

Berkshire Hills Bancorp, Inc. (NASDAQ: BHLB) announces agreement to acquire Beacon Federal Bancorp, Inc. (NASDAQ: BFED)

Deal Value: Approximately \$132.0 million

Sandler O'Neill served as financial advisor and provided a fairness opinion to Berkshire Hills Bancorp, Inc. in this transaction. This transaction is Sandler O'Neill's 68th bank or thrift transaction since January 1, 2010. Sandler O'Neill has served as a financial advisor on more bank and thrift transactions than any other investment bank during that time period.¹ Additionally, Sandler O'Neill has served as a financial advisor or provided a fairness opinion in four of the last eight bank and thrift transactions announced in New England.²

Pittsfield, MA and Syracuse, NY – May 31, 2012. Berkshire Hills Bancorp, Inc. ("Berkshire") (NASDAQ:BHLB), and Beacon Federal Bancorp, Inc. ("Beacon") (NASDAQ:BFED) announced today that they have signed a definitive merger agreement under which Berkshire will acquire Beacon in a transaction valued at approximately \$132 million. Under the agreement, Beacon's subsidiary bank, Beacon Federal, will be merged into Berkshire Bank, America's Most Exciting Bank.

Under the terms of the merger agreement, 50% of the outstanding Beacon shares will be exchanged for Berkshire shares at a fixed exchange ratio of 0.92 shares for each Beacon share, while the remaining 50% of Beacon shares will be exchanged for cash in the amount of \$20.50 per share. The transaction is valued at \$20.35 per Beacon share, based on the \$21.96 Berkshire closing stock price on May 30, 2012. This represents 111% of Beacon's tangible book value per share and a 3.4% premium to core deposits based on financial information for the period ended March 31, 2012.

Michael P. Daly, Berkshire's President and Chief Executive Officer, stated, "We are very pleased to extend our presence in Central New York in this partnership with Beacon. Our New York expansion last year exceeded our expectations in terms of financial return, customer retention, and business development opportunities. I am confident that our Beacon partnership will also prove to be a solid success for all of our constituencies. This merger will bring our total Central and Eastern New York branch count to 26 offices, with total deposits exceeding \$1.4 billion."

Each Beacon shareholder will have the right to elect the form of consideration, subject to proration procedures to maintain the overall 50%/50% mix of stock and cash consideration. The transaction is intended to qualify as a reorganization for federal income tax purposes, and as a result, the shares of Beacon common stock exchanged for shares of Berkshire common stock are expected to be transferred on a tax-free basis. The definitive agreement has been approved by the unanimous vote of the Boards of Directors of both Berkshire and Beacon. Consummation of the agreement is subject to the approval of Beacon's shareholders, as well as state and federal regulatory agencies. The merger is expected to be completed in the fourth quarter of 2012. One Beacon director will be appointed to Berkshire's board of directors. Berkshire anticipates that it will divest Beacon's modest sized Tennessee operations in conjunction with the consummation of this merger.

Financial Highlights

(Dollars in millions)

	<u>BHLB</u>	<u>BFED</u>
Total Assets	\$4,029	\$1,025
Net Loans	\$3,006	\$749
Total Deposits	\$3,184	\$677
Total Equity	\$557	\$114
Tang. Comm. Equity / Tang. Assets	8.79%	11.12%

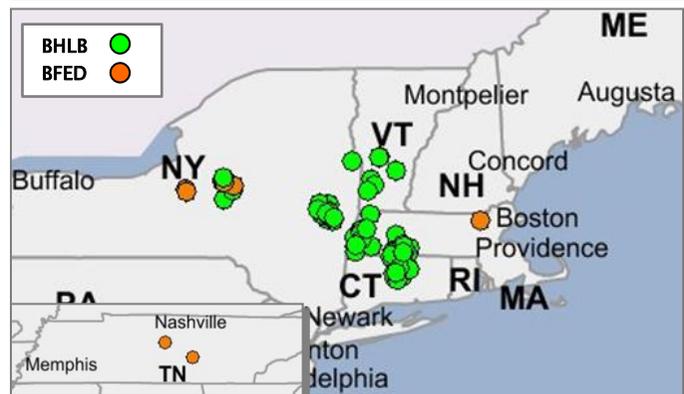
Note: Financial data as of 3/31/12

(1) Includes bank or thrift transactions since 2010; excludes terminated transactions and self-advisory roles

(2) Includes transactions with announced deal values greater than \$15 million

Source: SNL Financial

Pro Forma Map



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