

BERKSHIRE HILLS BANCORP INC

Form S-4

December 19, 2011

As filed with the Securities and Exchange Commission on December 19, 2011

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form S-4
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

Berkshire Hills Bancorp, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

6036
(Primary Standard Industrial
Classification Code Number)

34-3510455
(I.R.S. Employer
Identification Number)

24 North Street
Pittsfield, Massachusetts 01201
(413) 443-5601
(Address, including zip code, and telephone number,
including
area code, of registrant's principal executive offices)

Michael P. Daly
President and Chief Executive Officer
24 North Street
Pittsfield, Massachusetts 01201
(413) 443-5601
(Name, address, including zip code, and telephone number,
including area code, of agent for service)

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer ☒ Non-accelerated filer Smaller reporting company

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered		Proposed maximum offering price per share		Proposed maximum aggregate offering price		Amount of registration fee	
Common Stock, \$0.01 par value per share	1,666,645 shares	(1)	\$ 7.39	(2)	\$ 20,353,610	(2)	\$ 2,333	(3)

- (1) Represents the maximum number of shares of Berkshire Hills Bancorp, Inc. (Nasdaq: BHLB) common stock estimated to be issuable upon the completion of the merger of The Connecticut Bank & Trust Company (Nasdaq: CTBC), with and into a subsidiary of Berkshire Hills Bancorp, Inc., based on the product of (x) the number of shares of The Connecticut Bank & Trust Company common stock outstanding or reserved for issuance upon the exercise of outstanding stock options, warrants and restricted stock awards as of October 21, 2011, (y) an exchange ratio of 0.3810 shares, and (z) 70% (the portion of the merger consideration consisting of Berkshire Hills Bancorp, Inc. common stock issuable in the merger).
- (2) Estimated solely for the purpose of calculating the registration fee required by Section 6(b) of the Securities Act and calculated in accordance with Rule 457(f) (1) and Rule 457(c) of the Securities Act, based on the market value of the shares of The Connecticut Bank & Trust Company common stock expected to be exchanged in connection with the merger, as established by the average of the high and low sales prices of The Connecticut Bank & Trust Company common stock on the Nasdaq Capital Market on December 14, 2011 of \$7.395.
- (3) Calculated in accordance with Section 6(b) of the Securities Act and SEC Fee Advisory #3 for Fiscal Year 2012 at a rate equal to 0.0001146 multiplied by the proposed maximum aggregate offering price.

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

Information contained herein is subject to completion or amendment. A registration statement relating to the shares of Berkshire Hills Bancorp, Inc. common stock to be issued in the merger has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement become effective. This proxy statement/prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale is not permitted or would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

BERKSHIRE HILLS BANCORP, INC.
LOGO

THE CONNECTICUT BANK AND TRUST

COMPANY LOGO

PRELIMINARY – SUBJECT TO COMPLETION – DATED DECEMBER 19, 2011

MERGER PROPOSED — YOUR VOTE IS VERY IMPORTANT

The boards of directors of Berkshire Hills Bancorp, Inc. (“BHLB”), Berkshire Bank and The Connecticut Bank and Trust Company (“CBT”) have agreed to a merger of our companies. If the merger is completed, each share of The Connecticut Bank and Trust Company common stock, par value \$1.00 per share, will be converted into the right to receive either 0.3810 of a share of Berkshire Hills Bancorp, Inc. common stock, par value \$0.01 per share, or \$8.25 in cash, subject to 70% of The Connecticut Bank and Trust Company’s common stock being exchanged for Berkshire Hills Bancorp, Inc.’s common stock and 30% of The Connecticut Bank and Trust Company’s common stock being exchanged for cash. Berkshire Hills Bancorp, Inc.’s shareholders will continue to own their existing shares. After completion of the merger, we expect that current Berkshire Hills Bancorp, Inc. shareholders will own approximately 95% of the combined company and The Connecticut Bank and Trust Company shareholders will own approximately 5% of the combined company based on the shares outstanding as of September 30, 2011. Berkshire Hills Bancorp, Inc. common stock is listed on the NASDAQ Global Select Market under the symbol “BHLB.” On _____, 2012, the closing price of Berkshire Hills Bancorp, Inc. common stock was \$_____. Berkshire Hills Bancorp, Inc. is offering approximately _____ shares of its common stock to The Connecticut Bank and Trust Company shareholders.

We expect the merger to generally be tax-free for federal income tax purposes to holders of The Connecticut Bank and Trust Company common stock to the extent they receive Berkshire Hills Bancorp, Inc. common stock. Any cash consideration received will be taxable to The Connecticut Bank and Trust Company shareholders.

We cannot complete the merger unless we obtain the necessary government approvals and unless the shareholders of The Connecticut Bank and Trust Company approve the merger agreement. The Connecticut Bank and Trust Company is asking its shareholders to consider and vote on this merger proposal at its special meeting of shareholders in addition to considering and voting on a proposal to approve, by a non-binding, advisory vote, certain compensation arrangements for The Connecticut Bank and Trust Company's named executive officers in connection with the merger and a proposal to adjourn the special meeting, if necessary, in order to solicit additional proxies to vote in favor of the merger agreement. Whether or not you plan to attend The Connecticut Bank and Trust Company shareholder meeting, please take the time to vote by completing and mailing the enclosed proxy card to The Connecticut Bank and Trust Company. If you sign, date and mail your proxy card without indicating how you want to vote, your proxy will be counted as a vote “FOR” the merger and the transactions contemplated by the merger agreement, the proposal regarding certain merger-related executive compensation arrangements and an adjournment of the special meeting, if necessary. If you do not return your proxy card, or if you do not instruct your broker how to vote any shares held for you in “street name,” the effect will be a vote against the merger agreement. The Connecticut Bank and Trust Company shareholders do not have dissenters’ rights under Connecticut law since CBT common stock is traded on the NASDAQ Capital

Market. See “Questions and Answers About the Merger and the Special Meeting” on page 1 and “No Dissenters’ Rights” on page 23.

The Connecticut Bank and Trust Company’s board of directors has unanimously determined that the merger is advisable, fair to, and in the best interests of The Connecticut Bank and Trust Company and its shareholders and recommends that you vote FOR the approval of the merger agreement, the proposal regarding certain merger-related executive compensation arrangements and the adjournment of the special meeting, if necessary, in order to solicit additional proxies to vote in favor of the merger agreement.

The place, date and time of The Connecticut Bank and Trust Company shareholders’ meeting is as follows:

The Connecticut Bank and Trust Company
58 State House Square
Hartford, Connecticut
[Date of Meeting]
[Time of Meeting], local time

This document contains a more complete description of The Connecticut Bank and Trust Company shareholders’ meeting and the terms of the merger. We urge you to review this entire document carefully, including the “Risk Factors” beginning on page 11 for a discussion of the risks related to the proposed merger. 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.

David A. Lentini
Chairman and Chief Executive Officer
The Connecticut Bank and Trust Company

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 [Prospectus Date]
and first mailed to shareholders on or about [Mail Date]

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 63.

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 The Connecticut Bank and Trust Company shareholder and would like to request documents from Berkshire Hills Bancorp, Inc., please do so by _____, 2012 to receive them before The Connecticut Bank and Trust Company special meeting.

THE CONNECTICUT BANK AND TRUST COMPANY

58 State House Square
Hartford, Connecticut 13440

Notice of Special Meeting of Shareholders
to be held [Date of Meeting]

A special meeting of shareholders of The Connecticut Bank and Trust Company will be held at [Time of Meeting], local time, on [Date of Meeting] at The Connecticut Bank and Trust Company, 58 State House Square, Hartford, Connecticut. 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 25, 2011, by and between Berkshire Hills Bancorp, Inc., Berkshire Bank and The Connecticut Bank and Trust Company. 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 approve, by non-binding, advisory vote, certain compensation arrangements for The Connecticut Bank and Trust Company's named executive officers in connection with the merger;
3. 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
4. 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 The Connecticut Bank and Trust Company unanimously recommends that The Connecticut Bank and Trust Company shareholders vote "FOR" the proposal to approve the merger agreement, "FOR" the proposal to approve, by non-binding advisory vote, certain compensation arrangements for The Connecticut Bank and Trust Company's named executive officers in connection with the merger 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 The Connecticut Bank and Trust Company has fixed the close of business on [Record Date] as the record date for determining the shareholders entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting.

Your vote is very important. Your proxy is being solicited by The Connecticut Bank and Trust Company board of directors. The proposal to approve the merger agreement must be approved by the affirmative vote of holders of at least two-thirds of the outstanding shares of The Connecticut Bank and Trust Company 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.

The Connecticut Bank and Trust Company shareholders do not have dissenters' rights because, under Connecticut law, appraisal rights are not available to securities listed on NASDAQ which includes The Connecticut Bank and Trust

Company. See “Questions and Answers About the Merger and the Special Meeting” on page 2 and “No Dissenters’ Rights” on page 23.

By Order of the Board of Directors

Anson C. Hall
Secretary

Hartford, Connecticut
[Mail Date]

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Annex A Agreement and Plan of Merger

Annex B Fairness Opinion of Keefe, Bruyette & Woods, Inc.

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 The Connecticut Bank and Trust Company ("CBT") by Berkshire Hills Bancorp, Inc. ("BHLB") and CBT's merger into BHLB's banking subsidiary, Berkshire Bank. A copy of the merger agreement is provided as Annex A to this document. The CBT board of directors has determined that the proposed merger is advisable and in the best interests of its shareholders, has unanimously approved the merger agreement and recommends that its shareholders vote "FOR" the approval of the merger agreement.

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

A: Under the merger agreement, at the election of each CBT shareholder, each share of CBT common stock will be exchanged for either 0.3810 of a share of BHLB common stock or \$8.25 in cash. Each CBT shareholder may elect either of these options or each CBT shareholder may elect to exchange some of his or her CBT shares for cash and some of his or her CBT shares for BHLB shares.

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

BHLB will not issue fractional shares in the merger. Instead, each CBT shareholder will receive a cash payment, without interest, for the value of any fraction of a share of BHLB common stock that such shareholder would otherwise be entitled to receive. See "Description of the Merger—Consideration to be Received in the Merger" on page 33 and "Description of BHLB Capital Stock" on page 54.

Q: What dividends will be paid after the merger?

A: BHLB currently pays a quarterly dividend of \$0.17 per share. Although BHLB has paid quarterly dividends on its common stock without interruption since November 2000, there is no guarantee that BHLB will continue to pay dividends on its common stock. All dividends on BHLB common stock are declared at the discretion of the BHLB board of directors.

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

A: For each CBT shareholder, 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 CBT 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 BHLB common stock and/or cash depending on your election and the elections made by other shareholders.

If the shares you own are held in "street name" by a bank or brokerage firm, your bank or brokerage firm, as the record holder of your shares, is required to provide you with an election form. In order to make an election for your shares held in "street name", you will need to follow the instructions your bank or brokerage firm provides to you.

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

A: If an election is made, the CBT 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 BHLB common stock among CBT shareholders, consistent with their elections and the allocation and proration procedures in the merger agreement. If a CBT shareholder does not submit an election form, BHLB's exchange agent will send instructions on how and where to surrender the CBT stock certificates after the merger is completed. Please do not send CBT stock certificates with the proxy card.

Q: What are the tax consequences of the merger to CBT shareholders?

A: The tax consequence of the merger to CBT shareholders will depend on whether only cash, only BHLB common stock, or a combination of cash and BHLB common stock is received in exchange for shares of CBT common stock. If shares are exchanged solely for BHLB common stock, no gain or loss should be recognized except with respect to the cash received instead of any fractional share of BHLB 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 BHLB 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 BHLB common stock received, plus the cash received, and minus the CBT shareholder's basis in the shareholder's CBT common stock). No loss should be recognized. See "Description of the Merger—Material Tax Consequences of the Merger" on page 36.

Because the allocations of cash and BHLB common stock received will depend on the elections of other CBT shareholders, the actual tax consequences of the merger will not be known until the allocations are completed.

Q: Are CBT shareholders entitled to dissenters' rights?

A: No. Since the common stock of CBT is traded on the Nasdaq Capital Market, Connecticut law does not provide for dissenters' rights.

Q: Why do CBT and BHLB want to merge?

A: CBT believes that the proposed merger will provide CBT shareholders with substantial benefits, and BHLB believes that the merger will further its strategic growth plans. As a larger company, BHLB can provide the capital and resources that CBT 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 CBT Board of Directors" on page 23.

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

A: Holders of at least two-thirds of the outstanding shares of CBT common stock entitled to vote must vote in favor of the proposal to approve the merger agreement.

Q: Why are CBT shareholders being asked to approve, on a nonbinding advisory basis, certain merger-related executive compensation arrangements?

A: The SEC has recently adopted new rules (applicable to CBT by Federal Reserve regulations) that require CBT to seek a nonbinding advisory vote with respect to certain payments that may be made to CBT's named executive officers in connection with the merger.

Q: What will happen if CBT shareholders do not approve certain merger-related executive compensation arrangements at the special meeting?

A: Approval of merger-related executive compensation arrangements, payable under existing agreements, that certain CBT named executive officers may receive in connection with the merger is not a condition to completion of the merger. The vote with respect to the merger-related executive compensation arrangements is an advisory vote and will not be binding on CBT. Therefore, if the merger agreement is approved by CBT's shareholders the merger-related executive compensation arrangements may still be paid to the CBT named executive officers if and to the extent required or allowed under applicable law.

Q: When and where is the CBT special meeting?

A: The special meeting of CBT shareholders is scheduled to take place at The Connecticut Bank and Trust Company, 58 State House Square, Hartford, Connecticut at [Time of Meeting], local time, on [Date of Meeting].

Q: Who is entitled to vote at the CBT special meeting?

A: Holders of shares of CBT common stock at the close of business on [Record Date], which is the record date, are entitled to vote on the proposal to adopt the merger agreement and the other proposals in this proxy statement/prospectus. As of the record date, [Outstanding Shares] shares of CBT common stock were outstanding and entitled to vote.

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

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

Q: What do I need to do now to vote my shares of CBT common stock?

A: 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, the proposal regarding certain merger-related executive compensation arrangements and an adjournment of the special meeting, if necessary. You may change your vote or revoke your proxy before the special meeting by filing with the Secretary of CBT a duly executed revocation of proxy, submitting a new proxy card with a later date, or voting in person at the special meeting.

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

A: No. Your broker will not be able to vote your shares of CBT 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, the proposal regarding certain merger-related executive compensation arrangements or the proposal regarding adjournment, your shares will not be voted, and this will have the effect of voting against the merger agreement, the proposal regarding certain merger-related executive compensation arrangements and the proposal regarding adjournment. Please check the voting form used by your broker to see if it offers telephone or Internet voting.

Q: When is the merger expected to be completed?

A: We will try to complete the merger as soon as possible. Before that happens, the merger agreement must be approved by CBT shareholders and we must obtain the necessary regulatory approvals. Assuming holders of at least two-thirds of the outstanding shares of CBT common stock vote in favor of the merger agreement and we obtain the other necessary approvals, we expect to complete the merger early in the second calendar quarter of 2012.

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

A: Yes. The transaction must receive the required regulatory approvals, and there are other customary closing conditions that must be satisfied. To review the conditions of the merger in more detail, see “Description of the Merger—Conditions to Completing the Merger” on page 44.

Q: Who can answer my other questions?

A: If you have more questions about the merger, or how to submit your proxy or if you need additional copies of this proxy statement/prospectus or the enclosed proxy form, CBT shareholders should contact its proxy solicitor, Phoenix Advisory Partners, LLC:

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

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

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. BHLB's common stock is listed on The NASDAQ Global Select Market under the symbol "BHLB." BHLB conducts its operations primarily through Berkshire Bank, a Massachusetts chartered savings bank with more than 60 full service branch offices in Massachusetts, New York and Vermont. Berkshire Bank, America's Most Exciting Bank(SM) is one of Massachusetts' oldest and largest independent banks and is the largest banking institution based in Western Massachusetts.

Berkshire Bank provides personal and business banking, insurance, and wealth management services. Berkshire Bank provides 100% deposit insurance protection for all deposit accounts, regardless of amount, based on a combination of FDIC insurance and the Depositors Insurance Fund ("DIF"). For more information, visit www.berkshirebank.com. BHLB is also the holding company for Berkshire Insurance Group, an insurance agency in Western Massachusetts. At September 30, 2011, BHLB had total assets of \$4.1 billion, total deposits of \$3.0 billion and total shareholders' equity of \$546.7 million.

The Connecticut Bank and Trust Company
58 State House Square
Hartford, Connecticut 06103
(315) 336-7300

The Connecticut Bank and Trust Company, a Connecticut bank and trust company, is headquartered in Hartford, Connecticut and commenced operations in 2004. It operates eight full-service community banking offices in the Greater Hartford Connecticut area serving privately-owned business customers and individuals. CBT offers a full range of short- to medium-term commercial, consumer and real estate loans. CBT's common stock is listed on the NASDAQ Capital Market under the symbol "CTBC." At September 30, 2011, CBT had total assets of \$284.2 million, total deposits of \$222.5 million and total shareholders' equity of \$25.8 million.

Special Meeting of CBT Shareholders; Required Vote (page 21)

A special meeting of CBT shareholders is scheduled to be held at The Connecticut Bank and Trust Company, 58 State House Square, Hartford, Connecticut at [Time of Meeting], local time, on [Date of Meeting]. At the special meeting, you will be asked to vote on a proposal to approve the merger agreement between CBT, BHLB and Berkshire Bank and a proposal regarding certain merger-related executive compensation arrangements. 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 CBT shareholders of record as of the close of business on [Record Date] are entitled to notice of, and to vote at, the CBT special meeting and any adjournments or postponements of the meeting.

Approval of the merger agreement requires the affirmative vote of holders of at least two-thirds of the outstanding shares of CBT common stock entitled to vote. Approval of the non-binding proposal regarding certain merger-related executive compensation arrangements requires the affirmative vote of the holders of a majority of the outstanding shares of CBT common stock entitled to vote on the matter. As of the record date, there were [Outstanding Shares] shares of CBT common stock outstanding. The directors and executive officers of CBT, as a group, beneficially owned _____ shares of CBT common stock (not including shares that may be acquired upon the exercise of stock options), representing _____% of the outstanding shares of CBT 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 23)

BHLB's acquisition of CBT is governed by a merger agreement. The merger agreement provides that, if all of the conditions are satisfied or waived, CBT will be merged with and into Berkshire Bank, with Berkshire Bank as the surviving entity. BHLB retains the right to hold CBT as a separate subsidiary. Berkshire Bank will consider retaining the CBT name in the surviving institution's branches in Connecticut. We encourage you to read the merger agreement, which is included as Annex A to this proxy statement/prospectus.

What CBT Shareholders Will Receive in the Consideration to be Received in the Merger (page 33)

Under the merger agreement, at your election, each share of CBT common stock you own will be exchanged for either 0.3810 of a share of BHLB common stock or \$8.25 in cash, or a combination of cash and BHLB common stock, subject to 70% of the aggregate merger consideration being exchanged for BHLB common stock.

Comparative Market Prices (page 20)

The following table shows the closing price per share of BHLB common stock and the equivalent price per share of CBT common stock, giving effect to the merger, on October 24, 2011, which is the last day on which shares of BHLB common stock traded preceding the public announcement of the proposed merger, and on [Record Date], the most recent practicable date prior to the mailing of this proxy statement/prospectus. The equivalent price per share of CBT common stock was computed by multiplying the price of a share of BHLB common stock by the 0.3810 exchange ratio. See "Description of the Merger—Consideration to be Received in the Merger" on page 33.

	BHLB Common Stock	CBT Common Stock	Equivalent Price Per Share of CBT Common Stock
October 24, 2011	\$ 21.44	\$ 6.16	\$ 8.19
[Record Date]	\$		\$

Recommendation of CBT Board of Directors (page __)

The CBT board of directors has unanimously approved the merger agreement and the proposed merger. The CBT board believes that the merger agreement, including the merger contemplated by the merger agreement, is fair to, and in the best interests of, CBT and its shareholders, and therefore unanimously recommends that CBT shareholders vote "FOR" the proposal to approve the merger agreement. In reaching this decision, CBT's board of directors considered a variety of factors, which are described in the section captioned "Description of the Merger—CBT's Reasons for the Merger; Recommendation of the CBT Board of Directors" beginning on page 23.

The CBT board of directors unanimously recommends that CBT shareholders vote "FOR" approval of the non-binding proposal regarding certain merger-related executive compensation arrangements and "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 CBT's Financial Advisor (page 26)

In deciding to approve the merger, one of the factors considered by CBT's board of directors was the opinion of Keefe, Bruyette & Woods, Inc., ("KBW") which served as financial advisor to CBT's board of directors. KBW delivered its written opinion on October 24, 2011, that the merger consideration is fair to the holders of CBT 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 KBW. CBT has agreed to pay KBW a fee equal to \$500,000 plus \$10,000 for every \$0.10 per share in excess of \$8.00 per share of consideration received in the merger transaction for each share of CBT common stock. KBW has received a fee of \$125,000 for the rendering of its fairness opinion, which fee shall be credited against the fee referenced above if the merger is completed.

Regulatory Matters Relating to the Merger (page 39)

Under the terms of the merger agreement, the merger cannot be completed unless it is first approved by the Connecticut Department of Banking, the Massachusetts Division of Banks, the Massachusetts Board of Bank Incorporation and the Federal Deposit Insurance Corporation. BHLB will file the required applications in December 2011. As of the date of this document, BHLB has not received any approvals from those regulators. While BHLB does not know of any reason why it would not be able to obtain approval in a timely manner, BHLB cannot be certain when or if it will receive regulatory approval.

Conditions to Completing the Merger (page 44)

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 two-thirds of the outstanding shares of CBT 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;
- All outstanding shares of CBT Series A Preferred Stock will be redeemed by the U.S. Department of Treasury prior to completion of the merger;
 - 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 52)

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

- the merger has not been consummated by October 31, 2012;
- CBT shareholders do not approve the merger agreement at the CBT 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.

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

Termination Fee (page 53)

Under certain circumstances described in the merger agreement, BHLB may demand from CBT a \$1.44 million termination fee in connection with the termination of the merger agreement. See “Description of the Merger—Termination Fee” on page 53 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 40)

In considering the recommendation of the board of directors of CBT to adopt the merger agreement, you should be aware that officers and directors of CBT 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 CBT shareholders. These interests and agreements, which provide for payments in the aggregate amount of up to approximately \$1.39 million, excluding amounts already vested under the Non-Qualified Deferred Compensation Plan for Non-Employee Directors, vested stock warrants and vested equity awards under the 2005 Stock Option and Award Plan, include:

- 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;
- Interests under a Non-Qualified Deferred Compensation Plan for Non-Employee Directors, which will be terminated in connection with the change in control, with the benefits paid to the participants in a lump sum;
- BHLB and Berkshire Bank have presented an offer letter to David A. Lentini, Chief Executive Officer of CBT, which the executive accepted on October 25, 2011. The offer letter provides that Mr. Lentini will serve BHLB as Regional Leader of the Connecticut Bank Region and report directly to the President and Chief Executive Officer of Berkshire Bank;
- The termination of all outstanding CBT 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 merger consideration, determined as of the day before the closing date, over the applicable per share exercise price of that option or (B) \$1.00, multiplied by (ii) the number of shares of CBT 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 termination of all outstanding CBT warrants (other than the CBT Treasury Warrant), whether or not vested; with a payment to the holder of the warrant of an amount of cash equal to (i) the greater of (A) the excess, if any, of the merger consideration, determined as of the day before the closing date, over the applicable per share exercise price of that warrant or (B) \$1.00, multiplied by (ii) the number of shares of CBT common stock that the holder could have purchased with the warrant if the holder had exercised the warrant immediately prior to the effective time;
- The acceleration of vesting of outstanding restricted stock awards;
- One person who is a director of CBT, as determined by BHLB and Berkshire Bank, shall be appointed and elected to the BHLB and Berkshire Bank boards of directors and the board members of CBT who do not join the boards of BHLB or Berkshire Bank shall be appointed to a newly established advisory board of Berkshire Bank; and
- Rights of CBT officers and directors to continued indemnification coverage and continued coverage under directors' and officers' liability insurance policies.

- Due to CBT's participation in the U.S. Department of Treasury's Troubled Asset Relief Program Capital Purchase Program ("TARP"), if the TARP restrictions apply on the closing date of the merger, or if any other regulatory prohibitions are applicable, CBT may be prohibited from (i) making severance payments to Messrs. Lentini, Hall and Fulton and certain other officers, as applicable, (ii) making a cash payment in cancellation of such individual's non-vested CBT stock options and CBT warrants, and (iii) accelerating the vesting of such individual's restricted stock awards.

Approval of the Non-Binding Proposal Regarding Certain Merger-Related Executive Compensation Arrangements Requires the Affirmative Vote of the Holders of a Majority of the Outstanding Shares of CBT Common Stock Entitled to Vote on the Matter (Page 62)

Approval of the non-binding proposal regarding certain merger-related executive compensation arrangements requires the affirmative vote of the holders of a majority of the outstanding shares of CBT common stock entitled to vote on the matter. Shareholders should note that the non-binding proposal regarding certain merger-related executive compensation arrangements is merely an advisory vote which will not be binding on CBT, CBT's Board of Directors, or BHLB. Further, the underlying plans and arrangements are contractual in nature and not, by their terms, subject to shareholder approval. Accordingly, regardless of the outcome of the non-binding, advisory vote, if the merger is consummated, CBT's named executive officers will be eligible to receive the various payments and benefits in accordance with the terms and conditions applicable to those arrangements.

Accounting Treatment of the Merger (page 36)

The merger will be accounted for in accordance with accounting standards for business combinations in accordance with U.S. generally accepted accounting principles.

Comparison of Rights of Shareholders (page 56)

When the merger is completed, CBT shareholders who are to receive shares of BHLB will become BHLB shareholders and their rights will be governed by Delaware law and by BHLB's certificate of incorporation and bylaws. See "Comparison of Rights of Shareholders" beginning on page 56 for a summary of the material differences between the respective rights of CBT and BHLB shareholders.

No Dissenters' Rights (page 23)

CBT shareholders do not have dissenters' rights under Connecticut law since CBT common stock is traded on the Nasdaq Capital Market.

Material Tax Consequences of the Merger (page 36)

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

This tax treatment may not apply to all CBT shareholders. Determining the actual tax consequences of the merger to CBT shareholders can be complicated. CBT shareholders should consult their own tax advisor for a full understanding of the merger's tax consequences that are particular to each shareholder.

To review the tax consequences of the merger to CBT shareholders in greater detail, please see the section “Description of the Merger—Material Tax Consequences of the Merger” beginning on page 36.

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 14.

CBT shareholders may receive a form of consideration different from what they elect.

The consideration to be received by CBT shareholders in the merger is subject to the requirement that 70% of the shares of CBT common stock be exchanged for BHLB 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 BHLB 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 BHLB common stock might decrease after the merger.

Following the merger, many holders of CBT common stock will become shareholders of BHLB. BHLB common stock could decline in value after the merger. For example, during the twelve-month period ending on _____, 2012 (the most recent practicable date before the printing of this proxy statement/prospectus), the price of BHLB common stock varied from a low of \$____ to a high of \$_____ and ended that period at \$____. The market value of BHLB common stock fluctuates based upon general market economic conditions, BHLB’s business and prospects and other factors.

BHLB may be unable to successfully integrate CBT’s operations and retain CBT’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 CBT who are expected to be retained by BHLB. BHLB may not be successful in retaining these employees for the time period necessary to successfully integrate CBT’s operations with those of BHLB. 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 BHLB following the merger.

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

Until the completion of the merger, with some exceptions, CBT 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 BHLB. In addition, CBT has agreed to pay a termination fee to BHLB in specified circumstances. These provisions could discourage other companies from trying to acquire CBT even though those other companies might be willing to offer greater value to CBT's shareholders than BHLB has offered in the merger. The payment of the termination fee could also have a material adverse effect on CBT's financial condition.

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

You should be aware that the directors and officers of CBT have interests in the merger that are different from, or in addition to, the interests of CBT shareholders generally. These include: severance payments that certain officers may receive under existing employment agreements; the payment for stock options and stock warrants; provisions in the merger agreement relating to indemnification of directors and officers and insurance for directors and officers of CBT for events occurring before the merger; the appointment of one CBT board member to the boards of BHLB and Berkshire Bank; and the establishment of an advisory board of directors comprised of CBT 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 40.

If you are a CBT shareholder 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 CBT shareholder of record as of the record date for the special meeting, hold 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 35. The election deadline will be the later of the day of the CBT 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 CBT 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 CBT common stock for any reason until you receive cash and/or BHLB common stock following completion of the merger. Similarly, holders of book-entry shares of CBT 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 CBT or BHLB common stock may decrease, and you might otherwise want to sell your shares of CBT 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.

Failure to complete the merger could negatively impact the stock prices and future businesses and financial results of BHLB and CBT.

If the merger is not completed, the ongoing businesses of BHLB and CBT may be adversely affected and BHLB and CBT will be subject to several risks, including the following:

- BHLB and CBT 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, CBT 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 BHLB and CBT management, which could otherwise have been devoted to other opportunities that may have been beneficial to BHLB and CBT as independent companies, as the case may be.

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

The shares of BHLB common stock to be received by CBT shareholders receiving the stock consideration as a result of the merger will have different rights from shares of CBT common stock.

Following completion of the merger, CBT shareholders who receive the stock consideration will no longer be shareholders of CBT, a Connecticut bank and trust company, but will instead be shareholders of BHLB, a Delaware corporation. There will be important differences between your current rights as a CBT shareholder and the rights to which you will be entitled as a BHLB shareholder. See “Comparison of Rights of Shareholders” beginning on page 56 for a discussion of the different rights associated with BHLB common stock and CBT common stock.

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

KBW, CBT’s financial advisor in connection with the merger, has delivered to the board of directors of CBT its opinion dated as of October 24, 2011. The opinion of KBW 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 CBT 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 BHLB or CBT, 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 BHLB and CBT.

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—CBT’s Reasons for the Merger and Recommendation of the Board of Directors.” You can identify these statements from the use of the words “may,” “will,” “should,” “could,” “would,” “plan,” “potential,” “estimate,” “project,” “believe,” “intend,” “anticipate,” “expect,” “target” 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 11.

Because of these and other uncertainties, BHLB’s actual results, performance or achievements, or industry results, may be materially different from the results indicated by these forward-looking statements. In addition, BHLB’s and CBT’s past results of operations do not necessarily indicate BHLB’s and CBT’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. BHLB 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. BHLB qualifies all of its forward-looking statements by these cautionary statements.

SELECTED HISTORICAL FINANCIAL INFORMATION

The following tables show summarized historical financial data for BHLB and CBT. You should read this summary financial information in connection with BHLB's historical financial information, which is incorporated by reference into this document, and in connection with CBT's historical financial information which is included herein.

Unaudited consolidated interim financial statements for BHLB and CBT at or for the nine months ended September 30, 2011 and 2010 include normal, recurring adjustments necessary to fairly present the data for those periods. The unaudited data is not necessarily indicative of expected results of a full year's operation.

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

(In thousands, except per share data)	At September 30,		At December 31,			
	2011	2010	2009	2008	2007	2006
Selected Financial Data:						
Total assets	\$ 4,087,200	\$2,881,403	\$2,700,424	\$2,666,729	\$2,513,432	\$2,149,642
Loans (1)	2,954,560	2,142,162	1,961,658	2,007,152	1,944,016	1,698,987
Allowance for loan losses	(32,181)	(31,898)	(31,816)	(22,908)	(22,116)	(19,370)
Securities	508,457	405,953	420,966	341,516	258,497	234,174
Goodwill and other intangible assets	224,388	173,079	176,100	178,830	182,452	121,341
Total deposits	3,038,346	2,204,441	1,986,762	1,829,580	1,822,563	1,521,938
Borrowings and subordinated debentures	237,460	260,301	306,668	374,621	349,938	360,469
Total shareholders' equity	546,693	388,647	384,581	408,425	326,837	258,161

	For the Nine Months Ended September 30,			For the Years Ended December 31,			
	2011	2010	2010	2009	2008	2007	2006
Selected Operating Data:							
Total interest and dividend income	\$ 99,232	\$ 83,908	\$ 112,277	\$ 115,476	\$ 133,211	\$ 131,944	\$ 118,051
Total interest expense	23,847	27,056	35,330	45,880	57,471	68,019	57,811
Net interest income	75,385	56,852	76,947	69,596	75,740	63,925	60,240
Service charges and fee income	25,228	22,662	29,859	28,181	30,334	26,654	13,539
All other non-interest income (loss)	1,750	(342)	(108)	944	1,261	(2,011)	(1,491)
Total net revenue	102,363	79,172	106,698	98,721	107,335	88,568	72,288
Provision for loan losses	5,300	6,526	8,526	47,730	4,580	4,300	7,860
Total non-interest expense	86,522	60,314	81,729	78,571	71,699	65,494	48,868
Income tax expense (benefit) - continuing operations	1,432	2,104	2,585	(11,649)	8,812	5,239	4,668
Net (loss) income from discontinued operations	(5)	-	-	-	-	-	371
Net income (loss)	\$ 9,104	\$ 10,228	13,858	(15,931)	22,244	13,535	11,263
Less: Cumulative preferred stock dividends and accretion	-	-	-	1,030	-	-	-
Less: Deemed dividend from preferred stock repayment	-	-	-	2,954	-	-	-
Net income (loss) available to common	\$ 9,104	\$ 10,228	\$ 13,858	\$ (19,915)	\$ 22,244	\$ 13,535	\$ 11,263

shareholders

Note: BHLB acquired Rome Bancorp on April 1, 2011 and Legacy Bancorp on July 21, 2011. Financial data includes acquired balances as of September 30, 2011, along with the impact of equity issued as merger consideration. Operating data includes the operations of the acquired banks beginning as of the acquisition dates, as well as non-recurring income and expenses related to these merger events.

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	At or for the Nine Months Ended September 30,				At or For the Years Ended December 31,			
	2011	2010	2010		2009	2008	2007	2006
Selected Operating Ratios and Other Data:								
Performance Ratios:								
Return on average assets (2)	0.36 %	0.50 %	0.50 %		(0.60)%	0.87 %	0.60 %	0.53 %
Return on average equity (3)	2.62	3.49	3.54		(3.90)	6.47	4.69	4.40
Net interest rate spread (tax equivalent) (4)	3.32	2.97	3.00		2.61	3.06	2.79	2.81
Net interest margin (tax equivalent) (5)	3.52	3.26	3.27		3.00	3.44	3.26	3.24
Non-interest income/total net revenue	26.36	28.19	28.82		29.41	29.44	27.82	16.67
Non-interest expense/average assets	3.47	2.95	2.97		2.93	2.81	2.90	2.31
Capital Ratios:								
Equity/total assets	13.38	13.68	13.47		14.24	15.32	13.00	12.01
Tier 1 capital to average assets – Berkshire Bank	8.27	8.07	8.02		7.86	9.34	7.97	7.69
Total capital to risk-weighted assets – Berkshire Bank	10.64	10.75	10.58		10.71	12.28	10.40	10.27
Asset Quality Ratios:								
Net loans charged-off/average total loans (1)	0.27	0.43	0.42		1.96	0.19	0.34	0.07
Allowance for loan losses as a percent of loans	1.29	1.55	1.49		1.62	1.14	1.14	1.14
Share Data:								
Basic earnings (loss) per common share	\$ 0.54	\$ 0.74	\$ 1.00		\$(1.51)	\$ 2.08	\$ 1.47	\$ 1.32
Diluted earnings (loss) per common share	0.54	0.74	1.00		(1.51)	2.06	1.44	1.29
Dividends per common share	0.48	0.48	0.64		0.64	0.63	0.58	0.56
Book value per share	25.87	27.28	27.56		27.64	30.33	31.15	29.63
Market price at period end	18.47	18.96	22.11		20.68	30.86	26.00	33.46
Weighted average common shares outstanding – basic (thousands)								
	16,863	13,852	13,862		13,189	10,700	9,223	8,538
Weighted average common shares outstanding – diluted (thousands)								
	16,915	13,883	13,896		13,189	10,791	9,370	8,730

Note: All performance ratios are based on average balance sheet amounts where applicable. 2011 data includes balances associated with discontinued operations.

- (1) Loans do not include loans held for sale, which are not material.
 - (2) Net income (loss) divided by average total assets.
 - (3) Net income (loss) divided by average total equity.
 - (4) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities.
 - (5) Net interest margin represents net interest income as a percentage of average interest-earning assets for the period.
-

Note: Generally accepted accounting principles require that acquired loans be recorded at fair value, whereas historical loans are recorded at cost. In 2011, BHLB acquired loans as a result of its acquisitions of Rome Bancorp and Legacy Bancorp. The fair value of acquired loans includes expected loan losses, and there is no loan loss allowance recorded for acquired loans at the time of acquisition. Accordingly, the ratio of the loan loss allowance to total loans is reduced as a result of the existence of acquired loans, and this measure is not directly comparable to prior periods. Similarly, net loan charge-offs are normally reduced for acquired loans since these loans are recorded net of expected loan losses. Therefore, the ratio of net loan charge-offs to average loans is reduced as a result of the existence of acquired loans, and this measure is not directly comparable to prior periods. Other institutions may have acquired loans, and therefore there may be no direct comparability of these ratios between and among other institutions.

SELECTED HISTORICAL FINANCIAL AND OTHER DATA OF THE CONNECTICUT BANK AND TRUST COMPANY

	At September 30,		At December 31,			
	2011	2010	2009	2008	2007	2006
	(in thousands)					
Selected Financial Condition Data:						
Total assets	\$284,183	\$274,231	\$260,254	\$225,078	\$178,739	\$136,434
Loans, net	218,277	220,342	198,078	179,091	140,993	105,526
Securities available for sale	42,576	35,349	27,431	32,461	19,894	20,738
Total cash and cash equivalents	13,192	8,725	27,117	6,774	11,491	5,064
Total deposits	222,544	213,794	200,772	162,934	137,800	99,745
Borrowings	34,711	34,419	34,438	37,971	19,705	13,903
Total stockholders' equity	25,787	24,867	24,053	23,539	20,441	22,085
Allowance for loan losses	3,099	3,381	2,702	2,681	1,693	1,384
Non-accrual loans	12,879	8,785	2,061	2,127	599	597
Non-performing assets	14,589	9,467	2,061	2,127	599	597

	For the Nine Months Ended September 30,			For the Years Ended December 31,			
	2011	2010	2010	2009	2008	2007	2006
	(in thousands)						
Selected Operating Data:							
Interest income	\$9,669	\$10,067	\$13,358	\$12,629	\$ 12,038	\$ 10,823	\$7,150
Interest expense	2,193	2,547	3,357	3,990	5,366	5,283	3,053
Net interest income	7,476	7,520	10,001	8,639	6,672	5,540	4,097
Provision for loan losses	662	896	1,031	677	1,662	308	516
Net interest income after provision for loan losses	6,814	6,624	8,970	7,962	5,010	5,232	3,581
Non-interest income:							
Service charges and other income	677	484	694	564	596	436	193
Net gain (loss) on securities available for sale	448	60	60	197	-	(41)	(17)
Total non-interest income	1,125	544	754	761	596	395	176
Total non-interest expense	7,552	6,796	9,162	8,366	8,082	7,775	6,995
Income before income taxes	387	372	562	357	(2,476)	(2,148)	(3,238)
Income tax benefit (expense)	700	-	(2)	-	-	-	-
Net income (loss)	1,087	372	560	357	(2,476)	(2,148)	(3,238)
Dividends on preferred stock and accretion	(291)	(291)	(388)	(183)	-	-	-
Net income (loss) attributable to common shareholders	\$796	\$81	\$172	\$174	\$ (2,476)	\$ (2,148)	\$(3,238)

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	At or For the Nine Months Ended September 30,						At or for the Years Ended December 31,					
	2011	2010	2010	2009	2008	2007	2006					
Selected Financial Ratios and Other Data												
Performance Ratios(1):												
Return on average assets	0.52	%	0.19	%	0.21	%	0.15	%	(1.22)	)%	(1.33)	)%
Return on average equity	5.64	%	1.99	%	2.24	%	1.49	%	(12.21)	)%	(10.18)	)%
Net interest rate spread (tax equivalent)	3.42	%	3.54	%	3.53	%	3.55	%	2.73	%	2.53	%
Net interest margin (tax equivalent)	3.73	%	3.86	%	3.83	%	3.94	%	3.41	%	3.59	%
Non-interest expense to average assets	3.63	%	3.39	%	3.39	%	3.57	%	3.99	%	4.83	%
Efficiency ratio (2)	92.63	%	84.91	%	85.68	%	90.91	%	112.45	%	130.10	%
Average interest earning assets to average interest-bearing liabilities	128.5	%	124.3	%	124.0	%	121.6	%	124.9	%	131.0	%
Capital Ratios:												
Average equity to average assets	9.3	%	9.4	%	9.3	%	10.2	%	9.4	%	13.0	%
Equity to total assets at end of period	9.1	%	9.1	%	9.1	%	9.2	%	10.5	%	11.4	%
Regulatory Capital Ratios:												
Core capital (Tier 1 capital) to average assets	9.0	%	9.1	%	8.9	%	9.6	%	11.0	%	11.1	%
Total risk-based capital	12.7	%	12.3	%	12.3	%	12.8	%	13.9	%	14.8	%
Asset Quality Ratios:												
Nonperforming loans as percent of loans	5.82	%	2.03	%	4.44	%	1.08	%	1.17	%	1.64	%
Nonperforming assets as percent of total assets	5.13	%	1.71	%	3.45	%	0.79	%	0.95	%	0.34	%
Allowance for loan losses as a percent of loans	1.40	%	1.48	%	1.51	%	1.35	%	1.47	%	1.19	%
Allowance for loan losses as a percent of non-performing loans	20.99	%	69.66	%	35.71	%	131.10	%	126.05	%	282.64	%
Share:												
Basic earnings (loss) per share	\$ 0.22		\$ 0.02		\$0.05		\$0.05		\$(0.69)	)	\$(0.61)	)
Diluted earnings (loss) per share	\$ 0.22		\$ 0.02		\$0.05		\$0.05		\$(0.69)	)	\$(0.61)	)

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Book value per share	\$ 5.70	\$ 5.48	\$5.47	\$5.36	\$5.23	\$5.72	\$6.19
Dividends per common share	\$ -	\$ -	\$-	\$-	\$-	\$-	\$-
Other Data:							
Number of:							
Full service offices	8	8	7	7	7	7	5

- (1) Performance ratios for the nine months ended September 30, 2011 and 2010 have been annualized.
- (2) 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.

MARKET PRICE AND DIVIDEND INFORMATION

BHLB common stock is listed on the NASDAQ Global Select Market under the symbol “BHLB.” CBT common stock is listed on the NASDAQ Capital Market under the symbol “CTBC.” The following table lists the high and low prices per share for BHLB common stock and CBT common stock and the cash dividends declared by BHLB for the periods indicated. CBT does not pay a cash dividend on its common stock.

Quarter Ended	BHLB Common Stock			CBT Common Stock	
	High	Low	Dividends	High	Low
March 31, 2012 (through _____, 2012)					
December 31, 2011					
September 30, 2011	\$ 24.14	\$ 17.11	\$ 0.16	\$ 7.00	\$ 5.40
June 30, 2011	\$ 22.85	\$ 20.45	\$ 0.16	\$ 7.43	\$ 6.00
March 31, 2011	\$ 22.92	\$ 20.68	\$ 0.16	\$ 7.72	\$ 5.50
December 31, 2010	\$ 22.49	\$ 17.90	\$ 0.16	\$ 6.19	\$ 4.71
September 30, 2010	\$ 20.94	\$ 17.08	\$ 0.16	\$ 6.26	\$ 3.62
June 30, 2010	\$ 22.84	\$ 16.81	\$ 0.16	\$ 6.61	\$ 4.50
March 31, 2010	\$ 20.99	\$ 16.20	\$ 0.16	\$ 5.15	\$ 3.95

You should obtain current market quotations for BHLB common stock, as the market price of BHLB 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 [Record Date], there were approximately _____ holders of record of BHLB common stock. As of [Record Date], there were approximately _____ holders of record of CBT 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 BHLB’s board of directors and will be determined after consideration of various factors, including earnings, cash requirements, the financial condition of BHLB, applicable state law and government regulations and other factors deemed relevant by BHLB’s board of directors.

SPECIAL MEETING OF THE CONNECTICUT BANK AND TRUST COMPANY SHAREHOLDERS

Date, Place, Time and Purpose

CBT's board of directors is sending you this document to request that you allow your shares of CBT to be represented at the special meeting by the persons named in the enclosed proxy card. At the special meeting, the CBT board of directors will ask you to vote on a proposal to approve the merger agreement and a proposal regarding certain merger-related executive compensation arrangements. 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 Connecticut Bank and Trust Company, 58 State House Square, Hartford, Connecticut at [Time of Meeting], local time, on [Date of Meeting].

Who Can Vote at the Meeting

You are entitled to vote if the records of CBT showed that you held shares of CBT common stock as of the close of business on [Record Date]. As of the close of business on that date, a total of [Outstanding Shares] shares of CBT common stock were outstanding. Each share of common stock has one vote. If you are a beneficial owner of shares of CBT 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 CBT 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 CBT 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 two-thirds of the outstanding shares of CBT 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: Approval, on an advisory, non-binding basis, of certain merger-related executive compensation arrangements. Approval of certain merger-related executive compensation arrangements will require the affirmative vote of a majority of the outstanding shares of CBT 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-related executive compensation arrangements. Broker non-votes and abstentions from voting will have the same effect as voting against the merger-related executive compensation arrangements.

Proposal 3: Adjourn the special meeting if necessary to permit further solicitation of proxies. Approval of the proposal to adjourn the special meeting if necessary to permit further solicitation of proxies on the proposal to approve the merger agreement will require the affirmative vote of a majority of the outstanding shares of CBT 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 adjournment. Broker non-votes and abstentions from voting will have the same effect as voting against the adjournment.

Shares Held by CBT Officers and Directors and by BHLB

As of [Record Date], directors and executive officers of CBT beneficially owned _____ shares of CBT common stock, not including shares that may be acquired upon the exercise of stock options and warrants. This equals ____% of the outstanding shares of CBT common stock. The directors and executive officers of CBT have agreed to vote their shares in favor of the merger at the special meeting. As of the same date, BHLB and its subsidiaries and its directors and executive officers owned _____ shares of CBT common stock. This equals less than 1.0% of the total outstanding shares of CBT 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, CBT 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.

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

Voting instructions are included on your proxy form. If you properly complete and timely submit your proxy, your shares will be voted as you have directed. You may vote for, against, or abstain with respect to the approval of the merger agreement, the approval, by a non-binding advisory vote, of certain compensation arrangements for CBT’s named executive officers in connection with the merger and the proposal to adjourn the meeting. If you are the record holder of your shares of CBT common stock and submit your proxy without specifying a voting instruction, your shares of CBT common stock will be voted “FOR” the proposal to adopt the merger agreement, “FOR” the non-binding proposal regarding certain merger-related executive compensation arrangements and “FOR” the proposal to adjourn the meeting if necessary to permit further solicitation of proxies on the proposal to approve the merger agreement. CBT’s board of directors recommends a vote “FOR” approval of the merger agreement, “FOR” the non-binding proposal regarding certain merger-related executive compensation arrangements 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 CBT 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:

The Connecticut Bank and Trust Company
Anson C. Hall, President and Secretary
58 State House Square
Hartford, Connecticut 06103

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

Solicitation of Proxies

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

NO DISSENTERS' RIGHTS

Under Connecticut law, holders of CBT common stock do not have dissenters' rights since the common stock of CBT is traded on the Nasdaq Capital Market.

DESCRIPTION OF THE MERGER (PROPOSAL 1)

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 CBT with and into Berkshire Bank, with Berkshire Bank as the surviving entity.

Background of the Merger

As part of its ongoing oversight of CBT, management and the board of directors of CBT regularly review CBT's strategic and financial prospects. Management and the board of directors regularly have reviewed CBT's prospects as an independent entity versus the alternative of merging with another institution.

In the summer of 2011, management of CBT was approached by several institutions expressing an interest in a possible combination with CBT. Specific terms of any possible combination were not discussed. Management reported on these approaches to the board of directors of CBT. The board of directors considered these approaches and determined to meet with Keefe, Bruyette & Woods ("KBW"), a financial advisor that CBT had retained in the past, for further discussions.

Thereafter, on July 27, 2011, KBW met with CBT's board of directors to discuss potential merger partners and potential prices that might be achieved in a sale of control. The board of directors discussed the process of approaching potential interested institutions and authorized KBW to approach six identified institutions to determine if they would be interested in a possible combination with CBT. These institutions were selected based on their size and geographic location, likelihood of possible interest in a combination with CBT, and ability to effectuate a combination with CBT. The terms of an engagement letter with KBW were discussed but not determined at that time.

Between July 27 and 28, 2011, KBW contacted the six identified institutions regarding a potential business combination with CBT.

On August 5, 2011, KBW sent bid instructions to the six institutions and provided access to the Round 1 virtual data room to the five institutions that entered into a confidentiality agreement with CBT.

On August 8, 2011, CBT entered into a confidentiality agreement with the sixth institution and authorized KBW to provide this party with access to the Round 1 virtual data room.

On August 26, 2011, CBT entered into a written engagement letter with KBW to act as its financial adviser for a potential sale of the company.

On August 29, 2011, Berkshire Hills Bancorp, Inc. (“BHLB”) submitted a preliminary indication of interest to CBT, indicating a willingness to pay \$8.00 per CBT share. Between August 29 and 30, 2011, five other institutions submitted preliminary indications to CBT within a range of \$5.00 - \$10.00.

On August 31, 2011, KBW met with CBT's board of directors to discuss the nonbinding indications of interest from BHLB and the five other institutions. KBW presented an overview of the six parties and a financial analysis of the proposed offers. CBT's board of directors voted to allow one party, Party A, the institution that had submitted the highest indicated price among the initial indications of interest, to be given access to the Round 2 virtual data room and conduct additional and on-site due diligence.

Between September 7 and 10, 2011, Party A conducted on-site due diligence on CBT.

On September 13, 2011, an institution that previously had submitted an indication of interest, Party B, submitted a revised indication of interest enhancing its proposal to acquire CBT and increasing the amount proposed merger consideration it would be willing to pay.

On September 16, 2011, Party A communicated verbally that they were no longer interested in a business combination with CBT. CBT's board of directors then determined to allow Party B to conduct additional and on-site due diligence and authorized KBW to provide Party B with access to the Round 2 virtual data room.

Between September 20 and 22, 2011, Party B conducted on-site due diligence on CBT.

On September 29, 2011, Party B revised its indication of interest again and reduced the amount of the proposed merger consideration it would be willing to pay.

On October 3, 2011, CBT authorized KBW to provide BHLB with access to the Round 2 virtual data room.

On October 4, 2011, CBT authorized KBW to provide another institution that previously had submitted an initial indication of interest on August 30, 2011 at a price of \$8.30 per share, Party C, with access to the Round 2 virtual data room.

Between October 4 and 5, 2011, BHLB conducted on-site due diligence on CBT.

Between October 6 and 7, 2011, Party C conducted on-site due diligence on CBT.

On October 12, 2011, BHLB submitted a revised indication of interest to CBT, indicating its willingness to acquire all of the outstanding shares of common stock of CBT through one of three alternatives, to be selected at the discretion of CBT's board. Alternative 1 indicated a willingness to pay \$8.25 per CBT share with 100% of the consideration paid in cash. Alternative 2 indicated a willingness to pay a mixed consideration of 25% cash and 75% stock with \$8.25 per share for the cash consideration and a fixed exchange ratio of 0.3810x for the stock consideration. Alternative 3 indicated a willingness to pay a mixed consideration of 25% cash and 75% stock with \$8.25 per share for the cash consideration and the following exchange ratio for the stock consideration: (1) If BHLB's stock price is between \$18.50 and \$22.50, the exchange ratio will float such that the value is fixed at \$8.00 per share, (2) if BHLB's stock price is below \$18.50, the exchange ratio will be fixed at 0.4324 and (3) if BHLB's stock price is above \$22.50, the exchange ratio will be fixed at 0.3556. Based on BHLB's stock price of \$20.10 on October 11, 2011, the value of Alternative 1, 2 and 3 to CBT shareholders was \$8.25, \$7.81 and \$8.06, respectively.

On October 12, 2011, Party C submitted a revised indication of interest to acquire CBT.

On October 17, 2011, KBW met with CBT's board of directors to discuss the revised indications of interest from BHLB and Party C and presented updated overview materials about the competing parties, including an analysis of the financial condition of BHLB, the recent acquisition history of BHLB and the strength of BHLB's currency. After consideration of such information and the ability of the potential acquirors to consummate a merger transaction and

successfully integrate a merger, CBT's board voted to proceed with a transaction with BHLB under Alternative 1. CBT's chief executive officer communicated this decision to the chief executive officer of BHLB.

On October 17, 2011, BHLB verbally communicated a final indication of interest to CBT, indicating a willingness only to pay a mixed consideration of 30% cash and 70% stock with \$8.25 per share for the cash consideration and a fixed exchange ratio of 0.3810x for the stock consideration. The previous Alternatives 1 and 3 were withdrawn from consideration by BHLB. Based on BHLB's closing stock price of \$19.68 on October 17, 2011, the value of the merger consideration offered by BHLB was \$7.72 for each share of CBT stock. CBT's board of directors voted to proceed with negotiations with BHLB.

On October 17, 18 and 20, 2011 CBT conducted reverse due diligence on BHLB.

From October 14 to October 23, 2011, CBT and its advisors received, reviewed and negotiated the terms of the Agreement and Plan of Merger and related documents with BHLB and its advisors.

On October 24, 2011, the CBT board of directors met to review presentations by its legal counsel, Day Pitney LLP, and by KBW, which included, among other matters, commercial, financial and corporate information on BHLB and CBT, each entity's historical stock price and performance, and valuation methodologies and analyses of the consideration offered by BHLB. Following the presentations, the board of directors engaged in discussions about the proposed transaction, the proposed merger agreement and other transaction documents and the effect of the transaction on the customers and employees of CBT. Members of the board of directors asked questions of CBT's outside legal and financial advisors about the proposed transaction and their fiduciary duties to shareholders. After further reviewing the consideration per share offered by BHLB and after giving consideration to the other factors described under "—CBT's Reasons for the Merger", the members of the board of directors of CBT unanimously voted to approve the merger agreement.

The transaction was announced after the close of the stock markets on the afternoon of October 25, 2011.

See "—Opinion of CBT's Financial Advisor" for a description of the fees KBW will receive for its services to CBT in connection with the merger.

CBT's Reasons for the Merger

In reaching its decision to approve the merger agreement and recommend their approval to shareholders, the Board of Directors of CBT consulted with senior management, its legal counsel, Day Pitney LLP, its financial advisor, KBW, and considered a number of factors, including, among others, the following, which are not presented in order of priority:

- the business strategy and strategic plan of CBT, its prospects for the future, projected financial results, and expectations relating to the proposed merger, based on discussions with management of CBT;
- a review of the risks and prospects of CBT remaining independent, including the challenges to maintaining a small community bank in the prevailing financial and regulatory climate versus aligning CBT with a well capitalized, well run larger organization;
- a review of the historical financial statements and condition of CBT and certain other internal information, primarily financial in nature, relating to the respective businesses, earnings and balance sheets of CBT;
- the form and amount of the merger consideration;
- the merger consideration which could reasonably be expected from other potential acquirers with apparent ability to consummate the acquisition of CBT, including depository institutions that had expressed an interest in acquiring a depository institution such as CBT;
- the ability of BHLB to pay the merger consideration and the strength and recent performance of the BHLB's currency;
- the ability of BHLB to execute a merger transaction from a financial and regulatory perspective and its recent history of being able to successfully integrate merged institutions into its existing franchise;

- the geographic fit and increased customer convenience of the branch networks of CBT;
- the anticipated effect of the acquisition on CBT's employees (including the fact that BHLB anticipates offering employment to many of the employees of CBT, following the consummation of the merger);
- the effect on CBT's customers and the communities served by CBT;
- the terms of the merger agreement, including the representations and warranties of the parties, the covenants, the consideration, the benefits to CBT's employees, the circumstances under which the CBT board of directors may consider a superior proposal, and the absence of burdensome contingencies in the merger agreement;
- the increased legal lending limit available to borrowers by reason of the merger;
- the likelihood of expeditiously obtaining the necessary regulatory approvals without unusual or burdensome conditions; and
- the long-term and short term interests of CBT and its shareholders, the interests of the employees, customers, creditors and suppliers of CBT, and community and societal considerations including those of the communities in which CBT maintains offices.

Based on the factors described above, the board of directors of CBT determined that the merger with BHLB would be advisable and in the best interests of CBT shareholders and other constituencies and unanimously approved the merger agreement.

Opinion of CBT's Financial Advisor

In July 2011, CBT engaged KBW to render financial advisory and investment banking services to CBT. KBW agreed to assist CBT in assessing the fairness, from a financial point of view, of the merger consideration in the proposed merger with BHLB, to the shareholders of CBT. CBT selected KBW because KBW is a nationally recognized investment banking firm with substantial experience in transactions similar to the merger and is familiar with CBT and its business. As part of its investment banking business, KBW is continually engaged in the valuation of financial services companies and their securities in connection with mergers and acquisitions.

As part of its engagement, a representative of KBW attended the meeting of the CBT board held on October 24, 2011, at which the CBT board evaluated the proposed merger with BHLB. At this meeting, KBW reviewed the financial aspects of the proposed merger and rendered an opinion that, as of such date, the merger consideration offered to CBT shareholders in the merger was fair, from a financial point of view. The CBT board approved the merger agreement at this meeting.

The full text of KBW's written opinion is attached as Annex B to this document and is incorporated herein by reference. CBT shareholders are urged to read the opinion in its entirety for a description of the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by KBW. The description of the opinion set forth herein is qualified in its entirety by reference to the full text of such opinion.

KBW's opinion speaks only as of the date of the opinion. The opinion is directed to the CBT board and addresses only the fairness, from a financial point of view, of the consideration offered to the CBT shareholders. It does not address the underlying business decision to proceed with the merger and does not constitute a recommendation to any CBT shareholder as to how the shareholder should vote at the CBT special meeting on the merger or any related matter.

In rendering its opinion, KBW:

- reviewed, among other things,
- the merger agreement;
- Annual Reports to Shareholders and Annual Reports on Form 10-K for the three years ending December 31, 2010 of CBT and BHLB;
- certain interim reports to shareholders and Quarterly Reports on Form 10-Q of CBT and BHLB and certain other communications from CBT and BHLB to their respective shareholders; and
- other financial information concerning the businesses and operations of CBT and BHLB furnished to KBW by CBT and BHLB for purposes of KBW's analysis.

In addition, KBW held discussions with members of senior management of CBT and BHLB regarding past and current business operations, regulatory relations, financial condition, future prospects of their respective companies, and other matters KBW deemed relevant, including the pro forma impact on BHLB of the recently completed acquisition of Legacy Bancorp, Inc. by BHLB.

In addition, KBW compared certain financial and stock market information for CBT and BHLB with similar information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations in the banking industry, and performed other studies and analyses that it considered appropriate.

In conducting its review and arriving at our opinion, KBW relied upon the accuracy and completeness of all of the financial and other information provided to them or otherwise publicly available. KBW did not independently verify the accuracy or completeness of any such information or assume any responsibility for such verification or accuracy. KBW relied upon the management of CBT and BHLB as to the reasonableness and achievability of the financial and operating forecasts and projections (and the assumptions and bases therefore) provided to KBW and assumed that such forecasts and projections reflected the best currently available estimates and judgments of such managements and that such forecasts and projections will be realized in the amounts and in the time periods estimated by such managements. KBW relied upon the assessments of CBT and its legal, tax and accounting advisors with respect to such matters. KBW assumed, without independent verification, that the aggregate allowance for loan and lease losses for CBT and BHLB are adequate to cover those losses. KBW did not make or obtain any evaluations or appraisals of the property, assets or liabilities of CBT or BHLB, nor did it examine any individual credit files.

The projections furnished to KBW and used by it in certain of its analyses were prepared by CBT's and BHLB's senior management teams. CBT and BHLB do not publicly disclose internal management projections of the type provided to KBW in connection with its review of the merger. As a result, such projections were not prepared with a view towards public disclosure. The projections were based on numerous variables and assumptions, which are inherently uncertain, including factors related to general economic and competitive conditions. Accordingly, actual results could vary significantly from those set forth in the projections.

For purposes of rendering its opinion, KBW assumed that, in all respects material to its analyses:

- the merger will be completed substantially in accordance with the terms set forth in the merger agreement with no additional payments or adjustments to the merger consideration;
- the representations and warranties of each party in the merger agreement and in all related documents and instruments referred to in the merger agreement are true and correct;

- each party to the merger agreement and all related documents will perform all of the covenants and agreements required to be performed by such party under such documents;
- all conditions to the completion of the merger will be satisfied without any waivers; and

- in the course of obtaining the necessary regulatory, contractual, or other consents or approvals for the merger, no restrictions, including any divestiture requirements, termination or other payments or amendments or modifications, will be imposed that will have a material adverse effect on the future results of operations or financial condition of the combined entity or the contemplated benefits of the merger, including the cost savings, revenue enhancements and related expenses expected to result from the merger.

KBW further assumed that the merger will be accounted for using the acquisition method under generally accepted accounting principles, and that the merger will qualify as a tax-free reorganization for United States federal income tax purposes. KBW's opinion is not an expression of an opinion as to the prices at which shares of CBT common stock or shares of BHLB common stock will trade following the announcement of the merger or the actual value of the shares of common stock of the combined company when issued pursuant to the merger, or the prices at which the shares of common stock of the combined company will trade following the completion of the merger.

In performing its analyses, KBW made numerous assumptions with respect to industry performance, general business, economic, market and financial conditions and other matters, which are beyond the control of KBW, CBT and BHLB. Any estimates contained in the analyses performed by KBW are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by these analyses. Additionally, estimates of the value of businesses or securities do not purport to be appraisals or to reflect the prices at which such businesses or securities might actually be sold. Accordingly, these analyses and estimates are inherently subject to substantial uncertainty. In addition, the KBW opinion was among several factors taken into consideration by the CBT board in making its determination to approve the merger agreement and the merger. Consequently, the analyses described below should not be viewed as determinative of the decision of the CBT board with respect to the fairness of the consideration.

The following is a summary of the material analyses presented by KBW to the CBT board on October 24, 2011, in connection with its fairness opinion. The summary is not a complete description of the analyses underlying the KBW opinion or the presentation made by KBW to the CBT board, but summarizes the material analyses performed and presented in connection with such opinion. The preparation of a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. In arriving at its opinion, KBW did not attribute any particular weight to any analysis or factor that it considered, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. The financial analyses summarized below include information presented in tabular format. Accordingly, KBW believes that its analyses and the summary of its analyses must be considered as a whole and that selecting portions of its analyses and factors or focusing on the information presented below in tabular format, without considering all analyses and factors or the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the process underlying its analyses and opinion. The tables alone do not constitute a complete description of the financial analyses.

Summary of Proposal. Pursuant to the terms of the Agreement, each outstanding share of common stock, no par value per share, of CBT not owned by CBT or BHLB or by any of their respective wholly-owned subsidiaries other than shares owned in a fiduciary capacity or as a result of debts previously contracted, will be converted into the right to receive either 0.3810 shares of common stock, par value \$0.01 per share, of BHLB or \$8.25 in cash. Based on BHLB's closing price on October 21, 2011, of \$20.59, the merger consideration represented a price of \$7.97 per share to CBT's shareholders.

Selected Companies Analysis. Using publicly available information, KBW compared the financial performance, financial condition and market performance of CBT to the following publicly traded banks headquartered in New England with total assets between \$100 million and \$750 million. Companies included in this group were:

Centrix Bank & Trust	Hampshire First Bank
New England Bancshares, Inc.	Middlebury National Corporation
Patriot National Bancorp, Inc.	Connecticut River Bancorp, Inc.
Northeast Bancorp	Grand Bank Corporation
Salisbury Bancorp, Inc.	Peoples Trust Company of St. Albans
Katahdin Bankshares Corporation	First Suffield Financial, Inc.
Union Bankshares, Inc.	Rockport National Bancorp, Inc.
Community Bancorp.	Central Financial Corporation
BNC Financial Group, Inc.	Southern Connecticut Bancorp, Inc.
Ledyard Financial Group, Inc.	Damariscotta Bankshares, Inc.
SBT Bancorp, Inc.	Island Bancorp, Inc.
Citizens National Bancorp	

Using publicly available information, KBW compared the financial performance, financial condition, and market performance of BHLB to the following publicly traded banks and thrifts headquartered in New England and Upstate New York with total assets between \$2.0 billion and \$8.0 billion. Companies included in this group were:

Community Bank System, Inc.	Brookline Bancorp, Inc.
Boston Private Financial Holdings, Inc.	Washington Trust Bancorp, Inc.
NBT Bancorp Inc.	Century Bancorp, Inc.
Independent Bank Corp.	Camden National Corporation
TrustCo Bank Corp NY	Financial Institutions, Inc.
Tompkins Financial Corporation	

To perform this analysis, KBW used financial information as of the three month period ended September 30, 2011 or the three month period ended June 30, 2011 based on the most recent available. Market price information was as of October 21, 2011. Earnings estimates for 2012 and 2013 were taken from a nationally recognized earnings estimate consolidator for selected companies. Certain financial data prepared by KBW, and as referenced in the tables presented below, may not correspond to the data presented in CBT's and BHLB's historical financial statements as a result of the different periods, assumptions and methods used by KBW to compute the financial data presented.

KBW's analysis showed the following concerning CBT's and BHLB's financial condition:

	CBT		CBT Group Minimum		CBT Group Maximum	
Core Return on Average Assets (1)	0.12	%	(3.08)	)%	1.11	%
Core Return on Average Equity (1)	1.30	%	(36.90)	)%	14.00	%
Net Interest Margin	3.73	%	3.16	%	4.58	%
Efficiency Ratio	93.60	%	56.80	%	133.50	%

	BHLB		BHLB Group Minimum		BHLB Group Maximum	
Core Return on Average Assets (1)	0.66	%	0.61	%	1.29	%
Core Return on Average Equity (1)	4.70	%	5.80	%	13.20	%
Net Interest Margin	3.51	%	2.17	%	4.12	%
Efficiency Ratio	65.40	%	51.3	%	72.40	%

	CBT		CBT Group Minimum		CBT Group Maximum	
Tangible Common Equity / Tangible Assets	7.31	%	4.83	%	13.33	%
Total Capital Ratio	12.70	%	11.97	%	23.15	%
Loan Loss Reserve / Loans	1.53	%	0.14	%	2.82	%
Nonperforming Assets / Loans + OREO	5.02	%	0.31	%	9.95	%
Net Charge-Offs / Average Loans	0.16	%	(0.05)	)%	1.94	%

	BHLB		BHLB Group Minimum		BHLB Group Maximum	
Tangible Common Equity / Tangible Assets	8.32	% (2)	5.66	%	14.66	%
Total Capital Ratio	11.25	% (3)	12.52	%	17.88	%
Loan Loss Reserve / Loans	1.30	%	1.19	%	2.24	%
Nonperforming Assets / Loans + OREO	0.68	%	0.63	%	2.55	%
Net Charge-Offs / Average Loans	0.24	%	(0.06)	)%	0.60	%

(1) Core income defined as net income after taxes and before extraordinary items, less net income attributable to noncontrolling interest, the after-tax portion of income from investment securities and nonrecurring items.

(2) 8.27% pro forma for Legacy Bancorp, Inc. transaction

(3) 11.00% pro forma for Legacy Bancorp, Inc. transaction

KBW's analysis showed the following concerning CBT's and BHLB's market performance:

	CBT		CBT Group Minimum		CBT Group Maximum	
Stock Price / Book Value per Share	1.08	x	0.38	x	2.02	x
Stock Price / Tangible Book Value per Share	1.08	x	0.38	x	2.27	x
Stock Price / Last Twelve Months EPS	38.6	x	2.68	x	25.00	x

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Dividend Yield	0.0	%	0.0	%	5.9	%
Last Twelve Months Dividend Payout Ratio	0.0	%	0.0	%	91.7	%

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	BHLB		BHLB Group Minimum		BHLB Group Maximum	
Stock Price / Book Value per Share	0.77x	(1)	0.92	x	1.47	x
Stock Price / Tangible Book Value per Share	1.36x	(2)	0.93	x	2.57	x
Stock Price / 2012 EPS (3)	10.8	x	9.4	x	14.1	x
Stock Price / 2013 EPS (3)	9.5	x	8.6	x	11.9	x
Dividend Yield	3.3	%	0.6	%	5.4	%
2012 Dividend Payout Ratio	35.6	%	8.0	%	62.5	%

(1) 0.79x pro forma for Legacy Bancorp, Inc. acquisition

(2) 1.40x pro forma for Legacy Bancorp, Inc. acquisition

(3) Estimates per First Call consensus estimates

Recent Transactions Analysis. KBW reviewed publicly available information related to selected acquisitions of banks and bank holding companies as well as thrifts and thrift holding companies headquartered in New England that were announced after January 1, 2009, with announced aggregate transaction values less than \$500 million. The transactions included in the groups were:

Acquiror

Brookline Bancorp, Inc.
People's United Financial, Inc.
Berkshire Hills Bancorp, Inc.
Brookline Bancorp, Inc.
Liberty Bank
People's United Financial, Inc.
Eastern Bank Corporation
Union Savings Bank
United Financial Bancorp, Inc.
Danvers Bancorp, Inc.
New England Bancshares, Inc.

Acquiree

Bancorp Rhode Island, Inc.
Danvers Bancorp, Inc.
Legacy Bancorp, Inc.
First Ipswich Bancorp
Connecticut River Community Bank
LSB Corporation
Wainwright Bank & Trust Company
First Litchfield Financial Corporation
CNB Financial Corp.
Beverly National Corporation
Apple Valley Bank & Trust Company

Transaction multiples for the merger were derived from an offer price of \$7.97 per share for CBT. For each transaction referred to above, KBW derived and compared, among other things, the implied ratio of price per common share paid for the acquired company to:

- tangible book value per share of the acquired company based on the latest publicly available financial statements of the company available prior to the announcement of the acquisition.
- tangible equity premium to core deposits (total deposits less time deposits greater than \$100,000) based on the latest publicly available financial statements of the company available prior to the announcement of the acquisition.
- market premium based on the closing price 1-day prior to the announcement of the acquisition.

The results of the analysis are set forth in the following table:

	BHLB / CBT	Recent Transaction	Recent Transactions
Transaction Price to:	Merger	Minimum	Maximum

Tangible Book Value	139	%	111	%	200	%
Core Deposit Premium	4.7	%	1.3	%	14.1	%
Market Premium (1)	28.9	%	3.1	%	260.0	%

(1) Based on CBT closing price of \$6.18 on October 21, 2011

No company or transaction used as a comparison in the above analysis is identical to CBT, BHLB or the merger. Accordingly, an analysis of these results is not mathematical. Rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies.

Contribution Analysis. KBW analyzed the relative contribution of BHLB and CBT to the pro forma balance sheet and income statement items of the combined entity, including assets, gross loans held for investment, deposits, tangible common equity, last twelve months net income and market capitalization. KBW compared the relative contribution of balance sheet for the period ending June 30, 2011, which did not include any estimated purchase accounting adjustments, and income statement items with the estimated pro forma ownership for CBT based on 70% of CBT shares exchanged for 0.3810 BHLB shares and 30% of CBT shares exchanged for \$8.25 in cash. The results of KBW's analysis are set forth in the following table:

	BHLB		CBT	
Assets	93	%	7	%
Gross Loans Held for Investment	93	%	7	%
Deposits	93	%	7	%
Tangible Common Equity	94	%	6	%
Last Twelve Months Net Income	95	%	5	%
Market Capitalization	95	%	5	%
Ownership at 70% stock / 30% cash	95	%	5	%

Financial Impact Analysis. KBW performed pro forma merger analyses that combined projected income statement and balance sheet information of CBT and BHLB. Assumptions regarding the accounting treatment, acquisition adjustments and cost savings were used to calculate the financial impact that the merger would have on certain projected financial results of BHLB. In the course of this analysis, KBW used earnings estimates for BHLB for 2012 and 2013 from a nationally recognized earnings estimate consolidator and used earnings estimates for CBT for 2012 and 2013 based on discussions with BHLB management. This analysis indicated that the merger is expected to be accretive to BHLB's estimated earnings per share in 2012 and 2013. The analysis also indicated that the merger is expected to be dilutive to book value per share and dilutive to tangible book value per share for BHLB and that BHLB would maintain well capitalized capital ratios. For all of the above analyses, the actual results achieved by BHLB following the merger will vary from the projected results, and the variations may be material.

Discounted Cash Flow Analysis. KBW performed a discounted cash flow analysis to estimate a range of the present values of after-tax cash flows that CBT could provide to equity holders through 2016 on a stand-alone basis. In performing this analysis, KBW used earnings estimates for CBT for 2011-2015 and a growth rate of 5.0% thereafter, from Company management, and assumed discount rates ranging from 10.0% to 14.0%. The range of values was determined by adding (1) the present value of projected cash flows to CBT shareholders from 2011 to 2016 and (2) the present value of the terminal value of CBT's common stock. In determining cash flows available to shareholders, KBW assumed balance sheet growth per CBT management and assumed that CBT would maintain a tangible common equity / tangible asset ratio of 7.50% and would retain sufficient earnings to maintain that level. Any earnings in excess of what would need to be retained represented dividendable cash flows for CBT. In calculating the terminal value of CBT, KBW applied multiples ranging from 10.0 times to 14.0 times 2016 forecasted earnings. This resulted in a range of values of CBT from \$3.69 to \$5.73 per share. The discounted cash flow present value analysis is a widely used valuation methodology that relies on numerous assumptions, including asset and earnings growth rates, terminal values and discount rates. The analysis did not purport to be indicative of the actual values or expected values of CBT.

The CBT board retained KBW as financial adviser to CBT regarding the merger. As part of its investment banking business, KBW is continually engaged in the valuation of bank and bank holding company securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for other purposes. As specialists in the securities of banking companies, KBW has experience in, and knowledge of, the valuation of banking enterprises. In the ordinary course of its business as a broker-dealer, KBW may, from time to time, purchase securities from, and sell securities to, CBT and BHLB. As a market maker in securities KBW may from time to time have a long or short position in, and buy or sell, debt or equity securities of CBT and BHLB for KBW's own account and for the accounts of its customers.

CBT and KBW have entered into an agreement relating to the services to be provided by KBW in connection with the merger. CBT paid KBW a cash fee of \$125,000 concurrently with the rendering of the Fairness Opinion relating to the Transaction. Additionally, CBT has agreed to pay to KBW at the time of closing of the Transaction a cash fee ("Contingent Fee") equal to \$500,000. The fees paid prior to the Contingent Fee payment will be credited against the Contingent Fee. Pursuant to the KBW engagement agreement, CBT also agreed to reimburse KBW for reasonable out-of-pocket expenses and disbursements incurred in connection with its retention and to indemnify against certain liabilities, including liabilities under the federal securities laws. During the two years preceding the date of its opinion to CBT, KBW has not received compensation for investment banking services from neither CBT nor BHLB.

Consideration to be Received in the Merger

When the merger becomes effective, each share of CBT 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) \$8.25 in cash without interest or (b) 0.3810 shares of BHLB common stock and cash instead of fractional shares, subject to the allocation restrictions discussed below.

Although shareholders of CBT are being given the choice of whether to receive cash or BHLB common stock in exchange for their shares of CBT 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 BHLB will be in the form of 70% BHLB common stock and 30% in cash.

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

CBT shareholders will not receive fractional shares of BHLB common stock. Instead, CBT shareholders will receive a cash payment for any fractional shares in an amount equal to the product of (i) the fraction of a share of BHLB common stock to which such shareholder is entitled multiplied by (ii) the average of the daily closing sales price of BHLB common stock for the five consecutive trading days immediately preceding the closing date of the merger.

Treatment of CBT Stock Options

At the effective time of the merger, each option to purchase shares of CBT common stock granted under CBT's stock option plans that is outstanding, whether or not vested or exercisable, immediately before the closing of the merger will cease to represent a right to acquire shares of CBT common stock and 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 the merger consideration, determined as of the day before the closing date, over the applicable per share exercise price of that option or (B) \$1.00 by (ii) the number of shares of CBT common stock that the holder could have purchased with the option if the holder had exercised the option immediately prior to the effective time.

Treatment of CBT Founders Warrants

At the effective time of the merger, each warrant previously granted to the founders of CBT, whether or not vested or exercisable, will cease to represent a right to acquire shares of CBT common stock and be terminated and the holder of the warrant shall receive an amount of cash determined by multiplying (i) the greater of (A) the excess, if any, of the merger consideration, determined as of the day before the closing date, over the applicable per share exercise price of that warrant or (B) \$1.00 by (ii) the number of shares of CBT common stock that the holder could have purchased with the warrant if the holder had exercised the warrant immediately prior to the effective time.

Treatment of CBT Series A Preferred Stock and Related Warrant

Immediately prior to the effective time of the merger, BHLB will purchase, or cause CBT to repurchase or redeem, each outstanding shares of CBT's Senior Preferred Stock, Series A (the "CBT Series A Preferred Stock") issued to the United States Department of the Treasury (the "TARP Purchase"). There are 5,448 outstanding shares of CBT Series A Preferred Stock. In addition, BHLB may purchase the warrant to purchase up to 175,742 shares of CBT common stock at an exercise price of \$4.65 per share issued by CBT on December 19, 2008 to the United States Department of the Treasury (the "CBT Treasury Warrant") in connection with the issuance of the CBT Series A Preferred Stock (the "Warrant Purchase"). If the Warrant Purchase is consummated prior to the effective time of the merger, the CBT Warrant will be cancelled and cease to exist at that time. If Berkshire Hills and the United States Department of the Treasury ("Treasury") cannot agree upon a price for BHLB to purchase the CBT Treasury Warrant and, therefore, the Warrant Purchase is not consummated prior to the effective time of the merger, then the CBT Treasury Warrant shall, by virtue of the merger and without any action on the part of any person, cease to be a warrant to purchase CBT Common Stock and will be converted automatically into a warrant to purchase BHLB Common Stock (the "BHLB Warrant") in accordance with the terms of the CBT Treasury Warrant, and BHLB will assume such warrant subject to its terms; provided, however, that after the effective time:

- (i) the number of shares of BHLB common stock purchasable upon exercise of the BHLB Warrant will equal the product (x) the number of shares of CBT common stock that were purchasable pursuant to the CBT Treasury Warrant immediately before the effective time and (y) the exchange ratio rounded to the nearest one-hundredth (1/100th) of a share; and
- (ii) the per share exercise price for the BHLB Warrant will equal the quotient of (x) the per share exercise price of the CBT Treasury Warrant in effect immediately before the effective time and (y) the exchange ratio, rounded to the nearest one-tenth (1/10th) of a cent.

Cash or Stock Election

Under the terms of the merger agreement, CBT shareholders may elect to convert their shares into cash, BHLB common stock or a mixture of cash and BHLB common stock. All elections of CBT shareholders are further subject to the allocation and proration procedures described in the merger agreement. These procedures provide that 70% of the outstanding shares will be converted into BHLB common stock at a fixed exchange ratio of 0.3810 BHLB common stock and the remaining 30% of the outstanding CBT shares will be exchanged for cash in the amount of \$8.25 per CBT share. Neither BHLB nor CBT is making any recommendation as to whether CBT shareholders should participate in or elect to receive cash or BHLB common stock in the merger, and no officer, employee or director of CBT or BHLB is authorized to make such a recommendation. Holders of CBT 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 CBT shareholders in the aggregate elect to receive more or less of the BHLB common stock than BHLB has agreed to issue. These procedures are summarized below.

- If Stock Is Oversubscribed: If CBT shareholders elect to receive more BHLB common stock than BHLB has agreed to issue in the merger, then all CBT shareholders who have elected to receive cash or who have made no election will receive cash for their CBT shares and all shareholders who elected to receive BHLB common stock will receive a pro rata portion of the available BHLB shares plus cash for those shares not converted into BHLB common stock.

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If Stock Is Undersubscribed: If CBT shareholders elect to receive fewer shares of BHLB common stock than BHLB has agreed to issue in the merger, then all CBT shareholders who have elected to receive BHLB common stock will receive BHLB common stock and those shareholders who elected to receive cash or who have made no election will be treated in the following manner:

- If the number of shares held by CBT shareholders who have made no election is sufficient to make up the shortfall in the number of BHLB shares that BHLB is required to issue, then all CBT shareholders who elected cash will receive cash and those shareholders who made no election will receive both cash and BHLB common stock in whatever proportion is necessary to make up the shortfall.
- If the number of shares held by CBT shareholders who have made no election is insufficient to make up the shortfall, then all CBT shareholders who made no election will receive BHLB common stock and those CBT shareholders who elected to receive cash will receive cash and BHLB 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 BHLB to reduce the number of shares of CBT common stock that will be converted into the right to receive cash and correspondingly increase the number of shares of CBT common stock that will be converted into BHLB common stock. If this adjustment is necessary, shareholders who elect to receive cash or a mixture of cash and stock may be required on a pro rata basis to receive a greater amount of BHLB common stock than they otherwise would have received.

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

Election Procedures; Surrender of Stock Certificates

An election form will be provided under separate cover to holders of shares of CBT common stock. Each election form entitles the holder of the CBT common stock to elect to receive cash, BHLB 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, CBT shareholders must submit a properly completed election form, along with their CBT stock certificates representing all shares of CBT 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 CBT stock certificates for cash and/or BHLB common stock. The exchange agent will allocate cash and stock among CBT shareholders, consistent with their elections and the allocation and proration procedures. If CBT shareholders do not submit an election form, CBT shareholders will receive instructions from the exchange agent on where to surrender their CBT stock certificates after the merger is completed. In any event, CBT shareholders should not forward their CBT stock certificates with their proxy cards.

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

Neither BHLB nor CBT makes any recommendation as to whether CBT shareholders should elect to receive cash, stock or a combination of cash and stock in the merger. CBT shareholders must make their own decision with respect to their election. Generally, the merger will be a tax-free transaction for CBT shareholders to the extent they receive BHLB common stock. See “—Material Tax Consequences of the Merger.”

If certificates for CBT common stock are not immediately available or CBT shareholders are unable to send the election form and other required documents to the exchange agent before the election deadline, CBT 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 Financial Industry Regulatory Authority, 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 CBT 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.

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

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

If their CBT stock certificates have been either lost, stolen or destroyed, CBT shareholders will have to prove their ownership of these certificates and that they were lost, stolen or destroyed before they receive any consideration for their 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 pursuant to accounting standards for business combinations. The result of this is that the recorded assets and liabilities of BHLB 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 CBT 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 BHLB common stock to be issued to former CBT shareholders and option and warrant holders at fair value, exceeds the fair value of the net assets including identifiable intangibles of CBT 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 amortized over their estimated lives. Further, the accounting standards in the operating results of CBT will be included in the operating results of BHLB 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 CBT common stock who surrenders all of the shareholder's common stock for shares of BHLB 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 CBT 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 CBT common stock as part of a hedge, straddle, constructive sale or conversion transaction, persons whose functional currency is not the U.S. dollar, persons that are, or hold their shares of CBT common stock through, partnerships or other pass-through entities, or persons who acquired their shares of CBT 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.

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

Opinion Conditions. It is a condition to the obligations of BHLB and CBT that BHLB receive an opinion by Luse Gorman Pomerenk & Schick and that CBT receive an opinion by Day Pitney 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. BHLB and CBT both expect to be able to obtain the tax opinions if, as expected:

- BHLB and CBT are able to deliver customary representations to BHLB's and CBT's respective tax counsel; and
- there is no adverse change in U.S. federal income tax law.

Although the merger agreement allows both BHLB and CBT to waive the condition that tax opinions be delivered by Luse Gorman Pomerenk & Schick and Day Pitney LLP, neither party currently anticipates doing so. However, if this condition were waived, CBT would re-solicit the approval of its shareholders before completing the merger.

In addition, in connection with the filing of the registration statement of which this proxy statement/prospectus forms a part, Luse Gorman Pomerenk & Schick has delivered its opinion to BHLB, 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. A form of the Luse Gorman Pomerenk & Schick opinion has been filed as Exhibit 8.1 to the registration statement. Such opinion has been rendered on the basis of facts, representations and assumptions set forth or referred to in such opinion and factual representations contained in certificates of officers of BHLB and CBT, all of which must continue to be true and accurate in all material respects as of the effective time of the merger.

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

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

Exchange for BHLB Common Stock and Cash. A CBT shareholder who receives a combination of BHLB common stock and cash in exchange for his or her CBT common stock will not be permitted to recognize any loss for federal income tax purposes. Such a shareholder will recognize gain, if any, equal to the lesser of (1) the amount of cash received or (2) the amount of gain "realized" in the transaction. The amount of gain a CBT shareholder "realizes" will equal the amount by which (a) the cash plus the fair market value at the effective time of the merger of BHLB common stock received exceeds (b) the shareholders' basis in the CBT common stock to be surrendered in the exchange for the cash and BHLB 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 BHLB common stock received by such CBT shareholder will be the same as the basis of the shares of CBT common stock surrendered in exchange for the shares of BHLB common stock, plus any gain recognized by such shareholder in the merger, and minus any cash received by the shareholder in the merger. If a CBT shareholder purchased or acquired CBT common stock on different dates or at different prices, then solely for purposes of determining the basis of the BHLB common stock received in the merger, such shareholder may designate which share of BHLB common stock is received in exchange for each particular share of CBT common stock. The designation must be made on or before the date on which the BHLB 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 shareholder, the designation is made by a written designation in the shareholder's records. The holding period for shares of BHLB common stock received by such CBT shareholder will include such shareholder's holding period for the CBT common stock surrendered in exchange for the BHLB common stock, provided that such shares were held as capital assets of the shareholder at the effective time of the merger.

A CBT shareholder's federal income tax consequences will also depend on whether his or her shares of CBT common stock were purchased at different times at different prices. If they were, the CBT shareholder could realize gain with respect to some of the shares of CBT common stock and loss with respect to other shares. Such CBT shareholder would have to recognize such gain to the extent such shareholder receives cash with respect to those shares in which the shareholder's adjusted tax basis is less than the amount of cash plus the fair market value at the effective time of

the merger of the BHLB common stock received, but could not recognize loss with respect to those shares in which the CBT shareholder's adjusted tax basis is greater than the amount of cash plus the fair market value at the effective time of the merger of the BHLB common stock received. Any disallowed loss would be included in the adjusted basis of the BHLB common stock. Such a CBT shareholder is urged to consult his or her own tax advisor respecting the tax consequences of the merger to that shareholder.

Possible Dividend Treatment. In certain circumstances, a CBT shareholder who receives solely cash or a combination of cash and BHLB common stock in the merger may receive ordinary income, rather than capital gain, treatment on all or a portion of the gain recognized by that shareholder if the receipt of cash “has the effect of the distribution of a dividend.” The determination of whether a cash payment has such effect is based on a comparison of the CBT shareholder’s proportionate interest in BHLB after the merger with the proportionate interest the shareholder would have had if the shareholder had received solely BHLB common stock in the merger. This could happen because of your purchase (or the purchase by a family member) of additional BHLB common stock or a repurchase of shares by BHLB. For purposes of this comparison, the CBT shareholder may be deemed to constructively own shares of BHLB common stock held by certain members of the shareholder’s family or certain entities in which the shareholder has an ownership or beneficial interest and certain stock options may be aggregated with the shareholder’s shares of BHLB common stock. The amount of the cash payment that may be treated as a dividend is limited to the shareholder’s ratable share of the accumulated earnings and profits of CBT at the effective time of the merger. Any gain that is not treated as a dividend will be taxed as a capital gain, provided that the shareholder’s shares were held as capital assets at the effective time of the merger. Because the determination of whether a cash payment will be treated as having the effect of a dividend depends primarily upon the facts and circumstances of each CBT shareholder, shareholders 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 2011.

Cash in Lieu of Fractional Shares. A CBT shareholder who holds CBT common stock as a capital asset and who receives in the merger, in exchange for such stock, solely BHLB common stock and cash in lieu of a fractional share interest in BHLB 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 CBT shareholder is entitled pursuant to the merger, unless the CBT shareholder signs the substitute Internal Revenue Service Form W-9 enclosed with the letter of transmittal sent by the exchange agent. Unless an applicable exemption exists and is proved in a manner satisfactory to the exchange agent, this completed form provides the information, including the CBT shareholder’s taxpayer identification number, and certification necessary to avoid backup withholding.

Tax Treatment of the Entities. No gain or loss will be recognized by BHLB or CBT 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 BHLB. BHLB and CBT 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 will be filed in December 2011.

The merger is subject to approval by the Connecticut Department of Banking, the Massachusetts Commissioner of Banks, the Massachusetts Board of Bank Incorporation and the Federal Deposit Insurance Corporation.

The Connecticut Department of Banking will consider such factors as the financial condition, competence, experience and integrity of the acquirer and whether benefits to the public are outweighed by possible adverse effects including undue concentration of resources and decreased or unfair competition.

The merger is also subject to approval by the Massachusetts Commissioner of Banks under the bank merger provisions of the Massachusetts General Laws. The bank merger cannot be completed until arrangements have been made 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. The Depositors Insurance Fund informed the Massachusetts Commissioner of Banks in a letter dated _____, 2011 that arrangements satisfactory to the Depositors Insurance Fund had been made in connection with the bank merger.

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 is expected to hold a public hearing as part of its consideration of the merger.

The 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 resulting institutions and the convenience and needs of the communities to be served.

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 BHLB and CBT 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 either the State of Massachusetts or the State of Connecticut will not challenge the merger, or if any proceeding is instituted or challenge is made, as to the result of the challenge.

The purchase or redemption of the CBT Series A Preferred Stock requires the approval and cooperation of Treasury, in addition to the approval of the Federal Reserve Board (the “FRB”). In order to request a purchase or redemption from Treasury of the CBT Series A Preferred Stock and, if so desired, the CBT Treasury Warrant, CBT and BHLB must notify Treasury and the FRB of the intent to purchase or redeem, as the case may be. After receiving such notice from CBT and BHLB, Treasury and the FRB will consult concerning the request. When all consultations among the regulatory agencies have been completed, Treasury and the FRB will advise CBT and BHLB concerning the completion of the purchase or redemption request. If BHLB elects to purchase the CBT Treasury Warrant from Treasury (or to fund the repurchase of the warrant by CBT), BHLB or CBT, as the case may be, must hire an independent advisor to value the warrant in accordance with standard industry practices and present the offer to Treasury, which will independently calculate its own determination of fair market value using a process which includes a third party input. If those values differ, then Treasury and BHLB or CBT, as the case may be, will follow a process defined in Section 4.9 of the Securities Purchase Agreement, dated December 19, 2008, entered into between CBT and Treasury in connection with Treasury’s purchase of the CBT Series A Preferred Stock.

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 CBT common stock to BHLB 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 CBT special meeting, CBT’s directors and officers beneficially owned, in the aggregate, _____ shares of CBT’s common stock (not including shares that may be acquired upon the exercise of stock options), representing approximately ____% of the outstanding shares of CBT common stock.

As described below, certain of CBT's officers and directors have interests in the merger that are in addition to, or different from, the interests of CBT's shareholders generally. CBT'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 \$1.39 million (excluding amounts already vested under the Non-Qualified Deferred Compensation Plan for Non-Employee Directors) and include the following agreements.

Offer Letter for David A. Lentini. BHLB presented an offer letter to David A. Lentini on October 25, 2011. The offer letter provides that Mr. Lentini will serve BHLB as Regional Leader of the Connecticut Bank Region and report directly to the President and Chief Executive Officer. Mr. Lentini will receive a base salary of \$200,000, a restricted stock award grant with a value of \$50,000, with a one year vesting period to be made within two weeks of Mr. Lentini's hire date, and certain benefits including a country club membership with a maximum value of \$12,000 per year and an automobile allowance of \$12,000 per year. It is expected that Mr. Lentini's employment with BHLB will end on December 31, 2013, unless the parties agree to an earlier termination date; however, the parties expect that Mr. Lentini's term of employment will not be less than one year.

Settlement Agreements. Prior to the effective time of the merger, BHLB and CBT will enter into settlement agreements ("Settlement Agreements") with David A. Lentini and Anson C. Hall in order to quantify and settle the benefits that may be owed to the executives under the following employment agreements maintained by CBT: (i) an Employment Agreement between CBT and David A. Lentini, effective as of August 23, 2010; and (ii) an Employment Agreement between CBT and Anson C. Hall, effective as of March 1, 2010.

In accordance with the form of their respective Settlement Agreements, which will be entered into prior to the closing date of the merger, the employment agreements for Messrs. Lentini and Hall will be terminated, effective as of the closing date of the merger, and in lieu of any payments or benefits under such employment agreements, the executives will be entitled to the payments, if any, as set forth in the Settlement Agreements. If no regulatory limitations apply, CBT or Berkshire Bank will pay lump sum cash severance payments to Messrs. Lentini and Hall in the amount of approximately \$668,000 and \$505,000, respectively, less tax withholding.

Cash Payment for Outstanding Options. Under the terms of the merger agreement, outstanding CBT 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 the merger consideration, determined as of the day before the closing date, over the applicable exercise per share price of that option or (B) \$1.00, multiplied by (ii) the number of shares of CBT common stock that the holder could have purchased with the option if the holder had exercised the option immediately prior to the effective time. Outstanding CBT stock options may be exercised during the pendency of the merger. Assuming the value of the merger consideration is \$8.25, Messrs. Lentini, Hall and Fulton, who hold 30,000, 20,000 and 15,000 stock options, respectively, will receive a cash payment of \$30,000, \$20,000 and \$15,000, respectively, upon termination of the stock options; however, if the merger consideration exceeds the respective exercise prices of their stock options by more than \$1.00, Messrs. Lentini, Hall and Fulton will receive a higher cash payment upon termination of such stock options.

Cash Payment for Outstanding Warrants. Under the terms of the merger agreement, outstanding CBT stock warrants (other than the CBT Treasury Warrant), whether or not vested, will be terminated with a payment to the holder of the warrant of an amount of cash equal to (i) the greater of (A) the excess, if any, of the merger consideration, determined as of the day before the closing date, over the applicable exercise per share price of that warrant or (B) \$1.00, multiplied by (ii) the number of shares of CBT common stock that the holder could have purchased with the warrant if the holder had exercised the warrant immediately prior to the effective time. Messrs. Lentini and Hall, who each hold 5,000 stock warrants respectively, will receive a cash payment of \$5,000 and \$5,000, respectively, upon termination of the warrant; however, if the merger consideration exceeds \$11.00, Messrs. Lentini and Hall will receive a higher cash payment. Mr. Fulton does not hold any stock warrants. Assuming the value of the merger consideration is

\$8.25, non-employee directors Auriemma, Giorgio, Green, Kerensky, Krapek, Rusconi, Schulz, Smith and Watkins will each receive \$5,000 in cash upon the termination of 5,000 warrants held by each of them. Non-employee director Shapiro will receive \$1,000 in cash upon termination of his 1,000 warrants, assuming the value of the merger consideration is \$8.25. If the merger consideration exceeds \$11.00, the non-employee directors will receive a higher cash payment.

As of the date of the merger agreement, the exercise price of all outstanding CBT stock warrants is \$10.00.

Acceleration of Vesting of Restricted Stock Awards. Under the terms of the merger agreement, restricted stock awards that have not yet vested will become fully vested upon the occurrence of a change in control. Messrs. Lentini, Hall and Fulton have 5,000, 6,000 and 3,000 shares of non-vested restricted stock, respectively.

Termination of Directors' Deferred Compensation Plan and Distribution of Benefits. In accordance with the merger agreement, the Non-Qualified Deferred Compensation Plan for Non-Employee Directors 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 as soon as practicable following the date of the individual's termination of service. Assuming the value of the merger consideration is \$8.25, non-employee directors Auriemma, Falvo, Giorgio, Green, Kerensky, Krapek, Rusconi, Schulz, Shapiro, Smith and Watkins will receive \$57,649, \$30,972, \$30,972, \$57,649, \$57,649, \$30,972, \$41,302, \$57,649, \$30,972, \$30,972 and \$30,972, respectively, upon the termination of the Directors' Deferred Compensation Plan of CBT.

Prohibition on Golden Parachute Payments by a TARP Recipient. Notwithstanding the foregoing, due to CBT's participation in the U.S. Department of Treasury's Troubled Asset Relief Program Capital Purchase Program ("TARP"), whereby CBT issued and sold (i) 5,448 shares of noncumulative perpetual preferred stock with a liquidation preference of \$1 thousand per share, and (ii) a ten year warrant to purchase up to 175,742 shares of CBT's common stock at an exercise price of \$4.65 per share, to the U.S. Department of Treasury, certain of CBT's officers, including Messrs. Lentini, Hall and Fulton, currently are prohibited from receiving any payments as a result of the individual's departure or upon a change in control. The prohibition applies to all amounts that such individuals are entitled to at the time of departure or change in control, regardless of when the amounts are actually paid. The prohibition also applies to the acceleration of vesting due to such individual's departure or a change in control. The prohibition does not apply to certain payments, including payments made pursuant to a tax-qualified retirement plan, such as a 401(k) Plan, and to certain vested benefits under a deferred compensation plan. Unless otherwise changed pursuant to the merger agreement, prior to the effective time of the merger, BHLB intends to purchase the CBT Treasury Warrant from Treasury or fund the repurchase of the warrant by CBT. However, if the TARP restrictions continue to apply as of the effective time of the merger, certain executive officers of CBT, including Messrs. Lentini, Hall and Fulton (the "Restricted Executives"), who terminate employment as of the effective time of the merger and do not become employees of Berkshire Bank, will be prohibited from receiving any severance payments, including any severance payments that would be otherwise payable under a settlement agreement or severance plan. In addition, the Restricted Executives will be prohibited from receiving (i) a cash payment in cancellation of any non-vested CBT stock options and non-vested CBT stock warrants, which is otherwise payable in accordance with the terms of the merger agreement, and (ii) accelerated vesting of any non-vested restricted stock awards, which would otherwise become vested in accordance with the terms of the merger agreement, regardless of whether the Restricted Executives remain employed with Berkshire Bank following the effective time of the merger.

The following table sets forth the estimated potential severance benefits to CBT'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\$(1)	Equity\$(2)	Pension/ NQDC\$(3)	Perquisites/ Benefits\$(4)	Tax		Total (\$)
					Reimburse- ments\$(5)	Other \$(6)	
David A. Lentini	\$ 668,000	\$ 76,250	\$ -	\$ 18,000	\$ -	\$ -	\$762,250
Anson C. Hall	\$ 505,000	\$ 74,500	\$ -	\$ 18,000	\$ -	\$ -	\$597,500
Lyle T. Fulton	\$ -	\$ 39,750	\$ -	\$ -	\$ -	\$ -	\$39,750

(1) Assumes date of change in control is April 1, 2012. Notwithstanding the foregoing, due to CBT's participation in TARP, Messrs. Lentini, Hall and Fulton currently are prohibited from receiving any payments as a result of the individual's departure or upon a change in control. The prohibition also applies to the acceleration of vesting due to such individual's departure or a change in control. Unless otherwise changed pursuant to the merger agreement, prior to the effective time of the merger, BHLB intends to purchase the CBT Treasury Warrant from Treasury or fund the repurchase of the warrant by CBT. However, if the TARP restrictions continue to apply as of the effective time of the merger, Messrs. Lentini, Hall and Fulton may be prohibited from receiving any severance payments, including a cash payment in cancellation of any stock options and stock warrants, and any non-vested restricted stock awards would not be subject to accelerated vesting. Further, the cash severance payable to David Lentini and Anson Hall is considered a "double trigger" benefit, since it is triggered by a change in control of CBT followed by the executive's termination of employment; however it is intended that David Lentini's benefit will be paid upon the occurrence of a change in control of CBT, even though he will not terminate employment because under his employment agreement, he would have the right to terminate employment due to a material reduction in his base salary, work authority, duties and responsibilities.

- (2) Consists of (A) with respect to Mr. David A. Lentini, (i) options to acquire 30,000 shares of CBT common stock to be cashed out in consideration of \$1 /share, (ii) warrants to acquire 5,000 shares of CBT common stock to be cashed out in consideration of \$1/warrant, and (iii) 5,000 shares of restricted CBT stock, with an assumed value at closing at \$8.25, as to which vesting will accelerate at closing; (B) with respect to Mr. Anson C. Hall, (i) options to acquire 20,000 shares of CBT common stock to be cashed out in consideration of \$1/share, (ii) warrants to acquire 5,000 shares of CBT common stock to be cashed out in consideration of \$1/warrant, and (iii) 6,000 shares of restricted CBT stock, with an assumed valued at closing at \$8.25, as to which vesting will accelerate at closing; and (C) with respect to Mr. Lyle T. Fulton, (i) options to acquire 15,000 shares of CBT common stock to be cashed out in consideration of \$1/share, and (ii) 3,000 shares of restricted CBT stock, with an assumed value at closing at \$8.25, as to which vesting will accelerate at closing. For these purposes, we assumed a transaction date of April 1, 2012 and also assumed that the merger consideration per share of CBT common stock did not exceed the exercise price of the stock options and stock warrants by more than \$1.00. Further, the benefit amounts represented here are considered "single trigger" benefits that vest solely as a result of the change in control.
- (3) Consists of (A) with respect to Mr. David A. Lentini, projected employer premium(s) of \$1,000 for eighteen months of medical and dental insurance coverage continuation, and (B) with respect to Mr. Anson C. Hall, projected employer premium(s) of \$1,000 for eighteen months of medical and dental insurance coverage continuation.

One New Director. In accordance with the merger agreement, one person who is a director of CBT, as determined by BHLB and Berkshire Bank, shall be appointed and elected to the BHLB and Berkshire Bank boards of directors. The fee paid to this director will be the same as the fee paid to similarly situated board members of BHLB and Berkshire Bank.

Advisory Board. In accordance with the merger agreement, board members of CBT who do not join the boards of BHLB or Berkshire Bank shall be appointed to a newly established advisory board of Berkshire Bank. Each member of the advisory board shall receive compensation as set by the board of directors of Berkshire Bank from time to time. Berkshire Bank shall consider the composition, compensation and need for the advisory board after the completion of a one-year term.

Indemnification. Pursuant to the merger agreement, BHLB has agreed that it will indemnify, defend and hold harmless each present and former officer, director or employee of CBT against all losses, claims, damages, costs, expenses (including attorney's fees), liabilities, judgments and amounts that are paid in settlement (with the approval of BHLB, 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 CBT 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. BHLB has further agreed, for a period of six years after the effective date, to cause the persons serving as officers and directors of CBT immediately prior to the effective date to continue to be covered by CBT's current directors' and officers' liability insurance policy (provided that BHLB may substitute policies therefor 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. BHLB is not required to spend more than 175% of the annual cost currently incurred by CBT for its insurance coverage.

Employee Matters

Each person who is an employee of CBT 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 BHLB on the same basis that it provides such coverage to BHLB employees. With respect to any welfare plan or program of CBT that in the determination of BHLB provides benefits of the same type as a plan maintained by BHLB, BHLB will continue the CBT plan until such employees become eligible for the BHLB plan so that there is no gap in coverage. BHLB will give credit to continuing CBT employees for purposes of BHLB's vacation and other paid leave programs for their accrued and unpaid vacation and/or leave balance with CBT.

Current employees of CBT who remain employed until the closing date will be eligible to participate in the BHLB 401(k) plan following the date determined by BHLB on which the CBT 401(k) Plan will be terminated or replaced by such plan.

BHLB will pay each employee of CBT who is not otherwise covered by a specific employment 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 severance benefits pursuant to BHLB's severance plan or CBT's severance plan, if such payments would be more favorable.

Operations of Berkshire Bank after the Merger

After the merger of Berkshire Bank and The Connecticut Bank and Trust Company, the former offices of The Connecticut Bank and Trust Company will operate as branch offices of Berkshire Bank under the name "Berkshire Bank."

Restrictions on Resale of Shares of BHLB Common Stock

All shares of BHLB common stock issued to CBT's shareholders, other than the CBT director who becomes a director of BHLB, in connection with the merger will be freely transferable. This proxy statement/prospectus does not cover any resales of the shares of BHLB common stock to be received by CBT's shareholders upon completion of the merger, and no person may use this proxy statement/prospectus in connection with any resale. The CBT director who becomes a director of BHLB will be deemed an affiliate of Berkshire and receive restricted shares of BHLB common stock.

Time of Completion

Unless the parties agree otherwise and unless the merger agreement has otherwise been terminated, the closing of the merger will take place on a date designated by BHLB that is no later than the fifth business day 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, BHLB will file articles of merger with the Massachusetts Department of Banks and the Connecticut Department of Banks merging CBT into Berkshire Bank. The merger will become effective at the time stated in the articles of merger.

BHLB and CBT are working to complete the merger quickly. It is currently expected that the merger will be completed early in the second quarter of 2012. However, because completion of the merger is subject to regulatory approvals and other conditions, the parties cannot be certain of the actual timing.

Conditions to Completing the Merger

BHLB's and CBT's obligations to consummate the merger are conditioned on the following:

- approval of the merger agreement at the special meeting by at least two-thirds of the outstanding shares of CBT common stock entitled to vote;
- no party to the merger being subject to any order, decree or injunction that enjoins or prohibits consummation of the transaction, no governmental entity having instituted any proceeding to block the transaction and the absence of any statute, rule or regulation that prohibits completion of any part of the transaction;
-

receipt of all required regulatory approvals without any condition that would result in a material adverse effect on BHLB or CBT and the expiration of all statutory waiting periods;

- 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, the failure of which to obtain those consents or approvals would have a material adverse effect on BHLB or CBT;
- 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;
- the shares of BHLB common stock issuable pursuant to the merger being approved for listing on the NASDAQ Global Select Market if required under NASDAQ rules; and
- all outstanding shares of CBT Series A Preferred Stock being redeemed by Treasury prior to the completion of the merger.

BHLB and CBT 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

CBT has agreed that, until completion of the merger and unless permitted by BHLB, it will not:

General Business

- conduct its business other than in the usual, regular and ordinary course consistent with past practice;
- take any action that would materially 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 on the CBT Series A Preferred Stock;
- issue any additional shares of capital stock or any securities or obligations convertible or exercisable for any shares of its capital stock, except pursuant to the exercise of outstanding stock options or warrants;

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 \$25,000 except those specifically permitted by the merger agreement;
 - enter into, renew, extend or modify any transaction with an affiliate (other than a deposit transaction);
 - enter into any hedging transaction;
- 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

- other than pursuant to commitments issued prior to the date of the merger agreement, which have not expired and which have been disclosed to BHLB, make or acquire any loan or other credit facility (i) other than in the ordinary course of business consistent with past practice or (ii) in amounts not to exceed \$250,000 without the prior consent of BHLB, provided that BHLB's consent shall be deemed granted if BHLB does not object within three business days of CBT's written intent to make such loan;
- sell any participation in a loan (excluding existing commitments) unless Berkshire Bank has been given the first opportunity and reasonable time to purchase such loan participation or purchase any participation interest in any loan other than purchases of participation interests from Berkshire Bank;

Employees

- 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 three percent in the aggregate or (iii) as otherwise contemplated by the merger agreement;
 - elect any new senior executive officer or director;
- hire or promote any employee to a rank having a title of vice president or other more senior rank or hire any new employee with an annual total compensation in excess of \$50,000; provided, however, that CBT shall not hire any new employee without first seeking to fill any position internally;

Settling Claims

- pay, discharge, settle or compromise any claim, action, litigation, arbitration or proceeding against it (i) for more than \$25,000 individually or \$50,000 in the aggregate or (ii) that creates negative precedent for other pending or potential claims, actions, litigation, arbitration or proceedings;

Governing Documents

- amend its certificate of incorporation or bylaws, except as required by law;

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 \$500,000, (iii) with a duration of not more than three years and (iv) otherwise in the ordinary course of business consistent with past practice;

Capital Expenditures

- other than pursuant to binding commitments existing as of the date of the merger agreement and previously disclosed to BHLB, make any capital expenditures in excess of \$25,000 individually, or \$50,000 in the aggregate;

Branches/Merger

- open or close any new branch or automated banking facility or file an application to do same;
- merge or consolidate CBT with any other entity; sell or lease all or any substantial portion of the assets or business of CBT; make any acquisition of all or any substantial portion of the business or assets of any other entity other than in connection with foreclosures, settlements in lieu of foreclosure, troubled debt restructurings or the collection of loans or credit arrangements; enter into a purchase and assumption transaction with respect to deposits and liabilities; incur deposit liabilities other than in the ordinary course of business consistent with past practice and in keeping with prevailing competitive rates; permit the revocation or surrender of its certificate of authority to maintain, or file an application for the relocation of, an existing branch office; or file an application for a certificate of authority to establish a new branch office;

Accounting

- change its method of accounting, except as required by changes in generally accepted accounting principles or regulatory accounting principles or by any bank regulator responsible for regulating CBT;

Merger Agreement

- take any action that is intended or expected to (i) 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, (ii) materially adversely affect or delay the ability of the parties to obtain regulatory approvals contemplated by the merger agreement, or (iii) materially adversely affect its ability to perform its covenants and agreements under the merger agreement;
- take any action that would prevent or impede the merger, together with the TARP Purchase and the Warrant Purchase, 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
- enter into any contract with respect to, or otherwise agree or commit to do any of the foregoing actions.

BHLB and Berkshire Bank have agreed that, until the completion of the merger and unless permitted by CBT, they will not:

- other than the designation of the BHLB Series A Preferred Stock, change or waive any provision of its certificate of incorporation or bylaws in any way adverse to the rights of CBT shareholders, except as required by law or as disclosed to CBT;
- 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 or in the conditions to the merger not being satisfied; or
- take any action that would prevent or impede the merger from qualifying as a reorganization under Section 368(a) of the Internal Revenue Code.

Covenants of CBT and BHLB in the Merger Agreement

Agreement Not to Solicit Other Proposals. CBT and its officers, directors, employees and representatives have agreed not to: (1) solicit, initiate, or knowingly encourage any acquisition proposal by a third party; or (2) participate in discussions or negotiations regarding an acquisition proposal. An acquisition proposal includes the following:

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

Despite the agreement of CBT not to solicit other acquisition proposals, CBT 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 CBT 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, and the person making the proposal and the prospects and interests of CBT and its shareholders, is reasonably likely to be consummated and a more favorable transaction to its shareholders from a financial point of view than the transactions contemplated by the merger agreement with BHLB (a “superior proposal”).

If CBT receives a proposal or information request from a third party or enters into negotiations with a third party regarding a superior proposal, CBT must immediately notify BHLB no later than one calendar day after CBT receives such proposal or information request and provide BHLB with information about the third party and its proposal.

Certain Other Covenants. The merger agreement also contains other agreements relating to the conduct of BHLB and CBT before consummation of the merger, including the following:

- CBT will cause one or more of its representatives to confer with representatives of BHLB to inform BHLB regarding CBT's operations at such times as BHLB may reasonably request and will provide BHLB with certain asset quality information on a monthly basis;
- CBT will give BHLB reasonable access during normal business hours to its property, books, records and personnel and furnish all information BHLB may reasonably request for securities law disclosure purposes;
 - CBT will promptly provide BHLB with a copy of all documents filed with its banking regulators;
- CBT will cooperate with BHLB regarding a plan for the conversion of CBT's data processing and related electronic information systems;
- CBT will invite two representatives of BHLB or Berkshire Bank to attend all regular and special board of directors, loan committee and asset/liability committee meetings of CBT as observers except that the representatives of BHLB or Berkshire Bank will not attend portions of any meeting during which there is being discussed: (a) confidential discussion of the merger agreement, (b) any acquisition proposal or (c) during any other matter that the CBT board of directors has been advised of by its counsel that such attendance by representatives of BHLB or Berkshire Bank may violate or be inconsistent with a confidentiality obligation or fiduciary duty or any legal or regulatory requirement;
- BHLB and CBT will use their commercially reasonable best efforts to obtain all third party consents and approvals necessary to consummate the merger;
- Subject to the terms and conditions contained in the merger agreement, BHLB and CBT will use all commercially reasonable efforts to take all actions necessary to consummate the merger and the transactions contemplated by the merger agreement;
- BHLB will file a registration statement, of which this proxy statement/prospectus forms a part, with the Securities and Exchange Commission registering the shares of BHLB common stock to be issued in the merger to CBT shareholders;
- CBT and BHLB will cooperate with each other and use reasonable efforts to promptly prepare and file all necessary documentation to obtain all necessary regulatory approvals required to consummate the transactions contemplated by the merger agreement;
- CBT will take all actions necessary to convene a meeting of its shareholders to vote on the merger agreement. The CBT board of directors will recommend at its shareholder meeting that the shareholders vote to approve the merger and will use its reasonable best efforts to solicit shareholder approval. However, the CBT board of directors may fail to make such recommendation or change or withdraw its recommendation if CBT's board of directors, after consultation with and based on the advice of its counsel and financial advisor, determines that making such a recommendation would result in a violation of its fiduciary duties under applicable law;
- before completion of the merger, BHLB will notify the NASDAQ Global Market of the listing of additional shares of BHLB common stock that BHLB will issue in exchange for shares of CBT common stock; and
-

CBT and BHLB each shall use its reasonable best efforts to cause or facilitate, at the discretion of BHLB, (a) the purchase by BHLB or one of its subsidiaries or (b) the repurchase or redemption by CBT of all of the issued and outstanding shares of CBT Series A Preferred Stock and, at the election of BHLB, the CBT Treasury Warrant from Treasury prior to or concurrently with the Effective Time of the Merger. BHLB will fund the redemption of all of the CBT Series A Preferred Stock from Treasury. The method of funding of such purchase or redemption shall be mutually agreed to by BHLB and CBT, subject to any formal or informal Treasury requirements.

Representations and Warranties Made by BHLB and CBT in the Merger Agreement

BHLB and CBT 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 qualifications 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 BHLB, Berkshire Bank and CBT 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;
- governmental filings and consents necessary to complete the merger;
- 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 absence of any event or action that would constitute a material adverse effect since December 31, 2010;
- 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, CBT has made other representations and warranties about itself to BHLB as to:

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

- matters relating to certain contracts;
- intellectual property;
- loan matters and allowances for loan losses;
- related party transactions;
- deposits;
- trust business and fiduciary accounts;
- securities documents;
- stock transfer records;
- internal controls and
- derivative instruments and transactions.

The representations and warranties of each of BHLB, Berkshire Bank and CBT 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 CBT shareholders, as follows:

- by the written mutual consent of BHLB, Berkshire Bank and CBT;
- by either party, if the shareholders of CBT fail to approve the merger agreement;
- 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 October 31, 2012 or a later date agreed to in writing by BHLB and CBT, unless failure to complete the merger by that time is due to a material breach of a representation, warranty, covenant or other agreement 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 or cannot be cured prior to the closing date of the merger;
- by CBT if CBT has received a Superior Proposal and the board of directors of CBT has made a determination to accept such Superior Proposal; provided that CBT shall not terminate the merger agreement and enter into a definitive agreement with respect to the Superior Proposal until the expiration of three (3) days following BHLB's receipt of written notice advising of a Superior Proposal, allowing BHLB the opportunity to make such adjustments in the terms and conditions of the merger agreement as would enable CBT to proceed with the merger on such adjusted terms;

- by BHLB and Berkshire Bank if each of the following conditions are satisfied: (i) CBT has received a Superior Proposal and CBT has entered into an acquisition agreement with respect to the Superior Proposal, withdrawn its recommendation of the merger agreement, has failed to make such recommendation, or has modified or qualified its recommendation in a manner adverse to BHLB, (ii) either (x) CBT submits the merger agreement to its shareholders without a recommendation for approval or (y) CBT withdraws, qualifies or adversely modifies (or publicly proposes or resolves to withdraw, qualify or adversely modify) its recommendation of the merger agreement to the CBT shareholders, and (iii) the CBT shareholders do not approve the merger agreement.

Additionally, CBT may terminate the merger agreement if, at any time during the five-day period commencing on the first date on which all bank regulatory approvals (and waivers, if applicable) necessary for consummation of the merger have been received (disregarding any waiting period) (the “Determination Date”), such termination to be effective if both of the following conditions are satisfied:

- the number obtained by dividing the average of the daily closing prices of BHLB common stock for the ten consecutive trading days (the “BHLB Market Value”) immediately preceding the Determination Date is less than 80% of the average of the daily closing prices of BHLB common stock for the ten consecutive trading days preceding the date of the merger agreement (the “Initial BHLB Market Value”); and
- the number obtained by dividing the BHLB Market Value by the Initial BHLB Market Value on the Determination Date is less than the number obtained by dividing (i) the sum of the average of the daily closing prices for the ten consecutive trading days immediately preceding the Determination Date of the Nasdaq Bank Index (the “Final Index Price”) by (ii) the closing value of the Nasdaq Bank Index on the last trading date immediately preceding the public announcement of the entry into the merger agreement (the “Initial Index Price”), minus 0.20.

If CBT elects to exercise its termination right, it shall give prompt written notice thereof to BHLB. During the five business days beginning with its receipt of such notice, BHLB has the option of increasing the exchange ratio to equal the number obtained by dividing the product of the Exchange Ratio (as then in effect) and the Initial BHLB Market Value by the greater of (i) the number obtained by dividing the BHLB Market Value by 0.8 and (ii) the number obtained by dividing (x) the BHLB Market Value by (y) the Index Ratio minus 0.20. If within such five business day period, BHLB delivers written notice to CBT that it intends to proceed with the merger by paying such additional consideration as contemplated by the preceding sentence, then no termination shall have occurred and the merger agreement will remain in full force and effect.

Termination Fee

The merger agreement requires CBT to pay BHLB a fee of \$1.44 million if the merger agreement is terminated in certain circumstances that involve a Superior Proposal.

Specifically, CBT must pay the termination fee if BHLB terminates the merger agreement as a result of CBT’s board of directors failure to recommend approval of the merger or upon the withdrawal, qualification or revision of its recommendation to approve the merger and CBT shareholders do not approve the merger agreement.

CBT also must pay the termination fee if (i) CBT terminates the merger agreement as a result of accepting a Superior Proposal after allowing BHLB an opportunity to make such adjustments in the merger agreement to enable CBT to proceed with the merger on such adjusted terms or (ii) CBT enters into a definitive merger agreement within one year of BHLB terminating the merger agreement due to CBT’s breach of a representation, warranty or covenant or failure of CBT’s shareholders to approve the merger agreement.

Expenses

Except as specifically provided in the merger agreement, each of BHLB and CBT will pay its own costs and expenses incurred in connection with the merger.

Changing the Terms of the Merger Agreement

Before the completion of the merger, BHLB, Berkshire Bank and CBT may agree to waive, amend or modify any provision of the merger agreement. However, after the vote by CBT shareholders, BHLB, Berkshire Bank and CBT

can make no amendment or modification that would change the amount or kind of consideration to be received by CBT's shareholders under the terms of the merger agreement.

DESCRIPTION OF BERKSHIRE HILLS BANCORP, INC. CAPITAL STOCK

The following summary describes the material terms of BHLB's capital stock and is subject to, and qualified by, BHLB's 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 BHLB's certificate of incorporation and bylaws.

General

BHLB is authorized to issue 50,000,000 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 [Record Date], _____ 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 shareholders. Holders of common stock are not entitled to cumulate their votes in the election of directors. However, BHLB's certificate of incorporation provides that a record owner of BHLB's common stock who beneficially owns, either directly or indirectly, in excess of 10% of BHLB's 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 BHLB before such securities are offered to others. The absence of preemptive rights increases BHLB's flexibility to issue additional shares of common stock in connection with BHLB's 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 BHLB's board of directors from assets legally available therefor, after payment of all dividends on preferred stock, if any is outstanding. Under Delaware law, BHLB 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 BHLB. BHLB 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 shareholders, the repurchase of its common stock and for other needs. BHLB's 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 BHLB's earnings, financial condition and capital requirements, as well as regulatory limitations and such other factors as BHLB's board of directors deems relevant.

BHLB's 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 BHLB, holders of common stock are entitled to receive their pro rata portion of the remaining assets of BHLB after the holders of BHLB's preferred stock, if any, have been paid in full any sums to which they may be entitled.

Preferred Stock

BHLB's certificate of incorporation authorizes its board of directors, without shareholder 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 BHLB's control.

Certain Certificate of Incorporation and Bylaw Provisions Affecting Stock

BHLB's certificate of incorporation and bylaws contain several provisions that may make BHLB a less attractive target for an acquisition of control by anyone who does not have the support of BHLB's board of directors. Such provisions include, among other things, the requirement of a supermajority vote of shareholders 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 shareholder actions may only be taken at a meeting and may not be taken by unanimous written shareholder consent. The foregoing is qualified in its entirety by reference to BHLB's certificate of incorporation and bylaws.

Restrictions on Ownership

Under the federal Change in Bank Control Act, a notice must be submitted to the Board of Governors of the Federal Reserve System 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 Board of Governors of the Federal Reserve System. Under the Change in Bank Control Act, the Board of Governors of the Federal Reserve System 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 BHLB's common stock is Registrar and Transfer Company, 10 Commerce Drive, Cranford, New Jersey 07016.

COMPARISON OF RIGHTS OF SHAREHOLDERS

The rights of shareholders of BHLB are currently governed by BHLB's certificate of incorporation, bylaws and applicable provisions of the DGCL. The rights of shareholders of CBT are currently governed by CBT's certificate of incorporation, bylaws and applicable provisions of the General Statutes of Connecticut ("GSC"). If the merger is completed, CBT shareholders who receive BHLB common stock will become BHLB shareholders and their rights will likewise be governed by BHLB's certificate of incorporation and bylaws and the DGCL.

The following is a summary of the material differences between the rights of a CBT shareholder and the rights of a BHLB shareholder. This summary is not a complete statement of the differences between the rights of CBT shareholders and the rights of BHLB shareholders 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 BHLB's certificate of incorporation and bylaws are on file with the Securities and Exchange Commission. Copies of BHLB's certificate of incorporation and bylaws are available upon written request addressed to Corporate Secretary, BHLB, 24 North Street, Pittsfield, Massachusetts 01201.

Authorized Stock

BHLB

- The BHLB certificate of incorporation authorizes 51,000,000 shares of capital stock, consisting of 50,000,000 shares of common stock, \$0.01 par value, and 1,000,000 shares of preferred stock, \$0.01 par value.
- As of [Record Date], there were _____ shares of BHLB common stock issued and outstanding.
- As of [Record Date], there were no shares of preferred stock issued and outstanding.

CBT

- The CBT certificate of incorporation authorizes 10,000,000 shares of common stock, \$1.00 par value per share, and 1,000,000 shares of preferred stock, no par value per share.
- As of [Record Date], there were _____ shares of CBT common stock issued and outstanding.
- As of [Record Date], there were _____ shares of preferred stock issued and outstanding.

Voting Rights

BHLB

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

CBT

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

Preemptive Rights

BHLB

- Shareholders do not have a preemptive right to acquire BHLB's issued shares.

CBT

- Shareholders do not have a preemptive right to acquire CBT's issued shares.

Required Vote for Authorization of Certain Actions

BHLB

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

CBT

- A business combination must be approved by the board of directors and at least two-thirds of the issued and outstanding shares of each class of capital stock.

Dividends

BHLB

- Holders of common stock are entitled, when declared by the BHLB board of directors, to receive dividends, subject to the rights of holders of preferred stock.

CBT

- Holders of common stock are entitled, when declared by the CBT board of directors, to receive dividends, subject to the rights of holders of preferred stock to receive dividends. Cash dividends shall be paid from CBT's net profits, unless CBT has received the prior approval of the Commissioner of the Connecticut Department of Banking. "Net profits" means the remainder of all earnings from current operations. The total of all dividends declared by CBT in any calendar year shall not, unless specifically approved by the Commissioner of the Connecticut Department of Banking, exceed the total of its net profits of that year combined with its retained net profits of the preceding two years. Subject to the approval of the Commissioner of the Connecticut Department of Banking, stock dividends may be paid from CBT's capital stock to the extent of its surplus earnings, provided such shares shall be issued at not less than the par value of such shares.

Shareholders' Meetings

BHLB

- BHLB 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 shareholder entitled to vote.
- Special meetings may be called only by the board of directors.
- For purposes of determining shareholders 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 shareholder entitled to vote may nominate directors for election or propose new business.
- To nominate a director or propose new business, shareholders must give written notice to the Secretary of BHLB not less than 90 days before the meeting. However, if BHLB gives less than 100 days' notice or prior public disclosure of the meeting, written notice of the shareholder proposal or nomination must be delivered to the Secretary not later than ten days following the date notice of the meeting was mailed to shareholders or public disclosure of the meeting was made. Each notice given by a shareholder 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 shareholder making the nomination or proposal.

CBT

- CBT 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 shareholder entitled to vote.
- Special meetings may be called by the president or the board of directors and shall be called by the president upon written request of holders of a majority of the voting power of all shares entitled to vote at the meeting.
- For purposes of determining shareholders entitled to vote at a meeting, the board of directors may fix a record date that is not more than 70 days before the meeting.
- The board of directors or any shareholder entitled to vote may nominate directors for election or propose new business.
- To nominate a director or propose new business, shareholders must give written notice to the Secretary of CBT not less than 120 days before the date that CBT's proxy statement was released to shareholders in connection with the previous year's annual meeting. Each notice given by a shareholder 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 shareholder making the nomination or proposal.

Action by Shareholders Without a Meeting

BHLB

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

CBT

- Action taken at a shareholders' meeting may be taken without a meeting if the action is taken by written consent of all shareholders entitled to vote on the action.

Board of Directors

BHLB

- The bylaws provide that the number of directors, to be fixed by resolution, shall not exceed 12. BHLB will amend its bylaws to increase the number of directors to 13 in anticipation of adding one CBT director to its board of directors.
- 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.
- 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.

CBT

- The bylaws provide that the number of directors, shall be no less than eleven (11) and no more than fifteen (15), with the number of directors to be fixed by resolution of the shareholders or the board of directors, or in the absence of such resolution, to be fixed at the number of directors elected at the preceding annual meeting of shareholders.
- 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 created by an increase in the number of directorships shall be filled by action of the board of directors or the shareholders. Vacancies may be filled by the vote of a majority of the directors remaining in office, even though the remaining directors may be less than a majority of the number of directorships. If the remaining directors fail to fill a vacancy, then the vacancy may be filled by action of shareholders.
- Directors may be removed at any time, with or without cause, by the majority vote of the outstanding shares entitled to vote at any meeting of shareholders called for that purpose.

Amendment of the Bylaws

BHLB

- 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.

CBT

- The bylaws may be altered, amended, added to or repealed either by the approval of 80% of the board of directors or by the vote of 80% of the outstanding shares entitled to vote.

Amendment of the Certificate of Incorporation

BHLB

- 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.

CBT

- The certificate of incorporation may be amended or repealed, in whole or in part, upon approval of 80% of the board of directors, provided that the proposal was properly given to the board of directors, and upon approval by a majority of the shares of each class of capital stock affected by the

proposed amendment or repealing of the certificate of incorporation, unless otherwise provided in the certificate of incorporation or Connecticut law.

MANAGEMENT AND OPERATIONS AFTER THE MERGER

Board of Directors

After completion of the merger, the board of directors of BHLB will consist of all the current directors of BHLB with the addition of one director from the board of directors of CBT. Lawrence A. Bossidy will continue to be Non-Executive Chairman of the Board.

Information regarding the current directors and executive officers of BHLB, executive compensation and relationships and related transactions is included in this BHLB's proxy statement for its 2011 annual meeting of shareholders, which is incorporated by reference in this proxy statement/prospectus.

Management

The executive officers of BHLB and Berkshire Bank will not change as a result of the merger. David A. Lentini will be appointed to a regional leadership position in Berkshire Bank's new Connecticut region.

Operations

While there can be no assurance as to the achievement of business and financial goals, BHLB currently expects to initially achieve cost savings equal to approximately 35% of CBT'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). BHLB expects to achieve most of these savings in the first full year following the merger. See "Caution About Forward-Looking Statements."

CBT STOCK OWNERSHIP

The table below provides certain information about beneficial ownership of CBT common stock as of [Record Date]. The table shows information for:

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

- Each of CBT's directors;
- Each of CBT's executive officers; and
- All of CBT's directors and executive officers as a group.

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 CBT at CBT's principal executive office.

Name	Number of Shares Owned (Excluding Options and Warrants)	Number of Shares That May Be Acquired Within 60 Days by Exercising Options and Warrants	Percent of Total Common Stock Outstanding(1)
Northaven Management, Inc., et al 375 Park Avenue, Suite 2709 New York, NY 10152			
Sandler O'Neill Asset Management, LLC 780 Third Avenue, 5th Floor New York, NY 10017-2024			
Mendon Capital Advisors Corp. 150 Allen's Creek Road Rochester, NY 14618			
Wellington Management Company, LLP 75 State Street Boston, MA 02109			
Geno Auriemma			
Frank A. Falvo			
P. Anthony Giorgio			
John A. Green			
Anson C. Hall			
Solomon Kerensky			
Karl J. Krapek			
David A. Lentini			
Joan L. Rusconi			
Philip J. Schulz			
Peter D. Shapiro			
J. Brian Smith			

John M. Watkins, Jr.

Lyle T. Fulton

All directors and executive
officers as a group (___ persons)

* less than 1%

(1) Based on [Outstanding Shares] shares of CBT common stock outstanding on [Record Date] plus, for each person, the number of shares that such person may acquire within 60 days of such date by exercising stock options.

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MERGER-RELATED EXECUTIVE COMPENSATION ARRANGEMENTS (PROPOSAL 2)

As required by Item 402(t) of Regulation S-K and Regulation 14A of the Securities Exchange Act, CBT is providing its shareholders with the opportunity to cast a non-binding, advisory vote on the compensation that may become payable to its named executive officers in connection with the completion of the merger, as disclosed in the section of this proxy statement/prospectus captioned "Description of the Merger— Interests of Certain Persons in the Merger that are Different from Yours—Change in Control Payments," beginning on page_____ of this proxy statement/prospectus, and the related table and narratives.

Your vote is requested. CBT believes that the information regarding compensation that may become payable to its named executive officers in connection with the completion of the merger, as disclosed in the section of this proxy statement/prospectus captioned " Description of the Merger— Interests of Certain Persons in the Merger that are Different from Yours—Change in Control Payments" is reasonable and demonstrates that CBT's executive compensation program was designed appropriately and structured to ensure the retention of talented executives and a strong alignment with the long-term interests of CBT's shareholders. This vote is not intended to address any specific item of compensation, but rather the overall compensation that may become payable to CBT's named executive officers in connection with the completion of the merger. In addition, this vote is separate and independent from the vote of shareholders to approve the completion of the merger. CBT asks that its shareholders vote "FOR" the following resolution:

RESOLVED, that the compensation that may become payable to CBT's named executive officers in connection with the completion of the merger, as disclosed in the section captioned "The Merger—Interests of CBT's Directors and Executive Officers in the Merger—Change in Control Payments" (beginning on page_____ of the proxy statement/prospectus dated _____) and the related table and narratives, is hereby APPROVED.

This vote is advisory and therefore, it will not be binding on CBT, nor will it overrule any prior decision or require CBT's board of directors (or any committee thereof) to take any action. However, CBT's board of directors values the opinions of CBT's shareholders, and to the extent that there is any significant vote against the named executive officer compensation as disclosed in this proxy statement/prospectus, CBT's board of directors will consider shareholders' concerns and will evaluate whether any actions are necessary to address those concerns. CBT's board of directors will consider the affirmative vote of the holders of a majority of the outstanding shares of CBT common stock entitled to vote on the matter "FOR" the foregoing resolution as advisory approval of the compensation that may become payable to CBT's named executive officers in connection with the completion of the merger.

CBT'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE RESOLUTION SET FORTH ABOVE.

ADJOURNMENT OF THE SPECIAL MEETING (PROPOSAL 3)

If there are not sufficient votes to constitute a quorum or to approve the merger agreement at the time of the CBT special meeting, the merger agreement cannot be approved unless the CBT special meeting is adjourned to a later date or dates to permit further solicitation of proxies. To allow proxies that have been received by CBT at the time of the special meeting to be voted for an adjournment, if deemed necessary, CBT has submitted the question of adjournment to its shareholders as a separate matter for their consideration. The board of directors of CBT unanimously recommends that shareholders 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 shareholders, 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 BHLB common stock to be issued in the proposed merger has been passed upon for BHLB by Luse Gorman Pomerenk & Schick, Washington, D.C. Luse Gorman Pomerenk & Schick and Day Pitney LLP will deliver opinions to BHLB and CBT, 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 BHLB as of December 31, 2010 and 2009 and for each of the years in the three-year period ended December 31, 2010 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 financial statements of CBT as of December 31, 2010 and 2009 and for the years then ended have been included in 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 herein, and upon the authority of said firm as experts in accounting and auditing.

SHAREHOLDER PROPOSALS

CBT will hold its 2012 annual meeting only if the merger is not completed. CBT must receive proposals that shareholders seek to include in the proxy statement for CBT’s next annual meeting no later than December 6, 2011. If next year’s annual meeting is held on a date more than 30 calendar days from May 19, 2012, a shareholder proposal must be received within a reasonable time before CBT begins to print and mail its proxy solicitation for such annual meeting. Any shareholder proposals will be subject to the requirements of the proxy rules and regulations adopted by the SEC. Pursuant to Rule 14a-4(c) of the Securities Exchange Act of 1934, as amended, if a shareholder who intends to present a proposal at the 2012 annual meeting does not notify us of such proposal on or prior to February 19, 2012, then management proxies will be allowed to use their discretionary voting authority to vote on the proposal when the proposal is raised at the 2012 annual meeting, even though there is no discussion of the proposal in the 2012 proxy statement.

WHERE YOU CAN FIND MORE INFORMATION

BHLB filed with the Securities and Exchange Commission a registration statement on Form S-4 under the Securities Act to register the shares of BHLB common stock to be issued to CBT shareholders in the merger. This proxy statement/prospectus is a part of that registration statement and constitutes a prospectus of BHLB, a proxy statement of BHLB for its special meeting and a proxy statement of CBT 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.

BHLB 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. You may also read and copy any document BHLB 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 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 BHLB to "incorporate by reference" information into this proxy statement/prospectus. This means that BHLB 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 BHLB has previously filed with the Securities and Exchange Commission and additional documents that BHLB files with the Securities and Exchange Commission between the date of this proxy statement/prospectus and the date of the BHLB shareholder meeting. These documents contain important information about BHLB's financial condition.

BERKSHIRE HILLS FILINGS

Filings	Period of Report or Date Filed
· Annual Report on Form 10-K	Year ended December 31, 2010
· Quarterly Report Form 10-Q	Quarters ended March 31, 2011, June 30, 2011 and September 30, 2011
· Current Reports on Form 8-K	January 19, 2011, January 25, 2011, February 10, 2011, February 23, 2011, March 1, 2011, March 29, 2011, March 31, 2011, April 1, 2011, April 27, 2011, May 5, 2011, May 6, 2011, May 18, 2011, June 20, 2011, July 13, 2011, July 21, 2011, July 27, 2011, August 2, 2011, August 19, 2011, October 5, 2011, October 21, 2011, October 26, 2011, November 9, 2011 and November 29, 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 BHLB Stock" contained in BHLB's prospectus filed pursuant to Rule 424(b)(3) on May 26, 2000.	

Documents incorporated by reference are available from BHLB 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 BHLB 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 BHLB, please do so by _____, 2012, to receive them before CBT's meeting of shareholders. If you request any incorporated documents, BHLB will mail them to you by first-class mail, or other equally prompt means, within one business day of its receipt of your request.

BHLB 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.

BHLB has supplied all information contained in this proxy statement/prospectus relating to BHLB, and CBT has supplied all information relating to CBT.

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 [Prospectus Date]. 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 shareholders of CBT or BHLB nor the issuance of shares of BHLB common stock as contemplated by the merger agreement shall create any implication to the contrary.

FINANCIAL AND OTHER INFORMATION ABOUT THE CONNECTICUT BANK AND TRUST COMPANY

General

CBT (or the “Bank”) is a state bank and trust company chartered under the laws of the State of Connecticut with deposit accounts insured up to applicable limits by the FDIC. CBT received its Final Certificate of Authority from the State of Connecticut Department of Banking and commenced banking operations on March 12, 2004. Its main office is maintained at 58 State House Square in Hartford, Connecticut and full-service branch offices are located at 114 Woodland Street, Hartford, Connecticut; 7 Sycamore Street in Glastonbury, Connecticut; 68 South Main Street in West Hartford, Connecticut; 435 Hartford Turnpike in Vernon, Connecticut; 66 Cedar Street, in Newington, Connecticut; 148 Broad Street, in Windsor, Connecticut; and 396 Cromwell Avenue, in Rocky Hill, Connecticut. CBT operates as a community-based bank serving privately-owned business customers and individuals in the Greater Hartford Connecticut area whom it believes are underserved as a result of bank acquisitions and a movement away from customer service by larger banks in recent years. CBT offers varied banking products, including a comprehensive set of loans, deposit services and investment management products for commercial and retail customers, and cash management products for commercial customers.

Employees

As of November 18, 2011, CBT had a total of 72 employees, which includes 65 full-time equivalent employees. Its employees are not represented by a union or other collective bargaining agreement, and the bank considers its relations with its employees to be excellent.

Business Strategy

CBT’s philosophy is to operate as a full service commercial bank emphasizing personalized customer service to businesses and individuals located throughout the Greater Hartford Connecticut area, a region that includes the city of Hartford and its surrounding towns. CBT actively seeks to finance the credit needs of local businesses and actively markets deposit and loan products to individuals within its geographic market. The Bank capitalizes on its established business contacts within the Greater Hartford Connecticut area to attract small-to medium-sized business customers and individuals. As a community bank, CBT is able to respond to credit requests quickly and maintain flexibility in approving loans based on credit quality and personal knowledge of the customer.

CBT’s strategy has been to hire experienced staff with established business contacts in its market area and a reputation for excellent customer service. Each of CBT’s commercial lenders has over 10 years of experience, and senior management possesses extensive experience in the banking industry as well as substantial business contacts in the Bank’s market area.

CBT carries out its marketing strategy through print and broadcast media highlighting its personal approach to providing banking services. The Bank’s marketing program emphasizes a commitment to customer service and the availability of its senior officers to Bank customers.

CBT’s strategy is to develop and operate its primary business in the Greater Hartford Connecticut area. It anticipates that key components in successfully penetrating its geographic market include utilizing its branch network in the communities of the Greater Hartford Connecticut area as well as providing other convenient services such as electronic banking.

Market Focus

CBT's primary marketing efforts are focused on attracting privately-owned businesses and individuals, including professionals such as attorneys, accountants and physicians, manufacturing companies, service companies, and commercial real estate developers. This strategy has been successful in penetrating CBT's target market through the Bank's ability to deliver tailored and competitive loan products, cash management products, and investment products. The experience-level of CBT's staff and their reputation in the Bank's market area have had a positive impact on the Bank's new business efforts.

CBT's services, pricing strategies, interest rates paid and charged, and hours of operation are designed to attract customers and increase its market share. The Bank seeks to offer superior loan services to small- and medium-sized privately-owned businesses, professionals, entrepreneurs and consumers, while charging competitively for such services and using modern technology and engaging third-party service providers (especially in the technology area) to perform some functions at lower cost.

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CBT's strategy is to operate in growing areas within the Greater Hartford Connecticut area in order to provide convenience to current and potential individual and commercial customers. Its main office location is visible and accessible and is located in the downtown business district of the City of Hartford near the city's cultural centers and new downtown projects. CBT has seven additional full service branches that are located in Hartford, West Hartford, Glastonbury, Vernon, Newington, Windsor and Rocky Hill. Each branch is conveniently located, highly visible and has extended service hours. All of the Bank's locations have a drive-up window and drive-up ATM, except for those in Hartford and Windsor.

Market Area

Bordered by New York State to the West, Rhode Island to the East, and Massachusetts to the North, Connecticut is an important center of the insurance and financial industries. Connecticut possesses a highly developed telecommunications, fiber optics and power infrastructure, the second largest airport in New England, and a highly educated and productive workforce.

The City of Hartford is the state capital and the center of the Greater Hartford Connecticut area. Hartford is one of the nation's leading insurance industry centers, and home to facilities of several major insurance firms, including The Hartford, Travelers and Aetna. Additionally, manufacturing, aviation, and precision machining employers such as Hamilton Sundstrand, Pratt & Whitney, Otis Elevator, StanleyWorks, and Colt Firearms employ area residents. Telecommunications, health services, technology, retail, and tourism also comprise significant business clusters in the region.

Based on U.S. Bureau of the Census Survey data, the City of Hartford is comprised of approximately 125,000 people, 50,000 households and approximately 6,600 business entities. The Greater Hartford Connecticut area has a population of approximately 600,000 people and 375,000 households with median household income of approximately \$62,000. This market has roughly 23,000 businesses with estimated annual loan demand of approximately \$3.0 billion. As of June 30, 2011, 25 institutions competed for approximately \$34.5 billion in deposits through 291 branch facilities.

CBT believes that the Greater Hartford Connecticut area presents a growing and diversified economic environment that will support its business plan. The continued business development and economic health of the Greater Hartford Connecticut area will be important to the Bank's success. The communities targeted by CBT within greater Hartford County represent the most attractive communities regarding economic growth and business development opportunity.

Lending Activities

CBT offers a full range of short- to medium-term commercial, consumer and real estate loans. The Bank's loan policies and procedures establish the basic guidelines governing its lending activities. CBT's lending focus is commercial loans and commercial loans secured by real estate. Generally, the guidelines address the types of loans that the bank seeks, the underwriting and collateral requirements, and the terms and compliance with laws and regulations. All loans or credit lines are subject to approval procedures and amount limitations. These amount limitations apply to the borrower's total outstanding indebtedness to CBT. The bank's loan approval process provides for various levels of officer lending authority. When a loan amount exceeds officer lending authority levels, it is reviewed by the Loan Committee. The Loan Committee meets to review loans at least monthly, and more often if necessary. CBT supplements its own supervision of the loan underwriting and approval process with periodic reviews by independent outside professionals with expertise in loan review work.

CBT's policy provides that all loans made by the bank to executive officers and directors be made in the ordinary course of business, on substantially the same terms, including collateral, as those prevailing at the time for comparable

transactions with other persons and may not involve more than the normal risk of collectibility or present other unfavorable features.

The risk of non-payment is inherent in all loans. CBT carefully reviews all loan applicants and attempts to minimize its credit risk exposure by use of thorough loan application and approval procedures that the bank has established for each category of loan. In determining whether to make a loan, CBT considers the borrower's credit history, principals of businesses and character of individuals who seek loans from the bank, analyze the borrower's income and ability to service the loan, and evaluate the need for collateral to secure repayment in the event of default. An allowance for loan losses is maintained based upon assumptions and judgments regarding the ultimate collectibility of loans in CBT's portfolio and a percentage of the outstanding balances of specific loans when their ultimate collectibility is considered questionable.

CBT's loan activities are primarily directed to businesses, professionals and other individuals in its market area whose demand for funds generally falls within the bank's legal lending limit and who are also likely deposit customers. CBT has the ability to make loans in excess of its lending limit when the bank is able to secure a commitment from another lending institution to purchase a participation in the loan which will result in CBT's maximum loan exposure being equal to or less than its legal lending limit.

Investment Activities

CBT's Board of Directors establishes the investment policy and procedures of the bank. It is the general policy of CBT that all investment transactions be conducted in a safe and sound manner. CBT's investment policy further provides that investment decisions be based upon a thorough analysis of each proposed investment to determine its quality, inherent risks, fit within the bank's overall asset/liability management objectives, the effect on the bank's risk-based capital and prospects for yield and/or appreciation. While general investment strategies are developed and authorized by CBT's Board of Directors, the execution of specific investment actions and the day-to-day oversight of CBT's investment portfolio primarily rests with its Chief Executive Officer and Chief Financial Officer. On a quarterly basis, CBT's Board of Directors reviews and evaluates all investment activities for safety and soundness and adherence to the bank's investment policy.

Generally accepted accounting principles require that securities be categorized as either "held-to-maturity," "trading securities," or "available for sale," based on management's intent as to the ultimate disposition of each security. Debt securities may be classified as "held-to-maturity" and reported in financial statements at amortized cost only if the reporting entity has the positive intent and ability to hold those securities to maturity. Securities that might be sold in response to changes in market interest rates, changes in the security's prepayment risk, increases in loan demand or other similar factors cannot be classified as "held to maturity." Debt and equity securities held for current resale are classified as "trading securities." These securities are reported at fair value, and unrealized gains and losses on the securities would be included in earnings. Debt and equity securities not classified as either "held-to-maturity" or "trading securities" are classified as "available for sale." These securities are reported at fair value, and unrealized gains and losses on the securities are excluded from earnings and reported as a separate component of equity. All investments are taxable obligations.

CBT generally invests in securities with funds not deployed for loan origination activity to maintain liquidity at levels deemed appropriate by management, to enhance profitability within overall asset/liability management objectives and to provide a degree of high credit quality assets within the balance sheet. The majority of CBT's investment securities consist of mortgage-backed securities which the bank purchases to (1) achieve positive interest rate spreads with minimal administrative expense and (2) lower its credit risk as a result of the guarantees provided by government sponsored enterprises, and by government guaranteed agencies. Mortgage-backed securities typically represent a participation interest in a pool of single-family or multi-family mortgages, although the bank focuses its investments on mortgage-backed securities backed by one- to four-family mortgages. The issuers of such securities pool and resell the participation interests in the form of securities to investors such as CBT and guarantee the payment of principal and interest to investors. Mortgage-backed securities generally yield less than the loans that underlie such securities because of the cost of payment guarantees and credit enhancements. However, mortgage-backed securities are usually more liquid than individual mortgage loans and may be used to collateralize specific liabilities and obligations of CBT.

Sources of Funds

Deposits. Deposits from CBT's primary market have provided a relatively stable funding source for the bank's loan portfolio and other earning assets. CBT offers a full range of interest bearing and noninterest bearing accounts with a range of maturity date options, including commercial and retail checking accounts, money market accounts, individual

retirement accounts, savings accounts, certificates of deposit and sweep accounts. The bank has tailored the rates and terms of its accounts and time deposits to compete in its market area.

Deposit flows are influenced by general economic conditions, interest rates, and the desirability of competing deposit or investment alternatives. In addition to the ability to raise funds in the local market, CBT has access to the brokered certificate of deposit market. Generally, these deposits are issued in amounts less than \$100,000 and from customers outside the local marketplace.

Borrowings. In addition to deposits, the sources of funds available for lending and other business purposes include loan repayments, loan sales and borrowings. Loan repayments are a relatively stable source of funds, while deposit inflows and outflows may be influenced significantly by general interest rates and money market conditions. Borrowings may be used to compensate for reductions in other sources, such as deposits at less than projected levels, and are also expected to be used to fund the origination of certain loans.

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Federal Home Loan Bank Advances. The Federal Home Loan Bank of Boston ("FHLBB") provides credit for savings banks and certain other member financial institutions. As a member of the FHLBB, CBT is required to own capital stock in the FHLBB and may apply for advances on the security of the capital stock and qualified collateral maintained at the FHLBB. Borrowings from the FHLBB are secured by a blanket lien on qualified collateral, defined principally as 90-95% of the market value of U.S. Government and government sponsored enterprises and certain discounts applied to the carrying value of certain commercial properties. Advances are made under several different credit programs. Each credit program has its own interest rate and range of maturities. Depending on the program, limitations on the amount of advances are based on the financial condition of the member institution and the adequacy of collateral pledged to secure the credit. CBT has an available line of credit with the FHLBB at an interest rate that adjusts daily. Borrowings under the line of credit are limited to \$1 million and the line of credit may be increased to 2% of CBT's total assets in accordance with the credit policy of the FHLBB. At September 30, 2011 and December 31, 2010, CBT had the ability to borrow a total of approximately \$67.1 million and \$54.1 million, respectively, from the FHLBB. At September 30, 2011 and December 31, 2010, CBT had borrowings totaling \$29.5 million and \$30.5 million, respectively, outstanding with the FHLBB.

Securities Sold Under Agreements to Repurchase. Repurchase agreements represent amounts due to customers in connection with overnight sweep accounts. They represent a purchase, by customers, of a fractional portion of CBT's interest in certain purchased securities and are an obligation of CBT to repurchase that portion of the securities based on terms in a Master Purchase Agreement between CBT and the customer. The securities pledged to secure repurchase agreements are under CBT's control.

Other Products and Services

Third Party Services. Through contractual arrangements with third-party providers, CBT makes available to its customers various other products and services. These products and services include trust and fiduciary services, investment management and stock brokerage services, insurance products, including commercial and personal lines of insurance, and payroll processing. These products and services are offered through established providers and expand the services that CBT is able to offer to its customers with resulting fee income to CBT.

Other products and services that CBT provides include:

- Cash management services;
- Courier service;
- Sweep accounts;
- Direct deposit of payroll and social security checks;
- Online banking;
- CBT Surepay;
- Wire transfers, ACH (Automated Clearinghouse) and EDI (Electronic Data Interchange) services;
- Client escrow accounts;
- Debit cards;
- Merchant credit card processing; and
- ATM access through the SUM shared network of automated teller machines.

Competition

The banking business is highly competitive and there are numerous banks and other financial institutions serving the Greater Hartford Connecticut area that pose significant competition to CBT both in attracting deposits and making loans. These competitors include other commercial banks, savings and loan associations, finance companies, money market funds, credit unions and other financial institutions, a number of which are much larger than CBT.

Certain of the Greater Hartford Connecticut area's other financial institutions may be able to offer products and services which may be impracticable for CBT to provide at this time. CBT also experiences competition from out-of-state financial institutions with little or no traditional bank branches in Hartford. Many of these banks and financial institutions are well established and better capitalized than CBT, allowing them to provide a greater range of services.

In commercial transactions, CBT's legal lending limit to a single borrower enables CBT to compete effectively for the business of smaller enterprises and individuals. However, CBT's legal lending limit is considerably lower than that of various competing institutions, which have substantially greater capitalization. CBT has a relatively smaller capital base than most other competing institutions which, although above regulatory minimum requirements, may constrain CBT's effectiveness in competing for larger loans and relationships.

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To meet its competition, CBT has placed major emphasis on prompt, personalized service and the flexibility which its size permits. Although many of its competitors are currently much larger than CBT, management believes that the corporate service, culture and operational infrastructure at large banks often does not provide the type of personalized service that many of CBT's small- to medium-sized business clients desire and that the bank strives to provide. CBT believes that a bank, operated by responsive, experienced employees who are dedicated to personal service, offers an attractive and viable alternative to larger competing institutions.

Regulation and Supervision

CBT operates in a highly regulated environment, and its business activities are governed by statutes, regulations and administrative policies. The following is a brief summary of certain statutes, rules and regulations which affect CBT. This summary is qualified in its entirety by reference to the particular statutory and regulatory provisions referred to below and is not intended to be an exhaustive description of the statutes or regulations which are applicable to the business of CBT. Supervision, regulation and examination of CBT by regulatory agencies is intended primarily for the protection of depositors rather than shareholders of CBT.

General

As a Connecticut bank, CBT is supervised, regulated and regularly examined by the State of Connecticut Department of Banking ("DOB"). CBT's deposits are insured by the FDIC up to applicable limits. The operation of CBT is subject generally to state and federal statutes and regulations applicable to FDIC-insured state-chartered banks. Such statutes and regulations relate to required reserves, investments, loans, mergers and consolidations, issuances of securities, payment of dividends, establishment of branches and other aspects of a bank's operations. Connecticut banks are required to have an annual independent audit of their financial statements. CBT annually provides a copy of its audited financial statements to each shareholder.

Federal Reserve Membership

CBT is a member of the Federal Reserve System. The Board of Governors of the Federal Reserve System (the "Fed"), acting through the Federal Reserve Bank of Boston ("FRBB"), is CBT's primary Federal regulator and regularly conducts examinations of CBT.

Dodd-Frank Wall Street Reform And Consumer Protection Act Of 2010

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"). The Dodd-Frank Act has a broad impact on the financial services industry, including significant regulatory and compliance changes including, among other things, (i) enhanced resolution authority of troubled and failing banks and their holding companies; (ii) increased capital and liquidity requirements; (iii) increased regulatory examination fees; (iv) changes to assessments to be paid to the FDIC for federal deposit insurance; and (v) numerous other provisions designed to improve supervision and oversight of, and strengthening safety and soundness for, the financial services sector. Additionally, the Dodd-Frank Act establishes a new framework for systemic risk oversight within the financial system to be distributed among new and existing federal regulatory agencies, including the Financial Stability Oversight Council, the Federal Reserve, the Office of the Comptroller of the Currency, and the FDIC.

Effective July 21, 2011, the Dodd-Frank Act provided for the elimination of the federal prohibitions on paying interest on demand deposits, thus allowing businesses to have interest-bearing checking accounts. Depending on competitive responses, this significant change to existing law could have an adverse impact on CBT's net interest margin by potentially increasing CBT's interest expense.

The Dodd-Frank Act also changes the base for FDIC deposit insurance assessments. Assessments are now based on the average consolidated total assets less tangible equity capital of a financial institution, rather than on deposits. The Dodd-Frank Act also permanently increases the maximum amount of deposit insurance for banks, savings institutions and credit unions to \$250,000 per account, retroactive to January 1, 2008, and non-interest bearing transaction accounts have unlimited deposit insurance through December 31, 2013. The legislation also increases the required minimum reserve ratio for the Deposit Insurance Fund, from 1.15% to 1.35% of insured deposits, and directs the FDIC to offset the effects of increased assessments on depository institutions with less than \$10 billion in assets, including CBT.

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The Dodd-Frank Act requires publicly traded companies, like CBT, to give their stockholders a non-binding vote on executive compensation and so-called “golden parachute” payments, and authorizes the Securities and Exchange Commission to promulgate rules that would allow stockholders to nominate their own candidates using a company’s proxy materials. It also provides that the listing standards of the national securities exchanges shall require listed companies to implement and disclose “clawback” policies mandating the recovery of incentive compensation paid to executive officers in connection with accounting restatements. The legislation also directs the Federal Reserve Board to promulgate rules prohibiting excessive compensation paid to bank holding company executives, regardless of whether the company is publicly traded or not.

The Dodd-Frank Act creates a new Consumer Financial Protection Bureau with broad powers to supervise and enforce consumer protection laws. The Consumer Financial Protection Bureau has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions, including the authority to prohibit “unfair, deceptive or abusive” acts and practices. The Dodd-Frank Act also weakens the federal preemption rules that have been applicable for national banks and federal savings associations, and gives state attorneys general the ability to enforce federal consumer protection laws. The Dodd-Frank Act requires minimum leverage (Tier 1) and risk based capital requirements for bank and savings and loan holding companies that are no less than those applicable to banks.

It is difficult to predict at this time what specific impact the Dodd-Frank Act and the yet to be written implementing rules and regulations will have on community banks. However, it is expected that at a minimum they will increase CBT’s operating and compliance costs and could increase CBT’s interest expense.

Payment of Dividends

State and federal statutory and regulatory limitations apply to CBT’s payment of dividends to stockholders. The prior approval of the DOB is required if the total of all dividends declared by a bank in any calendar year exceeds such bank’s net profits, as defined, for that year combined with its retained net profits for the preceding two calendar years. The payment of dividends by CBT may also be affected by other factors, such as the requirement to maintain adequate capital above regulatory guidelines.

If, in the opinion of the FRBB, CBT was engaged in or about to engage in an unsafe or unsound practice, the FRBB could require, after notice and a hearing, CBT to cease and desist from the practice. The federal banking agencies have indicated that paying dividends that deplete a depository institution’s capital base to an inadequate level would be an unsafe and unsound banking practice. Under the Federal Reserve’s Regulation H, CBT must obtain prior approval of the FRBB in order to declare and pay a dividend if the total of all dividends declared during the calendar year, including the proposed dividend, exceeds the sum of CBT’s net income during the current calendar year and its retained net income for the prior two calendar years. Furthermore, Regulation H prohibits CBT from declaring or paying a dividend if the dividend would exceed CBT’s undivided profits, unless the FRBB and the holders of two-thirds of the share of each class of CBT’s outstanding stock previously approve the dividend.

CBT is required to obtain approval of the DOB, the FRBB and the holders of two-thirds of the shares of each of its common stock and preferred stock in order to pay dividends on the shares of senior preferred stock (the “Preferred Stock”) that were issued to the United States Department of the Treasury (“Treasury”) on December 19, 2008. In addition, under the terms and conditions of CBT’s Letter Agreement with the Treasury, CBT may not pay any dividends on its common stock without obtaining the prior consent of the Treasury until the earlier of (i) December 19, 2011 or (ii) the date the Treasury no longer owns any shares of Preferred Stock.

From March 2004 (when CBT commenced operations) through June 30, 2009, CBT posted net losses that resulted from anticipated start-up costs associated with developing CBT’s operating infrastructure, an initially low volume of earning assets, increases to the provisions for loan losses, and the incurrence of other noninterest expenses. These

early losses are typical in a new bank. As a result, CBT has no undivided profits or net profits (i.e. negative retained earnings) and any dividend payment would be considered a reduction of permanent capital. Accordingly, CBT would need the approval of the holders of at least two-thirds of the shares of each of its common stock and its Preferred Stock, the FRBB and the DOB in order to declare and pay dividends on its Preferred Stock. Under previous Connecticut law, the DOB had no authority to approve a dividend unless a bank had net profits. On June 3, 2009, a bill was passed by the Connecticut legislature and signed by the Governor to permit the Connecticut Banking Commissioner to approve a dividend even absent any net profits. The effective date of this revision to Connecticut law was October 1, 2009.

At CBT's annual meeting in May 2009, CBT's common shareholders approved the dividend payment on its Preferred Stock with 73.8% of the shares of common stock voted in favor of the proposal. CBT also requested and received the written consent of the Treasury as the sole holder of the Preferred Stock to pay dividends on the Preferred stock to the Treasury. In addition, on a quarterly basis, CBT has been requesting written approval from the FRBB and the DOB to pay dividends on the Preferred Stock to the Treasury. After CBT requested and received such written approval from the FRBB and the DOB, CBT paid all scheduled dividends on the Preferred Stock to Treasury commencing on November 15, 2009 through the third quarter of 2011. Future quarterly dividends will be paid subject to CBT's receipt of written approvals from the FRBB and the DOB.

Capital Adequacy

Regulatory agencies measure capital adequacy within a framework that makes capital requirements sensitive to the risk profile of the individual banking institutions. The guidelines define capital as either Tier 1 capital (primarily shareholders' equity) or Tier 2 capital (certain debt instruments and a portion of the reserve for loan losses). There are two measures of capital adequacy for banks: the Tier 1 leverage ratio and the risk-based capital requirements. Most banks must maintain a minimum Tier 1 leverage ratio of 4%. In addition, Tier 1 capital must equal 4% of risk-weighted assets, and total capital (Tier 1 plus Tier 2) must equal 8% of risk-weighted assets. These are minimum requirements, however, and institutions expecting internal growth (like CBT) or making acquisitions, as well as institutions with supervisory or operational weaknesses, will be expected to maintain capital positions well above these minimum levels. At September 30, 2011, CBT's Tier 1 leverage capital ratio stood at 9.0%.

The current risk-based capital guidelines are based upon the 1988 capital accord of the International Basel Committee on Banking Supervision, a committee of central banks and bank supervisors and regulators from the major industrialized countries that develops broad policy guidelines for use by each country's supervisors in determining the supervisory policies they apply. A new international accord, referred to as Basel II, became mandatory for large or "core" international banks outside the U.S. in 2008 (total assets of \$250 billion or more or consolidated foreign exposures of \$10 billion or more) and emphasizes internal assessment of credit, market and operational risk, as well as supervisory assessment and market discipline in determining minimum capital requirements. It is optional for other banks. In September 2010, the Group of Governors and Heads of Supervisors of the Basel Committee on Banking Supervision, the oversight body of the Basel Committee, published its "calibrated" capital standards for major banking institutions, referred to as Basel III. Under these standards, when fully phased-in on January 1, 2019, banking institutions will be required to maintain heightened Tier 1 common equity, Tier 1 capital, and total capital ratios, as well as maintaining a "capital conservation buffer." The Tier 1 common equity and Tier 1 capital ratio requirements will be phased-in incrementally between January 1, 2013 and January 1, 2015; the deductions from common equity made in calculating Tier 1 common equity will be phased-in incrementally over a four-year period commencing on January 1, 2014; and the capital conservation buffer will be phased-in incrementally between January 1, 2016 and January 1, 2019. The Basel Committee also announced that a countercyclical buffer of 0% to 2.5% of common equity or other fully loss-absorbing capital will be implemented according to national circumstances as an extension of the conservation buffer. The Basel III rules do not apply to U.S. banks or holding companies automatically and it is not known whether or to what extent the U.S. regulators will incorporate elements of Basel III into the U.S. regulatory system. However, it is expected that U.S. regulators will reform regulations related to capital and liquidity by increasing capital requirements, narrowing what qualifies as appropriate capital, and imposing a new liquidity measurement.

Failure to meet capital guidelines could subject a bank to a variety of enforcement remedies, including issuance of a capital directive, the termination of deposit insurance by the FDIC, a prohibition on the taking of brokered deposits, and certain other restrictions on its business. As described below, substantial additional restrictions can be imposed on FDIC-insured depository institutions that fail to meet applicable capital requirements. See "Prompt Corrective Action," below.

Prompt Corrective Action

Federal banking laws establish a system of prompt corrective action to resolve the problems of undercapitalized institutions. Under this system, the federal banking regulators have established five capital categories (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized), are required to take certain mandatory supervisory actions, and are authorized to take other discretionary actions, with respect to institutions in the three undercapitalized categories. The severity of the action will depend upon the capital category in which the institution is placed. Generally, subject to a narrow exception, the banking regulator must appoint a receiver or conservator for an institution that is critically undercapitalized. The federal banking agencies have specified by regulation the relevant capital level for each category.

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An institution that is categorized as undercapitalized, significantly undercapitalized, or critically undercapitalized is required to submit an acceptable capital restoration plan to its appropriate federal banking agency. An undercapitalized institution is also generally prohibited from increasing its average total assets, making acquisitions, establishing any branches or engaging in any new line of business, except under an accepted capital restoration plan or with regulatory approval. In addition, the appropriate federal banking agency may test an undercapitalized institution in the same manner as it treats a significantly undercapitalized institution if it determines that those actions are necessary. As of September 30, 2011, CBT qualified as a well-capitalized institution.

Safety and Soundness Standards

Federal law requires each federal banking agency to prescribe for depository institutions under its jurisdiction standards relating to, among other things: internal controls; information systems and audit systems; loan documentation; credit underwriting; interest rate risk exposure; asset growth; compensation; fees and benefits; and such other operational and managerial standards as the agency deems appropriate. The federal banking agencies have adopted regulations and Interagency Guidelines Establishing Standards for Safety and Soundness (the “Guidelines”) to implement these safety and soundness standards. The Guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. The Guidelines address internal controls and information systems; internal audit system; credit underwriting; loan documentation; interest rate risk exposure; asset quality; earnings and compensation; fees and benefits. If the appropriate federal banking agency determines that an institution fails to meet any standards prescribed by the Guidelines, the agency may require the institution to submit to the agency an acceptable plan to achieve compliance with the standard set by the Federal Deposit Insurance Act. The regulations establish deadlines for submission and review of such safety and soundness compliance plans.

The federal banking agencies also have adopted regulations for real estate lending prescribing uniform guidelines for real estate lending. The regulations require insured depository institutions to adopt written policies establishing standards, consistent with such guidelines, for extensions of credit secured by real estate. The policies must address loan portfolio management, underwriting standards and loan to value limits that do not exceed the supervisory limits prescribed by the regulations.

FDIC Insurance Assessments

Substantially all of the deposits of CBT are insured up to applicable limits by the Deposit Insurance Fund (“DIF”) of the FDIC. In October 2008, the United States government enacted the Emergency Economic Stabilization Act of 2008 which included a provision for an increase in the amount of deposits insured by the FDIC to \$250 thousand until December 2009, subsequently extended to December 31, 2013 by the Helping Families Save Their Homes Act of 2009 and finally made permanent by the Dodd-Frank Act.

CBT’s deposits are subject to deposit insurance assessments to maintain the DIF. The FDIC uses a risk-based premium assessment system that imposes insurance premiums based upon a risk matrix that takes into account a bank’s capital level and supervisory rating (“CAMELS rating”). The risk matrix utilizes four risk categories which are distinguished by capital levels and supervisory ratings.

In December 2008, the FDIC issued a final rule that raised the then current assessment rates uniformly by 7 basis points for the first quarter of 2009 assessment, which resulted in annualized assessment rates for institutions in Risk Category I institutions ranging from 12 to 14 basis points (basis points representing cents per \$100 of assessable deposits). In February 2009, the FDIC issued final rules to amend the DIF restoration plan, change the risk-based assessment system and set assessment rates for Risk Category I institutions beginning in the second quarter of 2009. For Risk Category I institutions that have long-term debt issuer ratings, the FDIC determines the initial base

assessment rate using a combination of weighted-average CAMELS rating components, long-term debt issuer ratings (converted to numbers and averaged) and the financial ratios method assessment rate (as defined), each equally weighted. The initial base assessment rates for Risk Category I institutions range from 12 to 16 basis points, on an annualized basis. After the effect of potential base-rate adjustments, total base assessment rates range from 7 to 24 basis points. The potential adjustments to a Risk Category I institution's initial base assessment rate include, (i) a potential decrease of up to 5 basis points for long-term unsecured debt, including senior and subordinated debt and (ii) a potential increase of up to 8 basis points for secured liabilities in excess of 25% of domestic deposits.

In May 2009, the FDIC issued a final rule which levied a special assessment applicable to all insured depository institutions totaling 5 basis points of each institution's total assets less Tier 1 capital as of June 30, 2009, not to exceed 10 basis points of domestic deposits, intended to rebuild the DIF. FDIC deposit insurance expense during 2009 included \$0.1 million recognized in the second quarter related to the special assessment. FDIC deposit insurance expense totaled \$0.4 million for the years ended December 31, 2010 and 2009, and \$0.2 million for the year ended December 31, 2008.

On February 7, 2011, the FDIC adopted final rules to implement changes required by the Dodd-Frank Act with respect to the FDIC assessment rules. In particular, the definition of an institution's deposit insurance assessment base is being changed from total deposits to total assets less tangible equity. In addition, the FDIC is revising the deposit insurance assessment rates down. The changes will become effective April 1, 2011. The new initial base assessment rates range from 5 to 9 basis points for Risk Category I banks to 35 basis points for Risk Category IV banks. Risk Category II and III banks will have an initial base assessment rate of 14 or 23 basis points, respectively. CBT expects that the new rates and assessment base will further reduce its current FDIC insurance assessments. However, if the risk category of the bank changes adversely, CBT's FDIC insurance premiums could increase.

Recent insured depository institution failures, as well as deterioration in banking and economic conditions, have significantly increased the loss provisions of the FDIC, resulting in a decline in the designated reserve ratio of the DIF to historical lows. The FDIC recently increased the designated reserve ratio from 1.25 to 2.00. In addition, the deposit insurance limit on FDIC deposit insurance coverage generally has increased to \$250,000, which may result in even larger losses to the DIF.

The FDIC may further increase or decrease the assessment rate schedule in order to manage the DIF to prescribed statutory target levels. An increase in the risk category for CBT or in the assessment rates could have an adverse effect on the bank's earnings. FDIC insurance of deposits may be terminated by the FDIC, after notice and hearing, upon finding by the FDIC that the insured institution has engaged in unsafe or unsound practices, or is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule or order of, or conditions imposed by, the FDIC. CBT's management is not aware of any practice, condition or violation that might lead to the termination of its deposit insurance.

Federal Reserve System

The Federal Reserve Board ("FRB") regulations require depository institutions to maintain noninterest-earning reserves against their transaction accounts (primarily NOW and regular checking accounts). The FRB regulations generally require that reserves be maintained against aggregate transaction accounts as follows: for that portion of transaction accounts aggregating \$48.3 million or less (which may be adjusted by the FRB) the reserve requirement is 3%; and for amounts greater than \$48.3 million, the reserve requirement is 10% (which may be adjusted by the FRB) against that portion of total transaction accounts in excess of \$48.3 million. The first \$7.8 million of otherwise reservable balances (which may be adjusted by the FRB) are exempted from the reserve requirements. CBT is in compliance with the foregoing requirements.

Troubled Asset Relief Program and Capital Purchase Program

On October 14, 2008, the Secretary of the Treasury announced that the Treasury will purchase equity stakes in a wide variety of banks and thrifts. Under the program, known as the Troubled Asset Relief Program Capital Purchase Program (the "CPP"), the Treasury made \$250 billion of capital available to the U.S. financial institutions in the form of preferred stock. In conjunction with the purchase of preferred stock, the Treasury received, from participating financial institutions, warrants to purchase common stock with an aggregate market price equal to 15% of the preferred investment. Participating financial institutions were required to adopt the Treasury's standards for executive compensation and corporate governance for the period during which the Treasury holds equity issued under the CPP ("CPP Covered Period").

CBT decided to enter into a Securities Purchase Agreement with the Treasury that provides for its participation in the CPP. On December 19, 2008, CBT issued and sold to the Treasury 5,448 shares of CBT's Fixed Rate Noncumulative Perpetual Preferred Stock, Series A, with a liquidating preference of \$1,000 per share, and a ten-year warrant to purchase up to 175,742 shares of CBT's common stock at an exercise price of \$4.65 per share. Under the terms of the

CPP, the Treasury's consent will be required for any dividend paid to CBT common stockholders or CBT's redemption, purchase or acquisition of its common stock until the earlier of (i) December 19, 2011 or (ii) the date the Treasury no longer owns any shares of CBT's senior preferred stock.

CBT may redeem the senior preferred shares three years after the date of the Treasury's investment, or earlier if it raises in an equity offering net proceeds equal to the amount of the senior preferred shares to be redeemed. It must raise proceeds equal to at least 25% of the issue price of the senior preferred shares to redeem any senior preferred shares prior to the end of the third year. Notwithstanding the foregoing limitations, under the American Recovery and Reinvestment Act of 2009 (the "Stimulus Act"), that was signed into law on February 17, 2009 by President Obama, the Treasury may, after consultation with CBT's federal regulator, permit CBT at any time to redeem the senior preferred shares. Upon such redemption, the Treasury may liquidate at the current market price the warrant that CBT issued to the Treasury.

The Stimulus Act modified the compensation-related limitations contained in the CPP, created additional compensation-related limitations and directed the Secretary of the Treasury to establish standards for executive compensation applicable to participants in the CPP. On June 10, 2009, the Secretary of the Treasury announced interim final rules to establish such standards. The compensation-related limitations modified by the Stimulus Act and the rules established by the Secretary of the Treasury are as follows:

- **No Severance Payments.** “Golden parachutes” were redefined as any payment for the departure from CBT for any reason, or any payment due to a change in control of the bank, except for (a) payments for services performed or benefits accrued, (b) payments due to the employee’s death or disability, (c) payments required to be made pursuant to state statutes or foreign laws, or (d) payments made pursuant to a qualified pension or retirement plan. Consequently, CBT is prohibited from making any severance payment during the CPP Covered Period to its “senior executive officers” (defined as the principal executive officer, the principal financial officer and the next three most highly compensated employees) and its next five most highly compensated employees (total of ten employees).
- **Recovery of Bonus, Retention Awards and Incentive Compensation if Based on Certain Material Inaccuracies.** The “clawback provision” discussed above was extended to apply to any bonus, retention award or awards and incentive compensation paid to any of its senior executive officers or its next 20 most highly compensated employees (total of 25 employees) during the CPP Covered Period that is later found to have been based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria. A financial statement or performance metric criteria will be treated as materially inaccurate with respect to any employee who knowingly engaged in providing inaccurate information (including knowingly failing to timely correct inaccurate information) relating to those financial statements or performance metrics.
- **No Compensation Arrangements that Encourage Earnings Manipulation.** During the CPP Covered Period, CBT is not allowed to enter into compensation arrangements that encourage manipulation of the bank’s reported earnings to enhance the compensation of any of its employees.
- **Limit on Incentive Compensation.** Effective June 15, 2009, CBT is prohibited from making payments or accruals during the CPP Covered Period of any bonus, retention award or incentive compensation to its most highly compensated employee other than awards of long-term restricted stock that (i) do not fully vest during the CPP Covered Period, and (ii) have a value not greater than one-third of the total annual compensation of the award recipient. The prohibition on bonus, incentive compensation and retention awards does not preclude payments required under written employment contracts entered into on or prior to February 11, 2009.
- **Compensation Committee Functions.** The Compensation Committee is to be comprised solely of independent directors. The Compensation Committee must meet at least semiannually to review and evaluate (i) the compensation plans of the senior executive officers to ensure that these plans do not encourage the senior executive officers to take unnecessary and excessive risks, (ii) all employee compensation plans for risks posed by these plans and methods to reduce these risks, and (iii) all employee compensation plans to ensure that these plans do not encourage manipulation of CBT’s earnings to enhance the compensation of any employee.
- **Compliance Certifications.** The Stimulus Act and rules also require written certification by CBT’s Chief Executive Officer and Chief Financial Officer of the bank’s compliance with the provisions of the Stimulus Act. These certifications must be contained in CBT’s Annual Report on Form 10-K beginning with the Annual Report on Form 10-K for the fiscal year ended December 31, 2009. The Compensation Committee must also provide to the U.S. Department of the Treasury and CBT’s primary regulator, within 120 days of the bank’s fiscal year end, (i) a certification that it has reviewed all senior executive officers compensation plans and employee plans and (ii) a narrative description identifying all senior executive officer compensation plans and all employee compensation plans and describing how unnecessary and excessive risks have been limited and how the plans do not encourage

the manipulation of CBT's earnings to enhance the compensation of any employee.

- **Perquisite Disclosure.** Within 120 days of its fiscal year end, CBT must disclose any perquisite whose total value exceeds \$25,000 for its most highly compensated employee and provide a narrative description of the amount, nature and justification for the perquisite to the U.S. Department of the Treasury and the bank's primary regulator.
- **Compensation Consultant Disclosure.** If CBT, its Board of Directors or the Compensation Committee engaged a compensation consultant, CBT must provide a narrative description describing all types of services provided by the compensation consultant over the past three years to the U.S. Department of the Treasury and the bank's primary regulator within 120 days of its fiscal year end.

- **Prohibition on Gross-Ups.** CBT is prohibited from providing (formally or informally) gross-ups to any of the senior executive officers and the next 20 most highly compensated employees.
- **Excessive or Luxury Expenditures Policy.** CBT is required to establish and maintain an excessive or luxury expenditures policy and provide this policy to the U.S. Department of the Treasury and the bank's primary regulator and post it on the bank's website. CBT's Excessive or Luxury Expenditures Policy can be viewed at www.theCBT.com.
- **Treasury Review of Bonuses Previously Paid.** The Stimulus Act directs the Secretary of the Treasury to review all compensation paid to CBT's senior executive officers and its next 20 most highly compensated employees to determine whether any such payments were inconsistent with the purposes of the Stimulus Act or were otherwise contrary to the public interest. If the Secretary of the Treasury makes such a finding, the Secretary of the Treasury is directed to negotiate with the CPP recipient and the subject employee for appropriate reimbursements to the federal government with respect to compensation and bonuses found to be excessive.
- **Say on Pay.** Under the Stimulus Act, the SEC is required to promulgate rules requiring an advisory, non-binding say on pay vote by the shareholders on executive compensation at the annual meeting during the CPP Covered Period. The bank has complied with the provisions of the Stimulus Act and its implementing regulations in all respect.

The limitations and restrictions on compensation agreements with CBT's executive officers do not pose any additional burden as CBT did not pay incentive compensation in 2010 or 2009, and does not participate in the types of compensation agreements that are prohibited under the CPP. The governance standards imposed by the Stimulus Act will be delegated to the Compensation Committee. CBT's Compensation Committee is required to meet semiannually with senior risk officers to review its executive compensation arrangements in light of CBT's risk management policies and practices. In December 2008, each of CBT's senior executive officers agreed in writing to accept the compensation standards in existence at that time under the program, thereby capping or eliminating some of their contractual or legal rights. CBT senior executive officers' written agreements include their obligation to execute whatever documents CBT may require in order to make any changes in compensation arrangements resulting from the Compensation Committee's review.

Gramm-Leach-Bliley Act

The Gramm-Leach-Bliley Act (the "GLB Act") was enacted in November of 1999. The GLB Act addresses concerns relating to the competitiveness and the safety and soundness of the financial services industry and alters the structure, regulation, and competitive relationships of the nation's financial institutions. Among other things, the GLB Act:

- **Repeals portions of the Glass-Steagall Act of 1933 that separated commercial and investment banking and eliminates the prohibition on insurance underwriting activities under the Bank Holding Company Act of 1956.**
 - Creates "financial holding companies" that may conduct a broad list of financial activities, including insurance and securities underwriting, and real estate development and investment.
 - Allows financial holding companies to conduct activities that are "complementary" to banking.
- **Allows banks to underwrite securities through direct subsidiaries and use direct subsidiaries for insurance or securities sales or other low-risk activities.**
- **Prohibits a bank holding company from merging with insurance or securities firms or embarking on new powers if any of its banks earned less than a "satisfactory" CRA rating on its most recent exam. A financial holding company**

would be barred from additional powers or acquisitions if one of its bank's CRA rating dropped below "satisfactory" later.

- Requires financial institutions to establish privacy policies and disclose them at the start of a customer relationship and once a year thereafter.
- Requires banks to give customers a chance to block sharing of confidential information with third parties except in cases of marketing agreements between financial institutions and some other marketing agreements.
 - Prohibits credit card and account numbers from being shared with third-party marketers.

Although the GLB Act is one of the most significant banking laws enacted in recent years, because of CBT's relatively small size and recent organization, management does not expect the GLB Act to materially affect the bank's products, services or other business activities.

The USA PATRIOT Act

The USA PATRIOT Act of 2001 is omnibus legislation that enhances the powers of domestic law enforcement organizations and makes numerous other changes aimed at countering the international terrorist threat to the security of the United States. Title III of the legislation, the International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001 (the "Act"), is the portion of the legislation that most directly affects the financial services industry. It is intended to enhance the federal government's ability to fight money laundering by monitoring currency transactions and suspicious financial activities. The Act has significant implications for depository institutions and other businesses involved in the transfer of money. A number of the important provisions of the Act are described in greater detail below.

- A financial institution must establish due diligence policies, procedures and controls reasonably designed to detect and report money laundering through correspondent accounts and private banking accounts.
- No bank may establish, maintain, administer or manage a correspondent account in the United States for a foreign shell bank.
- Financial institutions must follow regulations adopted by the Treasury Department to encourage financial institutions, their regulatory authorities, and law enforcement authorities to share information about individuals, entities, and organizations engaged in or suspected of engaging in terrorist acts or money laundering activities.
- Financial institutions must follow regulations adopted by the Treasury Department setting forth minimum standards regarding customer identification. These regulations require financial institutions to implement reasonable procedures for verifying the identity of any person seeking to open an account, maintain records of the information used to verify the person's identity, and consult lists of known or suspected terrorists and terrorist organizations provided to the financial institution by government agencies.
- Every financial institution must establish anti-money laundering programs, including the development of internal policies and procedures, designation of a compliance officer, employee training, and an independent audit function.

Sarbanes-Oxley Act of 2002

On July 30, 2002, President Bush signed into law the Sarbanes-Oxley Act of 2002 (the "SOX"). The stated goals of the SOX are to increase corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies and to protect investors by improving the accuracy and reliability of corporate disclosures pursuant to the securities laws. The SOX addresses, among other matters:

- the composition and activities of audit committees;
- certification of financial statements by chief executive officers and the chief financial officers;
- the forfeiture of bonuses or other incentive-based compensation and profits from the sale of an issuer's securities by directors and senior officers in the twelve-month period following initial publication of any financial statements that later require restatement;

- a prohibition on trading by insiders during pension plan black out periods;
- disclosure of off-balance sheet transactions;
- requirements for auditor independence; and
- increased criminal penalties for violations of securities laws.

Community Reinvestment Act

CBT is subject to the provisions of the Community Reinvestment Act of 1977 (the “CRA”), which requires the bank regulators, in connection with their regular examinations of a bank, to assess the bank’s record of meeting the credit needs of the communities it serves, including low- and moderate-income neighborhoods, consistent with safe and sound banking practices.

Regulations promulgated under the CRA are intended to set distinct assessment standards for financial institutions. The regulations provide for streamlined procedures for small institutions with assets of less than \$1.1 billion. The regulations contain the following three evaluation tests:

- A lending test, which compares the institution's market share of loans in low and moderate income areas to its market share of loans in its entire service area;
- A service test, which evaluates the provision of services that promote the availability of credit to low and moderate income areas; and
- An investment test, which evaluates the institution's record of investments in organizations designed to foster community development, small and minority owned businesses and affordable housing lending, including state and local government housing or revenue bonds.

Institutions are required to make public disclosure of their written CRA evaluations made by regulatory agencies. This promotes enforcement of CRA requirements by providing the public with the status of a particular institution's community investment record. In addition to public disclosure of an institution's CRA assessment, regulatory authorities are required to consider an institution's CRA assessment when an institution applies for approval to establish a new branch which will accept deposits, to relocate an existing branch, or to merge with another federally regulated financial institution. CRA ratings are "outstanding," "satisfactory," and "substantial noncompliance." CBT received a satisfactory CRA rating at its most recent examination in June 2010.

Monetary Policy

CBT's earnings are affected by domestic and foreign economic conditions, particularly by the monetary and fiscal policies of the United States government and its agencies. The Federal Reserve has had, and will continue to have, an important impact on the operating results of commercial banks through its power to implement national monetary policy in order, among other things, to mitigate recessionary and inflationary pressures by regulating the national money supply. The techniques used by the Federal Reserve include setting the reserve requirements of member banks and establishing the discount rate on member bank borrowings. The Federal Reserve also conducts open market transactions in United States government securities.

Reports to Security Holders

CBT is obligated to file with the Board of Governors of the Federal Reserve System certain periodic reports including an annual report containing audited financial statements pursuant to Section 12(i) of the Exchange Act. CBT will continue to file such reports as required under the Exchange Act. Unlike the SEC, the Federal Reserve does not maintain an electronic database of reports, proxies and information statements and other information regarding issuers that file electronically. Instead, interested persons should visit CBT's website at www.theibt.com, where the bank posts copies of all of its Exchange Act filings with the Fed.

Management Discussion and Analysis of Financial Condition and Results of Operations.

Critical Accounting Policies

In the ordinary course of business, CBT's management makes a number of estimates and assumptions relating to reporting results of operations and financial condition in preparing its financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ significantly from those estimates under different assumptions and conditions. CBT's management believes that the critical

accounting policies which rely on material estimates that are susceptible to significant differences between actual results and estimates are the determination of allowance for loan losses, other-than-temporary impairment of securities, and valuation of deferred tax assets. Management believes its accounting policy and estimates relating to the provision and allowance for loan losses is very important to the portrayal of CBT's results of operations and financial condition and requires its most difficult, subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. A description of the estimation process and methodology related to the allowance for loan losses, other-than-temporary impairment of securities and the valuation of deferred tax assets is included in CBT's financial statements and accompanying notes included in CBT's Annual Report on Form 10-K for the year ended December 31, 2010, filed with the Board of Governors of the Federal Reserve on March 31, 2011 and included herein beginning on Page F-59.

Comparison of Financial Condition at September 30, 2011 and December 31, 2010

Total assets were \$284.2 million at September 30, 2011, an increase of \$10.1 million or 3.6%, compared to \$274.2 million at December 31, 2010. Total loans decreased by \$2.3 million to \$221.4 million at September 30, 2011 compared to \$223.7 million at December 31, 2010. CBT originated loans totaling \$26.4 million during the nine months ended September 30, 2011 and had repayments totaling \$29.1 million. The securities portfolio totaled \$42.6 million at September 30, 2011 compared to \$35.3 million at December 31, 2010. The increase in the securities portfolio was due to purchases of eleven (11) government sponsored and government guaranteed residential mortgage-backed securities and nine (9) government guaranteed commercial-mortgage backed securities which was offset by the sale of eighteen (18) bonds, along with calls made on thirteen (13) other bonds prior to their maturities and the continuous prepayments of mortgage-backed securities. Cash and cash equivalents totaled \$13.2 million at September 30, 2011 compared to \$8.7 million at December 31, 2010 and represented CBT's primary source of liquidity. Other assets decreased by \$1.2 million. This decrease was due to CBT receiving \$1.0 million in January 2011 that was due from a broker for a security called in December 2010. CBT recorded a \$700,000 deferred tax asset at September 30, 2011 as a result of a reduction in the valuation allowance. The deferred tax asset was fully reserved for as of December 31, 2010.

Total deposits increased \$8.8 million to \$222.5 million at September 30, 2011 compared to \$213.8 million at December 31, 2010. CBT's management employed a variety of strategies to increase funds from a diverse set of depositors. Checking accounts, including both non-interest bearing and NOW accounts, increased \$18.5 million to \$69.6 million at September 30, 2011 through additional new accounts. Money market funds decreased \$2.6 million to \$70.1 million at September 30, 2011 from \$72.7 million at December 31, 2010. Certificates of deposit declined \$7.7 million to \$80.2 million at September 30, 2011 due to customer migration away from time deposits and planned runoff of brokered deposits. Long-term FHLB advances were \$29.5 million at September 30, 2011, down \$1.0 million from December 31, 2010. Secured borrowings increased \$521,000 to \$1.1 million at September 30, 2011 from \$577,000 at December 31, 2010. Other borrowings were \$176,000 at September 30, 2011 compared to none at December 31, 2010. Other borrowings represents a first lien mortgage to another financial institution for one of CBT's other real estate owned properties.

Securities

At September 30, 2011, CBT's securities portfolio, all of which are classified as available-for-sale, amounted to \$42.6 million, or 15.0% of total assets. The following table sets forth information regarding the amortized cost and fair values of CBT's securities as of the dates indicated.

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2011				
Government-sponsored enterprises	\$6,518	\$ 10	\$(1)	\$6,527
U.S. Government guaranteed residential mortgage-backed securities	20,784	158	(162)	20,780
Government-sponsored residential mortgage-backed securities	12,394	158	(79)	12,473
U.S. Government guaranteed commercial mortgage-backed securities	1,802	123	-	1,925
Corporate bonds	999	-	(128)	871
	\$42,497	\$449	\$(370)	\$42,576
December 31, 2010				
Government-sponsored enterprises	\$6,540	\$ -	\$(196)	\$6,344
U.S. Government guaranteed residential mortgage-backed securities	5,935	195	(2)	6,128
Government-sponsored residential mortgage-backed securities	12,803	297	(37)	13,063
U.S. Government guaranteed commercial mortgage-backed securities	8,958	70	(40)	8,988
Corporate bonds	999	-	(173)	826
	\$35,235	\$562	\$(448)	\$35,349

Securities available for sale experienced a net increase of \$7.2 million. Purchases of securities available for sale for the nine months ended September 30, 2011 totaled \$38.1 million and consisted of twenty (20) government-guaranteed residential and commercial mortgage-backed securities. For the nine months ended September 30, 2011, proceeds from sales of available for sale securities totaled \$15.6 million and from matured and called securities amounted to \$13.4 million. Principal payments totaled \$2.9 million for the nine months ended September 30, 2011. The portfolio included a net unrealized gain of \$79,000 as of September 30, 2011, a decrease of \$35,000 compared to December 31, 2010. CBT recognized a net gain of \$448,000 on the sale of securities for the nine months ended September 30, 2011.

Loans

CBT is a traditional commercial bank with 83.4% of its loan portfolio advanced to commercial and commercial real estate (CRE) borrowers. Because loans generally produce higher yields than securities and other interest-earning assets, it is CBT's strategy to use deposit balances to fund loans within its market area as soon as practicable. At September 30, 2011, CBT's net loan portfolio totaled \$218.3 million, or 76.9% of total assets, compared t