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BERKSHIRE HILLS BANCORP INC

Form 11-K

January 13, 2009

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 11-K

ANNUAL REPORT  
PURSUANT TO SECTION 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934 [NO FEE REQUIRED, EFFECTIVE OCTOBER 7, 1996].

For the fiscal year ended December 31, 2007  
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OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934 [NO FEE REQUIRED].

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-51584\_\_\_\_\_

A. Full title of the plan and the address of the plan, if different from  
that of the issuer named below:

Berkshire Bank 401(k) Plan

B: Name of issuer of the securities held pursuant to the plan and the  
address of its principal executive office:

Berkshire Hills Bancorp, Inc.  
24 North St.  
Pittsfield, MA 01201

BERKSHIRE BANK 401(k) PLAN

Financial Statements and Supplemental Schedule  
Years Ended December 31, 2007 and 2006

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BERKSHIRE BANK 401(k) PLAN

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Financial Statements and Supplemental Schedule  
Years Ended December 31, 2007 and 2006

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WOLF  
& COMPANY, P.C.

Certified Public Accountants  
and Business Consultants

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee  
Berkshire Hills Bancorp, Inc.  
Pittsfield, Massachusetts

We have audited the accompanying statement of net assets available for benefits of Berkshire Bank 401(k) Plan (the "Plan") as of December 31, 2007, and the related statement of changes in net assets available for benefits for the year ended December 31, 2007. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Plan as of and for the year ended December 31, 2006, were audited by other auditors by whose report, dated on October 10, 2007, expressed an unqualified opinion.

We conducted our audit in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2007, and the changes in net assets available for benefits for the year ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

Our audit of the financial statements was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at year end) for 2007 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the United States Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Wolf & Company, P.C.

Boston, Massachusetts  
December 8, 2008

### BERKSHIRE BANK 401(k) PLAN

#### STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

Years Ended December 31, 2007 and 2006

	2007	2006
	-----	-----
ASSETS		
Cash held for investment	\$ 3,385,352	\$ 1,952,230
Investments, at fair value	38,345,382	25,229,870
Participant loans	746,559	518,495
	-----	-----
	42,477,293	27,700,595
	-----	-----
Receivables:		
Employer contributions	52,410	-
Participant contributions	56,624	-
	-----	-----
	109,034	-
	-----	-----
Net assets available for benefits	\$42,586,327	\$27,700,595
	=====	=====

See accompanying notes to financial statements.

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BERKSHIRE BANK 401(k) PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Years Ended December 31, 2007 and 2006

	2007	2006
	-----	-----
Investment income:		
Net (depreciation) appreciation in fair value		
of investments	\$ (603,821)	\$ 2,429,118
Interest and dividends	1,408,238	869,664
	-----	-----
	804,417	3,298,782
	-----	-----
Contributions:		
Employer	1,314,067	910,977
Participants	1,535,647	1,094,329
Rollover	1,477,049	522,545
	-----	-----
	4,326,763	2,527,851
	-----	-----
Assets transferred in from merged/terminated plans	13,670,154	77,381
	-----	-----
Total additions	18,801,334	5,904,014
	-----	-----
Deductions from net assets attributed to:		
Withdrawals and benefits paid to participants	3,905,463	5,140,149
Administrative fees	10,139	7,971
Total deductions	3,915,602	5,148,120
	-----	-----
Net increase in net assets available for benefits	14,885,732	755,894
Net assets available for benefits:		
Beginning of year	27,700,595	26,944,701
	-----	-----
Net assets available for benefits:		
End of year	\$42,586,327	\$27,700,595
	=====	=====

See accompanying notes to financial statements.

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BERKSHIRE BANK 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2007 and 2006

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### 1. DESCRIPTION OF THE PLAN

The Berkshire Bank 401(k) Plan (the "Plan") was established on April 11, 1993.

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the Plan Agreement for a more complete description of the Plan's provisions.

#### General

The Plan is a defined contribution plan covering all eligible employees of Berkshire Bank (the "Bank" or the "Plan Sponsor"). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). Vanguard Fiduciary Trust Company serves as the Trustee of the Plan. The Vanguard Group ("Vanguard" or the "Custodian") is the custodian of the Plan.

In 2005, Berkshire Bank, the Plan Sponsor, terminated its Employee Stock Ownership Plan ("ESOP"). During 2007, active employees of Berkshire Bank were given the option to transfer their shares of stock from the ESOP into the Plan. The value transferred into the Plan is the value of the shares as posted on the Nasdaq Stock Market as of the date of transfer.

On November 1, 2006, Berkshire Bank acquired five local insurance agencies. These insurance agencies all participated in one plan, the Alliance Berkshire Insurance 401(k) Plan ("Alliance"). During 2007, Alliance was merged into the Plan. Effective on the merger date, all employees of Alliance followed the eligibility requirements of the Plan but were given credit for hours of service with their previous employer.

On September 21, 2007, Berkshire Bank acquired Factory Point National Bank of Manchester Center ("Factory Point"). Effective November 5, 2007, the Factory Point National Bank 401(k) Profit Sharing Plan was merged into the Plan. Effective on the merger date, all employees of Factory Point followed the eligibility requirements of the Plan but were given credit for hours of service with their previous employer.

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### BERKSHIRE BANK 401(k) PLAN

#### NOTES TO FINANCIAL STATEMENTS (Continued)

##### DESCRIPTION OF THE PLAN (continued)

#### Contributions

Each year, participants may contribute a percent of pretax annual compensation, excluding certain types of restricted compensation, subject to certain limitations as defined by the Plan and the Internal Revenue Code ("IRC"). The maximum participant deferral was \$15,500 and \$15,000 for the Plan years ended December 31, 2007 and 2006. In addition, all employees who are eligible to make salary reductions under the Plan and who have attained age 50 before the close of the Plan year are eligible to make catch-up contributions, as defined by the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"). Participants may also contribute rollover amounts representing distributions from other qualified retirement

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plans and IRAs. Participants direct the investment of their contributions into various investment options offered by the Plan. Participants may change their rate of contribution each pay period.

The Bank matches a portion of eligible employee contributions. During 2007 and 2006, the Bank matched 100% of eligible employee contributions up to 4% of the participant's annual compensation.

In addition, the Bank makes a Safe Harbor non-elective contribution to the account of each eligible employee in an amount equal to 3% of the participant's annual compensation, excluding certain types of restricted compensation.

### Plan Eligibility

Employees of the Bank are eligible to participate in the Plan after attaining twenty-one years of age and completing one year of service with 1,000 hours during their initial year of employment. 500 hours of service must be exceeded each subsequent year to avoid a break in eligibility service. Service credit is given to employees of certain predecessor employers as described in the Plan document for participation and vesting purposes. Employees may join the Plan on the first of the month following the month in which eligibility requirements are satisfied.

### Participant Accounts

Each participant's account is credited with the participant's contribution and allocations of (a) the Company's matching and additional contributions for non-highly compensated employees, if any, and (b) the Plan's investment earnings. Allocations are based on participant earnings or account balances, as defined by the Plan. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

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## BERKSHIRE BANK 401(k) PLAN

### NOTES TO FINANCIAL STATEMENTS (Continued)

#### DESCRIPTION OF THE PLAN (continued)

##### Investments

Participants direct the investment of their contributions into investment options offered by the Plan which include selected pooled separate accounts of Vanguard and common shares of Berkshire Hills Bancorp, Inc., the parent company of the Bank. Employer contributions are invested in each participant's account according to the participant's selected allocation. Participants may change or transfer their investment options at any time via an automated telephone system or the Custodian's website.

##### Vesting

Participants are 100% vested in all contributions plus actual earnings thereon.

##### Participant Loans

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Participants may borrow from their fund accounts an amount equal to \$50,000 or 50% of their vested account balance, whichever is less. In addition, the \$50,000 limit is reduced by the highest outstanding loan balance (of any previous loans made) in the previous twelve months. The loans are secured by the balance in the participant's accounts and bear interest at The Wall Street Journal prime rate plus one percentage point as of the loan application review date. Interest rates ranged from 5.00% to 9.25% for the years ended December 31, 2007 and 2006. In general, principal and interest are paid ratably over a period not to exceed five years through regular payroll deductions. Loans used to finance the participant's principal residence are repaid over a period of time, up to 20 years.

### Payment of Benefits

On termination of service due to death, disability, normal retirement, or attaining age 59 1/2 a participant may elect to receive either a lump sum amount equal to the value of the participant's vested interest in their account, annual installments, or defer distribution until a later date. If the vested portion of a participant's account balance is \$5,000 or less, this amount is paid as a lump sum distribution as soon as possible following termination, retirement, disability, or to the beneficiary following death.

If the participant's account balance is between \$1,000 and \$5,000 and they fail to direct a distribution or rollover, their mandatory distribution are rolled over to an IRA established on their behalf.

Participants may request a benefit payment in the case of financial hardship, subject to certain limitations as defined by the Plan.

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## BERKSHIRE BANK 401(k) PLAN

### NOTES TO FINANCIAL STATEMENTS (Continued)

#### DESCRIPTION OF THE PLAN (concluded)

##### Administrative Expenses

The Plan's administrative expenses are paid by either the Plan or the Plan Sponsor as provided by the Plan document. Administrative expenses paid by the Bank were \$15,050 and \$20,500 for the years ended December 31, 2007 and 2006, respectively.

##### Plan Termination

Although it has not expressed any intent to do so, the Bank has the right under the Plan to discontinue its contributions at any time and to terminate the Plan, subject to the provisions of ERISA. In the event of Plan termination, the net assets of the Plan would be allocated as prescribed by ERISA and its related regulations.

## 2. SUMMARY OF ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied in the

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preparation of the accompanying financial statements follows.

### Basis of Accounting

The accompanying financial statements have been prepared using the accrual method of accounting.

### Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. Shares of registered investment companies are valued at quoted market prices which represent the net asset value of shares held by the Plan at year-end. Investments in Berkshire Hills Bancorp, Inc. common stock and other equities are valued at the closing market price as of the last trade date of the year. Fixed income securities are valued using the last quoted bid price. Participant's notes are valued at cost, which approximates fair value.

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## BERKSHIRE BANK 401(k) PLAN

### NOTES TO FINANCIAL STATEMENTS (Continued)

#### SUMMARY OF ACCOUNTING POLICIES (concluded)

#### Investment Valuation and Income Recognition (concluded)

Purchases and sales of investments are recorded on a trade-date basis. Investment income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date. Capital gain distributions are included in dividend income.

#### Risks and Uncertainties

The Plan is comprised of various investment securities, including investments in mutual funds, registered investment companies, common collective trusts, and in employer stock. Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

#### 3. CASH HELD FOR INVESTMENT

The following schedule presents the fair market values of the Plan's cash held for investment:



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	December 31,	
	2007	2006
Cash held for investment:		
*VGI Brokerage option	\$ -	\$ 45
*Vanguard Prime Money Market	3,385,352 (a)	1,952,230 (b)
	-----	-----
	\$ 3,385,352	\$ 1,952,230
	=====	=====

- (a) Investment represents 5% or more of Plan net assets at December 31, 2007.  
 (b) Investment represents 5% or more of Plan net assets at December 31, 2006.  
 \* Represents a party-in-interest under ERISA.

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BERKSHIRE BANK 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS (Continued)

4. INVESTMENTS, AT FAIR VALUE

The following schedule presents the fair market value of the Plan's investments:

	December 31,	
	2007	2006
Mutual Funds:		
*Royce Low Priced Stock	\$ 503,808	\$ 550,550
*Vanguard 500 Index Inv.	7,158,236 (a)	4,599,812 (b)
*Vanguard IT Treasury Inv.	2,746,411 (a)	1,927,614 (b)
*Vanguard International Growth Fund	3,506,924 (a)	2,059,998 (b)
*Vanguard Mid-Cap Index Fund	1,713,087	560,760
*Vanguard Morgan Growth Inv.	488,827	159,822
*Vanguard Selected Value	616,392	557,846
*Vanguard Small-Cap Growth Index	2,081,181	1,536,840 (b)
*Vanguard TGT Retirement 2015	4,174,760 (a)	2,833,437 (b)
*Vanguard TGT Retirement 2025	1,274,355	208,767
*Vanguard TGT Retirement 2035	483,020	344,158
*Vanguard TGT Retirement 2045	602,980	230,452
*Vanguard Target Retirement Inc.	1,009,957	1,143,321
*Vanguard Total Stock Market Inv.	5,647,432 (a)	5,595,337 (b)
*Vanguard Windsor II Fund Inv.	1,095,670	791,400
Common stock:		
*VGI Brokerage Option Company Stock	44,904	41,717
*Berkshire Hills Bancorp, Inc. Common Stock	5,197,438 (a)	2,088,039 (b)
	-----	-----
	\$38,345,382	\$25,229,870
	=====	=====

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- (a) Investment represents 5% or more of Plan net assets at December 31, 2007.
- (b) Investment represents 5% or more of Plan net assets at December 31, 2006.
- \* Represents a party-in-interest under ERISA.

During 2007 and 2006, the Plan's investments (including investments bought, sold, and held during the year) appreciated (depreciated) in value by \$(603,821) and \$2,429,118, respectively, as follows:

	December 31,	
	2007	2006
Unrealized gain (loss), net	\$(1,006,293)	\$2,197,762
Realized gain, net	402,472	231,356
	\$ (603,821)	\$2,429,118
	=====	=====

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### BERKSHIRE BANK 401(k) PLAN

#### NOTES TO FINANCIAL STATEMENTS (Concluded)

#### 5. TAX STATUS

The Bank adopted a Prototype Plan whose most recent determination letter from the Internal Revenue Service, dated August 22, 2001, stated that the Plan and related Trust were designed in accordance with applicable sections of the IRC. The Plan has been amended since receiving this letter; however, the Plan Administrator believes the Plan is currently operated in compliance with the applicable requirements of the IRC.

#### 6. ADMINISTRATION OF PLAN ASSETS

The Plan assets are held by Vanguard Fiduciary Trust Company, the Trustee of the Plan.

Bank contributions, participant elective deferrals, and participant accounts are held and administrated by Vanguard, who invests cash received in accordance with participants instructions and makes distributions to participants.

Certain administrative functions are performed by officers or employees of the Bank. No such officers or employees receive compensation for such functions from the Plan.

#### 7. RELATED PARTY TRANSACTIONS

The Bank contributed \$1,314,067 and \$910,977 to the Plan for the years ended December 31, 2007 and 2006, of which \$52,410 and \$0 was owed the Plan at December 31, 2007 and 2006, respectively. In addition, the Bank paid expenses in connection with the administrations of the Plan, totaling \$15,050 and \$20,500 for the years ended December 31, 2007 and 2006, respectively.

The Plan has investments in common stock of Berkshire Hills Bancorp, Inc., the parent company of the Bank. In addition, certain of the investment options are managed by Vanguard. Transactions in such investments qualify

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as party-in-interest transactions.

8. ASSETS TRANSFERRED IN FROM MERGED/TERMINATED PLANS

The assets transferred in from merged plans are as follows:

v	December 31,	
	2007	2006
ESOP	\$ 1,943,781	\$ 75,874
Alliance	2,650,583	-
Factory Point	7,064,422	-
Adjustment to Berkshire Hills, Inc. common stock transferred in from cost value to market value	2,011,368	1,507
	=====	=====
	\$13,670,154	\$ 77,381
	=====	=====

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BERKSHIRE BANK 401(k) PLAN

SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS  
(HELD AT END OF YEAR)

December 31, 2007

a	b	c	d
	-----	-----	-----
	Identity of Issuer, Borrower Lessor or Similar Party and Description of Investment	Description of Investment-number of units/shares	Current Value (1)
	-----	-----	-----
	Cash held for investement:		
*	Vanguard Prime Money Market	3,383,352.000	\$ 3,385,352
	Mutual Funds:		
*	Royce Low Priced Stock	34,087.163	503,808
*	Vanguard 500 Index Inv.	52,965.123	7,158,236
*	Vanguard IT Treasury Inv.	242,830.335	2,746,411
*	Vanguard International Growth Fund	141,294.289	3,506,924
*	Vanguard Mid-Cap Index Fund	82,757.843	1,713,087
*	Vanguard Morgan Growth Inv.	25,016.724	488,827
*	Vanguard Selected Value	32,288.744	616,392
*	Vanguard Small-Cap Growth Index	104,007.020	2,081,181
*	Vanguard TGT Retirement 2015	319,659.999	4,174,760
*	Vanguard TGT Retirement 2025	92,883.015	1,274,355
*	Vanguard TGT Retirement 2035	33,038.264	483,020
*	Vanguard TGT Retirement 2045	39,958,940	602,980
*	Vanguard Target Retirement Inc.	90,741.841	1,009,957
*	Vanguard Total Stock Market Inv.	159,712.442	5,647,432
*	Vanguard Windsor II Fund Inv.	35,020.222	1,095,670
	Common stock:		
*	Vanguard Brokerage Option Company Stock	44,904.040	44,904
*	Berkshire Hills Bancorp, Inc. Common Stock	199,901.475	5,197,438
	Loan Fund:		
	Participant loans	5.00%-9.25%	746,559

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\$42,477,293  
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(1) As allowed by ERISA, cost information may be omitted with respect to participant or beneficiary directed investments under an individual account plan.

\* Represents a party-in-interest as defined by ERISA.

See report of independent registered public accounting firm.

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SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

BERKSHIRE BANK 401(k) PLAN

Date January 12, 2009

By: /s/ Linda A. Johnston

-----  
Name: Linda A. Johnston

Title: SVP, Human Resources

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement of Berkshire Hills Bancorp, Inc. on Form S-8 (SEC File No. 333-146604) of our report dated December 8, 2008 with respect to the financial statements of the Berkshire Bank 401(k) Plan for the year ended December 31, 2007 on Form 11-K.

/s/ Wolf & Company, P.C.

Boston, Massachusetts  
January 12, 2009