bancorp to consider its final offer, the financial terms of which had not changed from the third revised proposal. On August 16, 2010, the Rome Bancorp board of directors met to consider the community bank's final offer. As of the close of trading on August 13, 2010, the aggregate transaction value was \$73.9 million, or \$10.91 per share of Rome Bancorp common stock. The board received presentations from Sandler O'Neill as to the financial terms of the community bank's offer and SNR Denton US LLP as to the fiduciary duties of the board under Delaware law. After extensive discussion, based on its concern regarding the price per share being offered to Rome Bancorp stockholders, the significant downside risk of the community bank's stock and the limited amount of cash consideration to serve to mitigate this downside risk, the board voted to reject the community bank's offer and directed its advisors to inform the community bank that it would be willing to proceed with discussions toward a definitive merger agreement if the community bank was willing to offer a price of \$11.25 per share with a floating exchange ratio that would protect the price through closing. The board determined that it was prepared to continue to execute its independent business plan in the event that the community bank declined to increase its offer. Sandler O'Neill and SNR Denton US LLP informed the community bank's advisors of the Rome Bancorp board's position later that day. The community bank declined to increase the price of its offer or to offer a floating exchange ratio, and formally terminated merger discussions on August 17, 2010.

On August 19, 2010, Sandler O'Neill, aware that Berkshire Hills was interested in acquiring a banking franchise in upstate New York, contacted Berkshire Hills to determine its interest in a possible transaction with Rome Bancorp. On August 23, 2010, Berkshire Hills entered into a confidentiality agreement with Sandler O'Neill, pursuant to which Sandler O'Neill agreed to provide Berkshire Hills with confidential and proprietary information about Rome Bancorp and Berkshire Hills agreed, among other things, to keep such information confidential and not to disclose such information except as set forth in the confidentiality agreement. On the same day, Michael P. Daly, President and Chief Executive Officer of Berkshire Hills, met with Charles M. Sprock, President and Chief Executive Officer of Rome Bancorp, to discuss a potential transaction between the companies. As a result of this discussion, Mr. Daly indicated that Berkshire Hills would be providing to Rome Bancorp in the near future a proposal for Berkshire Hills to acquire Rome Bancorp.

In mid-August 2010, Berkshire Hills engaged Stifel Nicolaus & Company, Incorporated as its financial advisor with respect to a possible acquisition of Rome Bancorp. On August 24, 2010, Berkshire Hills provided to Rome Bancorp a non-binding proposal to enter into a merger agreement with Rome Bancorp. Pursuant to the terms of the proposal, Berkshire Hills offered to acquire 100% of the outstanding shares of common stock of Rome Bancorp for a combination of cash and Berkshire Hills common stock. Specifically, 80% of the merger consideration was to be paid in Berkshire Hills common stock with a fixed exchange ratio of 0.5921 and 20% of the merger consideration was to be paid in cash at \$11.25 per share. Assuming a \$19.00 per share price of Berkshire Hills common stock, the aggregate transaction value was approximately \$76.5 million, or \$11.25 per share of Rome Bancorp common stock outstanding. In addition, the proposal provided that each outstanding option to purchase shares of Rome Bancorp common stock would be cancelled and cashed out for the greater of the cash out value of the option or \$1.00 per option. The proposal also provided that Rome Bancorp employment agreements, change-in-control agreements, and other existing management severance arrangements would be honored with any contractually due severance payments to be handled in a tax efficient manner. Employees of The Rome Savings Bank who became employees of Berkshire Bank would be eligible to participate in Berkshire Bank's current employee benefits programs. Employees of The Rome Savings Bank who would not be retained by Berkshire Bank would be entitled to receive severance payments pursuant to Rome Bancorp's existing severance plan or policy, or under Berkshire Bank's current severance plan or policy, if such payments would be more favorable to such employees. The proposal provided that any definitive merger agreement would contain normal and customary representations, warranties and terms and conditions, including a termination fee equal to 5.0% of the aggregate transaction value. The proposal also required that all Rome Bancorp directors and

executive officers would execute share voting agreements and enter into customary non-competition agreements concurrently with the signing of a definitive merger agreement. The transaction would be subject to any required regulatory and stockholder approvals. The proposal was subject to a due diligence review of Rome Bancorp and provided that, if Rome Bancorp wished

TABLE OF CONTENTS

to accept the offer in principle and proceed with the negotiation of a definitive merger agreement, Berkshire Hills would require exclusivity in negotiations for a period of 30 days, during which Berkshire Hills would work in good faith to complete its due diligence and execute a definitive merger agreement.

At its regularly scheduled meeting on August 25, 2010, the board of directors of Rome Bancorp discussed the terms of Berkshire Hills proposal and authorized management to proceed with discussions with Berkshire Hills under the terms set forth in Berkshire Hills August 24 proposal, including the 30 day exclusivity period.

On August 27, 2010, Rome Bancorp entered into a confidentiality agreement with Berkshire Hills, dated August 24, 2010, pursuant to which Berkshire Hills agreed to provide Rome Bancorp with confidential and proprietary information about Berkshire Hills and Rome Bancorp agreed, among other things, to keep such information confidential and not to disclose such information except as set forth in the confidentiality agreement.

On August 26, 2010, Sandler O Neill provided Berkshire Hills and its legal and financial advisors with access to an electronic data room so that it could begin its due diligence review of Rome Bancorp. From August 27, 2010 through September 10, 2010, Berkshire Hills and its advisors and consultants conducted their due diligence review of Rome Bancorp.

On August 30, 2010, SNR Denton US LLP transmitted a draft merger agreement to Berkshire Hills.

On September 8, 2010, Berkshire Hills provided Rome Bancorp and its legal and financial advisors with access to an electronic data room so that it could begin its due diligence review of Berkshire Hills. Rome Bancorp management, SNR Denton US LLP and Sandler O Neill began conducting a due diligence review of Berkshire Hills shortly after gaining access to the data room.

On September 15, 2010, at a meeting at Rome Bancorp's offices, Mr. Daly informed Mr. Sprock that, based on Berkshire Hills due diligence review, including its revised, decreased valuations of the loan and investment portfolio of Rome Bancorp, Berkshire Hills would reduce the price per share included in its August 24, 2010 proposal from \$11.25 per share to \$10.75 per share. Mr. Daly informed Mr. Sprock that Berkshire Hills was bidding on another bank located in New York state and that the strategic value of Rome Bancorp's franchise to Berkshire Hills could increase if Berkshire Hills was the winning bidder for this other bank. As a result, Berkshire Hills would not be submitting a formal revised proposal to Rome Bancorp until it knew whether or not it was the winning bidder for such bank. Mr. Sprock expressed disagreement with the proposed reduction in price and requested Mr. Daly to ask the Berkshire Hills board of directors to consider increasing the price of its proposal, whether or not it was the winning bidder for the other New York bank. As a result of this conversation, Rome Bancorp temporarily halted its due diligence review of Berkshire Hills, but agreed to continue to provide Berkshire Hills with any information that it needed in order to prepare its revised proposal.

Over the next week, representatives of Sandler O Neill had several discussions with Mr. Daly regarding the status of Berkshire Hills bid for the other New York bank and the potential for Berkshire Hills to increase the price in its most recent proposal.

On September 24, 2010, Berkshire Hills was notified that it was not the winning bidder for the other bank located in New York state. Following this notification, Mr. Sprock asked Mr. Daly to increase the price of Berkshire Hills latest offer even though it was not the winning bidder for the other New York bank. In response to Mr. Sprock's request, Mr. Daly, as authorized by the Berkshire Hills board of directors, agreed to increase the cash consideration from 20% to 30% of the merger consideration and to increase the per share value of the cash consideration from \$10.75 per share to \$11.25 per share.

On September 28, 2010, Berkshire Hills provided to Rome Bancorp a revised non-binding proposal to enter into a merger agreement, which was approved by the Berkshire Hills board of directors, in consultation with its executive management and financial and legal advisors. Pursuant to the terms of the revised proposal, Berkshire Hills offered to acquire 100% of the outstanding shares of common stock of Rome Bancorp for a combination of cash and Berkshire Hills common stock. Specifically, 70% of the merger consideration was to be paid in Berkshire Hills Bancorp common stock with a fixed exchange ratio of 0.5658 (decreased



TABLE OF CONTENTS

from 0.5921 to reflect the findings of the due diligence by Berkshire Hills) and 30% of the merger consideration was to be paid in cash at \$11.25 per share. Based on a \$18.63 per share price of Berkshire Hills common stock (the closing price of Berkshire Hills common stock on the date of the proposal), the aggregate transaction value was approximately \$73.1 million or \$10.75 per share of Rome Bancorp common stock outstanding. The other terms of Berkshire Hills August 24, 2010 proposal remained unchanged.

On October 1, 2010, the board of directors of Rome Bancorp met to discuss Berkshire Hills' revised proposal. Each director had been notified of the revised terms of the proposal and provided with additional information about Berkshire Hills in advance of the meeting. Each director also was provided with a copy of presentation materials prepared by Sandler O'Neill at the meeting. Sandler O'Neill reviewed with the board the presentation materials, including the terms of Berkshire Hills' most recent proposal. When made, the proposal was valued at \$10.75 per share of Rome Bancorp common stock, but had risen to \$10.88 per share of Rome Bancorp common stock on the date of the meeting due to an increase in Berkshire Hills' stock price since the date of the proposal. Sandler O'Neill expressed its view that it did not believe that there were any other banks that had both the financial ability and the interest to acquire Rome Bancorp under terms comparable to Berkshire Hills' proposal. Sandler O'Neill reviewed a number of key financial metrics relating to the proposal, including the price to last twelve months earnings per share, the price to tangible book value, the price to adjusted tangible book value, the core deposit premium and the market premium of the proposed transactions compared to comparable bank M&A transactions in the Northeast since January 1, 2009 and indicated that the proposed transaction was comparable to other transactions based on the metrics set forth in the presentation materials. Sandler O'Neill also reviewed the historical value of Berkshire Hills' common stock price and the adjusted value of Rome Bancorp common stock at the 0.5658 exchange ratio and concluded that Rome Bancorp stockholders would receive Berkshire Hills common stock near the low end of Berkshire Hills' trading range, which could provide Rome Bancorp stockholders with significant potential upside in the stock consideration they would receive in a merger. Sandler O'Neill then provided an overview of the Berkshire Hills' franchise, including its branch footprint, financial performance, loan portfolio, deposit composition, comparison of its financial performance compared to a peer group, and management team. Sandler O'Neill also mentioned that Berkshire Hills' analyst ratings included two buy ratings and two hold ratings. SNR Denton US LLP provided the board with a detailed overview of the director's fiduciary duties under Delaware law. After extensive discussion, the board unanimously voted to proceed with a transaction under the terms of Berkshire Hills' most recent proposal, contingent on the satisfactory conclusion of due diligence on Berkshire Hills and the negotiation of a definitive merger agreement.

From October 1, 2010 through October 6, 2010, Rome Bancorp and its legal and financial advisors conducted a due diligence review of Berkshire Hills and participated in informational and due diligence sessions at which Berkshire Hills' management team made presentations regarding Berkshire Hills and its business, reviewed matters from Rome Bancorp's due diligence request list and responded to questions from Rome Bancorp and its advisors concerning a variety of matters including financial matters, accounting practices, credit quality, Berkshire Hills' regulatory profile and legal matters.

On October 4, 2010, the Berkshire Hills board of directors held a special meeting to review and consider the proposed transaction with Rome Bancorp. Mr. Daly provided an update of the negotiations with Rome Bancorp and reviewed a presentation on Rome Bancorp and the proposed business combination with Rome Bancorp. Luse Gorman Pomerenk & Schick, P.C. provided the board with a detailed overview of the director's fiduciary duties under Delaware law, and reviewed the material terms of the merger and the proposed draft merger agreement. Representatives of Stifel Nicolaus & Company, Incorporated then addressed the fairness to Berkshire Hills of the merger consideration to be paid to the stockholders of Rome Bancorp by Berkshire Hills, from a financial point of view, including a review of a presentation outlining the proposed transaction multiples and transaction structure, an overview of Rome Bancorp, a comparable group analysis and a review of the methodology and assumptions used to arrive at the valuation of Rome Bancorp, and responded to questions by the Berkshire Hills board of directors. The Berkshire Hills board of directors

approved the merger agreement, with such further drafting changes as approved by Mr. Daly in consultation with Berkshire Hills legal and financial advisors, provided that any such changes did not effect the pricing or other material terms of the merger agreement.

## TABLE OF CONTENTS

Luse Gorman Pomerenk & Schick, P.C., legal counsel to Berkshire Hills provided SNR Denton US LLP with a revised draft of a definitive merger agreement on October 5, 2010. The parties and their legal advisors negotiated the terms and conditions of the merger agreement and related documents over the course of the next several days.

On October 8, 2010, the Rome Bancorp board of directors held a special meeting to review and consider the proposed transaction with Berkshire Hills. Copies of presentation materials from Sandler O'Neill, as well as the merger agreement and related materials, were distributed to the members of the board in advance of the meeting. SNR Denton US LLP discussed the status of negotiations with Berkshire Hills regarding certain provisions of the merger agreement and related documents and summarized the key terms that had been arrived at by the parties, including those related to price, the amount of the termination fee, the ability of the board to consider unsolicited alternative proposals from other parties, and the obligations of the parties to obtain the required regulatory approvals for the transaction. SNR Denton US LLP also reviewed the several other issues that had recently been resolved, including restoring certain exclusions to the definition of material adverse effect; the merger of the bank's charitable foundation into Berkshire Hills charitable foundation along with a commitment from Berkshire Hills that the assets of Rome Bancorp charitable foundation continue to be used for the benefit of the Rome community; ensuring that ESOP participants would be able to elect cash or stock just like other stockholders; negotiation of certain negative covenants by Berkshire Hills; finalizing the settlement agreements and change of control payout terms for officers of Rome Bancorp and/or The Rome Savings Bank with employment contracts or change in control agreements; negotiating the terms of a consulting agreement and non-compete agreement between Berkshire Hills and Mr. Sprock in order to address Berkshire Hills concerns under Section 280G of the Tax Code; and increasing the cap on the cost of director and officer liability insurance tail coverage. SNR Denton US LLP also reported on the results of the due diligence review of Berkshire Hills conducted by Rome Bancorp management, SNR Denton US LLP and Sandler O'Neill. Sandler O'Neill then presented its financial analysis of the proposed transaction. Sandler O'Neill reviewed the financial terms of the proposed transaction and summarized the strategic and financial rationale for the transaction for both Rome Bancorp and Berkshire Hills and responded to questions by the Rome Bancorp board. Sandler O'Neill then delivered its oral opinion, which was subsequently confirmed in writing, that, as of the date of its opinion and subject to the limitations, qualifications, factors and assumptions set forth therein, the merger consideration to be paid to the stockholders of Rome Bancorp was fair, from a financial point of view, to such stockholders. SNR Denton US LLP provided the board with a detailed overview of directors' fiduciary duties under Delaware law and reviewed the material terms of the merger and the draft merger agreement with the board, and responded to questions by the board. After further discussion among the directors, Sandler O'Neill and SNR Denton US LLP including the factors described under *Reasons for the Merger; Recommendation of the Rome Bancorp Board of Directors*, the Rome Bancorp board of directors unanimously determined that the merger and the merger agreement were advisable, and fair to, and in the best interests of, Rome Bancorp and its stockholders, unanimously approved the merger agreement and related actions, and recommended that Rome Bancorp stockholders vote in favor of the approval of the merger agreement.

The parties entered into the merger agreement on October 12, 2010 and announced the transaction in a joint press release prior to the opening of trading on that day. Each company filed a Current Report on Form 8-K with the SEC which summarized the material terms of the merger agreement and included a copy of the executed merger agreement as an exhibit to the report.

## **Reasons for the Merger; Recommendation of the Rome Bancorp Board of Directors**

At a meeting held on October 8, 2010, after a careful review of the facts and circumstances relating to the merger, by unanimous vote (i) approved and declared advisable the merger agreement and the transactions contemplated thereby, (ii) determined that the terms of the merger agreement and the merger and the other transactions contemplated thereby

are fair to, and in the best interests of, Rome Bancorp and its stockholders and (iii) resolved to recommend that Rome Bancorp stockholders approve the adoption of the merger agreement and directed that this matter be submitted for consideration of Rome Bancorp stockholders at a special meeting.

TABLE OF CONTENTS

In reaching its determination and making its recommendation described above, the Rome Bancorp board consulted with members of Rome Bancorp's senior management and its financial and legal advisors. The material factors considered by the Rome Bancorp board, each of which it believes support its determination and recommendations are as follows:

*Rome Bancorp's operating and financial condition and prospects.* The Rome Bancorp board concluded that the merger provides a better alternative to Rome Bancorp stockholders than remaining independent as a result of the risks and uncertainties associated with remaining independent and attempting to implement Rome Bancorp's strategic plans. In reaching this conclusion, the Rome Bancorp board considered Rome Bancorp's current and historical financial condition and results of operations, its near and long term prospects and strategic objectives and the current and potential economic, competitive and operating conditions in the various markets in which Rome Bancorp does business. In particular, the Rome Bancorp board considered Rome Bancorp's historical revenues and revenue expectations over the near and long term, its prospects for achieving continued revenue and earnings growth given continued downward pricing pressures, the execution risks involved in implementing Rome Bancorp's business plan, including the local and national economic environment, the increasingly competitive environment for small community banks, the increased regulatory burden expected to arise from the implementation of the Dodd-Frank Act, the earnings and growth challenges of doing business in the company's market area, potential succession planning issues, and the risks inherent in Rome Bancorp's business model, as well as the other risks and uncertainties discussed in the *Risk Factors* section of Rome Bancorp's Annual Report on Form 10-K for the year ended December 31, 2009 filed with the SEC.

*Future prospects of Berkshire Hills.* The board considered the historical revenues and revenue expectations of Berkshire Hills over the near and long term and concluded that Berkshire Hills' earnings and prospects make it more likely that the combined company will have superior future earnings and prospects compared to Rome Bancorp's earnings and prospects on an independent basis.

*Financial terms and premium to historical trading prices.* The Rome Bancorp board considered the relationship of the merger consideration to the historical and recent market prices of Rome Bancorp common stock. The directors considered that the merger consideration represented a 16.9% market premium to Rome Bancorp's trading price on the NASDAQ Stock Market on October 7, 2010, the date prior to the meeting; a 5.8% core deposit premium over tangible book value; a price of 19.2x last twelve months earnings; a price of 20.7x estimated 2010 earnings; a price to tangible book value of 119%; a price to adjusted tangible book value of 136%; and that these financial metrics were comparable to those other merger and acquisition transactions in the region. The board also considered that Sandler O'Neill's net present value analysis showed that the value of the merger consideration exceeded the net present value of Rome Bancorp's common stock; that the more active trading market for Berkshire Hills common stock would provide more liquidity to stockholders than Rome Bancorp common stock and would provide stockholders; and that Berkshire Hills common stock would provide a comparable cash dividend to Rome Bancorp common stock.

*Sandler O'Neill fairness opinion.* The Rome Bancorp board considered the financial analyses presented by Sandler O'Neill at the October 8, 2010 meeting of the Rome Bancorp board and the opinion of Sandler O'Neill, delivered orally at the October 8, 2010 meeting and subsequently confirmed in writing on October 12, 2010 to the effect that, as of that date and based upon and subject to the limitations, qualifications, factors and assumptions set forth therein, the merger consideration to be received by Rome Bancorp stockholders pursuant to the merger agreement was fair, from a financial point of view, to such holders. The full text of the written opinion of Sandler O'Neill, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex B hereto and is incorporated herein by reference. For a further discussion of Sandler O'Neill's opinion, see *Opinion of Rome Bancorp's Financial Advisor* below.

TABLE OF CONTENTS

*Terms of merger agreement.* The Rome Bancorp board believed that the terms of the merger agreement, taken as a whole, were favorable to Rome Bancorp and its stockholders, including, among other terms, the adequacy of the merger consideration, the obligation of Berkshire Hills with respect to regulatory approvals, Rome Bancorp's ability to terminate the merger agreement in connection with the receipt of an unsolicited superior proposal, the limited conditions to closing, the absence of a financing condition, the limitations and exceptions included in the material adverse effect definition and the fact that the merger agreement is subject to approval by Rome Bancorp stockholders.

*Tax free reorganization.* The Rome Bancorp board considered that the merger would be a tax free reorganization for U.S. federal income tax purposes and that stockholders receiving stock consideration would not recognize gain or loss on the exchange of Rome Bancorp stock for Berkshire Hills stock.

*Choice of cash or stock.* The Rome Bancorp board of directors considered the provisions of the merger agreement that afford Rome Bancorp stockholders the opportunity to participate in the growth of the combined company through the stock component of the merger consideration or to receive cash for their shares through the cash component of the merger consideration.

*Likelihood of regulatory approval.* The board considered Berkshire Hills' regulatory profile, which the board believed contributed to the likelihood that required regulatory and stockholder approvals will be obtained in a timely manner and that the merger will be completed.

*Results of due diligence review.* The Rome Bancorp board considered the results of the due diligence investigation of Berkshire Hills conducted by Rome Bancorp's management and financial and legal advisors.

*Berkshire Hills' business reputation.* The Rome Bancorp board considered the business reputation of Berkshire Hills and its management, the substantial financial resources of Berkshire Hills, including experience related to integration of acquired businesses, which the directors believed supported the conclusion that the merger could be completed relatively quickly and in an orderly manner.

*Enhanced products and services.* The Rome Bancorp board considered management's view that the merger will allow for enhanced opportunities for Rome Bancorp's customers, including introduction of new products and services particularly in the insurance, wealth management and commercial cash management areas.

*Opportunities for employees.* The Rome Bancorp board considered management's view that the limited geographic overlap between the two companies will minimize the impact of the merger on Rome Bancorp's employees.

*Advisory board.* The Rome Bancorp board considered Berkshire Hills' agreement to establish an advisory board comprised of certain Rome Bancorp directors in order to provide continuity and leadership in Rome Bancorp's local community and markets.

*Likelihood of alternative transaction proposals.* The Rome Bancorp board considered whether parties other than Berkshire Hills would be interested in and capable of entering into a transaction with Rome Bancorp that would provide value to Rome Bancorp stockholders that was superior to the price to be paid pursuant to the merger. As part of its analysis, the directors considered the views of Rome Bancorp's senior management and Sandler O'Neill. The Rome Bancorp board concluded that in light of the lack of acquirers that would be both potentially interested in a transaction with Rome Bancorp and capable of completing a transaction that was superior to the price to be paid pursuant to the merger, the belief that Berkshire Hills' common stock was trading on the low end of its trading range, which could provide Rome Bancorp stockholders with significant potential upside in the stock consideration they would receive in a merger, and the price offered by Berkshire Hills, it was unlikely that any party would propose an alternative transaction that would be more favorable to Rome Bancorp and its stockholders than the merger.

TABLE OF CONTENTS

*Ability to respond to unsolicited acquisition proposals.* The Rome Bancorp board considered that while Rome Bancorp is prohibited from soliciting a transaction proposal from any other party, the Rome Bancorp board is permitted to consider a competing proposal and provide information to and enter into discussions and negotiations with the person making that proposal, if it determines in good faith, after consultation with its financial and outside legal advisors, that such competing proposal is or is reasonably likely to lead to a superior proposal and that a failure to take such action would be inconsistent with its fiduciary duties under applicable law.

*Ability to terminate the merger agreement to accept a superior proposal.* The Rome Bancorp board viewed favorably the fact that, subject to the payment of the \$3.5 million termination fee and compliance with certain other requirements included in the merger agreement, it is permitted to change its recommendation regarding the merger, terminate the merger agreement and pursue an alternative transaction with another party if the directors have determined that the proposal made by that party constitutes a superior proposal.

The Rome Bancorp board also considered potential risks relating to the merger, including the following:

*Potential decrease in value.* The Rome Bancorp considered that the stock consideration in the merger is a fixed exchange ratio of shares of Berkshire Hills common stock to Rome Bancorp common stock, and that Rome Bancorp stockholders therefore could be adversely affected by a decrease in the trading price of Berkshire Hills common stock during the pendency of the merger.

*Receipt of merger consideration not elected by the stockholders.* The Rome Bancorp board considered that Rome Bancorp stockholders may receive a form of merger consideration different from what they elect. The consideration to be received by Rome Bancorp stockholders in the merger is subject to the requirement that 70% of the shares of Rome Bancorp common stock be exchanged for Berkshire Hills common stock and the remaining 30% be exchanged for cash. The merger agreement contains proration and allocation methods to achieve this desired result. If a stockholder elects all cash and the available cash is oversubscribed, then the stockholder will receive a portion of the merger consideration in Berkshire Hills common stock. If a stockholder elects all stock and the available stock is oversubscribed, then the stockholder will receive a portion of the merger consideration in cash.

*Integration risk.* The Rome Bancorp board considered the risk that Berkshire Hills may be unable to successfully integrate Rome Bancorp's operations or retain Rome Bancorp's employees and that, if it does not do so successfully, it may not be able to realize the benefits of the merger.

*Potential adverse effect on Rome Bancorp if merger is not completed.* The Rome Bancorp board considered the possible disruption to Rome Bancorp's operations following the public announcement of the merger, and the possible substantial harm to Rome Bancorp's business and competitive position, including its relationships with customers, vendors and employees, if the merger is not completed.

*Effects on Rome Bancorp's ability to conduct business pending completion of the merger.* The Rome Bancorp board considered the restrictions on the conduct of Rome Bancorp's business prior to the completion of the merger, requiring Rome Bancorp to conduct its business only in the ordinary course and to take certain actions or refraining from taking certain actions, subject to specific exceptions, which may delay or prevent Rome Bancorp from pursuing business opportunities that may arise that it would otherwise pursue.

*Potential effects of termination fee on alternative transaction proposals.* The Rome Bancorp board considered the existence of a \$3.5 million termination fee payable in certain circumstances by Rome Bancorp to Berkshire Hills that would make it more costly for another potential purchaser to acquire Rome Bancorp and, therefore, might have the effect of discouraging other potential purchasers from making a competing proposal to acquire Rome Bancorp.

TABLE OF CONTENTS

*Restrictions on Rome Bancorp's ability to solicit and consider alternative transaction proposals.* The Rome Bancorp board considered the terms of the merger agreement prohibiting Rome Bancorp from soliciting proposals to acquire the company as an alternative to Berkshire Hills' proposal and placing certain other limitations on Rome Bancorp's ability to consider unsolicited alternative transaction proposals and to terminate the merger agreement and accept an alternative transaction proposal that constitutes a superior proposal.

*Interests of certain persons in the proposed merger.* The Rome Bancorp board considered the fact that Rome Bancorp's executive officers and directors may have interests in the transaction that are different from, or in addition to, those of Rome Bancorp's other stockholders. See *Interests of Certain Persons in the Merger that are Different from Yours* beginning on page 65.

*Requirement to obtain regulatory approvals as a condition to closing.* The Rome Bancorp board considered the fact that completion of the merger is subject to regulatory approvals for multiple bank regulatory agencies and there can be no assurance that these approvals will be received prior to the termination date in the merger agreement, after which time Berkshire Hills can terminate the merger agreement.

*Expenditures of significant transaction costs and resources if merger is not completed.* The Rome Bancorp board considered the negative impact of the merger not being completed, including that Rome Bancorp will have incurred significant transaction costs and that Rome Bancorp's directors, management and employees will have expended significant time and effort and experienced significant distractions from their work.

*Effect and transaction costs resulting from the exercise of appraisal rights by stockholders.* The Rome Bancorp board considered the availability of appraisal rights to the stockholders who comply with all of the required procedures under Delaware law for exercising appraisal rights, which allow such holders to seek appraisal of the fair value of their stock as determined by the Court of Chancery of the State of Delaware in lieu of receiving the merger consideration.

*Risk factors.* The Rome Bancorp board also considered the risks described in the section entitled *Risk Factors* beginning on page 9.

The discussion of the information and factors considered by the Rome Bancorp board is not exhaustive, but includes all material factors considered by the Rome Bancorp board. In view of the wide variety of factors considered by the Rome Bancorp board in connection with its evaluation of the merger and the complexity of these matters, the Rome Bancorp board did not consider it practical to, nor did it attempt to, quantify, rank or otherwise assign relative weights to the specific factors that it considered in reaching its decision. The Rome Bancorp board evaluated the factors described above, including asking questions of Rome Bancorp's management and Rome Bancorp's legal and financial advisors, and reached the unanimous decision that the merger was in the best interests of Rome Bancorp and its stockholders. In considering the factors described above, individual members of the Rome Bancorp board of directors may have given different weights to different factors. Rome Bancorp's board of directors realized there can be no assurance about future results, including results expected or considered in the factors listed above. However, the board concluded the potential positive factors outweighed the potential risks of completing the merger. It should be noted that this explanation of the Rome Bancorp board's reasoning and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading *Caution About Forward-Looking Statements* beginning on page 12.

The Rome Bancorp board of directors determined that the merger, the merger agreement and the transactions contemplated thereby are advisable, fair to, and in the best interests of, Rome Bancorp and its stockholders. **Accordingly, the Rome Bancorp board of directors unanimously approved the merger agreement and the transactions contemplated thereby.**

**THE ROME BANCORP BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT ROME BANCORP STOCKHOLDERS VOTE FOR THE ADOPTION OF THE MERGER AGREEMENT AND FOR THE PROPOSAL TO ADJOURN THE SPECIAL MEETING, IF NECESSARY OR APPROPRIATE, TO SOLICIT ADDITIONAL PROXIES.**





TABLE OF CONTENTS**Financial Projections**

In connection with the assessment of Rome Bancorp's strategic options, Rome Bancorp's senior management developed a set of internal financial projections covering the period from July 1, 2010 through December 31, 2011.

Rome Bancorp does not, as a matter of course, publicly disclose projections of future revenues or earnings. During the period leading up to the merger agreement, however, Rome Bancorp's senior management provided the internal financial projections to Rome Bancorp's board of directors, Rome Bancorp's financial advisor, Sandler O'Neill, and Berkshire Hills. These internal financial projections are summarized below:

**At or For the Years Ending December 31,**

	(dollars in thousands, except per share amounts)			
	2010		2011	
Total Assets	\$ 323,384		\$ 324,797	
Net Loans	\$ 280,337		\$ 285,926	
Total Deposits	\$ 221,343		\$ 222,696	
Total Shareholders' Equity	\$ 60,216		\$ 60,051	
Tangible Equity/Tangible Assets	18.62	%	18.49	%
Net Income	\$ 3,407		\$ 3,424	
Diluted EPS	\$ 0.52		\$ 0.54	
Dividend Per Share	\$ 0.36		\$ 0.36	
Common Shares Outstanding	6,608,112		6,443,684	

The internal financial projections were not prepared with a view to compliance with published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. Crowe Horwath LLP, Rome Bancorp's independent registered public accounting firm, has neither examined nor compiled the internal financial projections and, accordingly, Crowe Horwath LLP does not express an opinion or any other form of assurance with respect thereto. The report of Crowe Horwath LLP, independent registered public accounting firm, on Rome Bancorp's consolidated financial statements that is contained in Rome Bancorp's Annual Report on Form 10-K for the year ended December 31, 2009, relates to Rome Bancorp's historical financial information. Such report does not extend to the internal financial projections and should not be read to do so.

In compiling the internal financial projections, Rome Bancorp's management took into account Rome Bancorp's historical performance, combined with management's estimates regarding future levels of investments, loans, deposits and borrowings, operating income, provision for loan losses and income taxes. The internal financial projections were developed in a manner consistent with management's historical development of budgets and were not developed for public disclosure. Although the internal financial projections are presented with numerical specificity, these projections reflect numerous assumptions and estimates as to future events made by Rome Bancorp's management that Rome Bancorp's management believed were reasonable at the time the internal financial projections were prepared. Rome Bancorp believes that the internal financial projections are not reflective of the manner in which Berkshire Hills would operate Rome Bancorp after the merger. In addition, factors such as industry performance and general business, economic, regulatory, market and financial conditions, all of which are difficult to predict and beyond the control of Rome Bancorp's management, may cause the internal financial projections or the underlying assumptions to be

inaccurate. Accordingly, there can be no assurance that the internal financial projections will be realized, and actual results may be materially greater or less than those contained in the projections. The inclusion of the subset of the internal financial projections in this proxy statement/prospectus should not be regarded as an indication that Rome Bancorp's board of directors, Sandler O'Neill, Berkshire Hills or any other recipient of the internal financial projections considered, or now considers, the internal financial projections to be a reliable prediction of future results and such projections should not be relied on as such.

TABLE OF CONTENTS

The internal financial projections reflected management's assessment, at that time, of Rome Bancorp's prospects given its current operating environment. Rome Bancorp does not intend to update or otherwise revise the internal financial projections to reflect circumstances existing after the date when made or to reflect the occurrence of future events even in the event that any or all of the assumptions underlying the internal financial projections are shown to be in error.

## Opinion of Rome Bancorp's Financial Advisor

On April 8, 2010, Rome Bancorp retained Sandler O'Neill to act as its financial advisor. 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 Rome Bancorp in connection with the proposed transaction and participated in certain of the negotiations leading to the execution of the merger agreement. At the October 8, 2010 meeting at which Rome Bancorp's board of directors considered and approved the merger agreement, subject to satisfactory resolution of certain outstanding issues, Sandler O'Neill delivered to the board its oral opinion that, as of such date, the merger consideration was fair to the holders of Rome Bancorp common stock from a financial point of view. **The full text of Sandler O'Neill's written opinion, dated October 12, 2010, is attached to this document as Annex B. 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. Rome Bancorp's stockholders 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 Rome Bancorp's board of directors and is directed only to the fairness of the merger consideration to Rome Bancorp's stockholders from a financial point of view. It does not address the underlying business decision of Rome Bancorp to engage in the merger or any other aspect of the merger and is not a recommendation to any Rome Bancorp stockholder as to how such stockholder should vote at the special meeting with respect to the merger or any other matter.**

In connection with its October 12, 2010 opinion, Sandler O'Neill reviewed, among other things:

- (i) the merger agreement;
- (ii) certain publicly available financial statements and other historical financial information of Rome Bancorp that it deemed relevant;
- (iii) certain publicly available financial statements and other historical financial information of Berkshire Hills that it deemed relevant;
- (iv) internal financial projections for Rome Bancorp for the years ending December 31, 2010 and 2011 and estimated growth and performance for the years ending December 31, 2012 through 2014 in each case as provided by, and reviewed with, senior management of Rome Bancorp;
- (v) consensus earnings per share estimates for Berkshire Hills for the years ending December 31, 2010 through 2012 as published by I/B/E/S and reviewed with management of Berkshire Hills and long-term estimated growth rate for the years thereafter as discussed with management of Berkshire Hills;
- (vi) the pro forma financial impact of the merger on Berkshire Hills, based on assumptions relating to transaction expenses, purchase accounting adjustments and cost savings determined by the senior management of Berkshire

Hills;

the publicly reported historical price and trading activity for Rome Bancorp's and Berkshire Hills' common stock, (vii) including a comparison of certain financial and stock market information for Rome Bancorp and Berkshire Hills and similar publicly available information for certain other companies the securities of which are publicly traded;

50

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TABLE OF CONTENTS

- (viii) the financial terms of certain recent business combinations in the commercial banking industry, to the extent publicly available;
- (ix) the current market environment generally and the banking environment in particular; and
- (x) such other information, financial studies, analyses and investigations and financial, economic and market criteria as it considered relevant.

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

In performing its review, Sandler O Neill relied upon the accuracy and completeness of all of the financial and other information that was available to it from public sources or that was provided to it by Rome Bancorp (including the projections for the years ended December 31, 2010 and 2011) and Berkshire Hills or their respective representatives and assumed such accuracy and completeness for purposes of rendering its opinion. Sandler O Neill further relied on the assurances of management of Rome Bancorp and Berkshire Hills 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 and has not undertaken an independent verification of any of such information and 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 assets or the liabilities (contingent or otherwise) of Rome Bancorp and Berkshire Hills or any of their subsidiaries, or the collectability of any such assets. Sandler O Neill did not make an independent evaluation of and rendered no opinion with respect to the adequacy of the allowance for loan losses of Rome Bancorp, Berkshire Hills or the combined entity nor did it review any individual credit files relating to Rome Bancorp and Berkshire Hills.

With respect to the internal financial projections for Rome Bancorp as provided by the senior management of Rome Bancorp and the consensus estimates used for Berkshire Hills and discussed with the management of Berkshire Hills and in each case used by Sandler O Neill in its analyses, Rome Bancorp's and Berkshire Hills' respective managements confirmed that they reflected the best currently available estimates and judgments of the respective future financial performances of Rome Bancorp and Berkshire Hills, respectively, and Sandler O Neill assumed that such performances would be achieved. With respect to the projections of transaction expenses, purchase accounting adjustments and cost savings determined by and reviewed with the senior management of Berkshire Hills, management confirmed that they reflected the best currently available estimates and judgments of such management and Sandler O Neill assumed that such performances would be achieved. Sandler O Neill expressed no opinion as to such financial projections or the assumptions on which they are based. Sandler O Neill also assumed that there has been no material change in Rome Bancorp's or Berkshire Hills' assets, financial condition, results of operations, business or prospects since the date of the most recent financial statements made available to it. Sandler O Neill assumed in all respects material to its analysis that Rome Bancorp and Berkshire Hills will remain as going concerns for all periods relevant to its analyses, that all of the representations and warranties contained in the merger agreement and all related agreements are true and correct, that each party to the agreements will perform all of the covenants required to be performed by such party under the agreements, that the conditions precedent in the agreements are not waived and that the merger will be a tax-free reorganization for federal income tax purposes. Finally, Rome Bancorp has consented to Sandler O Neill relying on advice received from Rome Bancorp's legal, accounting and tax advisors as to all legal, accounting and tax matters relating to the merger and the other transactions contemplated by the merger agreement.

Sandler O Neill's opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to it as of October 12, 2010. Events occurring after October 12, 2010 could materially affect such opinion. Sandler O Neill has not undertaken to update, revise, reaffirm or withdraw this opinion or

otherwise comment upon events occurring after the date hereof and expresses no opinion as to what the value of Berkshire Hills common stock will be when issued to Rome Bancorp s stockholders pursuant to the merger agreement or the prices at which Rome Bancorp s and Berkshire Hills common stock may trade at any time.

TABLE OF CONTENTS

Sandler O'Neill's opinion is directed to the board of directors of Rome Bancorp in connection with its consideration of the merger and is directed only to the fairness, from a financial point of view, of the merger consideration to the holders of Rome Bancorp common stock and does not address the underlying business decision of Rome Bancorp to engage in the merger, the relative merits of the merger as compared to any other alternative business strategies that might exist for Rome Bancorp or the effect of any other transaction in which Rome Bancorp might engage. Sandler O'Neill has consented to inclusion of its opinion and a summary thereof in this proxy statement/prospectus and in the registration statement on Form S-4 which includes this proxy statement/prospectus.

**Summary of Proposal.** Sandler O'Neill reviewed the financial terms of the proposed transaction. Using 70% of the outstanding Rome Bancorp common shares exchanged at a fixed exchange ratio of 0.5658 shares of Berkshire Hills and 30% exchanged for \$11.25 per share in cash, Sandler O'Neill calculated an aggregate transaction value of \$73.2 million and a per share consideration of \$10.75 as of October 7, 2010. Based upon financial information as or for the last twelve months ended June 30, 2010, Sandler O'Neill calculated the following transaction ratios:

**Transaction Ratios**

Transaction Value / Tangible Book Value	119	%
Transaction Value / Adjusted Tangible Book Value <sup>(1)</sup>	136	%
Price / LTM EPS	19.2x	
Price / 2010 Estimated EPS <sup>(2)</sup>	20.7x	
Core Deposit Premium <sup>(3)</sup>	5.8	%
1-Day Market Premium	16.9	%

(1) At June 30, 2010, Rome had TCE/TA of 18.59%; all equity above TCE/TA of 10.00% is deemed excess and given dollar for dollar value

(2) Based on Rome Bancorp management's earnings projections

(3) Core deposits exclude jumbo deposits (time deposits greater than \$100,000)

Data as of October 7, 2010

The aggregate transaction value of approximately \$73.2 million is based upon using 70% of the outstanding Rome Bancorp common shares exchanged at a fixed exchange ratio of 0.5658 shares of Berkshire Hills common stock and 30% exchanged for \$11.25 per share in cash and 6,777,551 Rome Bancorp common shares outstanding and 354,000 options outstanding with a value of \$1.00 per option for Rome Bancorp stockholders as of October 7, 2010.

**Comparable Group Analysis.** Sandler O'Neill used publicly available information to perform a comparison of selected financial and market trading information for Rome Bancorp and Berkshire Hills.

Sandler O'Neill used publicly available information to compare selected financial and market trading information for Rome and a group of financial institutions selected by Sandler O'Neill. The Rome Bancorp peer group consisted of selected publicly traded savings banks in New York, Massachusetts and Rhode Island with assets between \$250 million and \$620 million:

**Rome Bancorp, Inc. Comparable Companies**

Central Bancorp, Inc.

Mayflower Bancorp, Inc.



Chicopee Bancorp, Inc.  
Elmira Savings Bank, FSB  
Hampden Bancorp, Inc.

Newport Bancorp, Inc.  
Oneida Financial Corp.

The analysis compared publicly available financial information for Rome Bancorp and the mean and median financial and market trading data for the Rome Bancorp peer group as of and for the period ended June 30, 2010. The table below sets forth the data for Rome Bancorp and the median data for the Rome Bancorp peer group as of and for the last twelve months ended June 30, 2010, with pricing data as of October 7, 2010 for the peer group.

TABLE OF CONTENTS**Rome Bancorp, Inc. Comparable Group Analysis**

	Rome		Comparable Group Median Result	
Total Assets ( <i>in millions</i> )	\$ 330		\$ 527	
Return on Average Assets (LTM)	1.08	%	0.45	%
Return on Average Equity (LTM)	5.98	%	5.54	%
Net Interest Margin (LTM)	4.42	%	3.41	%
Efficiency Ratio (LTM)	66.6	%	80.2	%
Tangible Equity / Tangible Assets	18.6	%	8.9	%
Tier 1 Ratio	23.1	%	14.8	%
Total Risk Based Capital Ratio	24.1	%	15.7	%
Loan Loss Reserve / Gross Loans	0.89	%	1.00	%
Loan Loss Reserve / Non-performing Loans	104.6	%	110.9	%
Non-performing Assets / Assets	0.69	%	0.94	%
Price / Tangible Book Value	101.7	%	86.6	%
Price / Last Twelve Months Earnings per Share	16.4x		15.0x	
Dividend Yield	3.91	%	1.43	%

Sandler O Neill also used publicly available information to compare selected financial and market trading information for Berkshire Hills and a group of financial institutions selected by Sandler O Neill. The Berkshire Hills peer group consisted of selected Massachusetts, Rhode Island, Vermont and Maine public banks and thrifts with assets between \$1 billion and \$5 billion.

**Berkshire Hills Bancorp, Inc. Comparable Group Analysis**

Bancorp Rhode Island, Inc.	Enterprise Bancorp, Inc.
Bar Harbor Bankshares	First Bancorp, Inc.
Brookline Bancorp, Inc.	Independent Bank Corp.
Cambridge Bancorp	Merchants Bancshares, Inc.
Camden National Corporation	United Financial Bancorp, Inc.
Century Bancorp, Inc.	Washington Trust Bancorp, Inc.
Danvers Bancorp, Inc.	Westfield Financial, Inc.

The analysis compared publicly available financial information for Berkshire Hills and the mean and median financial and market trading data for the Berkshire Hills peer group as of and for the period ended June 30, 2010. The table below sets forth the data for Berkshire Hills and the median data for the Berkshire Hills peer group as of and for the last twelve months ended June 30, 2010, with pricing data as of October 7, 2010 for the peer group.

**Berkshire Hills Bancorp, Inc. Comparable Group Analysis**

	Berkshire Hills Bancorp, Inc.	Comparable Group Median Result
Total Assets ( <i>in millions</i> )	\$ 2,748	\$ 1,614

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Return on Average Assets	(0.58%)		0.74	%
Return on Average Equity	(3.89%)		7.87	%
Net Interest Margin	3.12	%	3.55	%
Efficiency Ratio	74.7	%	65.9	%
Tangible Equity / Tangible Assets	8.2	%	8.2	%
Tier 1 Ratio	9.5	%	14.1	%
Total Risk Based Capital Ratio	10.7	%	15.4	%
Loan Loss Reserve / Gross Loans	1.57	%	1.44	%
Loan Loss Reserve / Non-performing Loans	167.2	%	104.3	%
Non-performing Assets / Assets	0.80	%	0.81	%
Price / Tangible Book Value	124.5	%	126.7	%
Price / Last Twelve Months Earnings per Share	NM		11.8x	
Price / 2010 Estimated Earnings per Share	18.8x		12.7x	
Dividend Yield	3.44	%	3.37	%

53

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TABLE OF CONTENTS

**Stock Trading History.** Sandler O'Neill reviewed the history of the publicly reported trading prices of Rome Bancorp's common stock for the three-year period ended October 7, 2010. Sandler O'Neill also reviewed the history of the reported trading prices Berkshire Hills' common stock for the three-year period ended October 7, 2010. Sandler O'Neill then compared the relationship between the movements in the price of Rome Bancorp's common stock against the movements in the prices of the NASDAQ Bank Index, and the Rome Bancorp's peers, listed in the Rome Bancorp Comparable Companies above.

During the three-year period ended October 7, 2010, Rome Bancorp's common stock outperformed Berkshire Hills and the NASDAQ Bank Index.

**Rome Bancorp, Inc.'s Three-Year Stock Performance**

	Beginning Index Value October 7, 2007	Ending Index Value October 7, 2010
Rome Bancorp	100.0 %	78.2 %
Berkshire Hills	100.0	60.3
NASDAQ Bank Index	100.0	53.4
Rome Bancorp's Comparable Companies	100.0	79.2

During the three-year period ended October 7, 2010, Berkshire Hills' common stock outperformed the NASDAQ Bank Index.

**Berkshire Hills Bancorp, Inc.'s Three-Year Stock Performance**

	Beginning Index Value October 7, 2007	Ending Index Value October 7, 2010
Berkshire Hills	100.0 %	60.3 %
Rome Bancorp	100.0	78.2
NASDAQ Bank Index	100.0	53.4
Berkshire Hills Comparable Companies	100.0	85.4

**Rome Bancorp Net Present Value Analysis.** Sandler O'Neill performed an analysis that estimated the present value per common share of Rome Bancorp through December 31, 2014, assuming that Rome Bancorp performed in accordance with the internal financial projections for 2010 and 2011 provided by management, and estimated growth and performance for 2012 through 2014 as discussed with management. To approximate the terminal value of Rome Bancorp's common stock at December 31, 2014, Sandler O'Neill applied price to earnings multiples of 10.0x to 20.0x and multiples of tangible book value ranging from 80% to 130%. The dividend income streams and terminal values were then discounted to present values using different discount rates ranging from 12.0% to 16.0% chosen to reflect different assumptions regarding required rates of return of holders of Rome Bancorp common stock. In addition, the terminal value of Rome Bancorp's common stock at December 31, 2014 was calculated using the same range of earnings multiples (10.0x - 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% under budget to 25% over budget, using a discount rate of

14.82% for the tabular analysis. The discount rate was calculated as the sum of the ten-year Treasury bond yield, an equity risk premium reflecting the two-year trading history of Rome Bancorp's common stock, a banking industry premium and a size premium reflecting Rome Bancorp's small market capitalization. As illustrated in the following tables, this analysis indicated an imputed range of values per share for Rome Bancorp's common stock of \$4.51 to \$9.10 when applying the price/earnings multiples to the matched budget, \$3.83 to \$9.94 when applying the price/earnings multiples to the -25% / +25% budget range and \$5.45 to \$9.40 when applying multiples of tangible book value to the matched budget.

TABLE OF CONTENTS**Earnings Per Share Multiples / Variable Discount Rates**

Discount Rate	10.0x	12.0x	14.0x	16.0x	18.0x	20.0x
12.0%	5.19	5.97	6.75	7.54	8.32	9.10
13.0%	5.01	5.76	6.51	7.26	8.01	8.77
14.0%	4.84	5.56	6.28	7.00	7.73	8.45
15.0%	4.67	5.37	6.06	6.75	7.45	8.14
16.0%	4.51	5.18	5.85	6.52	7.19	7.85

**Earnings Per Share Multiples / Variable Budget**

Budget Variance	10.0x	12.0x	14.0x	16.0x	18.0x	20.0x
(25.0%)	3.83	4.35	4.88	5.40	5.92	6.45
(20.0%)	4.00	4.56	5.12	5.68	6.24	6.80
(15.0%)	4.18	4.77	5.37	5.96	6.55	7.15
(10.0%)	4.35	4.98	5.61	6.24	6.87	7.50
(5.0%)	4.53	5.19	5.85	6.52	7.18	7.85
0.0%	4.70	5.40	6.10	6.80	7.50	8.20
5.0%	4.88	5.61	6.34	7.08	7.81	8.55
10.0%	5.05	5.82	6.59	7.36	8.13	8.90
15.0%	5.23	6.03	6.83	7.64	8.44	9.25
20.0%	5.40	6.24	7.08	7.92	8.76	9.59
25.0%	5.58	6.45	7.32	8.20	9.07	9.94

**Tangible Book Value Per Share Multiples / Variable Discount Rates**

Discount Rate	80%	90%	100%	110%	120%	130%
12.0%	6.28	6.91	7.53	8.15	8.78	9.40
13.0%	6.06	6.66	7.26	7.86	8.45	9.05
14.0%	5.85	6.42	7.00	7.57	8.15	8.72
15.0%	5.64	6.20	6.75	7.30	7.86	8.41
16.0%	5.45	5.98	6.51	7.04	7.58	8.11

In connection with its analyses, Sandler O'Neill considered and discussed with Rome Bancorp's board of directors 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 discounted dividend stream and 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.

**Berkshire Hills Net Present Value Analysis.** Sandler O'Neill also performed an analysis that estimated the present value per common share of Berkshire Hills through December 31, 2014, assuming that Berkshire Hills performed in accordance with the financial projections for 2010 through 2012 and a projected long-term growth rate of 10.0% thereafter. To approximate the terminal value of Berkshire Hills common stock at December 31, 2014, Sandler O'Neill applied price to earnings multiples of 11.0x to 16.0x and multiples of tangible book value ranging from 110.0% to 160.0%. The dividend income streams and terminal values were then discounted to present values using different discount rates ranging from 9.0% to 13.0% chosen to reflect different assumptions regarding required rates of return of holders of Berkshire Hills common stock. In addition, the terminal value of Berkshire Hills common stock at

December 31, 2014 was calculated using the same range of price to earnings multiples of 11.0x to 16.0x applied to a range of discounts and premiums to management's budget projections. The range applied to the budgeted net income was 25% under budget to 25% over budget, using a discount rate of 10.57% for the tabular analysis. The discount rate was calculated as the sum of the ten-year Treasury bond yield, an equity risk premium reflecting the two-year trading history of Berkshire Hills common stock and a banking industry premium. No size premium was included in the calculation due to Berkshire Hills' larger market capitalization. As illustrated in the following tables, this analysis indicated an imputed range of values per share for Berkshire Hills common stock of

TABLE OF CONTENTS

\$14.15 to \$22.91 when applying the price/earnings multiples to the matched budget, \$12.18 to \$26.38 when applying the price/earnings multiples to the -25% / +25% budget range and \$14.78 to \$24.00 when applying price/tangible book value 110.0% to 160.0% budget range to the matched budget.

**Earnings Per Share Multiples / Variable Discount Rates**

Discount Rate	11.0x	12.0x	13.0x	14.0x	15.0x	16.0x
9.0%	16.47	17.76	19.05	20.34	21.62	22.91
10.0%	15.85	17.08	18.32	19.56	20.79	22.03
11.0%	15.25	16.44	17.63	18.81	20.00	21.19
12.0%	14.69	15.83	16.97	18.11	19.25	20.39
13.0%	14.15	15.24	16.34	17.43	18.53	19.63

**Earnings Per Share Multiples / Variable Budgets**

Budget Variance	11.0x	12.0x	13.0x	14.0x	15.0x	16.0x
(25.0%)	12.18	13.08	13.99	14.90	15.80	16.71
(20.0%)	12.84	13.81	14.78	15.74	16.71	17.68
(15.0%)	13.51	14.53	15.56	16.59	17.62	18.64
(10.0%)	14.17	15.26	16.35	17.43	18.52	19.61
(5.0%)	14.84	15.98	17.13	18.28	19.43	20.58
0.0%	15.50	16.71	17.92	19.13	20.33	21.54
5.0%	16.17	17.43	18.70	19.97	21.24	22.51
10.0%	16.83	18.16	19.49	20.82	22.15	23.48
15.0%	17.49	18.88	20.27	21.66	23.05	24.44
20.0%	18.16	19.61	21.06	22.51	23.96	25.41
25.0%	18.82	20.33	21.84	23.35	24.87	26.38

**Tangible Book Value Per Share Multiples / Variable Discount Rates**

Discount Rate	110%	120%	130%	140%	150%	160%
9.0%	17.22	18.58	19.93	21.29	22.65	24.00
10.0%	16.56	17.87	19.17	20.47	21.77	23.08
11.0%	15.94	17.19	18.44	19.69	20.94	22.19
12.0%	15.35	16.55	17.75	18.95	20.15	21.35
13.0%	14.78	15.94	17.09	18.24	19.40	20.55

**Analysis of Selected Merger Transactions.** Sandler O Neill reviewed 19 merger transactions announced from June 1, 2009 through October 1, 2010 involving banks and thrifts in the New England and Mid Atlantic regions with announced transaction values greater than \$15 million. Sandler O Neill reviewed the following multiples: transaction price at announcement to last twelve months earnings per share, transaction price to 2010 estimated earnings per share, transaction price to tangible book value, transaction price to adjusted tangible book value, transaction price to core deposits, and transaction price to seller price one day before announcement. As illustrated in the following table, Sandler O Neill compared the proposed merger multiples to the median multiples of comparable transactions.





TABLE OF CONTENTS**Comparable Transaction Multiples**

	BERKSHIRE HILLS / ROME		Median Group Multiple	
Transaction Price / Last Twelve Months Earnings Per Share	19.2x		22.7x	
Transaction Price / 2010 Estimated Earnings Per Share <sup>(1)</sup>	20.7x		21.6x	
Transaction Price / Tangible Book Value	119	%	120	%
Transaction Price / Adjusted Tangible Book Value <sup>(2)</sup>	136	%	NM	
Tangible Book Premium/Core Deposits <sup>(3)</sup>	5.8	%	3.0	%
Transaction Price / Seller Price One Day Before Announcement	16.9	%	51.8	%

(1) Based on Rome Bancorp's management's earnings projections

(2) At June 30, 2010, Rome Bancorp had TCE/TA of 18.59%; all equity above TCE/TA of 10.00% is deemed excess and given dollar for dollar value

(3) Core deposits exclude jumbo deposits (time deposits greater than \$100,000)

**Pro Forma Merger Analysis.** Sandler O'Neill analyzed certain potential pro forma effects of the merger, assuming the following: (i) the merger closes on March 31, 2011; (ii) the deal value per share is equal to \$10.75 per Rome Bancorp share given 70% of the outstanding Rome Bancorp common shares will be exchanged at a fixed exchange ratio of 0.5658 shares of Berkshire Hills and 30% exchanged for \$11.25 in cash; (iii) 36.5% cost savings of Rome Bancorp's projected operating expense which is 75% phased in during 2011 and fully phased in by 2012; (iv) approximately \$7.0 mm in pre-tax transaction costs and expenses; expensed at close (v) a core deposit intangible of 2.5% based on all CD deposits less than \$100,000 (8 year, sum-of-year digit amortization method) (vi) a 2.00% opportunity cost of cash; (vii) Rome Bancorp's performance was calculated in accordance with management's budget and guidance; and (viii) Berkshire Hills' performance was calculated in accordance with street estimates from the year ended December 31, 2010 through December 31, 2012, and a long-term growth rate of 10.0% was applied thereafter. The analyses indicated that for the year ending December 31, 2011, the merger would be accretive to Berkshire Hills' projected earnings per share excluding transaction costs, and at March 31, 2011 the merger would be dilutive to Berkshire Hills' 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.** Sandler O'Neill acted as Rome Bancorp's financial advisor in connection with the merger and will receive a fee for its services equal to one percent of the aggregate purchase price of the merger, as well as a fee of \$200,000 for rendering its opinion, which fee shall be credited against the one percent fee referenced above if the merger is completed. Rome Bancorp has also agreed to indemnify Sandler O'Neill against certain liabilities arising out of its engagement. In the ordinary course of our business as a broker-dealer, Sandler O'Neill may purchase securities from and sell securities to Rome Bancorp and Berkshire Hills and their respective affiliates.

During the two years preceding the date of its opinion to Rome Bancorp, Sandler O'Neill had a variety of investment banking relationships with Berkshire Hills, for which it received customary compensation. Such services during this period included acting as financial advisor for Berkshire Hills with respect to certain strategic matters in 2009, for which it was paid approximately \$75,000 and as lead underwriter with respect to Berkshire Hills' two offerings of its equity securities in October 2008 and May 2009, for which Sandler O'Neill was paid approximately \$1.5 million and \$1.3 million, respectively. In addition, Sandler O'Neill provided a valuation for certain Berkshire Hills equity, for which it has received approximately \$25,000. Berkshire Hills retained Sandler O'Neill as its financial advisor in its proposed acquisition of Legacy Bancorp, Inc., for which it will receive customary compensation.

## **Consideration to be Received in the Merger**

When the merger becomes effective, each share of Rome 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) \$11.25 in cash without interest or (b) 0.5658 shares of Berkshire Hills common stock and cash instead of fractional shares, subject to the allocation restrictions discussed below.

57

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## TABLE OF CONTENTS

Although stockholders of Rome Bancorp are being given the choice of whether to receive cash or Berkshire Hills common stock in exchange for their shares of Rome 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 such that the aggregate merger consideration to be paid by Berkshire Hills will be in the form of 70% Berkshire Hills common stock and 30% in cash.

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

Rome Bancorp stockholders will not receive fractional shares of Berkshire Hills common stock. Instead, Rome Bancorp stockholders 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 common stock to which such stockholder is entitled multiplied by (ii) the average closing price of Berkshire Hills common stock during the five consecutive trading days ending on the day that is five business days before the closing date of the merger.

## **Treatment of Rome Bancorp Stock Options**

At the effective time of the merger, each option to purchase shares Rome Bancorp common stock granted under Rome 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 Rome Bancorp common stock and will be terminated and the holder of the stock option shall receive an amount of cash determined by multiplying (i) the greater of (A) the excess, if any, of \$11.25 over the stock option exercise price per share or (B) \$1.00 by (ii) the number of shares of Rome Bancorp common stock that the holder could have purchased assuming full vesting of that option. No outstanding Rome Bancorp stock options may be exercised during the pendency of the merger.

## **Cash or Stock Election**

Under the terms of the merger agreement, Rome Bancorp stockholders may elect to convert their shares into cash, Berkshire Hills common stock or a mixture of cash and Berkshire Hills common stock. All elections of Rome Bancorp stockholders are further subject to the allocation and proration procedures described in the merger agreement. These procedures provide that the number of shares of Rome Bancorp common stock to be converted into Berkshire Hills common stock in the merger must be 70% of the total number of shares of Rome 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 30% of the merger consideration. Neither Berkshire Hills nor Rome Bancorp is making any recommendation as to whether Rome Bancorp stockholders should elect to receive cash or Berkshire Hills common stock in the merger. Holders of Rome 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 Rome Bancorp stockholders in the aggregate elect to receive more or less of the Berkshire Hills common stock than Berkshire Hills has agreed to issue. These procedures are summarized below.

*If Stock Is Oversubscribed:* If Rome Bancorp stockholders elect to receive more Berkshire Hills common stock than Berkshire Hills has agreed to issue in the merger, then all Rome Bancorp stockholders who have elected to receive

cash or who have made no election will receive cash for their Rome Bancorp shares and all stockholders who elected to receive Berkshire Hills common stock will receive a pro rata portion of the available Berkshire Hills shares plus cash for those shares not converted into Berkshire Hills common stock.

58

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## TABLE OF CONTENTS

*If Stock Is Undersubscribed:* If Rome Bancorp stockholders elect to receive fewer shares of Berkshire Hills common stock than Berkshire Hills has agreed to issue in the merger, then all Rome Bancorp stockholders who have elected to receive Berkshire Hills common stock will receive Berkshire Hills common stock and those stockholders 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 Rome Bancorp stockholders who have made no election is sufficient to make up the shortfall in the number of Berkshire Hills shares that Berkshire Hills is required to issue, then all Rome Bancorp stockholders who elected cash will receive cash, and those stockholders who made no election will receive both cash and Berkshire Hills common stock in whatever proportion is necessary to make up the shortfall.

If the number of shares held by Rome Bancorp stockholders who have made no election is insufficient to make up the shortfall, then all Rome Bancorp stockholders who made no election will receive Berkshire Hills common stock and those Rome Bancorp stockholders who elected to receive cash will receive cash and Berkshire Hills common stock in whatever proportion is necessary to make up the shortfall.

Notwithstanding these rules, as described under *Material Tax Consequences of the Merger*, it may be necessary for Berkshire Hills to reduce the number of shares of Rome Bancorp common stock that will be converted into the right to receive cash and correspondingly increase the number of shares of Rome Bancorp common stock that will be converted into Berkshire Hills common stock. If this adjustment is necessary, stockholders 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 common stock than they otherwise would have received.

No guarantee can be made that Rome Bancorp stockholders 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, Rome Bancorp stockholders may receive Berkshire Hills 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 Rome Bancorp common stock. Each election form entitles the holder of the Rome Bancorp common stock to elect to receive cash, Berkshire Hills 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, Rome Bancorp stockholders must submit a properly completed election form, along with their Rome Bancorp stock certificates representing all shares of Rome 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 the date specified on the election form. Registrar and Transfer Company will act as exchange agent in the merger and in that role will process the exchange of Rome Bancorp stock certificates for cash and/or Berkshire Hills common stock. The exchange agent will allocate cash and stock among Rome Bancorp stockholders, consistent with their elections and the allocation and proration procedures. If Rome Bancorp stockholders do not submit an election form, Rome Bancorp stockholders will receive instructions from the exchange agent on where to surrender their Rome Bancorp stock certificates after the merger is completed. In any event, Rome Bancorp stockholders should not forward their Rome Bancorp stock certificates with their proxy cards.

Rome Bancorp stockholders 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 Rome Bancorp stockholders have a preference for receiving either Berkshire Hills stock and/or cash for their Rome Bancorp stock, they should complete

and return the election form. If Rome Bancorp stockholders do not make an election, they will be allocated Berkshire Hills common stock and/or cash depending on the elections made by other stockholders.

## TABLE OF CONTENTS

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

If certificates for Rome Bancorp common stock are not immediately available or Rome Bancorp stockholders are unable to send the election form and other required documents to the exchange agent before the election deadline, Rome 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 Rome 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.

Rome Bancorp stockholders 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 Rome Bancorp common stock designated as non-election shares. Rome Bancorp stock certificates represented by elections that have been revoked will be promptly returned without charge to the Rome Bancorp stockholder revoking the election upon written request.

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

If their Rome Bancorp stock certificates have been either lost, stolen or destroyed, Rome Bancorp stockholders 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 of the Merger**

In accordance with current accounting guidance, the merger will be accounted for using the acquisition method. The result of this is that the recorded assets and liabilities of Berkshire Hills will be carried forward at their recorded amounts, the historical operating results will be unchanged for the prior periods being reported on and that the assets and liabilities of Rome Bancorp will be adjusted to fair value at the date of the merger. In addition, all identified



intangibles will be recorded at fair value and included as part of the net assets acquired. To the extent that the purchase price, consisting of cash plus the number of shares of Berkshire Hills common stock to be issued to former Rome Bancorp stockholders and option holders at fair value, exceeds the fair value of the net assets including identifiable intangibles of Rome Bancorp at the merger date, that amount will be reported as goodwill. In accordance with current accounting guidance, goodwill will not be amortized but will be evaluated for impairment annually. Identified intangibles will be

60

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TABLE OF CONTENTS

amortized over their estimated lives. Further, the acquisition method of accounting results in the operating results of Rome Bancorp being included in the operating results of Berkshire Hills beginning from the date of completion of the merger.

## **Material 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 Rome Bancorp common stock who surrenders all of the stockholder's common stock for shares of Berkshire Hills 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). This discussion does not cover all U.S. federal income tax consequences of the merger and related transactions that may be relevant to holders of shares of Rome 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 Rome 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 Rome Bancorp common stock through, partnerships or other pass-through entities, or persons who acquired their shares of Rome 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 U.S. federal income tax consequences set forth below.

**Rome Bancorp stockholders 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 and Rome Bancorp that Berkshire Hills receive an opinion by Luse Gorman Pomerenk & Schick and that Rome Bancorp receive an opinion by SNR Denton US 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 and Rome Bancorp both expect to be able to obtain the tax opinions if, as expected:

Berkshire Hills and Rome Bancorp are able to deliver customary representations to Berkshire Hills and Rome 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 and Rome Bancorp to waive the condition that tax opinions be delivered by Luse Gorman Pomerenk & Schick and SNR Denton US LLP, neither party currently anticipates doing so. However, if this condition were waived, Rome Bancorp would re-solicit the approval of its stockholders before completing the merger.

In addition, in connection with the filing of the registration statement of which this proxy statement/prospectus forms a part, Luse Gorman Pomerenk & Schick and SNR Denton US LLP have delivered their opinions to Berkshire Hills and Rome Bancorp, respectively, dated as of the date of this proxy statement/prospectus, that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. Forms 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 and Rome Bancorp, all of which must continue to be true and accurate in all material respects as of the effective time of the merger.

TABLE OF CONTENTS

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 Common Stock.*** No gain or loss will be recognized by a Rome Bancorp stockholder who receives solely shares of Berkshire Hills common stock (except for cash received in lieu of fractional shares, as discussed below) in exchange for all of his or her shares of Rome Bancorp common stock. The tax basis of the shares of Berkshire Hills common stock received by a Rome Bancorp stockholder in such exchange will be equal (except for the basis attributable to any fractional shares of Berkshire Hills common stock, as discussed below) to the basis of the Rome Bancorp common stock surrendered in exchange for the Berkshire Hills common stock. If a Rome Bancorp stockholder purchased or acquired Rome Bancorp common stock on different dates or at different prices, then solely for purposes of determining the basis of the Berkshire Hills common stock received in the merger, such stockholder may designate which share of Berkshire Hills common stock is received in exchange for each particular share of Rome Bancorp common stock. The designation must be made on or before the date on which the Berkshire Hills common stock is received. For shares held through a broker, the designation is made by giving written notice to the broker. For shares held in certificate form by the stockholder, the designation is made by a written designation in the stockholder's records. The holding period of the Berkshire Hills common stock received will include the holding period of shares of Rome Bancorp common stock surrendered in exchange for the Berkshire Hills common stock, provided that such shares were held as capital assets of the Rome Bancorp stockholder at the effective time of the merger.

***Exchange Solely for Cash.*** A Rome Bancorp stockholder who receives solely cash in exchange for all of his or her shares of Rome Bancorp common stock (and is not treated as constructively owning Berkshire Hills 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 stockholder's tax basis in the Rome 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 Rome Bancorp stockholder at the effective time of the merger. Such gain or loss will be long-term capital gain or loss if the Rome Bancorp stockholder'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 Common Stock and Cash.*** A Rome Bancorp stockholder who receives a combination of Berkshire Hills common stock and cash in exchange for his or her Rome Bancorp common stock will not be permitted to recognize any loss for federal income tax purposes. Such a stockholder 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 Rome Bancorp stockholder 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 common stock received exceeds (b) the stockholder's basis in the Rome Bancorp common stock to be surrendered in the exchange for the cash and Berkshire Hills 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 common stock received by such Rome Bancorp stockholder will be the same as the basis of the shares of Rome Bancorp common stock surrendered in exchange for the shares of Berkshire Hills common stock, plus any gain recognized by such stockholder in the merger, and minus any cash received by the stockholder in the merger. If a Rome Bancorp stockholder purchased or acquired Rome Bancorp common stock on different dates or at different prices, then solely for purposes of determining the basis of the Berkshire Hills common stock received in the merger, such stockholder may designate which share of Berkshire Hills common stock is received in exchange for each

particular share of Rome Bancorp common stock. The designation must be made on or before the date on which the Berkshire Hills common stock is received. For shares held through a broker, the designation is made by giving written notice to the broker. For shares held in certificate form by the stockholder, the designation is made by a written designation in the stockholder's records. The holding

TABLE OF CONTENTS

period for shares of Berkshire Hills common stock received by such Rome Bancorp stockholder will include such stockholder's holding period for the Rome Bancorp common stock surrendered in exchange for the Berkshire Hills common stock, provided that such shares were held as capital assets of the stockholder at the effective time of the merger.

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

**Possible Dividend Treatment.** In certain circumstances, a Rome Bancorp stockholder who receives solely cash or a combination of cash and Berkshire Hills 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 stockholder 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 Rome Bancorp stockholder's proportionate interest in Berkshire Hills after the merger with the proportionate interest the stockholder would have had if the stockholder had received solely Berkshire Hills common stock in the merger. This could happen because of your purchase (or the purchase by a family member) of additional Berkshire Hills common stock or a repurchase of shares by Berkshire Hills. For purposes of this comparison, the Rome Bancorp stockholder may be deemed to constructively own shares of Berkshire Hills common stock held by certain members of the stockholder's family or certain entities in which the stockholder has an ownership or beneficial interest and certain stock options may be aggregated with the stockholder's shares of Berkshire Hills common stock. The amount of the cash payment that may be treated as a dividend is limited to the stockholder's ratable share of the accumulated earnings and profits of Rome 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 stockholder'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 Rome Bancorp stockholder, stockholders are urged to consult their own tax advisors regarding the tax treatment of any cash received in the merger. The maximum federal income tax rate applicable to dividends is 15% for 2010. For 2011, dividends are treated as ordinary income with a maximum federal income tax rate of 39.6%, but the treatment in 2011 may be subject to legislative change.

**Cash in Lieu of Fractional Shares.** A Rome Bancorp stockholder who holds Rome Bancorp common stock as a capital asset and who receives in the merger, in exchange for such stock, solely Berkshire Hills common stock and cash in lieu of a fractional share interest in Berkshire Hills 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 Rome Bancorp stockholder is entitled pursuant to the merger, unless the Rome Bancorp stockholder 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 Rome Bancorp stockholder's taxpayer identification number, and certification necessary to avoid backup withholding.

***Dissenters' Rights.*** A Rome Bancorp stockholder who exercises dissenters' rights and receives solely cash should be treated as a stockholder receiving solely cash, as described above.

## TABLE OF CONTENTS

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

## **Regulatory Matters Relating to the Merger**

Completion of the merger is subject to the receipt of all required approvals and consents from regulatory authorities, and the expiration of any applicable statutory waiting periods, without any term or condition that would have a material adverse effect on Berkshire Hills. Berkshire Hills and Rome Bancorp have agreed to use their reasonable best efforts to obtain all the required regulatory approvals. These include approval from the various federal and state regulatory authorities. Applications for such approvals have been filed.

***Merger.*** The merger is subject to approval by the Office of Thrift Supervision and the Massachusetts Board of Bank Incorporation.

The Office of Thrift Supervision may not approve any transaction that would result in a monopoly or otherwise substantially lessen competition or restrain of trade, unless it finds that the anti-competitive effects of the transaction are clearly outweighed by the public interest. In addition, the Office of Thrift Supervision considers the financial and managerial resources of the companies and their subsidiary institutions and the convenience and needs of the communities to be served. Under the Community Reinvestment Act ( CRA ), the Office of Thrift Supervision must take into account the record of performance of each company in meeting the credit needs of its entire communities, including low and moderate income neighborhoods, served by each company. Berkshire Bank has a satisfactory CRA rating; The Rome Savings Bank has a satisfactory CRA rating.

Federal law requires publication of notice of, and the opportunity for public comment on, the applications submitted by Berkshire Hills and Berkshire Bank for approval of the merger and authorizes the Office of Thrift Supervision to hold a public hearing in connection with the application if it determines that such a hearing would be appropriate. Any such hearing or comments provided by third parties could prolong the period during which the application is subject to review. In addition, under federal law, a period of 30 days must expire following approval by the Office of Thrift Supervision within which period the Department of Justice may file objections to the merger under the federal antitrust laws. This waiting period may be reduced to 15 days if the Department of Justice has not provided any adverse comments relating to the competitive factors of the transaction. If the Department of Justice were to commence an antitrust action, that action would stay the effectiveness of Office of Thrift Supervision approval of the merger unless a court specifically orders otherwise. In reviewing the merger, the Department of Justice could analyze the merger's effect on competition differently than the Office of Thrift Supervision, and thus it is possible that the Department of Justice could reach a different conclusion than the Office of Thrift Supervision regarding the merger's competitive effects.

The Massachusetts Board of Bank Incorporation will base its decision to approve the merger on whether or not competition among banking institutions will be unreasonably affected and whether or not public convenience and advantage will be promoted by the merger. The Massachusetts Board of Bank Incorporation will hold a public hearing as part of its consideration of the merger.

***The Bank Merger.*** Immediately following the merger of Rome Bancorp with and into Berkshire Hills, Berkshire Hills expects to merge The Rome Savings 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 December 9, 2010 that arrangements satisfactory to the Depositors Insurance Fund had been made in connection with the bank merger.

## TABLE OF CONTENTS

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 and Rome 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 Completing the Merger* and *Terminating the Merger Agreement*. 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 Completing 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 Rome Bancorp common stock to Berkshire Hills common stock. Furthermore, regulatory approvals do not constitute an endorsement or recommendation of the merger.

## **Interests of Certain Persons in the Merger that are Different from Yours**

***Share Ownership.*** On the record date for the Rome Bancorp special meeting, Rome Bancorp's directors and officers beneficially owned, in the aggregate, 1,353,232 shares of Rome Bancorp's common stock (not including shares that may be acquired upon the exercise of stock options), representing approximately 19.97% of the outstanding shares of Rome Bancorp common stock.

As described below, certain of Rome Bancorp's officers and directors have interests in the merger that are in addition to, or different from, the interests of Rome Bancorp's stockholders generally. Rome Bancorp's board of directors was aware of these conflicts of interest and took them into account in approving the merger. These interests represent an aggregate amount of approximately \$3.15 million (excluding amounts already vested under the Benefit Restoration Plan and the Directors' Deferred Compensation Plan) and include the following agreements.

***Settlement Agreements.*** Contemporaneously with the execution of the merger agreement, Berkshire Hills, Berkshire Bank, Rome Bancorp and The Rome Savings Bank entered into settlement agreements ( *Settlement Agreements* ) with the two named executive officers and five other senior officers of Rome Bancorp and The Rome Savings Bank in order to quantify and settle the benefits owed to the executives under the following agreements maintained by Rome Bancorp and The Rome Savings Bank: (i) an Amended and Restated Employment Agreement between Rome Bancorp and Charles M. Sprock, dated November 28, 2007; (ii) an Amended and Restated Employment Agreement between The Rome Savings Bank and Charles M. Sprock, dated November 28, 2007; (iii) an Amended and Restated Change in Control Agreement for Senior Officers between The Rome Savings Bank and David C. Nolan, dated November 28, 2007; (iv) Amended and Restated Change in Control Agreements for Senior Officers between The Rome Savings Bank and five other senior officers of The Rome Savings Bank; and (v) the Benefit Restoration Plan of Rome Bancorp, Amended and Restated, effective as of December 21, 2005.

***Employment Agreement with Rome Bancorp.*** In accordance with Mr. Sprock's Settlement Agreement, at the closing date of the merger, Mr. Sprock's employment agreements will be terminated and he will be entitled to a cash lump sum

payment from Rome Bancorp equal to \$1,025,067, in lieu of the payment due under the employment agreements. However, because Mr. Sprock is considered a specified employee under Section 409A of the Internal Revenue Code ( Code ), such payment cannot be made to him until six months following his separation from service (as defined in Code Section 409A) with Rome Bancorp or its successor, Berkshire Hills. Accordingly, the Settlement Agreement provides for the cash severance payment to be paid by Berkshire Hills. Until such time, it will be held in a rabbi trust for the benefit of Mr. Sprock and invested in investment-grade fixed-income securities, mutual funds or other pooled investment vehicles. The

TABLE OF CONTENTS

cash severance payment, as adjusted for investment experience, will be distributed on the first day of the seventh month following Mr. Sprock's separation from service, subject to applicable income withholding taxes.

***Change in Control Agreements with The Rome Savings Bank.*** In accordance with their respective Settlement Agreements, the change in control agreements for Mr. Nolan and five other senior officers of The Rome Savings Bank will be terminated, effective as of the closing date of the Merger, and in lieu of any payments or benefits under such change in control agreements, the executives will be entitled to the payments set forth in the Settlement Agreements on the earlier of the date of executive's termination of employment by Berkshire Hills, Berkshire Bank, Rome Bancorp or The Rome Savings Bank or 90 days after the closing date at which time, the executive's employment will terminate.

Notwithstanding the foregoing, an executive who is terminated for cause will not be entitled to any payment under either the change in control agreement or Settlement Agreement. For this purpose, cause will be defined as personal dishonesty, willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or a final cease and desist order and will be determined in the good faith and sole discretion of Mr. Sprock. The Rome Savings Bank or Berkshire Bank will pay lump sum cash severance payments to Mr. Nolan in the amount of \$408,018, less tax withholding, and to the other five senior officers who are entitled to such payments under the Settlement Agreements an aggregate amount of \$737,714, less tax withholding.

During the period prior to their termination of employment, the cash severance payment will be held in a rabbi trust for the benefit of each officer and invested in investment-grade fixed-income securities, mutual funds or other pooled investment vehicles. Upon termination of employment, the cash severance payment, as adjusted for investment experience and subject to applicable withholding tax, will be distributed to the officer.

In addition, for the period that each executive continues in the employment of Berkshire Hills and Berkshire Bank following the closing date, such officer's base salary will be increased to two times the officer's current base salary.

***Benefit Restoration Plan.*** Mr. Sprock is the sole participant in the Benefit Restoration Plan. In accordance with his Settlement Agreement, at the closing date of the Merger, the Benefit Restoration Plan will be terminated and Mr. Sprock will be entitled to a cash lump sum payment under the Settlement Agreement, equal to \$358,560, subject to applicable withholding, in lieu of any benefit under the Benefit Restoration Plan. Because Mr. Sprock is a specified employee under Code Section 409A, such payment will be held and paid to Mr. Sprock on the first day of the seventh month following his separation from service, in accordance with Code Section 409A. Following the closing date and until such amount is distributed, it will be held in a rabbi trust and invested in the same manner as the remainder of the amounts to be paid to him under the Settlement Agreement.

***Non-Competition and Consulting Agreement with Charles M. Sprock.*** Berkshire Hills and Berkshire Bank have entered into a Non-Competition and Consulting Agreement with Mr. Sprock pursuant to which Mr. Sprock will perform consulting services as a liaison to The Rome Savings Bank Foundation for a period of six months following the merger. In addition, Mr. Sprock will agree not to compete with Berkshire Hills and Berkshire Bank for a period of eighteen months following the merger for the benefit of any business within 25 miles of any office of Berkshire Hills or Berkshire Bank or any subsidiary. During such eighteen month period, Mr. Sprock has also agreed not to solicit or offer employment to any employee of Berkshire Hills or Berkshire Bank or any of their subsidiaries or affiliates that would cause such person(s) to terminate employment and accept employment with or provide services to any business that competes with Berkshire Hills or Berkshire Bank within 25 miles of any office of Berkshire Hills or Berkshire Bank or any subsidiary. In exchange for the consulting services and the agreement not to compete or solicit, Berkshire Hills and Berkshire Bank have agreed to pay Mr. Sprock \$225,000, payable in monthly installments over the consulting period.

***Cash Payment for Outstanding Options.*** Under the terms of the merger agreement, outstanding Rome Bancorp stock options, whether or not vested; will be terminated with a payment to the holder of the option of an amount of cash equal to (i) the greater of (A) the excess, if any, of \$11.25 over the applicable per share price of that option or (B) \$1.00, multiplied by (ii) the number of shares of Rome Bancorp common stock that

TABLE OF CONTENTS

the holder could have purchased with the option if the holder had exercised the option immediately prior to the effective time. No outstanding Rome Bancorp stock options may be exercised during the pendency of the merger. Messrs. Sprock and Nolan, who hold 147,500 and 59,000 stock options, respectively, will receive a cash payment of \$147,500 and \$59,000, respectively, upon termination of the option. Non-employee directors Engelbert, Grow, Hinman, Laval and Valentine will each receive \$29,500 in cash upon the termination of 29,500 options held by each of them. As of the date of the merger agreement, the exercise price of all outstanding Rome Bancorp stock options exceeded \$11.25.

***Acceleration of Vesting of Restricted Stock Awards.*** Under the terms of the Rome Bancorp 2006 Recognition and Retention Plan, restricted stock awards that have not yet vested will become fully vested upon the occurrence of a change of control. For purposes of the Rome Bancorp 2006 Recognition and Retention Plan the approval of the merger by Rome Bancorp's stockholders will be a change of control. Named executive officers Messrs. Sprock and Nolan have 11,800 and 4,720 shares of restricted stock, respectively. Five other senior officers will vest in an aggregate of 5,340 shares of restricted stock. Non-employee directors Engelbert, Grow, Hinman, Laval and Valentine each have 2,360 shares of restricted stock that will vest as a result of the change in control.

***Termination of Directors' Deferred Compensation Plan and Distribution of Benefits.*** In accordance with the merger agreement, the Directors' Deferred Compensation Plan of Rome Bancorp will be terminated immediately prior to the effective time, and the amounts due under such plan will be paid in a lump sum to the participants on or prior to the effective time, in accordance with the requirements of Section 409A of the Internal Revenue Code. All amounts to be paid under such plan are fully vested without regard to the change in control, however, absent the change in control, such amounts would be paid to the directors in a single lump sum within 30 days following the end of the year in which their termination of service occurs, or if different, in accordance with an election made by the director under the terms of the plan. Non-employee directors Engelbert, Grow, Hinman and Valentine will receive \$283,480, \$163,178, \$358,346 and \$248,446, respectively, upon the termination of the Directors' Deferred Compensation Plan of Rome Bancorp.

***Payment to Director.*** In accordance with the merger agreement, Berkshire Hills has agreed that Rome Bancorp shall pay to John Reinhardt a payment of \$25,000 upon the completion of the merger if Mr. Reinhardt remains a director of Rome Bancorp on the date immediately prior thereto. Such payment to Mr. Reinhardt was agreed upon because he does not hold any stock options or restricted stock.

***Advisory Board.*** In accordance with the merger agreement, Berkshire Hills has agreed to establish an advisory board comprised of certain members of the Rome Bancorp board of directors. The composition of such advisory board and the fees paid to the advisory board members will be determined by Berkshire Hills prior to the effective time.

***Indemnification.*** Pursuant to the merger agreement, Berkshire Hills has agreed that it will indemnify, defend and hold harmless each present and former officer, director or employee of Rome Bancorp and its subsidiary (as defined in the merger agreement) against all losses, claims, damages, costs, expenses (including attorney's fees), liabilities, judgments and amounts that are paid in settlement (with the approval of Berkshire Hills, which approval shall not be unreasonably withheld) of or in connection with any claim, action, suit, proceeding or investigation, based in whole or in part on, or arising in whole or in part out of, the fact that such person is or was a director, officer or employee of Rome Bancorp or its subsidiary if such claim pertains to any matter of fact arising, existing or occurring at or before the closing date (including, without limitation, the merger and other transactions contemplated thereby), regardless of whether such claim is asserted or claimed before or after the effective time.

***Directors and Officers Insurance.*** Berkshire Hills has further agreed, for a period of six years after the effective date, to cause the persons serving as officers and directors of Rome Bancorp immediately prior to the effective date to

continue to be covered by Rome Bancorp's current directors' and officers' liability insurance policy (provided that Berkshire Hills may substitute therefore policies of at least the same coverage and amounts containing terms and conditions which are substantially no less advantageous than such policy) with respect to acts or omissions occurring prior to the effective date which were committed by such officers and directors in their capacity as such. Berkshire Hills is not required to spend more than 175% of the annual cost currently incurred by Rome Bancorp for its insurance coverage.

TABLE OF CONTENTS

The following table sets forth the estimated potential severance benefits to Rome Bancorp's named executive officers on termination of employment in connection with a change in control. This table does not include the value of benefits that the named executive officers are vested in without regard to the occurrence of a change in control:

Executive	Cash <sup>(1)</sup> (\$)	Equity <sup>(2)</sup> (\$)	Pension/ NQDC (\$)	Perquisites/Tax Benefits (\$)	Reimbursements (\$)	Other <sup>(3)</sup> (\$)	Total (\$)
Charles M. Sprock	1,025,067	280,250	-0-	-0-	-0-	225,000	1,530,317
David C. Nolan	408,018	112,100	-0-	-0-	-0-	-0-	520,118

Includes lump sum cash severance payments of \$1,025,067 and \$408,018 under settlement agreements entered into by Messrs. Sprock and Nolan, respectively, in lieu of any cash severance payment under such person's employment (1) agreement. Does not include a lump sum cash payment in the amount of \$358,560 payable to Mr. Sprock upon termination of the Benefit Restoration Plan as such amount was vested without regard to the completion of the merger.

(2) Includes cash payments of \$1.00 per option share for options to acquire 147,500 shares held by Mr. Sprock and options to acquire 59,000 shares held by Mr. Nolan. The options exercise price is greater than the cash consideration that will be paid for the shares in the merger, however, Berkshire Hills has agreed to pay the greater of the positive spread between the cash consideration and the exercise price or \$1.00. In addition, 11,800 and 4,720 unvested shares of restricted stock held by Messrs. Sprock and Nolan, respectively, will become vested as a result of the change in control at a fair market value of \$11.25 per share.

(3) Includes \$225,000 to which Mr. Sprock will be entitled under a Consulting and Non-Compete Agreement entered into with Berkshire Hills and Berkshire Bank.

## Employee Matters

Each person who is an employee of The Rome Savings Bank as of the closing of the merger (whose employment is not specifically terminated upon the closing) will become an employee of Berkshire Bank and will be eligible to participate in group health, medical, dental, life, disability and other welfare plans available to similarly situated employees of Berkshire Hills on the same basis that it provides such coverage to Berkshire Hills employees. With respect to any welfare plan or program of Rome Bancorp that Berkshire Hills determines provides benefits of the same type as a plan maintained by Berkshire Hills, Berkshire Hills will continue the Rome Bancorp plan until such employees become eligible for the Berkshire Hills plan so that there is no gap in coverage. Berkshire Hills will give credit to continuing Rome Bancorp employees for purposes of Berkshire Hills' vacation and other paid leave programs for their accrued and unpaid vacation and/or leave balance with Rome Bancorp.

Current employees of The Rome Savings Bank who remain employed until the closing date will be eligible to participate in the Berkshire Hills 401(k) plan following the date determined by Berkshire Hills on which the Rome Bancorp 401(k) Plan will be terminated or replaced by such plan. Subject to the occurrence of the effective time, the Rome Bancorp employee stock ownership plan (ESOP) will be terminated as provided in the ESOP. Any outstanding ESOP loan will be repaid from the unallocated shares held in the ESOP, the remaining unallocated shares will be allocated to the accounts of individuals in the ESOP as provided in the ESOP. The balance of the shares and any other assets remaining in the ESOP will be distributed to ESOP participants after the receipt of a favorable determination letter from the Internal Revenue Service.



Berkshire Hills will pay each employee of Rome Bancorp who is not otherwise covered by a specific change in control agreement whose employment is terminated (other than for cause) or who resigns for good reason on or within 12 months following the closing date of the merger a lump sum cash payment equal to two weeks of such employee's annual cash compensation for each full year of service with Rome Bancorp, with a minimum of \$5,000 and a maximum of 52 weeks of pay. Additionally, Berkshire Hills will provide transitional counseling for outplacement of employees.

## TABLE OF CONTENTS

Rome Bancorp will be entitled to enter into agreements to pay bonuses to certain employees of Rome Bancorp to encourage such employee to continue in the employee of Rome Bancorp until the effective time with the payment made on the effective time, provided that the aggregate amount of such bonuses shall not exceed \$500,000 in the aggregate or certain limits per individual that have been agreed to between the parties.

### **Rome Bancorp Defined Benefit Pension Plan**

The Rome Savings Bank maintains a tax-qualified defined benefit pension plan, which was amended in December 2002 to cease the accrual of any further benefits. The benefits under the pension plan are based on the employee's years of service and compensation. The Rome Savings Bank funding policy is to contribute annually at least the minimum required to meet the funding standards set forth under the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). As of December 31, 2009, the fair value of plan assets under the pension plan was \$5,305,515 and the estimated accumulated benefit obligation was \$6,042,479. The merger agreement does not address the pension plan. Consequently, Berkshire Hills may continue to maintain the pension plan as a frozen plan or terminate the pension plan in accordance with the requirements of ERISA and the Internal Revenue Code. Berkshire Hills has made no determination as to how the pension plan will be handled.

### **Rome Bancorp Retiree Medical Benefits**

The Rome Savings Bank provides health care and life insurance benefits to certain retired full-time employees. The Rome Savings Bank pays 50% of the total health care premium up to a maximum of \$152.12 per month for single coverage and \$304.24 per month for two-person coverage and the retired employee and surviving spouse pay the remaining portion of the insurance premium. The Rome Savings Bank pays the full cost of the life insurance coverage. As of December 31, 2009, the future cost of the benefits was estimated to be \$2,532,348. The merger agreement does not address this benefit. Consequently, Berkshire Hills may continue this benefit in its current form or change the benefit structure in accordance with ERISA and the requirements of the Internal Revenue Code. Berkshire Hills has made no determination as to how this benefit will be handled.

### **Operations of Berkshire Bank after the Merger**

After the merger of Berkshire Bank and The Rome Savings Bank, the former offices of The Rome Savings Bank will operate as branch offices of Berkshire Bank under the name Berkshire Bank.

### **Restrictions on Resale of Shares of Berkshire Hills Common Stock**

All shares of Berkshire Hills common stock issued to Rome Bancorp's stockholders in connection with the merger will be freely transferable. This proxy statement/prospectus does not cover any resales of the shares of Berkshire Hills common stock to be received by Rome Bancorp's stockholders upon completion of the merger, and no person may use this proxy statement/prospectus in connection with any resale.

### **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 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 Completing the Merger*. On the closing date, Berkshire Hills will file a certificate of merger with the Delaware Secretary of State merging Rome Bancorp into Berkshire Hills. The merger will become effective at the time stated in the certificate of merger.

Berkshire Hills and Rome Bancorp are working to complete the merger quickly. It is currently expected that the merger will be completed during the first quarter of 2011. However, because completion of the merger is subject to regulatory approvals and other conditions, the parties cannot be certain of the actual timing.

## **The Rome Savings Bank Foundation**

The Rome Savings Bank Foundation will be merged with and into the Berkshire Bank Foundation, which will continue the philanthropic presence in and around Rome, New York.

TABLE OF CONTENTS

## Conditions to Completing the Merger

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

approval of the merger agreement by Rome Bancorp's stockholders;  
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 order, decree or injunction that enjoins or prohibits consummating 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 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 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;  
no material adverse effect on either party has occurred;  
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  
the shares of Berkshire Hills common stock issuable pursuant to the merger being approved for listing on The NASDAQ Global Select Market.

Berkshire Hills and Rome 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

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

### General Business

conduct its business other than in the usual, regular and ordinary course consistent with past practice;  
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;

### 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 \$0.09 per share of Rome Bancorp common stock and dividends paid by any of Rome Bancorp's subsidiaries to enable Rome Bancorp to pay such dividends;



## TABLE OF CONTENTS

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 Rome Bancorp stock-based incentive plans, redeem, purchase or otherwise acquire any shares of its capital stock;

### **Dispositions**

dispose of any of its material assets, incur any indebtedness, other than in the ordinary course of business consistent with past practice, or waive or change any existing indebtedness;

### **Contracts**

enter into, amend or terminate any contract or agreement, in excess of \$10,000 except those specifically permitted by the merger agreement;

enter into, renew or modify any transaction with an affiliate (other than a deposit transaction);

enter into any hedging transaction other than for purposes of hedging interest rate exposure;

undertake or enter into any lease or other contract in excess of \$25,000 annually, or containing a financial commitment extending 12 months from the date of the merger agreement;

### **Loans**

make or acquire any loan or other credit facility, 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 \$500,000, provided that Berkshire Hills consent shall be deemed granted if Berkshire Hills does not object within three business days of Rome Bancorp's written intent to make such loan;

sell any participation in a loan (excluding existing commitments);

### **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;

grant or agree to pay any bonus, severance or termination to, or enter into, renew or amend any employment agreement, severance agreement and/or supplemental executive agreement with, or increase in any manner the compensation or fringe benefits of, any of its directors, officers, employees or consultants, except (i) as may be required pursuant to existing commitments, (ii) for salary adjustments in the ordinary course of business consistent with past practice provided that any increases to such amounts shall not exceed four percent in the aggregate or (iii) as otherwise contemplated by the merger agreement;

become a party to, amend or commit to any benefit plan or employment agreement;

elect any new senior executive officer or director;

hire or promote employee to a rank having a title of vice president or other more senior rank or hire any employee with an annual total compensation in excess of \$50,000;

### **Settling Claims**

settle any claim against it for more than \$25,000 individually or \$50,000 in the aggregate;

### **Governing Documents**

amend its certificate of incorporation or bylaws;

## Investment in Securities

purchase any securities except securities (i) rated A or higher by either Standard & Poor's Ratings Services or Moody's Investors Service, (ii) having a face amount in the aggregate of not more than \$250,000, (iii) with a duration of not more than three years and (iv) otherwise in the ordinary course of business consistent with past practice;

71

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TABLE OF CONTENTS

**Capital Expenditures**

other than certain capital expenditures previously disclosed by Rome Bancorp, make any capital expenditures in excess of \$25,000 individually, or \$50,000 in the aggregate;

**Branches**

open or close any new branch or automated banking facility or file an application to do same;

**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;

**Other Agreements**

take any other action restricted under the merger agreement; or

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

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

change or waive any provision of its certificate of incorporation or bylaws;

take any action that would materially adversely affect or delay its ability to obtain regulatory approvals contemplated by the merger agreement;

take any action that is intended to materially adversely affect its ability to perform its covenants and agreements under the merger agreement;

take any action resulting in its representation and warranties not being true and correct at any future date on or prior to closing the merger;

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.

**Covenants of Rome Bancorp and Berkshire Hills in the Merger Agreement**

**Agreement Not to Solicit Other Proposals.** Rome Bancorp and its officers, directors, employees and representatives have agreed not to: (1) solicit, initiate, or knowingly encourage 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; (4) make any public statement critical of Berkshire Hills, 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 Rome Bancorp or its subsidiaries;

any sale, lease, exchange, mortgage, pledge, transfer or other disposition of 25% or more of the assets of Rome Bancorp;

any tender offer or exchange offer for 25% or more of the outstanding shares of capital stock of Rome Bancorp; and

72

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TABLE OF CONTENTS

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 Rome Bancorp not to solicit other acquisition proposals, Rome 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 Rome Bancorp board of directors:

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 Rome Bancorp and its stockholders, is a more favorable transaction than the transactions contemplated by the merger agreement with Berkshire Hills and the acquisition proposal;

is not conditioned on obtaining financing;

is for all of Rome Bancorp's common stock; and

is, in the written opinion of Rome Bancorp's financial advisor, more favorable to Rome Bancorp stockholders from a financial point of view than the transactions contemplated by the merger agreement with Berkshire Hills (a superior proposal).

If Rome Bancorp receives a proposal or information request from a third party or enters into negotiations with a third party regarding a superior proposal, Rome Bancorp must immediately notify Berkshire Hills and provide Berkshire Hills with information about the third party and its proposal.

***Certain Other Covenants.*** The merger agreement also contains other agreements relating to the conduct of Berkshire Hills and Rome Bancorp before consummation of the merger, including the following:

Rome Bancorp will give Berkshire Hills reasonable access during normal business hours to its property, books, records and personnel and furnish all information the other party may reasonably request;

Rome Bancorp will promptly provide Berkshire Hills with a copy of all documents filed with its banking regulators;

Rome Bancorp will meet with Berkshire Hills on a regular basis to discuss and plan for the conversion of Rome Bancorp's data processing and related electronic information systems;

Rome Bancorp will invite a non-voting designee of Berkshire Hills to attend all regular and special board of directors or senior management committee meetings of Rome Bancorp or The Rome Savings Bank except that Berkshire Hills' designee will not attend portions of any meeting during which there is being discussed: (a) matters involving the merger; (b) information or material that Rome Bancorp or The Rome Savings Bank must keep confidential under applicable laws or regulations or policies or procedures of Rome Bancorp or The Rome Savings Bank; or (c) pending or threatened litigation or investigations, if in the opinion of counsel to Rome Bancorp, the presence of such designee might adversely affect the confidential nature of or any privilege relating to matters being discussed;

Berkshire Hills and Rome Bancorp will use their commercially reasonable efforts to submit all necessary applications, notices, and other filings with any governmental entity, the approval of which is required to complete the merger and related transactions;

Berkshire Hills and Rome Bancorp will use their reasonable best efforts to obtain all third party consents necessary to consummate the merger;

Rome Bancorp will take any necessary action to exempt Berkshire Hills and this transaction from any anti-takeover provisions contained in Rome Bancorp's certificate of incorporation or bylaws or federal or state law;

TABLE OF CONTENTS

Berkshire Hills and Rome Bancorp will use all reasonable efforts to take all actions necessary to consummate the merger and the transactions contemplated by the merger agreement;

Berkshire Hills will file a registration statement, of which this proxy statement/prospectus forms a part, with the Securities and Exchange Commission registering the shares of Berkshire Hills common stock to be issued in the merger to Rome Bancorp stockholders;

Rome Bancorp will take all actions necessary to convene a meeting of its respective stockholders to vote on the merger agreement. The Rome Bancorp board of directors will recommend at its respective stockholder meeting that the stockholders vote to approve the merger and will use its reasonable best efforts to solicit stockholder approval. However, the Rome Bancorp board of directors may change or withdrawal its recommendation if: (1) Rome Bancorp has properly called its meeting of stockholders; (2) has received a superior proposal; and (3) Rome Bancorp's board of directors, after consultation with and based on the advice of counsel, determines, in good faith, that making such a recommendation would result in a violation of its fiduciary duties under applicable law;

before completion of the merger, Berkshire Hills will notify The NASDAQ Global Market of the additional shares of Berkshire Hills common stock that Berkshire Hills will issue in exchange for shares of Rome Bancorp common stock; Berkshire Hills and Rome Bancorp will notify each other of any material contract defaults and any events that would reasonably be likely to result in a material adverse effect on the other. They also will notify each other of any communication from a third party regarding the need to obtain that party's consent in connection with the merger; and each of Berkshire Hills and Rome Bancorp will coordinate with each other the payment of dividends to ensure that the holders of Berkshire Hills common stock and Rome Bancorp common stock will not receive two dividends, or fail to receive one dividend, for any single quarter.

## **Representations and Warranties Made by Berkshire Hills and Rome Bancorp in the Merger Agreement**

Berkshire Hills and Rome Bancorp have made certain customary representations and warranties to each other in the merger agreement relating to their businesses. For information on these representations and warranties, please refer to the merger agreement attached as Annex A. The representations and warranties must be true in all material respects through the completion of the merger unless the change does not have a material negative impact on the parties business, financial condition or results of operations. See *Conditions to Completing the Merger*.

The representations and warranties contained in the merger agreement were made only for purposes of such agreement and are made as of specific dates, were solely for the benefit of the parties to such agreement, and may be subject to limitations agreed to by the contracting parties, including being qualified by disclosures between the parties. These representations and warranties may have been made for the purpose of allocating risk between the parties to the agreement instead of establishing these matters as facts, and may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors as statements of factual information.

Each of Berkshire Hills and Rome Bancorp has made representations and warranties to the other regarding, among other things:

corporate matters, including due organization and qualification;  
capitalization;

authority relative to execution and delivery of the merger agreement and the absence of conflicts with, violations of, or a default under organizational documents or other obligations as a result of the merger or the bank merger;

governmental filings and consents necessary to complete the merger;



TABLE OF CONTENTS

the timely filing of regulatory reports, the absence of investigations by regulatory agencies and internal controls;  
financial statements;  
tax matters;  
employee matters and benefit plans;  
real and personal property;  
insurance matters;  
environmental liabilities;  
brokers or financial advisor fees;  
the absence of events having, or reasonably likely to have, a material adverse effect;  
legal proceedings;  
compliance with applicable laws;  
the receipt of a fairness opinion from its financial advisor; and  
absence of agreements with regulatory agencies restricting the conduct of its business.

In addition, Rome Bancorp has made other representations and warranties about itself to Berkshire Hills as to:

approval by its board of directors of the merger agreement and the transactions contemplated by the merger agreement;

the absence of any event or action that would constitute a material adverse effect since December 31, 2009;

matters relating to certain contracts;

the receipt of a fairness opinion from its financial advisor;

intellectual property;

loan matters and allowances for loan losses;

related party transactions;

deposits;

the absence of appraisal rights;

trust business and fiduciary accounts; and

derivative instruments and transactions.

The representations and warranties of each of Berkshire Hills and Rome Bancorp will expire upon the effective time of the merger.

## **Terminating the Merger Agreement**

The merger agreement may be terminated at any time before the completion of the merger, either before or after approval of the merger agreement by Rome Bancorp or Berkshire Hills stockholders, as follows:

by the written mutual consent of Berkshire Hills and Rome Bancorp;

by either party, if the stockholders of Rome Bancorp fail to approve the merger agreement (provided that Rome Bancorp will only be entitled to terminate for this reason if it has complied with its obligations under the merger agreement with respect to its stockholder meeting);

75

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## TABLE OF CONTENTS

by either party, if a required regulatory approval, consent or waiver is denied or any governmental entity prohibits the consummation of the merger or the transactions contemplated by the merger agreement;

by either party, if the merger is not consummated by June 30, 2011, unless failure to complete the merger by that time is due to a misrepresentation, breach of a warranty or failure to fulfill a covenant by the party seeking to terminate the agreement;

by either party, if the other party makes a misrepresentation, breaches a warranty or fails to fulfill a covenant that has not been cured within 30 days following written notice to the party in default;

by Berkshire Hills, if Rome Bancorp materially breaches its agreements regarding the solicitation of other acquisition proposals or the submission of the merger agreement to stockholders, or if the board of directors of Rome Bancorp does not recommend approval of the merger in the proxy statement/prospectus or withdraws or revises its recommendation in a manner adverse to Berkshire Hills; or

by Rome Bancorp if it has received a superior proposal and its board of directors has made a determination to accept such superior proposal.

### **Termination Fee**

The merger agreement requires Rome Bancorp to pay Berkshire Hills a fee of \$3.5 million if the merger agreement is terminated in certain circumstances that involve a competing offer.

Specifically, Rome Bancorp must pay the termination fee if Berkshire Hills terminates the merger agreement as a result of a breach by Rome Bancorp of its covenant regarding the solicitation of competing offers or its obligation to call a stockholder meeting or if Rome Bancorp's board of directors fails to recommend approval of the merger or upon the withdrawal, qualification or revision of its recommendation to approve the merger.

Rome Bancorp also must pay the termination fee if (i) Rome Bancorp terminates the merger agreement as a result of accepting a superior proposal after allowing Berkshire Hills an opportunity to make such adjustments in the merger agreement to enable Rome Bancorp to proceed with the merger on such adjusted terms or (ii) Rome Bancorp enters into a definitive merger agreement within one year of Berkshire Hills terminating the merger agreement due to Rome Bancorp's break of a representation, warranty or covenant or failure of Rome Bancorp's stockholders to approve the merger agreement.

### **Expenses**

Each of Berkshire Hills and Rome Bancorp will pay its own costs and expenses incurred in connection with the merger. Rome Bancorp also must pay the termination fee if (i) Rome Bancorp terminates the merger agreement as a result of accepting a superior proposal after allowing Berkshire Hills an opportunity to make such adjustments in the Merger Agreement to enable Rome Bancorp to proceed with the merger on such adjusted terms or (ii) Rome Bancorp enters into a definitive merger agreement within one year of Berkshire Hills terminating the merger agreement due to Rome Bancorp's breach of a representation, warranty or covenant or failure of Rome Bancorp's stockholders to approve the merger agreement.

### **Changing the Terms of the Merger Agreement**

Before the completion of the merger, Berkshire Hills and Rome Bancorp may agree to waive, amend or modify any provision of the merger agreement. However, after the vote by Rome Bancorp stockholders, Berkshire Hills and Rome Bancorp can make no amendment or modification that would reduce the amount or alter the kind of consideration to be received by Rome Bancorp's stockholders under the terms of the merger agreement.

## **Litigation Related to the Merger**

Following the public announcement of the execution of the merger agreement between Rome Bancorp and Berkshire Hills, on October 18, 2010, Stephen Bushansky filed a stockholder class action lawsuit in the Supreme Court of the State of New York, County of the Bronx, on October 27, 2010, James and Liliana

76

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TABLE OF CONTENTS

DiCastro filed a stockholder class action lawsuit in the Chancery Court of the State of Delaware, and on November 15, 2010, and Samuel S. Rapasodi filed a stockholder class action lawsuit in the Supreme Court of the State of New York, County of Oneida, each against Rome Bancorp, Berkshire Hills, and the directors of Rome Bancorp. The lawsuit filed in Delaware was subsequently withdrawn voluntarily.

The active lawsuits purport to be brought on behalf of all of Rome Bancorp's public stockholders and allege that the directors of Rome Bancorp breached their fiduciary duties to Rome Bancorp's stockholders by failing to take steps necessary to obtain a fair and adequate price for Rome Bancorp's common stock and that Berkshire Hills knowingly aided and abetted Rome Bancorp directors' breach of fiduciary duty. The lawsuits seek to enjoin the proposed merger from proceeding and seek unspecified compensatory and/or rescissory damages on behalf of Rome Bancorp's stockholders. On December 7 and December 20, 2010, plaintiffs in the Rapasodi and Bushansky actions filed amended complaints repeating their claims regarding the adequacy of the merger price and adding allegations that the disclosures to be provided to Rome Bancorp's stockholders, as set forth in the preliminary S-4 Registration Statement filed with the SEC on November 23, 2010, fail to provide required material information necessary for Rome Bancorp's stockholders to make a fully informed decision concerning the merger.

Defendants have filed a motion, on consent of all parties, seeking consolidation of the merger cases in New York Supreme Court, Oneida County. Upon finalizing an appropriate confidentiality agreement, the parties will engage in limited discovery on an expedited basis. Both Rome Bancorp and Berkshire Hills believe that these lawsuits are meritless and intend to vigorously defend themselves against the allegations.



TABLE OF CONTENTS

## DESCRIPTION OF BERKSHIRE HILLS BANCORP, INC. CAPITAL STOCK

The following summary describes the material terms of Berkshire Hills' capital stock and is subject to, and qualified by, Berkshire Hills' certificate of incorporation and bylaws and the Delaware General Corporation Law ( "DGCL" ). See *Where You Can Find More Information* as to how to obtain a copy of Berkshire Hills' certificate of incorporation and bylaws.

### General

Berkshire Hills is authorized to issue 26,000,000 shares of common stock having a par value of \$0.01 per share, and 1,000,000 shares of preferred stock having a par value of \$0.01 per share. At January 27, 2011, 14,077,951 shares of common stock were outstanding. At that date, no preferred shares were outstanding.

### Common Stock

***Voting Rights.*** The holders of common stock are entitled to one vote per share on all matters presented to stockholders. Holders of common stock are not entitled to cumulate their votes in the election of directors. However, Berkshire Hills' certificate of incorporation provides that a record owner of Berkshire Hills' common stock who beneficially owns, either directly or indirectly, in excess of 10% of Berkshire Hills' outstanding shares, is not entitled to any vote in respect of the shares held in excess of the 10% limit.

***No Preemptive or Conversion Rights.*** The holders of common stock do not have preemptive rights to subscribe for a proportionate share of any additional securities issued by Berkshire Hills before such securities are offered to others. The absence of preemptive rights increases Berkshire Hills' flexibility to issue additional shares of common stock in connection with Berkshire Hills' acquisitions, employee benefit plans and for other purposes, without affording the holders of common stock a right to subscribe for their proportionate share of those additional securities. The holders of common stock are not entitled to any redemption privileges, sinking fund privileges or conversion rights.

***Dividends.*** Holders of common stock are entitled to receive dividends ratably when, as and if declared by Berkshire Hills' board of directors from assets legally available therefor, after payment of all dividends on preferred stock, if any is outstanding. Under Delaware law, Berkshire Hills may pay dividends out of surplus or net profits for the fiscal year in which declared and/or for the preceding fiscal year, even if its surplus accounts are in a deficit position. Dividends paid by Berkshire Bank and proceeds received from the offering of trust preferred securities have historically been the primary source of funds available to Berkshire Hills. Berkshire Hills expects to use these sources of funds in the future, as well as proceeds it may obtain from the offering of common stock, preferred stock and/or debt securities for payment of dividends to its stockholders, the repurchase of its common stock and for other needs. Berkshire Hills' board of directors intends to maintain its present policy of paying regular quarterly cash dividends. The declaration and amount of future dividends will depend on circumstances existing at the time, including Berkshire Hills' earnings, financial condition and capital requirements, as well as regulatory limitations and such other factors as Berkshire Hills' board of directors deems relevant.

Berkshire Hills' principal assets and sources of income consist of investments in its operating subsidiaries, which are separate and distinct legal entities.

**Liquidation.** Upon liquidation, dissolution or the winding up of the affairs of Berkshire Hills, holders of common stock are entitled to receive their pro rata portion of the remaining assets of Berkshire Hills after the holders of Berkshire Hills preferred stock, if any, have been paid in full any sums to which they may be entitled.

TABLE OF CONTENTS

## **Preferred Stock**

Berkshire Hills certificate of incorporation authorizes its board of directors, without stockholder action, to issue preferred stock in one or more series and to establish the designations, dividend rates and rights, dissolution or liquidation rights, preferences, price and terms and conditions on which shares may be redeemed, terms and conditions for conversion or exchange into any other class or series of the stock, voting rights and other terms. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, adversely affect the voting power of the holders of common stock and could have the effect of delaying, deferring or preventing a change in Berkshire Hills control.

## **Certain Certificate of Incorporation and Bylaw Provisions Affecting Stock**

Berkshire Hills certificate of incorporation and bylaws contain several provisions that may make Berkshire Hills a less attractive target for an acquisition of control by anyone who does not have the support of Berkshire Hills board of directors. Such provisions include, among other things, the requirement of a supermajority vote of stockholders or directors to approve certain business combinations and other corporate actions, a minimum price provision, several special procedural rules, a staggered board of directors, a vote limitation provision and the limitation that stockholder actions may only be taken at a meeting and may not be taken by unanimous written stockholder consent. The foregoing is qualified in its entirety by reference to Berkshire Hills certificate of incorporation and bylaws.

## **Restrictions on Ownership**

Under the federal Change in Bank Control Act, a notice must be submitted to the Office of Thrift Supervision if any person (including a company), or group acting in concert, seeks to acquire control of a savings and loan holding company or savings association. An acquisition of control can occur upon the acquisition of 10% or more of the voting stock of a savings and loan holding company or savings institution or as otherwise defined by the Office of Thrift Supervision. Under the Change in Bank Control Act, the Office of Thrift Supervision has 60 days from the filing of a complete notice to act, taking into consideration certain factors, including the financial and managerial resources of the acquirer and the anti-trust effects of the acquisition. Any company that so acquires control would then be subject to regulation as a savings and loan holding company.

## **Transfer Agent and Registrar**

The Transfer Agent and Registrar for Berkshire Hills common stock is Registrar and Transfer Company, 10 Commerce Drive, Cranford, New Jersey 07016.

TABLE OF CONTENTS

## COMPARISON OF RIGHTS OF STOCKHOLDERS

The rights of stockholders of Berkshire Hills are currently governed by Berkshire Hills certificate of incorporation, bylaws and applicable provisions of the DGCL. The rights of stockholders of Rome Bancorp are currently governed by Rome Bancorp's certificate of incorporation, bylaws and applicable provisions of the DGCL. If the merger is completed, Rome Bancorp stockholders who receive Berkshire Hills common stock will become Berkshire Hills stockholders and their rights will likewise be governed by Berkshire Hills certificate of incorporation and bylaws and the DGCL.

The following is a summary of the material differences between the rights of a Rome Bancorp stockholder and the rights of a Berkshire Hills stockholder. This summary is not a complete statement of the differences between the rights of Rome Bancorp stockholders and the rights of Berkshire Hills stockholders and is qualified in its entirety by reference to the governing law of each corporation and to the certificate of incorporation and bylaws of each corporation. Copies of Berkshire Hills certificate of incorporation and bylaws are on file with the Securities and Exchange Commission. Copies of Berkshire Hills certificate of incorporation and bylaws are available upon written request addressed to Corporate Secretary, Berkshire Hills, 24 North Street, Pittsfield, Massachusetts 01201.

Authorized Stock  
Berkshire Hills

***Rome Bancorp***

The Berkshire Hills certificate of incorporation authorizes 27,000,000 shares of capital stock, consisting of 26,000,000 shares of common stock, \$0.01 par value, and 1,000,000 shares of preferred stock, \$0.01 par value.

The Rome Bancorp certificate of incorporation authorizes 30,000,000 shares of common stock, \$0.01 par value and 10,000,000 shares of preferred stock, \$0.01 par value.

At January 27, 2011, there were 14,077,951 shares of Berkshire Hills common stock issued and outstanding.

As of January 27, 2011, there were 6,771,551 shares of Rome Bancorp common stock issued and outstanding.

As of January 27, 2011, there were no shares of preferred stock issued or outstanding.

As of January 27, 2011, there were no shares of preferred stock issued or outstanding.

Voting Rights  
Berkshire Hills

***Rome Bancorp***

The holders of the common stock exclusively possess all voting power, subject to the authority of the board of directors to offer voting rights to the holders of preferred stock.

The holders of the common stock exclusively possess all voting power, subject to the authority of the board of directors to offer voting rights to the holders of preferred stock.

Each share of common stock is entitled to one vote. Beneficial owners of 10% or more of the outstanding stock are subject to voting limitations.

Each share of common stock is entitled to one vote. Beneficial owners of 10% or more of the outstanding stock are subject to voting limitations.

Holders of common stock may not cumulate their votes for the election of directors.

Holders of common stock may not cumulate their votes for the election of directors.

Required Vote for Authorization of Certain Actions  
Berkshire Hills

***Rome Bancorp***

At least 80% of the outstanding shares of voting stock must approve certain business combinations involving an interested stockholder or any affiliate of an interested stockholder. However, if a majority of directors not affiliated with the interested stockholder approves the business combination or certain pricing criteria are satisfied, a majority vote of the outstanding shares is sufficient to approve a business combination.

At least 80% of the outstanding shares of voting stock must approve certain business combinations involving any other corporation or any affiliate of any other corporation. However, if a majority of directors not affiliated with the other corporation approves the business combination, a majority vote of the outstanding shares is sufficient to approve a business combination.

TABLE OF CONTENTS

Dividends

Berkshire Hills

***Rome Bancorp***

Holdings of common stock are entitled, when declared by the Berkshire Hills board of directors, to receive dividends, subject to the rights of holders of preferred stock.

Holdings of common stock are entitled, when declared by the Rome Bancorp board of directors, to receive dividends, subject to the rights of holders of preferred stock.

Stockholders Meetings

Berkshire Hills

***Rome Bancorp***

Berkshire Hills must deliver notice of the meeting and, in the case of a special meeting, a description of its purpose no fewer than ten days and no more than 60 days before the meeting to each stockholder entitled to vote.

Rome Bancorp must deliver notice of the meeting and, in the case of a special meeting, a description of its purpose no fewer than ten days and no more than 60 days before the meeting to each stockholder entitled to vote.

Special meetings may be called only by the board of directors.

Special meetings may be called only by the board of directors.

For purposes of determining stockholders entitled to vote at a meeting, the board of directors may fix a record date that is not less than ten days and not more than 60 days before the meeting.

For purposes of determining stockholders entitled to vote at a meeting, the board of directors may fix a record date that is not less than ten days and not more than 60 days before the meeting.

The board of directors or any stockholder entitled to vote may nominate directors for election or propose new business.

The board of directors or any stockholder entitled to vote may nominate directors for election or propose new business.

To nominate a director or propose new business, stockholders must give written notice to the Secretary of Berkshire Hills not less than 90 days before the meeting. However, if Berkshire Hills gives less than 100 days notice or prior public disclosure of the meeting, written notice of the stockholder proposal or nomination must be delivered to the Secretary not later than ten days following the date notice of the meeting was mailed to stockholders or public disclosure of the meeting was made. Each notice given by a stockholder with

To nominate a director or propose new business, stockholders must give written notice to the Secretary of Rome Bancorp not less than 90 days before the anniversary date of the immediately preceding annual meeting of stockholders. However, if Rome Bancorp holds the annual meeting for a date that is not within 30 days before or after such anniversary date, written notice of the stockholder proposal or nomination must be delivered to the Secretary not later than ten days following the date notice of the meeting was mailed

respect to a nomination to the board of directors or proposal for new business must include certain information regarding the nominee or proposal and the stockholder making the nomination or proposal.

to stockholders. Each notice given by a stockholder with respect to a nomination to the board of directors or proposal for new business must include certain information regarding the nominee or proposal and the stockholder making the nomination or proposal.

Action by Stockholders Without a Meeting  
Berkshire Hills

*Rome Bancorp*

Action taken at an annual or special meeting of stockholders must be effected at a duly called meeting and may not be effected by written consent of stockholders.

Action taken at an annual or special meeting of stockholders must be effected at a duly called meeting and may not be effected by written consent of stockholders.

81

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TABLE OF CONTENTS

Board of Directors  
Berkshire Hills

***Rome Bancorp***

The bylaws provide that the number of directors, to be fixed by resolution, shall not exceed 12.

The bylaws provide that the number of directors, to be fixed by a resolution, shall be no less than seven and no more than 20.

The board of directors is divided into three classes as equal in number as possible and approximately one-third of the directors are elected at each annual meeting.

The board of directors is divided into three classes as equal in number as possible and approximately one-third of the directors are elected at each annual meeting.

Vacancies on the board of directors will be filled by a vote of a majority of the remaining directors.

Vacancies on the board of directors will be filled by a majority vote of the remaining directors.

Directors may be removed only for cause by the vote of 80% of the outstanding shares entitled to vote at an annual or special meeting called for that purpose.

Directors may be removed only for cause by the vote of 80% of the outstanding shares entitled to vote at an annual or special meeting called for that purpose.

Amendment of the Bylaws  
Berkshire Hills

***Rome Bancorp***

The bylaws may be amended or repealed either the approval of a majority of the board of directors or by the vote of 80% of the outstanding shares entitled to vote.

The bylaws may be amended or repealed either the approval of two-thirds of the board of directors or by the vote of two-thirds of the outstanding shares entitled to vote.

Amendment of the Certificate of Incorporation  
Berkshire Hills

***Rome Bancorp***

The certificate of incorporation may be amended or repealed upon approval of a majority of the shares entitled to vote on the matter, unless otherwise provided in the certificate of incorporation or Delaware law.

The certificate of incorporation may be amended or repealed upon approval of the board of directors and a majority of the shares entitled to vote on the matter, unless otherwise provided in the certificate of incorporation or Delaware law.



TABLE OF CONTENTS

# **MANAGEMENT AND OPERATIONS AFTER THE MERGER**

## **Board of Directors**

After completion of the merger, the board of directors of Berkshire Hills will consist of all the current directors of Berkshire Hills. Lawrence A. Bossidy will continue to be Non-Executive Chairman of the Board.

Information regarding the current directors and executive officers of Berkshire Hills, executive compensation and relationships and related transactions is included in this Berkshire Hills proxy statement for its 2010 annual meeting of stockholders, which is incorporated by reference in this proxy statement/prospectus.

## **Management**

The executive officers of Berkshire Hills and Berkshire Bank will not change as a result of the merger.

## **Operations**

While there can be no assurance as to the achievement of business and financial goals, Berkshire Hills currently expects to achieve cost savings equal to approximately 35% of Rome Bancorp's current annualized non-interest expenses through the elimination of redundant senior management and back-office staffing and other operating efficiencies (such as the elimination of duplicative data processing services). Berkshire Hills expects to achieve most of these savings in the first full year following the merger. See *Caution About Forward-Looking Statements*.

TABLE OF CONTENTS

## **INFORMATION ABOUT ROME BANCORP, INC.**

### **General**

Rome Bancorp is a Delaware corporation organized on June 9, 1999 as the stock holding company for The Rome Savings Bank, a federally chartered stock savings bank headquartered in Rome, New York. Rome Bancorp's principal business is to hold the capital stock of The Rome Savings Bank.

The Rome Savings Bank is a federal stock savings bank and the wholly-owned subsidiary of Rome Bancorp. The Rome Savings Bank is a community and customer-oriented retail savings bank that offers traditional deposit products, residential real estate mortgage loans and consumer, commercial and commercial real estate loans. In addition, The Rome Savings Bank purchases securities issued by the U.S. Government and government agencies, municipal securities, mortgage-backed securities and other investments permitted by applicable laws and regulations.

### **Business Strategy**

Rome Bancorp's business is to hold The Rome Savings Bank. Rome Bancorp's revenues are derived principally from interest on Rome Bancorp's loans and interest and dividends on Rome Bancorp's investment securities. Rome Bancorp's primary sources of funds are deposits, payments of loan principal and mortgage-backed securities, maturities and calls of investment securities, borrowings from the Federal Home Loan Bank, and funds provided by operations.

### **Market Area**

Operations are conducted out of Rome Bancorp's executive office in Rome, New York and four branch offices located in Oneida County, New York, two of which are located in Rome, one in New Hartford, New York and one in Lee, New York. As of June 30, 2010, The Rome Savings Bank maintained a 7.34% share of all Oneida County, New York deposits, ranking sixth in size of deposits in Oneida County. The Rome Savings Bank also maintained a 40.95% market share of all reported funds on deposit in the City of Rome as of June 30, 2010, making it the largest depository institution in Rome.

Rome Bancorp's geographic market area for loans and deposits is principally Oneida County, New York. The local economy is not dependent on one key employer. The principal employment sectors are service-related (excluding financial industries), wholesale and retail trade, and manufacturing.

Similar to national trends, in recent years most of the job growth realized in Oneida County has been in service related industries, and service jobs now account for the largest portion of the workforce. Rome Bancorp's market area also includes a growing number of healthcare, engineering, software, and technical firms that have located in Oneida County in order to take advantage of its well-educated work force, including current and former military and defense industry personnel. Rome, New York is located 15 miles west of Utica and approximately 45 miles east of Syracuse. Depending on market conditions, we also occasionally originate loans in the greater New York City metropolitan area, typically through loan participations, and outside of New York State.

## Competition

The Rome Savings Bank faces intense competition both in making loans and attracting deposits. New York has a high concentration of financial institutions, many of which are branches of large money center and regional banks which have resulted from the consolidation of the banking industry in New York and surrounding states. Some of these competitors have greater resources than we do and may offer services that we do not provide. For example, The Rome Savings Bank does not provide trust or investment services, or credit cards. Customers who seek one-stop shopping may be drawn to these institutions.

Competition for loans comes principally from commercial banks, savings institutions, mortgage banking firms, credit unions, finance companies, insurance companies, and brokerage and investment banking firms. The most direct competition for deposits has historically come from credit unions, commercial banks, savings banks, and savings and loan associations. The Rome Savings Bank faces additional competition for deposits from short-term money market funds, corporate and government securities funds, and from brokerage firms, mutual funds, and insurance companies.

## TABLE OF CONTENTS

### **Lending Activities**

The Rome Savings Bank has a long-standing commitment to originate commercial real estate, commercial and consumer loans, in addition to a traditional emphasis on residential lending. We retain the majority of the loans that we originate. Currently, we are selling most of the longer term residential mortgage loans we originate into the secondary market. At September 30, 2010, The Rome Savings Bank had total loans of \$277.8 million, of which \$152.2 million, or 54.8%, were one- to four-family residential mortgages and residential construction loans. Of residential mortgage loans outstanding at that date, 20.3% were adjustable-rate mortgage loans and 79.7% were fixed-rate loans. The remainder of The Rome Savings Bank loans at September 30, 2010, amounting to \$125.6 million, or 45.2% of total loans, consisted of commercial real estate, commercial loans, and consumer loans. The Rome Savings Bank originates commercial real estate and commercial business loans both within and outside of Oneida County, New York. As of September 30, 2010, 18.1% of The Rome Savings Bank loan portfolio was in commercial real estate loans and 12.1% was in commercial loans. In addition, as of September 30, 2010, 15.0% of The Rome Savings Bank loan portfolio was in consumer loans. Rome Bancorp's loans are subject to federal and state laws and regulations. The interest rates charged on loans are affected principally by the demand for loans, the supply of money available for lending purposes and the interest rates offered by Rome Bancorp's competitors. These factors are, in turn, affected by general and local economic conditions, monetary policies of the federal government, including the Federal Reserve Board, legislative tax policies and governmental budgetary matters.

### **Subsidiary Activities**

The Rome Savings Bank has four subsidiaries: 100 On the Mall Corporation, Clocktower Insurance Agency Incorporated, RSB Properties, Inc. and RSB Capital Inc. 100 On the Mall acts as a manager, and developer of real estate. Its only activity is ownership of The Rome Savings Bank's main office building and premises. Clocktower Insurance owns real estate for future expansion, which until January of 2010 had been leased to a Dunkin Donuts franchise adjacent to one of Rome Bancorp's branch offices. This property was sold to a third party in January 2010. RSB Properties, Inc. is a real estate investment trust. RSB Capital, Inc. is currently inactive.

### **Employees**

At September 30, 2010, The Rome Savings Bank had 94 full-time employees and 4 part-time employees. The Rome Savings Bank employees are not represented by a collective bargaining agreement, and The Rome Savings Bank considers its relationship with its employees to be good.

### **Regulation and Supervision**

Rome Bancorp is regulated as a savings and loan holding company by the Office of Thrift Supervision. The Rome Savings Bank, as a federally-chartered savings bank, is subject to regulation, examination and supervision by the Office of Thrift Supervision, as its primary regulator, and the Federal Deposit Insurance Corporation, as its deposit insurer. The Rome Savings Bank must file reports with the Office of Thrift Supervision concerning its activities and financial condition. Rome Bancorp is also required to file reports with, and otherwise comply with, the rules and regulations of the Office of Thrift Supervision and of the Securities and Exchange Commission under the federal securities laws.

## **Regulation of Federal Savings Associations**

*Business Activities.* The Rome Savings Bank derives its lending and investment powers from the Home Owners' Loan Act, as amended (the "HOLA"), and the Office of Thrift Supervision regulations. Under these laws and regulations, The Rome Savings Bank may invest in mortgage loans secured by residential and commercial real estate, commercial and consumer loans, certain types of debt securities, and certain other assets. The Rome Savings Bank may also establish service corporations that may engage in activities not otherwise permissible for The Rome Savings Bank, including certain real estate equity investments and securities and brokerage activities. The Rome Savings Bank's authority to make certain types of loans or other investments is limited by federal law and regulation.

TABLE OF CONTENTS

*QTL Test.* Under federal law, The Rome Savings Bank must comply with the qualified thrift lender, or the QTL test. Under the QTL test, The Rome Savings Bank is required to maintain at least 65% of its portfolio assets in certain qualified thrift investments in at least nine months of the most recent 12-month period. The Rome Savings Bank met the QTL test at September 30, 2010, and in each of the prior 12 months, and therefore is a qualified thrift lender. If The Rome Savings Bank fails the QTL test, and is unable to correct that failure for a period of time, it must either operate under certain restrictions on its activities or convert to a bank charter.

*Capital Requirements.* The Office of Thrift Supervision regulations require savings associations to meet three minimum capital standards: a tangible capital ratio requirement of 1.5% of total assets as adjusted under the Office of Thrift Supervision regulations; a leverage ratio requirement of 3.0% of core capital to such adjusted total assets, if a savings association has been assigned the highest composite rating of 1 under the Uniform Financial Institutions Rating System; and a total risk-based capital ratio requirement of 8.0% of core and supplementary capital to total risk-based assets, provided that the amount of supplementary capital used to satisfy this requirement shall not exceed the amount of core capital. The minimum leverage capital ratio for any other depository institution that does not have a composite rating of 1 will be 4.0%, unless a higher leverage capital ratio is warranted by the particular circumstances or risk profile of the depository institution. At September 30, 2010, The Rome Savings Bank met each of these minimum capital standards and was considered well-capitalized.

*Enforcement.* The Office of Thrift Supervision has primary enforcement responsibility over federally chartered savings associations, including The Rome Savings Bank. This enforcement authority includes, among other things, the ability to assess civil money penalties, to issue cease and desist orders and to remove directors and officers. In general, these enforcement actions may be initiated in response to violations of laws and regulations and to unsafe or unsound practices.

*Standards for Safety and Soundness.* Pursuant to the Federal Deposit Insurance Act, the Office of Thrift Supervision has adopted a set of guidelines prescribing safety and soundness standards. These guidelines establish general standards relating to internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, asset quality, earnings standards, compensation, fees and benefits. In general, the guidelines require appropriate systems and practices to identify and manage the risks and exposures specified in the guidelines. In addition, the Office of Thrift Supervision adopted regulations that authorize, but do not require, the Office of Thrift Supervision to order a savings association that has been given notice that it is not satisfying these safety and soundness standards to submit a compliance plan. If, after being notified, a savings association fails to submit an acceptable plan or fails in any material respect to implement an accepted plan, the Office of Thrift Supervision must issue an order directing action to correct the deficiency. Further, the Office of Thrift Supervision may issue an order directing corrective actions and may issue an order directing other actions of the types to which an undercapitalized association is subject under the prompt corrective action provisions of federal law. If a savings association fails to comply with such an order, the Office of Thrift Supervision may seek to enforce such order in judicial proceedings and to impose civil money penalties.

*Liquidity.* The Rome Savings Bank is required to maintain a sufficient amount of liquid assets to ensure its safe and sound operation.

*Prompt Corrective Action Regulations.* Under the Office of Thrift Supervision prompt corrective action regulations, the Office of Thrift Supervision is required to take certain, and is authorized to take other, supervisory actions against undercapitalized savings associations. For this purpose, a savings association is placed in one of the following four categories based on the association's capital: well capitalized; adequately capitalized; undercapitalized; or critically undercapitalized. At September 30, 2010, The Rome Savings Bank met the criteria for being considered well-capitalized. When appropriate, the Office of Thrift Supervision can require corrective action by a savings

association holding company under the prompt corrective action provision of federal law.

TABLE OF CONTENTS

*Insurance of Deposit Accounts.* The Rome Savings Bank is a member of the Deposit Insurance Fund ( DIF ) maintained by the Federal Deposit Insurance Corporation, and The Rome Savings Bank pays its deposit insurance assessments to the DIF in accordance with the Federal Deposit Insurance Reform Act of 2005 ( DIF Act ). The DIF Act established a statutory minimum and maximum designated reserve ratio for the Deposit Insurance Fund and granted the Federal Deposit Insurance Corporation greater flexibility in establishing the required reserve ratio. In its regulations implementing the DIF Act, the Federal Deposit Insurance Corporation had previously set the annual designated reserve ratio for the Deposit Insurance Fund at 1.25%. However, as a result of the recent failures of a number of banks and thrifts, there has been a significant increase in the loss provisions of the DIF of the Federal Deposit Insurance Corporation. This increase has resulted in a decline in the DIF reserve ratio. Because the DIF reserve ratio declined, and for the foreseeable future is expected to remain, below 1.15%, the Federal Deposit Insurance Corporation established a restoration plan to restore the DIF reserve ratio to 1.15% within five years. On September 29, 2009, the Federal Deposit Insurance Corporation adopted an amendment to the restoration plan that increases the deposit insurance assessment rate schedule uniformly across all four risk categories by three basis points (annualized) of insured deposits beginning January 1, 2011. In addition, on November 17, 2009 the Federal Deposit Insurance Corporation adopted a final rule which required insured depository institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012. The prepaid assessment for these periods was collected on December 30, 2009 and The Rome Savings Bank prepaid assessment was \$752,000 which was recorded as a prepaid expense.

*Federal Reserve System.* Under regulations of the Federal Reserve Board, The Rome Savings Bank is required to maintain noninterest-earning reserves against its transaction accounts (primarily NOW and regular checking accounts). The Federal Reserve Board regulations exempt \$10.7 million of otherwise reservable balances (subject to adjustment by the Federal Reserve Board) from the reserve requirements. A 3% reserve is required for net transaction account balances between \$10.7 million and \$55.2 million (subject to adjustment by the Federal Reserve Board) plus a reserve requirement 10% (subject to adjustment by the Federal Reserve Board between 8% and 14%) against that portion of total transaction accounts in excess of \$55.2 million. The Rome Savings Bank is in compliance with the foregoing reserve requirements. Because required reserves must be maintained in the form of vault cash, a noninterest-bearing account at a Federal Reserve Bank, or a pass-through account as defined by the Federal Reserve Board, the effect of this reserve requirement is to reduce the Bank's interest-earning assets. The balances maintained to meet the reserve requirements imposed by the Federal Reserve Board may be used to satisfy liquidity requirements imposed by the Office of Thrift Supervision. Federal Home Loan Bank System members are also authorized to borrow from the Federal Reserve discount window, but Federal Reserve Board regulations require such institutions to exhaust all Federal Home Loan Bank sources before borrowing from a Federal Reserve Bank.

*The Bank Secrecy Act.* The Rome Savings Bank and Rome Bancorp are subject to the Bank Secrecy Act, as amended by the USA PATRIOT Act, which gives the federal government powers to address money laundering and terrorist threats through enhanced domestic security measures, expanded surveillance powers, and mandatory transaction reporting obligations. By way of example, the Bank Secrecy Act imposes an affirmative obligation on The Rome Savings Bank to report currency transactions that exceed certain thresholds and to report other transactions determined to be suspicious.

On July 26, 2010, The Rome Savings Bank stipulated and consented to a Cease and Desist Order (the Order ) issued by the Office of Thrift Supervision. The Order became effective on July 26, 2010. The Order was issued as a result of weaknesses in The Rome Savings Bank's Secrecy Act/Anti-Money Laundering ( BSA ) compliance program identified this year. The Order requires The Rome Savings Bank to cease and desist from violating certain BSA laws and regulation identified in the Order, revise its current BSA compliance program, implement a system of internal controls to ensure compliance with BSA laws and regulations and to take certain other actions identified by the Office of Thrift Supervision in the Order. The Rome Savings Bank has addressed many of the matters mentioned in the Order and



expects to complete all of the actions required to be taken by the deadline dates stated in the Order. The Order will not have a material impact on the financial condition or results of operations of The Rome Savings Bank or Rome Bancorp.

TABLE OF CONTENTS

## **Regulation of Savings and Loan Holding Companies**

Rome Bancorp is a savings and loan holding company regulated by the Office of Thrift Supervision. As such, Rome Bancorp is registered with and subject to Office of Thrift Supervision examination and supervision, as well as certain reporting requirements. In addition, the Office of Thrift Supervision has enforcement authority over Rome Bancorp and any of its non-savings association subsidiaries. Among other things, this authority permits the Office of Thrift Supervision to restrict or prohibit activities that are determined to be a serious risk to the financial safety, soundness or stability of a subsidiary savings association. Unlike bank holding companies, federal savings and loan holding companies are not subject to any regulatory capital requirements or to supervision by the Federal Reserve Board.

In general, a SLHC, with the prior approval of the Office of Thrift Supervision, may engage in all activities that bank holding companies may engage in under any regulation that the Federal Reserve Board has promulgated under Section 4(c) of the BHC Act. Current regulations limit such authority to those activities that the Federal Reserve Board has, by regulation, determined to be permissible under Section 4(c)(8) of the BHC Act, as noted below. Prior approval from the Office of Thrift Supervision is not required, however, if: (1) the SLHC received a rating of satisfactory or above prior to January 1, 2008, or a composite rating of 1 or 2 thereafter, in its most recent examination, and its not in troubled condition, and the holding company does not propose to commence the activity by an acquisition of a going concern, or (2) the activity is otherwise permissible under another provision of HOLA, for which prior notice to or approval from the Office of Thrift Supervision is not required.

## **Management's Discussion and Analysis of Results of Operations**

### **Critical Accounting Policies**

The Rome Savings Bank's results of operations depend primarily on its net interest income, which is the difference between the interest income it earns on its loans and investments and the interest it pays on its deposits and other interest-bearing liabilities. Net interest income is affected by the relative amounts of interest-earning assets and interest-bearing liabilities and the interest rates earned or paid on these balances. The Rome Savings Bank's operations are also affected by non-interest income, such as service fees and gains and losses on sales of securities, the provision for loan losses and non-interest expense such as salaries and employee benefits, occupancy costs, and other general and administrative expenses. Financial institutions in general, including The Rome Savings Bank, are significantly affected by economic conditions, competition and the monetary and fiscal policies of the federal government. Lending activities are influenced by the demand for and supply of housing, competition among lenders, interest rate conditions and availability of funds. The Rome Savings Bank's operations and lending are principally concentrated in the Central New York area, therefore its operations and earnings are influenced by the economics of such area. Deposit balances and cost of funds are influenced by prevailing market rates on competing investments, customer preferences and levels of personal income and savings in The Rome Savings Bank's primary market area.

The preparation of consolidated financial statements requires management to make estimates and assumptions. Changes in these estimates and assumptions affect the reported amounts of certain assets, liabilities, revenue and expenses. Different amounts could be reported under different conditions, or if different assumptions were used in the application of these accounting policies.

It is management's opinion that accounting estimates covering certain aspects of the business have more significance than others due to the relative importance of those areas to overall performance, or the level of subjectivity required in making these estimates. Management of Rome Bancorp considers the accounting policy relating to the allowance for

loan losses to be a critical accounting policy given the uncertainty in evaluating the level of the allowance required for probable credit losses and the material effect that such judgments can have on the results of operations. Management's quarterly evaluation of the adequacy of the allowance considers Rome Bancorp's historical loan loss experience, review of specific loans, current economic conditions and such other factors considered appropriate to estimate losses. Management uses presently available information to estimate probable losses on loans; however, future additions to the allowance may be necessary based on changes in estimates, assumptions or economic conditions. Significant factors that could give rise to changes in these estimates include, but are not limited to, changes in economic conditions in the local area, concentrations of risk and declines of local property values.

TABLE OF CONTENTS

Rome Bancorp's critical policies and their application are reviewed periodically by the Audit Committee and the Board of Directors. All accounting policies are important, and as such, Rome Bancorp encourages the reader to review each of the policies included in Note 2 to the consolidated financial statements reported on Rome Bancorp's 2009 Annual Report on Form 10-K to obtain a better understanding of how its financial performance is reported.

## General

Net income for the third quarter of 2010 decreased to \$838,000, from the prior year's third quarter net income of \$908,000. The significant factors and trends impacting the third quarter of 2010, which are discussed in greater depth below, were as follows:

Net interest income before loan loss provision increased by \$179,000, or 5.5%, from the same quarter last year principally due to a decrease in interest expense stemming from decreases in the rates paid on deposits and borrowings, as well as a decrease in average outstanding borrowings.

Rome Bancorp recorded a \$75,000 provision for loan losses in the third quarter of 2010 versus no provision for loan losses in the third quarter of 2009.

Other non-interest income increased by \$143,000, or 21.5%, from the third quarter 2009 levels primarily due to increased gains on sales of residential loan originations into the secondary market.

Non-interest expense increased by \$453,000 to \$3.0 million in the quarter ended September 30, 2010 from \$2.6 million for the same period of 2009 primarily due to an increase in professional fees.

Income tax expense for the third quarter of 2010 decreased to \$324,000 compared to \$460,000 in the third quarter of 2009, primarily due to lower pre-tax income and a reduction in New York State income taxes payable due to amendments in New York State taxation statutes.

89

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TABLE OF CONTENTS**Analysis of Net Interest Income: September 30, 2010**

**Average Balances, Interest and Average Yields.** The following table sets forth certain information relating to Rome Bancorp's average balance sheets and reflects the average yield on interest-earnings assets and average cost of interest-bearing liabilities, interest earned and interest paid for the periods indicated. Such yields and costs are derived by dividing income or expense by the average balance of interest-earning assets or interest-bearing liabilities, respectively, for the periods presented. Average balances are derived from daily balances over the periods indicated. The average balances for loans are net of allowance for loan losses, but include non-accrual loans. Interest income on securities includes a tax equivalent adjustment for bank qualified municipals.

	Average Balances, Interest and Average Yields					
	For the three months ended September 30, 2010			For the three months ended September 30, 2009		
	Average Balance	Interest Income/ Expense	Average Yield/ Cost	Average Balance	Interest Income/ Expense	Average Yield/ Cost
	(Dollars in thousands)					
Assets:						
Interest-earning assets:						
Loans	\$274,143	\$4,007	5.80 %	\$283,982	\$4,148	5.80 %
Securities <sup>(1)</sup>	17,408	179	4.08	12,689	159	4.98
Federal funds sold & other interest bearing deposits	6,913	3	0.16	11,106	4	0.13
Total interest-earnings assets	298,464	4,189	5.57	307,777	4,311	5.56
Noninterest-earning assets	28,501			27,334		
Total assets	\$326,965			\$335,111		
Liabilities and Stockholders' Equity:						
Interest-bearing liabilities:						
Savings accounts	\$85,498	\$86	0.40	\$83,681	\$84	0.40
Time deposits	70,075	304	1.71	72,203	440	2.41
Money market accounts	18,966	48	1.01	15,863	47	1.18
Other interest bearing deposits	16,714	16	0.39	14,642	15	0.42
Total interest-bearing deposits	191,253	454	0.94	186,389	586	1.25
Borrowings	37,563	299	3.16	55,081	466	3.35
Total interest-bearing liabilities	228,816	753	1.31	241,470	1,052	1.73
Noninterest-bearing deposits	34,685			30,059		
Other liabilities	3,922			5,266		
Total liabilities	267,423			276,795		
Stockholders' equity	59,542			58,316		
Total liabilities and stockholders equity	\$326,965			\$335,111		
Net interest income		3,436			3,259	
Tax equivalent adjustment on securities					(2 )	
Net interest income per consolidated financial statements		\$3,436			\$3,257	

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Net interest rate spread	4.26 %	3.83 %
Net interest margin	4.57 %	4.20 %
Ratio of interest-earning assets to interest-bearing liabilities	1.30x	1.27x

(1) Includes tax equivalent adjustment for Rome Bancorp's tax-exempt municipal securities.

90

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TABLE OF CONTENTS

	Average Balances, Interest and Average Yields					
	For the nine months ended September 30, 2010			For the nine months ended September 30, 2009		
	Average Balance	Interest Income/Expense	Average Yield/ Expense Cost	Average Balance	Interest Income/ Expense	Average Yield/ Cost
	(Dollars in thousands)					
Assets:						
Interest-earning assets:						
Loans	\$281,644	\$12,125	5.76 %	\$290,652	\$12,626	5.81 %
Securities <sup>(1)</sup>	15,704	513	4.37	10,457	372	4.76
Federal funds sold & other interest bearing deposits	2,799	3	0.15	6,711	8	0.17
Total interest-earnings assets	300,147	12,641	5.63	307,820	13,006	5.65
Noninterest-earning assets	27,967			27,601		
Total assets	\$328,114			\$335,421		
Liabilities and Stockholders Equity:						
Interest-bearing liabilities:						
Savings accounts	\$84,610	\$253	0.40	\$82,411	\$247	0.40
Time deposits	71,143	967	1.82	72,424	1,464	2.70
Money market accounts	17,649	134	1.01	14,886	147	1.32
Other interest bearing deposits	15,362	44	0.38	13,970	42	0.40
Total interest-bearing deposits	188,764	1,398	0.99	183,691	1,900	1.38
Borrowings	39,782	902	3.03	56,321	1,359	3.23
Total interest-bearing liabilities	228,546	2,300	1.35	240,012	3,259	1.82
Noninterest-bearing deposits	33,127			29,876		
Other liabilities	6,493			6,639		
Total liabilities	268,166			276,527		
Stockholders equity	59,948			58,894		
Total liabilities and stockholders equity	\$328,114			\$335,421		
Net interest income		10,341			9,747	
Tax equivalent adjustment on securities		(4 )			(10 )	
Net interest income per consolidated financial statements		\$10,337			\$9,737	
Net interest rate spread			4.28 %			3.83 %
Net interest margin			4.61 %			4.23 %
Ratio of interest-earning assets to interest-bearing liabilities			1.31x			1.28x

(1) Includes tax equivalent adjustment for Rome Bancorp's tax-exempt municipal securities.

TABLE OF CONTENTS

**Rate Volume Analysis.** The following table analyzes the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities. It shows the amount of the change in interest income or expense caused by either changes in outstanding balances (volume) or changes in interest rates. The effect of a change in volume is measured by applying the average rate during the first period to the volume change between the two periods. The effect of changes in rate is measured by applying the change in rate between the two periods to the average volume during the first period. Changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately to the absolute value of the change due to volume and the change due to rate.

	Three months ended September 30, 2010 compared to Three months ended September 30, 2009			Nine months ended September 30, 2010 compared to Nine months ended September 30, 2009		
	Increases (decreases) due to Rate	Volume	Net	Increases (decreases) due to Rate	Volume	Net
	(in thousands)					
Assets:						
Interest-earning assets:						
Loans	\$(1 )	\$(140)	\$(141)	\$(116)	\$(385)	\$(501)
Securities <sup>(1)</sup>	(39 )	59	20	(46 )	187	141
Federal funds sold & other Interest bearing deposits		(1 )	(1 )		(5 )	(5 )
Total interest-earnings assets	(40 )	(82 )	(122)	(162)	(203)	(365)
Interest-bearing liabilities:						
Savings accounts		2	2	(1 )	7	6
Time deposits	(123)	(13 )	(136)	(471)	(26 )	(497)
Money market accounts	(8 )	9	1	(40 )	27	(13 )
Other interest bearing deposits	(1 )	2	1	(2 )	4	2
Total interest-bearing deposits	(132)		(132)	(514)	12	(502)
Borrowings	(19 )	(148)	(167)	(58 )	(399)	(457)
Total interest-bearing liabilities	(151)	(148)	(299)	(572)	(387)	(959)
Net change <sup>(1)</sup>	\$111	\$66	\$177	\$410	\$184	\$594

(1) Includes tax equivalent adjustment for Rome Bancorp's tax-exempt municipal securities.

## Comparison of Financial Condition at September 30, 2010 and December 31, 2009

Total assets of Rome Bancorp at September 30, 2010 increased to \$331.6 million compared to \$329.9 million at December 31, 2009. Rome Bancorp's net loan portfolio decreased by \$10.4 million, or 3.6%, from \$285.6 million at December 31, 2009 to \$275.2 million at September 30, 2010. During the first nine months of 2010, Rome Bancorp originated approximately \$40.8 million of loans, compared to approximately \$39.9 million of loans originated in the same period of 2009.



Total deposits increased to \$226.9 million at September 30, 2010 from \$216.6 million at December 31, 2009. During the first three quarters of 2010, savings deposits increased by \$3.4 million, or 4.1%, and money market balances increased by \$4.2 million, or 26.8%. Time deposits decreased by \$2.3 million, or 3.1%, to \$69.6 million at September 30, 2010 from \$71.9 million at year end 2009. Balances of non-interest bearing deposits increased by \$4.7 million, or 14.8%, while other interest bearing deposits increased by \$209,000, or 1.4%, over the first nine months of 2010.

As a result of increased loan sale activity and increases in deposit balances, Rome Bancorp continued to pay down debt during the first nine months of 2010. Borrowings from the Federal Home Loan Bank of New York ( FHLB ) decreased from \$47.9 million at December 31, 2009 to \$37.9 million at the end of the current quarter.

TABLE OF CONTENTS

## Comparison of Operating Results for the Three-Month Periods Ended September 30, 2010 and 2009

**General.** During the three months ended September 30, 2010, Rome Bancorp recorded net income of \$838,000, compared to \$908,000 for the third quarter of 2009. The decrease in net income is comprised of an increase in net interest income before the provision for loan losses of \$179,000, an increase in non-interest income of \$143,000, and a decrease in income tax expense of \$136,000, partially offset by an increase the provision for loan losses of \$75,000, an increase in non-interest expense of \$453,000.

Diluted earnings per share decreased to \$0.13 per diluted share for the quarter ended September 30, 2010 from \$0.14 per diluted share in the quarter ended September 30, 2009. Average diluted shares decreased to 6,526,000 for the third quarter of 2010 from 6,578,000 in the same period of 2009 due to Rome Bancorp's stock repurchases over the past year.

**Net Interest Income.** Net interest income before loan loss provision for the quarter ended September 30, 2010 increased by \$179,000, or 5.5%, compared to the same quarter of 2009. This increase is primarily attributable to a decrease in interest expense due to lower average balances and rates paid on interest bearing liabilities, partially offset by a decrease in interest income due to a decrease in the average balance of loans outstanding.

**Interest Income.** Interest income decreased to \$4.2 million for the quarter ended September 30, 2010 from \$4.3 million for the same quarter of 2009. Average loan balances for the third quarter of 2010 were \$274.1 million, a decrease of \$9.8 million from the average outstanding loans for the third quarter of 2009 as a result of continued sales of residential loan originations into the secondary market. The yield on Rome Bancorp's loan portfolio was stable at 5.80% for both the quarter ended September 30, 2010 and the same period last year. Interest income on securities increased by \$22,000 from \$157,000 for the quarter ended September 30, 2009 to \$179,000 for the quarter ended September 30, 2010. The average balance of securities increased by \$4.7 million, or 37.0%, from the third quarter of 2009 to \$17.4 million for the current quarter while the tax equivalent yield on Rome Bancorp's securities decreased to 4.08% from 4.98%.

**Interest Expense.** Interest expense decreased to \$753,000 for the quarter ended September 30, 2010 from \$1.1 million for the same quarter of 2009. Interest expense on deposits decreased to \$454,000 for the quarter ended September 30, 2010 from \$586,000 for the quarter ended September 30, 2009, due to lower rates paid on time deposits consistent with market trends over the past year. This was partially offset by an increase in the average balance of interest-bearing deposits to \$191.3 million for the quarter ended September 30, 2010, from \$186.4 million for the same period of 2009. Interest expense on borrowed funds decreased to \$299,000 for the quarter ended September 30, 2010 from \$466,000 for the comparative quarter of 2009 due to a decrease in both the average balances of borrowings and their interest rates in 2010. The average balance of borrowings decreased to \$37.6 million in the current quarter compared to \$55.1 million in the third quarter of 2009. Cash received from increased customer deposits and loan sales were utilized to repay borrowings as they matured. The rate on Rome Bancorp's borrowings decreased to 3.16% during the third quarter of 2010 from 3.35% in the same quarter of 2009 as Rome Bancorp repaid some of its longer maturity advances during the first quarter of 2010.

**Provision for Loan Losses.** Rome Bancorp recorded a \$75,000 provision for loan losses in the third quarter of 2010, compared to no loan loss provision in the same period of 2009. The additional provision was deemed necessary to cover an increase in Rome Bancorp's level of non-performing loans. At September 30, 2010, non-performing loans as a percent of loans increased to 0.75% compared to 0.67% at December 31, 2009. Over the same nine month period, the allowance for loan losses as a percent of non-performing loans increased to 125.2% from 111.4%. The majority of

the increase in non-performing loans is in the single family residential loan portfolio, which management believes to be adequately collateralized. The allowance for loan losses as a percentage of loans increased to 0.93% at September 30, 2010 compared to 0.74% at December 31, 2009.

Included in Rome Bancorp's classified assets at September 30, 2010 is a loan relationship comprised of three loans to the same borrower, which are part of a larger loan participation arrangement with other banks. Rome Bancorp's portion of the arrangement totaled \$4.6 million at September 30, 2010. The loans are secured by first and second mortgages on property held for development and several other unrelated properties. Due to the current economic climate, the borrower has been unable to develop the commercial real estate for sale in a

## TABLE OF CONTENTS

timely fashion. This commercial credit was performing in accordance with contractual terms as of September 30, 2010 and was therefore accruing interest as of such date. However, management is uncertain as to the current and continued sources of debt service. Accordingly Rome Bancorp has designated one of the loans as impaired. The loss related to this relationship could change if new information becomes available in future periods. Management is actively monitoring this credit and its associated collateral value.

Rome Bancorp has in place procedures to identify and monitor potential problem loans. Rome Bancorp regularly reviews problem loans and other assets in its portfolio to determine whether any require classification in accordance with Rome Bancorp's policy and applicable regulations. In determining the appropriate provision for loan losses, management considers the level of and trend in non-performing loans, the level of and trend in net loan charge-offs, the dollar amount and mix of the loan portfolio, as well as general economic conditions and real estate trends in Rome Bancorp's market area, which can impact the inherent risk of loss in Rome Bancorp's loan portfolio.

***Non-Interest Income and Non-Interest Expense.*** Non-interest income increased by \$143,000 to \$808,000 in the third quarter of 2010 from \$665,000 in the same period of 2009, largely due to an increase in gains realized on the sale of residential mortgage originations into the secondary market.

Non-interest expense increased by \$453,000 to \$3.0 million in the third quarter of 2010 from \$2.6 million in the same quarter of 2009. The majority of this increase is attributable to professional fees incurred in relation to Rome Bancorp's impending merger with Berkshire Hills. Income tax expense for the third quarter of 2010 decreased to \$324,000 from \$460,000 in the same period of 2009, primarily due to both the decrease in pre-tax income as well as recently enacted amendments to New York State's banking tax statutes, which reduced Rome Bancorp's income tax expense by \$67,000.

## **Comparison of Operating Results for the Nine Months Ended September 30, 2010 and 2009**

***General.*** During the nine months ended September 30, 2010, Rome Bancorp recorded net income of \$2.7 million compared to \$2.3 million for the first nine months of 2009. The increase resulted from an increase in net interest income before the provision for loan losses of \$600,000 and an increase in non-interest income of \$739,000, partially offset by an increase in the provision for loan losses of \$340,000, an increase in non-interest expense of \$407,000 and a \$176,000 increase in income tax expense.

Diluted earnings per share increased to \$0.41 per diluted share for the nine months ended September 30, 2010 in comparison to \$0.34 per diluted share for the same period of 2009. The year-to-date 2010 average outstanding diluted shares decreased to 6,520,000 from 6,604,000 due to ongoing treasury stock purchases.

***Net Interest Income.*** Net interest income before loan loss provision for the nine months ended September 30, 2010 increased by \$600,000 or 6.2%, as compared to the same period of 2009. This increase is attributable to a decrease in the average balance of borrowings and rates paid on deposits and borrowings, partially offset by a reduction in the average balances of and yields earned on assets.

***Interest Income.*** Interest income decreased to \$12.6 million for the nine month period ended September 30, 2010 from \$13.0 million for the first three quarters of 2009. Average earning assets for the first nine months of 2010 decreased to \$300.1 million from \$307.8 million in the same period of 2009. This reduction is due to the sale of a substantial portion of Rome Bancorp's newly originated residential loans into the secondary market over the past year. The yield on earning assets decreased slightly to 5.63% for the nine months ended September 30, 2010, from 5.65% for the first nine months of 2009. Average loan balances for the first nine months of 2010 were \$281.6 million, a

decrease of \$9.1 million from the average outstanding loans for the same period of 2009. The yield on Rome Bancorp's loan portfolio for the nine months ended September 30, 2010 was 5.76% compared to a yield of 5.81% for the same period last year. Interest income on securities increased \$147,000 from \$362,000 for the nine months ended September 30, 2009 to \$509,000 for the nine months ended September 30, 2010 as the average balance of the investment portfolio increased to \$15.7 million for the first nine months of 2010 from \$10.5 million during the same period of 2009. Finally, interest income on federal funds sold and other interest bearing deposits decreased by \$5,000 to \$3,000 for the first nine months of 2010 from the same period in 2009 due to decreases in average balances of these funds.

TABLE OF CONTENTS

**Interest Expense.** Interest expense decreased to \$2.3 million for the nine months ended September 30, 2010 from \$3.3 million for the nine months ended September 30, 2009. Interest expense on deposits decreased to \$1.4 million for the nine months ended September 30, 2010 from \$1.9 million for the nine months ended September 30, 2009 as a result of a decrease in the cost of these deposits from 1.38% to 0.99% partially offset by an increase in the average balance of deposits to \$188.8 million this year from \$183.7 million during the first three quarters of 2009. Interest expense on borrowed funds decreased to \$902,000 for the nine months ended September 30, 2010 from \$1.4 million for the comparative period of 2009 primarily due to a decrease in the average balance of borrowings to \$39.8 million in the current year to date as compared to \$56.3 million in the nine months ended September 30, 2009. Deposit growth and proceeds of loan sales have been used to pay down advances upon their maturity. The rate paid on these borrowings decreased from 3.23% for the nine months ended September 30, 2009 to 3.03% for the same period this year.

**Provision for Loan Losses.** Rome Bancorp recorded a \$540,000 provision for loan losses in the first nine months of 2010 versus a \$200,000 provision in the same period of 2009. The 2010 year to date provision was recorded to provide for decline in value of collateral for a commercial loan and an increase in non-performing loans. Rome Bancorp's ratio of non-performing loans to total loans increased to 0.75% at September 30, 2010, from 0.67% at the previous year end. The majority of Rome Bancorp's non-performing loans are in the single family residential loan portfolio which management believes is well collateralized. Rome Bancorp's year to date net loan charge-offs were \$77,000 in the first nine months of 2010, compared to \$54,000 for the same period of 2009.

In determining the appropriate provision for loan losses, management considers the level of and trend in non-performing loans, the level of and trend in net loan charge-offs, the dollar amount and mix of the loan portfolio, as well as general economic conditions and real estate trends in Rome Bancorp's market area, which can impact the inherent risk of loss in Rome Bancorp's loan portfolio.

**Non-Interest Income and Non-Interest Expense.** Non-interest income increased to \$2.6 million for the first three quarters of 2010 from \$1.8 million for the first nine months of 2009. The increase is attributable to gains on sales of real estate and securities and an increase in fee revenue. In the first quarter of 2010, Rome Bancorp sold a parcel of non-operating commercial real estate, realizing a gain of \$418,000. During the first nine months of 2010, Rome Bancorp recorded gains of \$156,000 on the sales of five investment securities; by contrast in the same period of 2009 one security was sold at a gain of \$26,000.

Non-interest expense increased to \$8.4 million in the first nine months of 2010 compared to \$8.0 million in the same period of 2009, principally due to the increase in professional fees incurred, as more described in the discussion for the third quarter, above.

Income tax expense for the first nine months of 2010 increased to \$1.3 million from \$1.1 million in the same period of 2009, principally due to the increase in pre-tax income.

TABLE OF CONTENTS

**Analysis of Net Interest Income: December 31, 2009**

*Average Balances, Interest and Average Yields.* The following table sets forth certain information relating to Rome Bancorp's average balance sheets and reflects the average yield on interest-earnings assets and average cost of interest-bearing liabilities, interest earned and interest paid for the periods indicated. Such yields and costs are derived by dividing income or expense by the average balance of interest-earning assets or interest-bearing liabilities, respectively, for the periods presented. Average balances are derived from daily balances over the periods indicated. The average balances for loans are net of allowance for loan losses, but include non-accrual loans. Interest income on securities includes a tax equivalent adjustment for bank qualified municipals.

TABLE OF CONTENTS

**Rate Volume Analysis.** The following table analyzes the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities. It shows the amount of the change in interest income or expense caused by either changes in outstanding balances (volume) or changes in interest rates. The effect of a change in volume is measured by applying the average rate during the first period to the volume change between the two periods. The effect of changes in rate is measured by applying the change in rate between the two periods to the average volume during the first period. Changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately to the absolute value of the change due to volume and the change due to rate.

	Rate Volume Analysis					
	Year Ended December 31, 2009 Compared to Year Ended December 31, 2008 Increases (decreases) due to			Year Ended December 31, 2008 Compared to Year Ended December 31, 2007 Increases (decreases) due to		
	Rate	Volume	Net	Rate	Volume	Net
	(in thousands)					
Assets:						
Interest-earning assets:						
Loans	\$(837 )	\$ 39	\$(798 )	\$(1,125 )	\$1,205	\$ 80
Securities	(76 )	213	137	(115 )	70	(45 )
Federal funds sold and other Interest bearing deposits	(142 )	127	(15 )	(33 )	7	(26 )
Total interest-earning assets	(1,055)	379	(676)	(1,273)	1,282	9
Interest-bearing liabilities:						
Savings accounts	(123 )	7	(116)		(8 )	(8 )
Time deposits	(780 )	(2 )	(782)	(302 )	102	(200 )
Money market accounts	(109 )	104	(5 )	(2 )	56	54
Other interest bearing deposits	(16 )	3	(13 )	(6 )	10	4
Total interest-bearing deposits	(1,028)	112	(916)	(310 )	160	(150 )
Borrowings	113	166	279	(832 )	1,071	239
Total interest-bearing liabilities	(915 )	278	(637)	(1,142)	1,231	89
Net change in interest income	\$(140 )	\$ 101	\$(39 )	\$(131 )	\$ 51	\$(80 )

## Comparison of Financial Condition at December 31, 2009 and December 31, 2008

Rome Bancorp's total assets at December 31, 2009 were \$329.9 million, a decrease of \$8.0 million or 2.4% from \$337.9 million at December 31, 2008. The majority of this decrease was attributable to contraction of Rome Bancorp's loan portfolio.

Cash and cash equivalents decreased to \$7.6 million at December 31, 2009 from \$9.6 million a year earlier. Securities available for sale were \$10.0 million at December 31, 2009, an increase of \$6.4 million from \$3.6 million at December 31, 2008. This increase was due to the purchase of eighteen bonds, partially offset by principal reductions and maturities in the existing bond portfolio. Rome Bancorp's investment in Federal Home Loan Bank stock decreased by \$356,000 in 2009, in connection with a reduction in its line of credit borrowing with this institution.



Total loans decreased by \$12.7 million, or 4.2% to \$287.7 million at December 31, 2009 from \$300.4 million at December 31, 2008. During the year ended December 31, 2009, Rome Bancorp originated approximately \$51.5 million of loans. Rome Bancorp's residential mortgage construction and loan portfolio, decreased by \$14.7 million, or 8.4%, primarily due to the sale of the majority of Rome Bancorp's 2009 originations of thirty year termed fixed-rate mortgages into the secondary market. The decision to sell these originations was made to control potential interest rate risk in periods of future rising interest rates. Rome Bancorp's non-performing loans as a percentage of total loans increased to 0.67% at December 31, 2009 as compared to 0.42% at December 31, 2008, primarily due to increased residential mortgage delinquencies and

## TABLE OF CONTENTS

decreased loan balances. The allowance for loan losses as a percent of non-performing loans decreased to 111.4% at December 31, 2009, from 152.4% at December 31, 2008.

Total deposits increased by \$10.7 million or 5.2% from \$205.9 million at December 31, 2008 to \$216.6 million at December 31, 2009, as depositors chose insured bank deposit accounts over other available investments. Rome Bancorp recorded growth in all deposit categories except for time deposits, which declined by \$235,000, or 0.3%. Money market balances grew by \$3.7 million, or 31.1%, in 2009, increasing from \$12.0 million at December 31, 2008 to \$15.7 million at December 31, 2009. Non-interest bearing deposits increased by \$3.4 million, or 12.0%, over the past year. Savings deposits increased \$2.8 million from \$79.2 million at December 31, 2008 to \$82.0 million at December 31, 2009. Other interest bearing deposits increased by \$985,000, or 6.9%, from \$14.2 million at December 31, 2008 to \$15.2 million at year end 2009.

## **Comparison of Results of Operations for the Years Ended December 31, 2009 and December 31, 2008**

**General.** Net income for the year ended December 31, 2009 increased to \$3.1 million from \$2.9 million for the year ended December 31, 2008. The increase in net income was attributable to an increase in non-interest income of \$578,000, partially offset by a decrease in net interest income before provision for loan losses of \$26,000, and increases in non-interest expense and income tax expense of \$279,000 and \$91,000, respectively.

**Net Interest Income.** Rome Bancorp recorded net interest income of \$13.0 million in 2009 and \$13.1 million in 2008. The changes in the components of net interest income are discussed in detail below.

**Interest Income.** Interest income decreased by \$663,000 for the year ended December 31, 2009, from \$18.0 million for the year ended December 31, 2008. Interest income earned on the loan portfolio decreased to \$16.8 million in 2009 from \$17.6 million in 2008. Average balances of the loan portfolio remained constant at approximately \$289 million in both 2009 and 2008. The yield on loans in 2009 decreased to 5.80% compared to 6.08% in 2008 concurrent with the decline in overall underlying interest rates. Interest and dividend income on securities increased in 2009 primarily due to growth in the available for sale portfolio. Average securities increased to \$11.6 million in 2009 from \$7.5 million in 2008 while their tax equivalent yields decreased to 4.58% from 5.24% over the same period. Interest income of other short-term investments, including federal funds sold, dropped from \$26,000 in 2008 to \$11,000 in 2009, as a result of a decrease in the yield earned on these funds, again driven by declines in market interest rates throughout latter 2008 and into 2009.

**Interest Expense.** Interest expense decreased to \$4.3 million in 2009 from \$4.9 million in 2008 primarily due to a decrease in the cost of funds, consistent with current market trends, partially offset by increases in the average balances of outstanding borrowings and deposits. Interest expense on borrowings increased from \$1.5 million in 2008 to \$1.8 million in 2009 as the average balances increased from \$50.7 million in 2008 to \$56.2 million in the current year. The average rate paid on these borrowings increased to 3.25% in 2009 from 3.04% in 2008, as Rome Bancorp restructured its floating rate debt into longer term fixed-rate maturities in order to take advantage of the historically low interest rate levels. The average rate paid on interest bearing deposits in 2009 decreased to 1.32% from 1.89% in 2008, principally due to lower rates paid on time deposits and savings accounts.

**Provision for Loan Losses.** Rome Bancorp recorded a provision for loan losses of \$300,000 in both 2009 and 2008. While the level of non-performing loans has increased over the past year, Rome Bancorp has had a reduction in its actual loan losses. Net loan charge-offs decreased to \$104,000 in 2009 from \$274,000 in the prior year. The allowance for loan losses increased to \$2.1 million or 0.74% of total loans at December 31, 2009 compared to \$1.9 million and

0.64% of total loans at December 31, 2008. The allowance for loan losses as a percent of non-performing loans decreased to 111.4% at December 31, 2009 compared to 152.1% at December 31, 2008. Management considers these ratios to be appropriate due to the current composition of the loan portfolio and level of non-performing loans.

Non-performing loans, consisting of non-accrual loans and loans 90 days past due and still accruing, were \$1.9 million or 0.67% of total loans at December 31, 2009 compared to \$1.3 million or 0.42% at December 31, 2008. The Rome Savings Bank does not originate or hold subprime mortgage loans or securities collateralized by subprime loans.

TABLE OF CONTENTS

In determining the level of the provision for loan losses necessary to absorb probable incurred credit losses, management considers historical loan loss experience, review of specific loans, the level of and trend in non-performing loans, the level of and trend in net loan charge-offs, the dollar amount and mix of the loan portfolio, as well as general economic conditions and real estate trends in Rome Bancorp's market area, which can impact the inherent risk of loss in Rome Bancorp's loan portfolio. As a result of these factors, management determined that a provision of \$300,000 was appropriate in 2009.

**Non-Interest Income.** The following table summarizes changes in the major components of non-interest income:

	2009	2008	\$ Change	% Change
	(Dollars in thousands)			
Gain (loss) on securities	\$ 73	\$ (265 )	\$ 338	127.55 %
Gain on sale of loans	155	17	138	811.76
Service charges	1,815	1,706	109	6.39
Other income	479	486	(7 )	(1.44 )
Total non-interest income	\$ 2,522	\$ 1,944	\$ 578	29.73 %

Non-interest income increased \$578,000 to \$2.5 million in 2009 from \$1.9 million in 2008. During 2009, Rome Bancorp sold two investment securities, yielding gains of \$73,000; no investments were sold in 2008. In contrast, in 2008, in relation to declines in global investment markets, Rome Bancorp recognized a write-down of \$265,000 on its investment in a large blue chip mutual fund, due to impairment that was determined to be other than temporary under generally accepted accounting principles. In light of the low interest rate environment existent in 2009, Rome Bancorp opted to sell the majority of its current year fixed-rate thirty year termed residential mortgage originations into the secondary market. Loan sales increased to \$11.2 million in 2009, compared to \$1.2 million in 2008, accounting for the increase in gains on loan sales. Service charge income increased commensurate with deposit and loan activity.

**Non-Interest Expense.** Non-interest expense increased to \$10.7 million for the year ended December 31, 2009 compared to \$10.4 million for the year ended December 31, 2008. The following table summarizes changes in the major components of non-interest expense:

	2009	2008	\$ Change	% Change
	(Dollars in thousands)			
Salaries and employee benefits	\$ 6,143	\$ 5,733	\$ 410	7.15 %
Occupancy and equipment expense	1,918	1,903	15	0.79
Regulatory assessments	416	140	276	197.14
Outside consulting and professional fees	421	580	(159 )	(27.41 )
Other expense	1,791	2,054	(263 )	(12.80 )
Total non-interest expense	\$ 10,689	\$ 10,410	\$ 279	(2.68 )%

The increase in salaries and employee benefits is largely related to higher defined benefit pension plan expense resulting from a 2008 decline in the market value of plan assets. Due to overall higher assessment rates charged to all banks insured by the FDIC, as well as a special assessment, Rome Bancorp's FDIC and regulatory assessment expense increased to \$416,000 in 2009 from \$140,000 in the prior year. In 2009 Rome Bancorp required less legal, professional and consulting services. Major components of the decrease in other expenses were in the areas of other real estate owned and contribution expense. Due to a reduction in other real estate owned during 2009, Rome Bancorp's expense decreased by \$98,000 to \$10,000 in 2009. Contribution expense decreased from \$151,000 in 2008

to \$17,000 in 2009 due to the 2008 donation of a parcel of Company owned real estate to the Rome Rescue Mission, Inc.

***Income Tax Expense.*** Income tax expense was \$1.5 million for 2009, an increase of \$91,000 from 2008 income tax expense of \$1.4 million. The increase is attributable to higher pre-tax earnings.

TABLE OF CONTENTS

## Comparison of Results of Operations for the Years Ended December 31, 2008 and December 31, 2007

**General.** Net income for the year ended December 31, 2008 was \$2.9 million, a decrease of \$149,000 from \$3.1 million for the year ended December 31, 2007. The decrease in net income was attributable to decreases in net interest income before loan loss provision of \$54,000, an increase in the provision for loan losses of \$250,000, and a decrease in non-interest income of \$219,000, partially offset by decreases in non-interest expense and income tax expense of \$162,000 and \$212,000, respectively.

**Net Interest Income.** Rome Bancorp recorded net interest income of \$13.1 million in both 2008 and 2007. The changes in the components of net interest income are discussed in detail below.

**Interest Income.** Interest income increased by \$35,000 for the year ended December 31, 2008, from \$17.9 million for the year ended December 31, 2007. Interest income earned on the loan portfolio increased to \$17.6 million in 2008 from \$17.5 million in 2007. Average loan balances increased to \$288.6 million in 2008 from \$270.4 million in 2007, primarily due to growth in the residential mortgage portfolio. The yield on loans in 2008 decreased to 6.08% compared to 6.47% in 2007 concurrent with the decline in overall benchmark interest rates. Interest and dividend income on securities decreased in 2008 primarily due to a decline in the yield on these assets. Average securities increased to \$7.5 million in 2008 from \$6.5 million in 2007 while their yields decreased to 5.24% from 6.77% over the same period. Interest income of other short-term investments, including federal funds sold, dropped from \$52,000 in 2007 to \$26,000 in 2008, as a result of a decrease in the yield earned on these funds, again driven by declines in market interest rates throughout 2008.

**Interest Expense.** Interest expense increased to \$4.9 million in 2008 from \$4.8 million in 2007 primarily due to increases in the average balances of outstanding debt and deposits, partially offset by a decrease in the cost of these funds, consistent with current market trends. Interest expense on borrowings increased from \$1.3 million in 2007 to \$1.5 million in 2008 as the average balances increased from \$27.9 million in 2007 to \$50.7 million in 2008. The average rate paid on this debt decreased to 3.04% in 2008 from 4.68% in 2007. The average rate paid on interest bearing deposits in 2008 was 1.89% compared to 2.04% in 2007, principally due to lower rates paid on time deposits.

**Provision for Loan Losses.** The provision for loan losses was \$300,000 in 2008 compared to \$50,000 in 2007, reflecting a higher level of charge-offs and loan growth in 2008. Net loan charge-offs increased to \$274,000 in 2008 from \$105,000 in the prior year. The allowance for loan losses was \$1.9 million or 0.64% of total loans at December 31, 2008 compared to \$1.9 million and 0.68% of total loans at December 31, 2007. The allowance for loan losses as a percent of non-performing loans decreased to 152.1% at December 31, 2008 compared to 190.4% at December 31, 2007. Management considers these ratios to be appropriate due to the net growth in Rome Bancorp's residential mortgage and construction loan portfolio of \$21.5 million, or 14.1% in 2008. Due to stringent underwriting standards, the history of losses on the residential mortgage loan portfolio is significantly lower than on the other types of loans. Non-performing loans, consisting of non-accrual loans and loans 90 days past due and still accruing, were \$1.3 million or 0.42% of total loans at December 31, 2008 compared to \$1.0 million or 0.35% at December 31, 2007. The Rome Savings Bank does not originate or hold subprime mortgage loans or securities collateralized by subprime loans.

In determining the level of the provision for loan losses necessary to absorb probable incurred credit losses, management considers historical loan loss experience, review of specific loans, the level of and trend in non-performing loans, the level of and trend in net loan charge-offs, the dollar amount and mix of the loan portfolio, as well as general economic conditions and real estate trends in Rome Bancorp's market area, which can impact the

inherent risk of loss in Rome Bancorp's loan portfolio. As a result of these factors, management determined that a provision of \$300,000 was appropriate in 2008.

TABLE OF CONTENTS

**Non-Interest Income.** The following table summarizes changes in the major components of non-interest income:

	2008	2007	\$ Change	% Change
	(Dollars in thousands)			
(Loss) gain on securities	\$ (265 )	\$ 11	\$ (276 )	(2,509.10)%
Gain on sale of loans	17	18	(1 )	(5.56 )
Service charges	1,706	1,654	52	3.14
Other income	486	480	6	1.25
Total non-interest income	\$ 1,944	\$ 2,163	\$ (219 )	(10.12 )%

Non-interest income decreased \$219,000 to \$1.9 million in 2008 from \$2.2 million in 2007. During the fourth quarter of 2008, in relation to declines in global investment markets, Rome Bancorp recognized a write-down of \$265,000 on its investment in a large blue chip mutual fund, due to impairment that was determined to be other than temporary under generally accepted accounting principles. This charge reduced fourth quarter and year to date net earnings by \$162,000, or \$0.02 per diluted share. After the write-down to fair market value, this investment is valued at \$472,000. As this investment is classified as an available for sale security, stockholder's equity had already been reduced by the amount of the unrealized loss, net of taxes. The other than temporary write-down does not necessarily mean that the value has been permanently lost. The fair market value of the security has in fact increased during 2009. Service charge income increased commensurate with deposit and loan activity.

**Non-Interest Expense.** Non-interest expense decreased to \$10.4 million for the year ended December 31, 2008 compared to \$10.6 million for the year ended December 31, 2007. The following table summarizes changes in the major components of non-interest expense:

	2008	2007	\$ Change	% Change
	(Dollars in thousands)			
Salaries and employee benefits	\$ 5,733	\$ 5,887	\$ (154 )	(2.62 )%
Occupancy and equipment expense	1,903	1,896	7	0.37
Marketing expense	128	176	(48 )	(27.27 )
Outside consulting and professional fees	580	712	(132 )	(18.54 )
Other expense	2,066	1,901	165	8.68
Total non-interest expense	\$ 10,410	\$ 10,572	\$ (162 )	(1.53 )%

The decrease in salaries and employee benefits is primarily related to lower stock-based compensation and benefits costs. Advertising and promotional expense decreased from 2007 when Rome Bancorp opened its fifth branch location and heavily promoted demand deposit accounts. In 2008 Rome Bancorp required less legal and consulting services. A major component of the increase in other expenses was contribution expense. Contribution expense increased from \$15,000 in 2007 to \$151,000 in 2008 due to the donation of a parcel of Company owned real estate to the Rome Rescue Mission, Inc.

**Income Tax Expense.** Income tax expense was \$1.4 million for 2008, a decrease of \$212,000 from 2007 income tax expense of \$1.6 million. The decrease is attributable to lower pre-tax earnings, an increase in positive permanent tax benefits and favorable settlement of a state tax audit.



## Liquidity and Capital Resources

Rome Bancorp's primary sources of funds consist of deposits, scheduled amortization and prepayments of loans, maturities of investments, interest-bearing deposits at other financial institutions and funds provided from operations.

The Rome Savings Bank also has borrowing capacity with the FHLB that allows it to borrow up to \$57.8 million which is collateralized by a portion of the residential mortgage portfolio. At September 30, 2010, The Rome Savings

Bank had no outstanding borrowings against this line of credit, and outstanding advances and amortizing notes totaling \$37.9 million. At September 30, 2010, Rome Bancorp also had approximately \$8.5 million in unused short term borrowing capacity at the Federal Reserve Bank of New York, which is collateralized by a portion of the consumer loan portfolio.

## TABLE OF CONTENTS

Loan repayments and maturing investment securities are a relatively predictable source of funds. However, deposit flows, calls of investment securities, and prepayments of loans and mortgage-backed securities are strongly influenced by interest rates, general and local economic conditions, and competition in the marketplace. These factors reduce the predictability of the timing of these sources of funds.

Rome Bancorp's primary investing activities include the origination of loans and, to a lesser extent, the purchase of investment securities. For the nine months ended September 30, 2010, Rome Bancorp originated loans of approximately \$40.8 million, compared to \$39.9 million of loans in the same period of 2009. For the past several quarters, Rome Bancorp has been selling a large percentage of its residential loan originations into the secondary market. Loan sales through nine months of 2010 were \$14.1 million, compared to \$7.3 million for the same period of 2009. These loans are sold with Rome Bancorp retaining the servicing for the purchasers. Year to date 2010 security purchases were \$5.4 million compared to \$7.2 million for the same period of 2009.

At September 30, 2010, Rome Bancorp had loan commitments to borrowers of approximately \$13.4 million, and available letters and lines of credit of approximately \$19.1 million.

Time deposit accounts scheduled to mature within one year were \$49.7 million at September 30, 2010. Based on Rome Bancorp's deposit retention experience and current pricing strategy, Rome Bancorp anticipates that a significant portion of these time deposits will remain with Rome Bancorp. Rome Bancorp is committed to maintaining a strong liquidity position; therefore, Rome Bancorp monitors its liquidity position on a daily basis. Rome Bancorp anticipates that Rome Bancorp will have sufficient funds to meet Rome Bancorp's current funding commitments. The marginal cost of new funding however, whether from deposits or borrowings from the FHLB, will be carefully considered as Rome Bancorp monitors its liquidity needs. Therefore, in order to minimize its cost of funds, Rome Bancorp may consider additional borrowings from the FHLB in the future.

At September 30, 2010, The Rome Savings Bank exceeded each of the applicable regulatory capital requirements. The Rome Savings Bank's leverage (Tier 1) capital at September 30, 2010 was \$57.5 million, or 17.25% of adjusted assets. In order to be classified as well-capitalized by the Office of Thrift Supervision, The Rome Savings Bank is required to have leverage (Tier 1) capital of \$16.7 million, or 5.0% of adjusted assets. To be classified as a well-capitalized bank by the Office of Thrift Supervision, The Rome Savings Bank must also have a Tier 1 risk-based capital ratio of 6% and a total risk-based capital ratio of 10.0%. At September 30, 2010, The Rome Savings Bank had a Tier 1 risk-based capital ratio of 23.78% and a total risk-based capital ratio of 24.85%.

Rome Bancorp paid cash dividends of \$0.27 per share during the nine months ended September 30, 2010 totaling \$1.8 million.

During the first nine months of 2010, \$201,000 was expended to repurchase 22,568 shares of Rome Bancorp's common stock.

Rome Bancorp does not anticipate any material capital expenditures, nor does it have any balloon or other payments due on any long-term obligations or any off-balance sheet items other than the commitments and unused lines of credit noted above.

## **Management of Interest Rate Risk**

Interest rate risk is the most significant market risk affecting Rome Bancorp. Other types of market risk, such as movements in foreign currency exchange rates and commodity prices, do not arise in the normal course of Rome

Bancorp's business operations. Interest rate risk can be defined as an exposure to a movement in interest rates that could have an adverse effect on Rome Bancorp's net interest income. Interest rate risk arises naturally from the imbalance in the repricing, maturity, and/or cash flow characteristics of assets and liabilities. In periods of falling interest rates, prepayments of loans typically increase, which would lead to reduced net interest income if such proceeds could not be reinvested at a comparable spread. Also in a falling rate environment, certain categories of deposits may reach a point where market forces prevent further reduction in the interest rate paid on those instruments. Generally, during extended periods when short-term and long-term interest rates are relatively close, a flat yield curve may lead to smaller net interest margins

TABLE OF CONTENTS

thereby reducing net interest income. The net effect of these circumstances is reduced interest income, offset only by a nominal decrease in interest expense, thereby narrowing the net interest margin.

Managing interest rate risk is of primary importance to Rome Bancorp. The responsibility for interest rate risk management is the function of Rome Bancorp's Asset/Liability Committee (ALCO), which includes the President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, Vice President and Controller, other members of Senior Management and certain members of Rome Bancorp's Board of Directors. Rome Bancorp's ALCO meets at least quarterly to review Rome Bancorp's asset/liability policies and identify and measure potential risks to earnings due to changes in interest rates. The primary goal of Rome Bancorp's interest rate risk management is to minimize the potential loss in net interest income that could arise from changes in interest rates.

A simulation model is the primary tool used to assess the impact of changes in interest rates on net interest income.

Key assumptions used in the model include prepayment speeds on loans and mortgage-backed securities, loan volumes and pricing and customer preferences, and sensitivity to changing rates. These assumptions are compared to actual results and revised as necessary. Rome Bancorp's analysis compares net interest income under a scenario of no change from current interest rates with one of a 100, 200 and 300 basis point increase in interest rates and one of a 100 basis point decrease in rates. The change in interest rates is assumed to occur in the first twelve months following the current financial statement date. Net interest income is measured for each of the three twelve-month periods following the balance sheet date. Rome Bancorp's policy is that net interest income should not vary by more than 20% for each of the three forecasted twelve-month periods. At December 31, 2009, based on simulation model results, Rome Bancorp was within these guidelines.

The following table sets forth at December 31, 2009 and 2008 the estimated percentage and dollar change in Rome Bancorp's net interest income resulting from changes in interest rates over a one year period. Certain assumptions have been made in preparing the table below. Although management believes these assumptions to be reasonable, the interest rate sensitivity of assets and liabilities and the estimated effects of changes in interest rates on net interest income indicated in the following table could vary substantially if different assumptions were used or if actual experience differs from such assumptions.

Change in Interest Rates in Basis Points <sup>(1)</sup>	2009 Annual Net Interest Income			2008 Annual Net Interest Income		
	Dollar Amount	Dollar Change From Base	Percentage Change From Base	Dollar Amount	Dollar Change From Base	Percentage Change From Base
	(Dollars in thousands)					
+300	\$ 13,456	\$ (280 )	(2.04 )%	\$ 13,451	\$ (289 )	(2.10 )%
+200	13,537	(199 )	(1.45 )	13,588	(152 )	(1.11 )
+100	13,599	(137 )	(1.00 )	13,749	9	0.07
Base	13,736			13,740		
-100	13,240	(496 )	(3.61 )	13,476	(264 )	(1.92 )

(1) Assumes an instantaneous uniform change in interest rates. Basis point equals 0.01%

The above table reflects that as of both December 31, 2009 and 2008, Rome Bancorp had a relatively low risk of volatility in net interest income due to interest rate fluctuations. The interest rate risk modeled as of December 31, 2009 was equal to or slightly higher than in 2008, exhibiting negative variances in periods of rising and decreasing interest rates. In the upward rate environments, the most immediate interest rate risk lies with Rome Bancorp's \$71.9

million of time deposits, a portion of which will reprice upwards during the period in relation to changes in prevailing interest rates. However, in the simulation of a 100 basis point decrease in rates, the decrease in net interest income is primarily attributable to assumed reductions in the rates on the Rome Bancorp's loan portfolio which would not be entirely offset by the cost decreases on interest bearing liabilities.

TABLE OF CONTENTS**Properties**

Rome Bancorp conducts its business through its executive office, operations center, which includes both the Mortgage Center and the Accounting Center listed below, and four banking offices. In addition, we have purchased land in Oneida, New York for potential expansion into that market. At December 31, 2009, the net book value of the computer equipment and other furniture, fixtures and equipment of The Rome Savings Bank and Rome Bancorp at their offices totaled \$820,000.

Location	Leased or Owned	Original Date Acquired	Net Book Value December 31, 2009 (In thousands)
Executive Office: 100 W. Dominick St. Rome, NY	Owned	1956	\$ 1,125
Branch Offices: 1629 Black River Boulevard Rome, NY	Owned	1963	215
1300 Erie Boulevard Rome, NY	Owned	1997	957
82 Seneca Turnpike New Hartford, NY	Owned	1983	117
Rt. 26 and Elmer Hill Rd Lee, NY	Owned	2006	1,624
Mortgage Center: 137 W. Dominick Street Rome, NY	Owned	2002	413
Accounting Center: 139 W. Dominick Street Rome, NY	Owned	1995	316
Undeveloped Land: Oneida, NY	Owned	2006	454

**Stock Ownership**

The table below provides certain information about beneficial ownership of Rome Bancorp common stock as of January 27, 2011. The table shows information for:

Each person, or group of affiliated person, who is known to Rome Bancorp to beneficially own more than 5% of Rome Bancorp's common stock;

Each of Rome Bancorp's directors;

Each of Rome Bancorp's executive officers; and

All of Rome Bancorp's directors and executive officers as a group.



TABLE OF CONTENTS

Except as otherwise noted, the persons or entities in this table have sole voting and investing power with respect to all shares of common stock beneficially owned by them, subject to community property laws, where applicable. Except as otherwise noted, the address of each person is care of Rome Bancorp at Rome Bancorp's principal executive office.

Name	Number of Shares Owned (Excluding Options)	Number of Shares That May Be Acquired Within 60 Days by Exercising Options	Percent of Total Common Stock Outstanding <sup>(1)</sup>	
Bruce R. Engelbert <sup>(2)</sup>	102,965	23,600	1.87	%
David C. Grow <sup>(3)</sup>	104,834	23,600	1.89	%
Kirk B. Hinman <sup>(4)</sup>	302,523	23,600	4.81	%
Dale A. Laval <sup>(5)</sup>	16,300	23,600	*	
David C. Nolan <sup>(6)</sup>	144,239	47,200	2.82	%
John A. Reinhardt <sup>(7)</sup>	1,450		*	
Charles M. Sprock <sup>(8)</sup>	315,916	118,000	6.40	%
Michael J. Valentine	132,696	23,600	2.31	%
Employee Stock Ownership Plan Trust of Rome Bancorp <sup>(9)</sup>	689,488		10.17	%
Dimensional Fund Advisors LP <sup>(10)</sup>				
Palisades West, Bld. One 6300 Bee Cave Road Austin, Texas 78746	471,610		6.96	%
All directors and executive officers as a group (8 persons) <sup>(11)(12)</sup>	1,353,232	283,200	23.18	%

\* less than 1%

(1) Based on 6,777,551 shares of Rome Bancorp common stock outstanding on January 27, 2011 plus, for each person, the number of shares that such person may acquire within 60 days of such date by exercising stock options.

(2) Includes 20,784 shares held in Mr. Engelbert's Individual Retirement and Deferred Compensation Accounts and 16,918 shares held by Mr. Engelbert's spouse.

(3) Includes 24,152 shares held in Mr. Grow's Individual Retirement Account and 2,381 shares held individually by Mr. Grow's spouse.

(4) Includes 3,401 shares held in Mr. Hinman's Individual Retirement Account; 111,016 shares held jointly with Mr. Hinman's spouse; 5,401 shares held as custodian for a minor; 5,000 shares held by a trust over which Mr. Hinman exercises control; and 125,123 shares held by Rome Strip Steel Co., Inc. of which Mr. Hinman serves as President.

(5) Includes 3,500 shares held in Mr. Laval's Individual Retirement Account.

(6) Includes 19,092 shares held in trust pursuant to the Employee Stock Ownership Plan that have been allocated as of December 31, 2010 over which Mr. Nolan has voting power, subject to the legal duties of the ESOP Trustee, but no investment power, except in limited circumstances.

(7) Includes 750 shares held jointly with Mr. Reinhardt's spouse and 700 shares held in Mr. Reinhardt's spouse's IRA.

(8) Includes 8,118 shares held individually by Mr. Sprock's spouse and 29,335 shares held in trust pursuant to the ESOP that have been allocated as of December 31, 2010 over which Mr. Sprock has voting power, subject to the legal duties of the ESOP trustee, but no investment power, except in limited circumstances.

(9) The ESOP is administered by an ESOP Committee ( ESOP Committee ) and its assets are held in trust by a trustee ( Plan Trustee ). The number of shares listed as beneficially owned represents the entire number of



shares of Rome Bancorp common stock held by RSGroup Trust Company, as Plan Trustee, as of December 31, 2010. As of December 31, 2010, 457,179 of such shares of Rome Bancorp common stock had been allocated to individual accounts established for participating employees and their beneficiaries, and 232,309 of such shares were held, unallocated, for allocation in future years. In general, participating employees and their beneficiaries have the power and authority to direct the voting of shares

TABLE OF CONTENTS

of Rome Bancorp common stock allocated to their individual accounts. Such allocated shares are, therefore, not included as shares over which the reporting person has sole or shared voting power. The reporting person, through the Plan Trustee, has shared voting power over unallocated Rome Bancorp common stock. Any unallocated Rome Bancorp common stock is generally required to be voted by the Plan Trustee in the same proportion as Rome Bancorp common stock which has been allocated to participants is directed to be voted. The ESOP, through the Plan Trustee (who is instructed by the ESOP Committee) shares dispositive power over all unallocated common stock held by the reporting person. The ESOP, acting through the Plan Trustee (who is instructed by the ESOP Committee) shares dispositive power over allocated Rome Bancorp common stock with participating employees and their beneficiaries, who have the right to determine whether Rome Bancorp common stock allocated to their respective accounts will be tendered in response to a tender offer but otherwise have no dispositive power. Any unallocated Rome Bancorp common stock is generally required to be tendered by the Plan Trustee in the same proportion as Rome Bancorp common stock which has been allocated to Participants is directed to be tendered. In limited circumstances, ERISA may confer upon the Plan Trustee the power and duty to control the voting and tendering of Rome Bancorp common stock allocated to the accounts of participating employees and beneficiaries who fail to exercise their voting and/or tender rights. The ESOP disclaims voting power with respect to such allocated Rome Bancorp common stock.

(10) Based on a Schedule 13G/A dated December 31, 2009 and filed with the SEC on February 10, 2010 by Dimensional Fund Advisors LP. Dimensional Fund Advisors LP is an investment advisor to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager to certain other commingled group trusts and separate accounts. In its role as investment advisor or manager, Dimensional Fund Advisors LP possesses investment and/or voting power over the shares owned by the investment companies, the trusts and the accounts.

(11) Includes unvested restricted stock awards of 2,360 shares made to each non-employee director, with the exception of Mr. Reinhardt, under the Rome Bancorp 2006 Recognition and Retention Plan. Includes unvested restricted stock awards of 11,800 and 4,720 shares awarded to Mr. Sprock and Mr. Nolan, respectively, under the Rome Bancorp 2006 Recognition and Retention Plan. Each recipient of a restricted share award has sole voting power, but no investment power, over the common stock covered by the award. The restricted stock will vest at the rate of 20% per year on each anniversary date of the grant, with accelerated vesting upon death, disability, retirement or change in control.

(12) The number of shares for all executive officers and directors as a group of eight persons includes 232,309 shares held by the ESOP Trust that have not been allocated to eligible participants as of December 31, 2010, over which certain directors and executive officers may be deemed to have shared investment power, thereby causing such directors and executive officers to be beneficial owners of such shares. Each of such directors and executive officers disclaims beneficial ownership of such shares and accordingly, such shares are not attributed to them individually. The individual participants in the ESOP have shared voting power with the ESOP Trustee.

106

---

TABLE OF CONTENTS

## **ADJOURNMENT OF THE SPECIAL MEETING**

If there are not sufficient votes to constitute a quorum or to approve the merger agreement at the time of the Rome Bancorp special meeting, the merger agreement cannot be approved unless the Rome Bancorp special meeting is adjourned to a later date or dates to permit further solicitation of proxies. To allow proxies that have been received by Rome Bancorp at the time of the special meeting to be voted for an adjournment, if deemed necessary, Rome Bancorp has submitted the question of adjournment to its stockholders as a separate matter for their consideration. The board of directors of Rome Bancorp unanimously recommends that stockholders vote **FOR** the adjournment proposal. If it is deemed necessary to adjourn the special meeting, no notice of the adjourned meeting is required to be given to stockholders, other than an announcement at the meeting of the place, date and time to which the meeting is adjourned.

## **LEGAL MATTERS**

The validity of the Berkshire Hills common stock to be issued in the proposed merger has been passed upon for Berkshire Hills by Luse Gorman Pomerenk & Schick, Washington, D.C. Luse Gorman Pomerenk & Schick and SNR Denton US LLP will deliver opinions to Berkshire Hills and Rome Bancorp, respectively, as to certain federal income tax consequences of the merger. See *Description of The Merger* *Material Tax Consequences of the Merger*.

## **EXPERTS**

The consolidated financial statements of Berkshire Hills as of December 31, 2009 and 2008 and for each of the years in the three-year period ended December 31, 2009 have been incorporated by reference to this proxy statement/prospectus in reliance upon the report of Wolf & Company, P.C., independent registered public accounting firm, as stated in their report appearing therein, and upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements of Rome Bancorp as of December 31, 2009 and 2008 and for each of the years in the three-year period ended December 31, 2009 have been included in this proxy statement/prospectus in reliance upon the report of Crowe Horwath LLP, independent registered public accounting firm, as stated in their report appearing herein, and upon the authority of said firm as experts in accounting and auditing.

## **STOCKHOLDER PROPOSALS**

Rome Bancorp will hold its 2011 annual meeting only if the merger is not completed. Rome Bancorp's bylaws provide that in order for a stockholder to make nominations for the election of directors or proposals for business to be brought before the annual meeting, a stockholder must deliver notice of such nominations and/or proposals to the Secretary of Rome Bancorp at least 90 days before the anniversary date of the immediately preceding annual meeting. Rome Bancorp's last annual meeting was held on May 5, 2010.

## **WHERE YOU CAN FIND MORE INFORMATION**

Berkshire Hills filed with the Securities and Exchange Commission a registration statement on Form S-4 under the Securities Act to register the shares of Berkshire Hills common stock to be issued to Rome Bancorp stockholders in

the merger. This proxy statement/prospectus is a part of that registration statement and constitutes a prospectus of Berkshire Hills, a proxy statement of Berkshire Hills for its special meeting and a proxy statement of Rome Bancorp for its special meeting. As permitted by the Securities and Exchange Commission rules, this proxy statement/prospectus does not contain all of the information that you can find in the registration statement or in the exhibits to the registration statement. The additional information may be inspected and copied as set forth above.

Berkshire Hills files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. These filings are available to the public over the Internet at the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov). You may also read and copy any document Berkshire Hills files with the Securities and Exchange Commission at its public reference room located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Copies of these documents also can be obtained at

TABLE OF CONTENTS

prescribed rates by writing to the Public Reference Section of the Securities and Exchange Commission, at 100 F Street, N.E., Room 1580, Washington D.C. 20549 or by calling 1-800-SEC-0330 for additional information on the operation of the public reference facilities.

The Securities and Exchange Commission allows Berkshire Hills to incorporate by reference information into this proxy statement/prospectus. This means that Berkshire Hills can disclose important information to you by referring you to another document filed separately with the Securities and Exchange Commission. The information incorporated by reference is deemed to be part of this document, except for any information superseded by information contained directly in this document. This document incorporates by reference the other documents that are listed below that Berkshire Hills has previously filed with the Securities and Exchange Commission and additional documents that Berkshire Hills files with the Securities and Exchange Commission between the date of this proxy statement/prospectus and the date of the Berkshire Hills stockholder meeting. These documents contain important information about Berkshire Hills financial condition.

## BERKSHIRE HILLS FILINGS

Filings	Period of Report or Date Filed
Annual Report on Form 10-K	Year ended December 31, 2009
Quarterly Report Form 10-Q	Quarter ended September 30, 2010
Current Reports on Form 8-K	January 29, 2010, February 2, 2010, April 22, 2010, May 7, 2010, July 12, 2010, October 12, 2010, October 25, 2010, November 10, 2010, December 22, 2010, January 19, 2011 and January 25, 2011 (other than information furnished under Items 2.02 or 7.01 of Form 8-K)

The description of Berkshire common stock set forth in the Registration Statement on Form 8-A filed October 25, 2005, which incorporates by reference the portion of the Description of Berkshire Hills Stock contained in Berkshire Hills prospectus filed pursuant to Rule 424(b)(3) on May 26, 2000.

Documents incorporated by reference are available from Berkshire Hills without charge (except for exhibits to the documents unless the exhibits are specifically incorporated in this document by reference). You may obtain documents incorporated by reference in this document by requesting them in writing or by telephone from Berkshire Hills at the following address:

Berkshire Hills Bancorp, Inc.  
24 North Street  
Pittsfield, Massachusetts 01201  
Attention: Investor Relations Department

Telephone: (413) 236-3239

If you would like to request documents from Berkshire Hills, please do so by March 2, 2011, to receive them before Rome Bancorp's meeting of stockholders. If you request any incorporated documents, Berkshire Hills will mail them to you by first-class mail, or other equally prompt means, within one business day of its receipt of your request.

Berkshire Hills incorporates by reference additional documents that it may file with the Securities and Exchange Commission between the date of this document and the date of the special meetings. These documents include periodic reports, such as annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K (other than information furnished under Items 2.02 or 7.01 of Form 8-K), as well as proxy statements.

TABLE OF CONTENTS

Berkshire Hills has supplied all information contained in this proxy statement/prospectus relating to Berkshire Hills, and Rome Bancorp has supplied all information relating to Rome Bancorp.

**You should rely only on the information contained in this proxy statement/prospectus when evaluating the merger agreement and the proposed merger. We have not authorized anyone to provide you with information that is different from what is contained in this proxy statement/prospectus. This proxy statement/prospectus is dated January 28, 2011. You should not assume that the information contained in this proxy statement/prospectus is accurate as of any date other than such date, and neither the mailing of this proxy statement/prospectus to stockholders of Rome Bancorp or Berkshire Hills nor the issuance of shares of Berkshire Hills common stock as contemplated by the merger agreement shall create any implication to the contrary.**

109

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TABLE OF CONTENTS

## INDEX TO FINANCIAL STATEMENTS

	Page
<b>Consolidated Financial Statements of Rome Bancorp, Inc.</b>	
<u>Unaudited Consolidated Balance Sheets as of September 30, 2010 and December 31, 2009</u>	<u>F-1</u>
<u>Unaudited Consolidated Statements of Income for the Three and Nine Months Ended September 30, 2010 and 2009</u>	<u>F-2</u>
<u>Unaudited Consolidated Statements of Shareholders' Equity and Comprehensive Income for the Nine Months Ended September 30, 2010 and 2009</u>	<u>F-3</u>
<u>Unaudited Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2010 and 2009</u>	<u>F-4</u>
<u>Notes to Unaudited Consolidated Interim Financial Statements</u>	<u>F-6</u>
<u>Independent Registered Public Accounting Firm Report</u>	<u>F-17</u>
<u>Consolidated Balance Sheets as of December 31, 2009 and 2008</u>	<u>F-18</u>
<u>Consolidated Statements of Income for the Years Ended December 31, 2009, 2008 and 2007</u>	<u>F-19</u>
<u>Consolidated Statements of Shareholders' Equity and Comprehensive Income for the Years Ended December 31, 2009, 2008 and 2007</u>	<u>F-20</u>
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2009, 2008 and 2007</u>	<u>F-21</u>
<u>Notes to Consolidated Financial Statements</u>	<u>F-23</u>

110

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TABLE OF CONTENTS**ROME BANCORP, INC. AND SUBSIDIARY**

**Condensed Consolidated Balance Sheets  
September 30, 2010 and December 31, 2009  
(in thousands, except share data)  
(Unaudited)**

	September 30, 2010	December 31, 2009
Assets		
Cash and due from banks	\$6,966	\$6,547
Federal funds sold and other short-term investments	9,032	1,027
Total cash and cash equivalents	15,998	7,574
Securities available for sale, at fair value	13,336	10,024
Securities held to maturity (fair value of \$1,475 and \$1,502 at September 30, 2010 and December 31, 2009, respectively)	1,419	1,431
Federal Home Loan Bank Stock	3,310	3,222
Loans	277,833	287,749
Less: Allowance for loan loss	(2,595 )	(2,132 )
Net loans	275,238	285,617
Premises and equipment, net	5,925	6,041
Accrued interest receivable	1,122	1,117
Bank-owned life insurance	9,709	9,415
Other assets	5,550	5,481
Total assets	\$331,607	\$329,922
Liabilities & Equity		
Liabilities		
Deposits:		
Non-interest bearing	\$36,485	\$31,790
Savings	85,405	82,031
Money market	19,938	15,726
Time	69,651	71,903
Other interest bearing	15,398	15,189
Total deposits	226,877	216,639
Borrowings	37,873	47,869
Other liabilities	5,038	5,049
Total liabilities	269,788	269,557
Shareholders' equity		
Common Stock, \$.01 par value; authorized: 30,000,000 shares; issued: 9,895,757; outstanding 6,777,551 and 6,800,119 shares at September 30, 2010 and December 31, 2009, respectively	99	99

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Additional paid-in capital	63,065	62,794
Retained earnings	38,509	37,588
Accumulated other comprehensive loss	(1,275 )	(1,574 )
Treasury stock; 3,118,206 shares at September 30, 2010 and 3,095,638 shares at December 31, 2009	(36,921 )	(36,720 )
Unallocated shares of employee stock ownership plan (ESOP): 243,802 and 278,275 shares at September 30, 2010 and December 31, 2009	(1,658 )	(1,822 )
Total shareholders equity	61,819	60,365
Total liabilities and shareholders equity	\$331,607	\$329,922

See accompanying notes to unaudited condensed consolidated financial statements.

F-1

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TABLE OF CONTENTS**ROME BANCORP, INC. AND SUBSIDIARY**

**Condensed Consolidated Statements of Income  
For the Three and Nine Months Ended September 30,  
2010 and 2009  
(in thousands, except share data)  
(unaudited)**

	For the three months ended September 30,		For the nine months ended September 30,	
	2010	2009	2010	2009
Interest income:				
Loans	\$ 4,007	\$ 4,148	\$ 12,125	\$ 12,626
Securities	179	157	509	362
Other short-term investments	3	4	3	8
Total interest income	4,189	4,309	12,637	12,996
Interest expense:				
Deposits	454	586	1,398	1,900
Borrowings	299	466	902	1,359
Total interest expense	753	1,052	2,300	3,259
Net interest income	3,436	3,257	10,337	9,737
Provision for loan losses	75		540	200
Net interest income after provision for loan losses	3,361	3,257	9,797	9,537
Non-interest income:				
Gain on sales of securities	35	26	156	26
Gain on sale of real estate			418	
Other	773	639	1,997	1,806
Total non-interest income	808	665	2,571	1,832
Non-interest expense:				
Salaries and employee benefits	1,567	1,497	4,645	4,594
Building, occupancy and equipment	487	465	1,453	1,434
Other	953	592	2,319	1,982
Total non-interest expense	3,007	2,554	8,417	8,010
Income before income tax expense	1,162	1,368	3,951	3,359
Income tax expense	324	460	1,272	1,096
Net income	\$ 838	\$ 908	\$ 2,679	\$ 2,263
Basic earnings per share	\$ 0.13	\$ 0.14	\$ 0.41	\$ 0.34
Diluted earnings per share	\$ 0.13	\$ 0.14	\$ 0.41	\$ 0.34

See accompanying notes to unaudited condensed consolidated financial statements.

TABLE OF CONTENTS**ROME BANCORP, INC. AND SUBSIDIARY**

**Condensed Consolidated Statements of Shareholders  
Equity and Comprehensive Income  
For the Nine Months Ended September 30, 2010 and  
2009  
(in thousands, except share and per share  
data)(unaudited)**

	Common stock	Additional Paid-in Capital	Retained earnings	Treasury Stock	Accumulated other comprehensive Income (loss)	Unallocated ESOP shares	Total
Balances at January 1, 2009	\$ 99	\$ 62,440	\$ 36,721	\$(34,662)	\$(2,212 )	\$(2,042 )	\$ 60,344
Comprehensive income:							
Net Income			2,263				2,263
Other comprehensive income					300		300
Total comprehensive income							2,563
Purchase of 181,588 treasury shares				(1,408 )			(1,408 )
Stock-based compensation		120					120
Dividends (\$0.255 per share)			(1,688 )				(1,688 )
ESOP shares released for allocation (34,473 shares)		124				165	289
Balances at September 30, 2009	\$ 99	\$ 62,684	\$ 37,296	\$(36,070)	\$(1,912 )	\$(1,877 )	\$ 60,220
Balances at January 1, 2010	\$ 99	\$ 62,794	\$ 37,588	\$(36,720)	\$(1,574 )	\$(1,822 )	\$ 60,365
Comprehensive income:							
Net Income			2,679				2,679
Other comprehensive income					299		299
Total comprehensive income							2,978
Purchase of 22,568 treasury shares				(201 )			(201 )
Amortization and tax effect of Stock-based compensation		130					130
Dividends (\$0.27 per share)			(1,758 )				(1,758 )
ESOP shares released for allocation (34,473 shares)							