

BERKSHIRE HILLS BANCORP INC

Form 425

May 16, 2007

acquisition of  
Growing *America's Most Exciting Bank*  
sm

May 16, 2007

BHLB [www.berkshirebank.com](http://www.berkshirebank.com)

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Filed by Berkshire Hills Bancorp, Inc.  
pursuant to Rule 425  
under the Securities Act of 1933  
Subject Company  
Factory Point Bancorp, Inc.  
Commission File Number 0-51584

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A Beneficial Partnership

Strong geographic, business and cultural fit

Achieves longstanding strategic objective to enter attractive Southern Vermont market with residential, recreational and commercial ties to existing Berkshire and New York regions

Factory Point is a quality franchise with strong asset quality and performance metrics

Acquisition deal value is approximately \$82 million funded with 80/20 mix of stock and cash

P/E metrics are favorable with 17.9x price to earnings and 13.4x price to earnings after 25% targeted cost saves

Transaction is expected to be accretive to EPS in 2008, with anticipated double digit medium term cash return on equity from planned revenue enhancements

Acquired earnings will provide surplus capital available for potential stock repurchases or other capital uses

3  
BHLB [www.berkshirebank.com](http://www.berkshirebank.com)  
Total 1-4 Family  
Loans  
38.8%  
Commercial R/E  
Loans

41.1%  
Commercial  
Loans  
12.7%  
Consumer Loans  
3.1%  
Other  
4.3%  
Demand deposits  
5.2%  
Borrowings  
10.7%  
NOW & Oth Trans  
Accts  
5.2%  
CD's > \$100k  
19.2%  
CD's < \$100k  
8.4%  
MMDA & Savings  
51.3%

Factory Point Bancorp

A Solid Franchise

Financial Profile

Loan Composition

Funding Mix

Notes:

Data

Source:

Company

filings

and

SNL

Financial

Dollars in millions except per share data

Loan and funding data as of March 31, 2007

LTM

OPERATING PERFORMANCE

2004

2005

2006

3/31/07

Total Assets

\$304

\$319

\$340

\$339

Net Loans

191

207

226

224

Deposits

259

270

270

275

Tangible Equity

22

25

27

27

Tangible Equity / Tangible Assets

7.2%

7.8%

7.9%

8.1%

Net Income

\$3.8

\$4.4

\$4.5

\$4.5

Earnings per Share

\$0.93

\$1.08

\$1.10

\$1.09

ROAA

1.24%

1.41%

1.35%

1.34%

ROAE

16.1%

16.9%

16.3%

16.0%

Net Interest Margin

3.88%

4.46%

4.32%

4.12%

Efficiency Ratio

63.7%

59.9%

60.9%

62.1%

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Southern Vermont

Attractive Location and Demographics

Notes:

Data Source:

Company filings and SNL Financial

Projected County Per Capita Income Growth

BHLB

FAPB

Factory Point Bancorp, Inc.

2000

2006

2011

Actual

Current

Projected

Population

Aggregate Change (%)

3.24

1.17

National Change (%)

7.87

6.66

Income

Per Capita Income (\$)

20,817

27,251

33,769

National Median Per Capita (\$)

21,587

27,084

32,982

Aggregate Change (%)

30.91

23.92

National Change (%)

25.46

21.78

Median Household Income (\$)

39,296

49,336

59,380

National Median Household (\$)

42,164

51,546

60,704

Aggregate Change (%)

25.55

20.36

National Change (%)

22.25  
 17.77  
 Percent of total (%)

Less than \$25K  
 31.0  
 23.4  
 18.3

\$25K to \$50K  
 32.4  
 27.4  
 24.3

\$50K than \$100K  
 27.9  
 33.8  
 34.2

Greater than \$100K  
 8.6  
 15.4  
 23.1

Berkshire Hills Bancorp, Inc.  
 2000  
 2006  
 2011  
 Actual  
 Current  
 Projected  
 Population  
 Aggregate Change (%)

0.65  
 0.61  
 National Change (%)

7.87  
 6.66  
 Income  
 Per Capita Income (\$)  
 21,213  
 26,815  
 32,769  
 National Median Per Capita (\$)  
 21,587  
 27,084  
 32,982  
 Aggregate Change (%)

26.41

22.20

National Change (%)

25.46

21.78

Median Household Income (\$)

39,681

48,291

56,309

National Median Household (\$)

42,164

51,546

60,704

Aggregate Change (%)

21.70

16.60

National Change (%)

22.25

17.76

Percent of total (%)

Less than \$25K

31.4

25.2

21.2

\$25K to \$50K

29.5

26.2

23.8

\$50K than \$100K

29.5

31.7

31.0

Greater than \$100K

9.6

16.9

24.0

5

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Many Strategic Benefits

Expansion of branch network into area of higher per capita income growth than national median; aligns with long term targeted expansion into Southern Vermont

Generate revenue enhancements from acquisition coupled with

product expansion in insurance, trust, and investment services,  
organic growth and de novo branching in the area

Gain market share from national and community bank  
competitors by taking advantage of position as only locally  
headquartered regional bank. *Berkshire has a proven record of  
sustained diversified double-digit annual growth in similar  
markets.*

Bring higher legal lending limit and larger suite of products and  
services to a high performing institution

Accretive to earnings through cost savings realization and  
contribution of existing strong banking team in Vermont

6  
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38  
Total  
7  
Vermont  
10

21

Branches

New York

Massachusetts

State

Combined Map

23% increase in total branches

Berkshire Bank (31 branches)

Factory Point (7 branches)

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Deal Terms

Notes:

1

Based on BHLB's  
stock price of \$33.37, the 30-day average as of April 30, 2007

2

Based on 4,096,273 FAPB shares outstanding and 318,909 FAPB options outstanding with a weighted average strike price of \$19.50 and a 5-day average BHLB stock price as 5/11/07.

Pricing:

80% stock; 20% cash

0.5844x fixed exchange ratio<sup>1</sup>; \$19.50 in cash

\$81.9 million<sup>2</sup>

Converted into BHLB s

options

\$3.6 million or 4.4% of deal value

Estimated after tax direct costs \$7 million; indirect costs \$1 million

Form of Consideration:

Indicated Aggregate Deal

Value:

Option Treatment:

Termination Fee:

Direct & Indirect Costs:

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Attractive Multiples Driven by Strong Earnings

21.9%

20.9%

Tang Book Premium/Core Deposits

1

255%

291%

Price/Tangible Book

23.1x

17.9x

Price/LTM earnings

Median

Nationwide Bank

M&A Multiples

2

1

Does not include CDs > \$100,000 as of March 31, 2007 (approximately 9.4% of total deposits). This definition specific to this ratio only, for comparative purposes.

2

Includes all

nationwide

bank

transactions

since

January

1,

2006

with

deal

value

between

\$15

million

and

\$250

million

Source: SNL

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Combined Assets Increase by 18%

As of March 31, 2007

\$13.03

\$16.13

Tangible book value per share

\$30.90  
 \$29.87  
 Book value per share  
 10,722  
 1,915  
 8,807  
 Common shares outstanding  
 \$ 2,575,580  
 \$ 61,629  
 \$ 339,378  
 \$ 2,174,573  
 Total liabilities and equity  
 331,270  
 38,629  
 29,554  
 263,087  
 Stockholders  
 equity  
 2,244,310  
 23,000  
 309,824  
 1,911,486  
 Total liabilities  
 11,476  
 -  
 2,704  
 8,772  
 Other liabilities  
 38,464  
 23,000  
 -  
 15,464  
 Subordinated debentures  
 384,191  
 -  
 32,553  
 351,638  
 Borrowings  
 \$ 1,810,179  
 \$ -  
 \$ 274,567  
 \$ 1,535,612  
 Deposits  
 Liabilities and equity  
 \$ 2,575,580  
 \$ 61,629  
 \$ 339,378  
 \$ 2,174,573  
 Total assets  
 98,771

(1,300)

14,144

85,927

Other assets

24,542

8,400

-

16,142

Other intangibles

167,051

59,829

2,299

104,923

Goodwill

1,929,009

(5,300)

223,901

1,710,408

Net loans

\$ 356,207

\$ -

\$ 99,034

\$ 257,173

Cash and securities

Assets

Pro forma

Combined

Pro forma

Adjustments

Factory Point

Berkshire

(in thousands except per share data)

Note: Adjustments subject to change based on future information.

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Attractive Combined Loan and Deposit Mix  
As of March 31, 2007  
100%  
\$1,810,179  
100%

\$274,567  
 100%  
 \$1,535,612  
 Total deposits  
 44%  
 787,827  
 31%  
 83,408  
 46%  
 704,419  
 Time deposits  
 12%  
 215,666  
 6%  
 17,404  
 13%  
 198,262  
 Savings deposits  
 20%  
 370,876  
 22%  
 59,511  
 20%  
 311,365  
 Money market deposits  
 12%  
 216,273  
 25%  
 69,594  
 10%  
 146,679  
 NOW deposits  
 12%  
 219,537  
 16%  
 44,650  
 11%  
 174,887  
 Demand deposits  
 Deposits  
 \$1,934,309  
 \$223,901  
 \$1,710,408  
 Net loans  
 (23,774)  
 (4,122)  
 (19,652)  
 Loan Loss Allowance  
 100%  
 1,958,083

100%  
228,023  
100%  
1,730,060  
Total loans  
19%  
372,689  
13%  
29,251  
20%  
343,438  
Consumer loans  
46%  
907,070  
56%  
128,452  
45%  
778,618  
Commercial loans  
35%  
\$678,324  
31%  
\$70,320  
35%  
\$608,004  
Residential mortgages  
Loans  
Percent  
Balance \$  
Percent  
Balance \$  
Percent  
Balance \$  
(\$000s)  
Pro forma Combined  
Factory Point  
Berkshire

11  
BHLB [www.berkshirebank.com](http://www.berkshirebank.com)  
High Quality Combined Loan Portfolio  
As of March 31, 2007  
1.21%  
1.81%  
1.14%

Allowance/ Total loans

0.10%

0.02%

0.11%

Q1 Net charge-offs annualized/

Average loans

0.37%

0.31%

0.39%

Non-performers/ Total assets

0.39%

0.40%

0.38%

Accruing delinquents/ Total loans

Pro forma

Combined

Factory

Point

Berkshire

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EPS Accretion Target at Four Cents in First Full Year

(in thousands, except per share data)

1.83%

EPS accretion %

\$0.04

EPS accretion  
\$2.15  
Berkshire's standalone EPS (guidance midpoint)  
\$2.19  
Pro forma combined EPS  
10,878  
Pro forma 2007 fully diluted shares outstanding  
63  
Additional diluted shares from Factory Point options  
1,915  
New shares issued for Factory Point acquisition  
8,900  
Berkshire Pro forma 2007 diluted shares  
\$23,772  
Adjusted net income  
(100)  
Income tax adjustment  
(1,700)  
Interest cost of debt to finance cash costs  
600  
Accretion of purchase accounting adjustments  
2,500  
Cost savings (25%)  
(1,100)  
Amortization of core deposit intangible/non-competes  
Acquisition adjustments:  
23,572  
Pro forma net income  
4,472  
Factory Point net income (LTM 3/31/07)  
\$19,100  
Berkshire net income (2007 guidance midpoint)

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Growing Regional Bank

Competitive Advantages

Only locally headquartered regional bank in primary market

Four state targeted footprint (MA, NY, CT, VT). Largest bank in Western MA

Strong growth based on organic, de novo and acquisition strategies

Diversified revenue sources with strong commercial components

Strong board and management team

Community leadership

5.86%

6.92%

Tangible equity/assets (03/31/07)

12.86%

12.10%

Equity/assets (03/31/07)

7.10%

7.24%

First year ROE

0.88%

0.85%

First year ROA

38

31

Branches

\$355 million

\$292 million

Market capitalization

\$732 million

\$500 million

Assets under management

\$23.8 million

\$19.1 million

First year income

\$2.6 billion

\$2.2 billion

Total assets

Combined

Current

Size

14

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Goals

Create nationally recognized brand and business style

Expand strong, high quality franchise through motivated teamwork  
and

relationship building

Take market share as a regional bank from national and community competitors

Continue to generate strong top line growth from organic, de novo, acquisition and product expansion

Achieve high performance profitability metrics

Produce attractive earnings growth and shareholder return

Vision

To establish

the

institution

as

a

world-class

financial

services

company through

an

engaging

and

exciting

environment

where

customers want do business and employees want to work.

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Forward Looking Information

This presentation contains certain forward-looking statements about the proposed merger of Berkshire Hills Bancorp and Factory Point. These statements include statements regarding the anticipated closing date of the transaction and anticipated future results. Forward-looking statements can be identified by the fact that they do not relate

strictly  
to  
historical  
or  
current  
facts.  
They  
often  
include  
words  
like  
believe,  
expect,  
anticipate,  
estimate,  
and  
intend  
or  
future  
or  
conditional  
verbs  
such  
as  
will,  
would,  
should,  
could  
or  
may.

Certain factors that could cause actual results to differ materially from expected results include delays in completing the merger, difficulties in achieving cost savings from the merger or in achieving such cost savings within the expected time frame, difficulties in integrating Berkshire Hills Bancorp and Factory Point, increased competitive pressures, changes in the interest rate environment, changes in general economic conditions, legislative and regulatory changes that adversely affect the business in which Berkshire Hills Bancorp and Factory Point are engaged, changes

in  
the  
securities  
markets  
and  
other  
risks  
and  
uncertainties  
disclosed  
from  
time to time in documents that Berkshire Hills Bancorp files with the Securities and Exchange Commission.

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Additional Information

And Where to Find It

The proposed transaction will be submitted to Berkshire Hills' and Factory Point's stockholders for their consideration. Berkshire Hills will file with the SEC a registration statement on Form S-4 that will include a joint proxy statement/prospectus and other relevant documents concerning Berkshire Hills Bancorp, Factory Point, the proposed transaction, the persons soliciting proxies

merger and their interests in the merger and related matters. Stockholders of Berkshire Hills and Factory Point are urged to read the registration statement, including the joint proxy statement/prospectus, when it becomes available and any other relevant documents filed with the SEC because they contain important information. You will be able to obtain a free copy of all documents filed with the SEC

by  
Berkshire  
Hills  
on  
the  
SEC's  
Web  
site  
(<http://www.sec.gov>).

In  
addition,  
documents  
filed  
with  
the  
SEC  
by  
Berkshire  
Hills  
will be  
available,  
without  
charge,  
by  
directing  
a  
request  
to  
Ann  
Racine,  
Investor  
Relations,  
Berkshire  
Hills  
Bancorp,  
Inc.,  
24  
North  
Street, Pittsfield, MA 01201 (413) 236-3239.

Berkshire Hills and its directors and executive officers may be deemed to be participants in the solicitation of proxies from its stockholders in connection with the merger. Information about the directors and executive officers of Berkshire Hills and their ownership of Berkshire Hills common stock is set forth in the proxy statement, dated April 2, 2007, for Berkshire Hills' 2007 annual meeting of stockholders, which

is  
available  
on  
Berkshire's  
website  
at  
[www.berkshirebank.com](http://www.berkshirebank.com)

and  
on  
the  
SEC's  
website.

Berkshire  
Hills  
Bancorp,  
Inc.

is  
the  
holding  
company  
for  
Berkshire  
Bank

-  
America's  
Most  
Exciting  
Bank  
SM

.  
Established  
in  
1846,

Berkshire Bank is one of Massachusetts' oldest and largest independent banks and the largest banking institution based in Western Massachusetts. The Bank is headquartered in Pittsfield, Massachusetts with branches serving communities throughout Western Massachusetts and Northeastern New York. The Bank is transitioning into a regional bank, delivering exceptional customer service and a broad array of competitively priced deposit, loan, insurance, wealth management and trust services and investment products.

For  
more  
information

on  
Berkshire  
Hills  
Bancorp,  
Inc.

or  
Berkshire  
Bank,  
visit  
[www.berkshirebank.com](http://www.berkshirebank.com)

or  
call  
800-773-5601.

Factory Point Bancorp, Inc. is a publicly held, one-bank holding company whose wholly-owned subsidiary, The Factory Point National Bank of Manchester Center ( Factory Point National Bank ), maintains its corporate offices in Manchester Center, Vermont. Factory

Point

is  
incorporated  
in  
the  
state  
of  
Delaware.

Factory  
Point  
National  
Bank,  
regulated  
by  
the  
Office  
of  
the

Comptroller of the Currency, operates seven full-service community banking offices in Arlington, Dorset, Ludlow, Manchester, Rutland Vermont. Factory Point s primary lines of business include residential real estate lending (for portfolio and sale on the secondary market),

small  
business  
loan  
and  
deposit  
services,

as  
well  
as  
a  
variety  
of  
consumer  
loan  
and  
deposit  
services.

Factory  
Point

National Bank is chartered with trust powers and offers trust and investment services in the markets it serves.

Berkshire Hills Bancorp, Inc.  
Acquisition of  
Factory Point Bancorp, Inc.  
May 16, 2007  
For questions, please contact:  
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Corporate Finance Officer

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