

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ Internal Revenue Code Section 358

18 Can any resulting loss be recognized? ▶ A Rome Shareholder who received Company common stock and cash in exchange for all of his or her Rome Stock may not recognize any loss. A Rome Shareholder who received solely cash in exchange for all of his or her Rome Stock or cash in lieu of a fractional share may recognize loss if the amount of cash received is less than the tax basis in his or her Rome Stock, or fractional share, as applicable.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ In general, any adjustment to the tax basis that causes gain or loss recognized by the Rome Shareholder as a result of the completion of the Merger should be reported for the taxable year which includes April 1, 2011 (e.g., a calendar year shareholder would report the transaction on his or her federal income tax return filed for the 2011 calendar year).

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ▶ *Kevin Riley* Date ▶ 1/12/12

Print your name ▶ Kevin Riley Title ▶ Chief Financial Officer

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶	Firm's EIN ▶			
	Firm's address ▶	Phone no.			

ATTACHMENT 1
BERKSHIRE HILLS BANCORP, INC.
ACQUISITION OF ROME BANCORP, INC. ON APRIL 1, 2011
FORM 8937
BOX 15

Effect of the Action

The Merger qualified as a reorganization within the meaning of Section 368(a) of the Code. As such, in general, the tax basis consequences to Rome Shareholders would be determined under Section 358 of the Code. The effect of the Merger on the tax basis on Rome Stock held by Rome Shareholders depends primarily on whether the shares were exchanged solely for cash or for a combination of Company common stock and cash and is summarized as follows:

Shareholders Who Received Only Cash. A Rome Shareholder who received solely cash in exchange for all of his or her shares of Rome Stock as result of the Merger will be treated as having received full payment for their Rome Stock. Consequently, since the shareholder did not receive any new stock, there will be no new basis to compute.

Shareholders Who Received Company Common Stock and Cash. The tax basis of the shares of Company common stock received by a Rome Shareholder who receives a combination of Company common stock and cash in exchange for his or her Rome Stock will be the same as the basis of the shares of Rome Stock surrendered in exchange for the shares of Company common stock, plus any gain recognized by such shareholder in the Merger, and minus any cash received by the shareholder in the Merger.

Shareholders Who Received Cash in Lieu of Fractional Shares. A Rome Shareholder who received cash in lieu of a fractional share interest in Company common stock will be treated as having received such cash in full payment for such fractional share of stock. Consequently, since the shareholder did not receive stock in exchange for the fractional share interest, there will be no new basis to compute.

In general, any gain recognized should be reported by a Rome Shareholder for the taxable year which includes April 1, 2011 (e.g., a calendar year shareholder would report the transaction on his or her federal income tax return filed for the 2011 calendar year).

ATTACHMENT 2
BERKSHIRE HILLS BANCORP, INC.
ACQUISITION OF ROME BANCORP, INC. ON APRIL 1, 2011
FORM 8937
BOX 16

The following example illustrates the method by which a former Rome Shareholder would determine his or her basis in the Company common stock received in the Merger. The example assumes that the shareholder is an individual U.S. citizen or resident who acquired his or her shares of Rome Stock in one block at the same price for cash and holds such shares as capital assets. The example does not address any special rules that may apply to a particular shareholder (including shares received as compensation), nor do they address the consequences of any state, local or foreign tax laws. We have not included an example that covers the exchange of Rome Stock for cash, since such an exchange does not include any Company common stock (and accordingly there is no new basis to calculate).

Example: Shareholders Who Elected All Stock

Number of shares of Rome Stock held prior to the Merger – 100

Tax basis in each share of Rome Stock - \$10

Aggregate tax basis in Rome shares - \$1,000

Fair market value of each Company share received in the merger - \$20.86 (average of the highest and lowest quoted selling prices on March 31, 2011)

Fair market value of Company stock for purposes of determining fractional share payment - \$20.99 (average closing price of Company stock for the five consecutive trading days ended March 31, 2011)

1. Cost Basis in Rome Stock: (100 x \$10)	\$ 1,000
2. Total Merger Consideration:	
Common stock received (52 shares x \$20.86)	\$ 1,084.72
Value of Berkshire fractional share (.76 of a share x \$20.99)	15.95
Cash Merger Consideration (100 shares x \$0.76)	76.00
Total Consideration	<u>\$ 1,176.67</u>

3. Realized Gain:

Total Consideration (see Line 2)	\$ 1,176.67
Less: Cost basis in Rome shares (see above)	1,000.00
Realized Gain	<u>\$ 176.67</u>

4. Recognized Gain:

Determined as the lesser of Realized Gain or Cash Received (not including cash in lieu of the fractional share)	\$ 76.00
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5. Tax Basis in Company Shares Received in the Merger

Basis in Rome Shares	\$ 1,000.00
Less: Cash Amount Received	-76.00
Plus: Recognized Gain	76.00
Basis in Company Shares	<u>\$ 1,000.00</u>

6. Taxable Gain on Fractional Share

Cash paid in lieu of fractional share (.76 x \$20.99)	\$ 15.95
Less: Basis attributable to fractional share (.76/52.76 x \$1,000)	-14.40
Taxable Gain	<u>\$ 1.55</u>

7. Final Adjusted Tax Basis in Company Shares

Basis in shares received (including fractional share)	\$ 1,000.00
Less: Basis attributable to fractional share	-14.40
Basis in Company shares	<u>\$ 985.60</u>
Per Share Basis	\$ 18.95

The calculations set forth above are for illustrative purposes only and should not be considered tax advice. You are urged to discuss your specific tax situation with your tax advisor.

Posted to Berkshire Hills Bancorp, Inc. website on January 13, 2012

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The information in this document does not constitute tax advice and is not intended or written to be used, and cannot be used, for the purposes of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending any transaction or matter addressed herein.