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Decision of April 18, 2012

By the [Division of Banks](#)

DECISION RELATIVE TO THE PETITION OF BERKSHIRE HILLS BANCORP, INC., PITTSFIELD, MASSACHUSETTS TO ACQUIRE THE CONNECTICUT BANK AND TRUST COMPANY, HARTFORD, CONNECTICUT

Berkshire Hills Bancorp, Inc. ("Berkshire" or "Petitioner"), Pittsfield, Massachusetts has petitioned the Board of Bank Incorporation (the "Board") pursuant to Massachusetts General Laws chapter 167A, sections 2 and 4 for approval to acquire ownership and control of The Connecticut Bank and Trust Company, ("Connecticut Bank"), Hartford, Connecticut. In the Commonwealth, the Petitioner is the bank holding company for Berkshire Bank, Pittsfield, Massachusetts. The Petitioner's application before the Board is part of a multi-step transaction in which Connecticut Bank will merge with and into the Petitioner's subsidiary bank, Berkshire Bank. The subsequent merger of Connecticut Bank with and into Berkshire Bank is, by statute, subject to approval by the Massachusetts Division of Banks (the "Division")

Notice of the application was published and posted as directed by the Board, thereby affording opportunity for interested parties to submit comments. Other standard procedures informing the public of this matter before the Board were implemented. The Board held a public hearing on the petition of Berkshire on March 29, 2012. The comment period on the proposed transaction ended on April 6, 2012. No comments were received subsequent to the public hearing at which only the parties testified. Connecticut Bank held its stockholders' vote on this proposed transaction on April 3, 2011 and the stockholders voted in favor of the transaction.

The Board has reviewed the application and the testimony received at the public hearing. That review focused on the statutory and administrative criteria applicable to such transactions which include, among other things, whether competition among banking institutions will be unreasonably affected; whether public convenience and advantage would be promoted; and the record of performance under the Community Reinvestment Act ("CRA") by the banking institutions involved. As in any transaction, consideration is also given to the financial and management components of a proposed acquisition. The additional statutory requirements set out in sections 2 and 4 of said chapter 167A were also significant factors in the Board's deliberations on the matter before it.

One such statutory provision requires the Board to have received notice from the Massachusetts Housing Partnership Fund (the "MHPF") that satisfactory arrangements have been made by the Petitioner consistent with statute and the MHPF's various affordable housing loan programs. The Board received notice from the MHPF that arrangements satisfactory to it had been made for this transaction in a letter dated February 29, 2012.

Berkshire is a Delaware corporation, headquartered in Pittsfield, Massachusetts. It is a savings and loan holding company, pursuant to the Home Owner's Loan Act and, as such, it is subject to supervision and regulation by the Federal Reserve Board ("Federal Reserve"), recent successor to the Office of Thrift Supervision ("OTS"), Petitioner's former federal regulator. (The Dodd-Frank Wall Street Reform and Consumer Protection Act transferred the OTS's supervisory powers to the Office of the Comptroller of the Currency ("OCC") for federal savings associations and to the Federal Reserve for OTS holding companies, such as Berkshire.) Berkshire's common stock is registered under the Securities and Exchange Act of 1934 and it files periodic securities reports with the Securities and Exchange Commission ("SEC"). As of December 31, 2011, Berkshire had total assets of approximately \$4 billion.

As a thrift holding company, one of the Petitioner's primary purpose is to serve as a source of strength for its subsidiaries and affiliates. In this case, one of Berkshire's principal assets is 100% ownership of Berkshire Bank, a Massachusetts chartered savings bank subject to supervision by the Division. Berkshire also owns Berkshire Insurance Group, Inc., and Berkshire Hills Capital Trust I.

The Board is familiar with the Petitioner having had two applications before it last year. In 2011, the Board approved Berkshire's petition to acquire ownership and control of Rome Bancorp, Inc., Rome, New York and its subsidiary bank, The Rome Savings Bank, and the Board approved Berkshire's petition to acquire ownership and control of Legacy Bancorp, Inc., Pittsfield, Massachusetts and its subsidiary bank, Legacy Banks. Both of the acquired banks were merged with and into Berkshire Bank.

Berkshire Bank was originally chartered in 1846. Berkshire Bank has approximately sixty full-service banking offices in communities throughout Western Massachusetts, Northeastern New York and Southern Vermont. The deposits of Berkshire Bank are insured by the Federal Deposit Insurance Corporation ("FDIC") and all deposits in excess of federal deposit insurance coverage are insured by the Depositors Insurance Fund.

Berkshire Bank operates in two segments: banking and insurance through its subsidiaries. Berkshire Bank offers a range of deposit, lending, investment, wealth management, and insurance products to retail, commercial, not-for-profit, and municipal customers in its market areas. As of December 31, 2011, Berkshire Bank had total assets of approximately \$4 billion. At that date, its Tier 1 risk-based capital ratio was 10.22%, total risk-based capital ratio was 11.29% and Tier 1 leverage capital ratio was 8.41%. Accordingly, Berkshire Bank is a "well-capitalized" institution pursuant to regulatory guidelines. Berkshire Bank received a "Satisfactory" CRA rating on its most recent CRA performance evaluation conducted by the FDIC as of January 1, 2010, and "High Satisfactory" conducted by the Division as of February 2, 2009. Berkshire Bank owns several subsidiaries: North Street Securities Corporation, Woodland Securities, Inc. and Gold Leaf Securities Corporation. Berkshire Bank also owns Berkshire Bank Municipal Bank, a New York chartered limited-purpose commercial bank which takes municipal deposits.

Connecticut Bank is a bank and trust company chartered by the State of Connecticut which commenced operations in March 2004. The institution is subject to supervision and regulation by the Connecticut Department of Banking. Connecticut Bank's deposits are insured to applicable limits by the FDIC. The bank is a member of the Federal Reserve System and its primary federal regulator is the Federal Reserve.

Connecticut Bank is a community-based bank primarily serving privately owned businesses and individuals in the Greater Hartford area. It currently operates eight branch offices, seven in Hartford County, its primary market, and one branch in Tolland County. It has no parent holding company and no subsidiaries. Connecticut Bank common stock is registered under the Securities and Exchange Act of 1934 and it files periodic securities reports with the SEC. The institution had total assets of approximately \$281 million as of December 31, 2011. As of that date its tier 1 risk-based capital ratio was 9.88%, total risk-based capital ratio was 11.14% and Tier 1 leverage capital ratio was 7.81%. The institution has no branch offices in Massachusetts. There are no markets where both Berkshire Bank and Connecticut Bank maintain banking offices.

Although Connecticut law requires a minimum capitalization of \$5 million, Connecticut Bank exceeded the minimum required and commenced business with the amount of approximately \$17.5 million net of pre-opening expenses. It then immediately opened two branch offices. In September of 2005, Connecticut Bank had a secondary offering raising an additional \$14 million. With the additional capital, it added three more branch offices within the next three years. As stated above, Connecticut Bank presently has eight branch offices. Connecticut Bank has employed an aggressive growth strategy as demonstrated by the establishment of the eight branch offices within eight years of the commencement of business. In its most recent CRA performance evaluation, Connecticut Bank was rated "Satisfactory" as of June 21, 2010, by the Federal Reserve.

The financial and managerial aspects of any transaction are significant considerations of the Board. This is a cash and stock transaction whereby the Petitioner will purchase all of the stock of The Connecticut Bank and Trust Company. The total cash consideration will be approximately 30% cash and 70% stock. In conjunction with the transaction, Berkshire Bank intends to pay a capital distribution to its parent holding company, the Petitioner, of up to \$10 million.

Immediately prior to the merger, Berkshire will cause Connecticut Bank to repurchase or redeem its Class A Preferred Stock, which was issued to the United States Treasury Department through the Capital Purchase Program ("CPP") of the Troubled Assets Relief Program ("TARP"). Berkshire Bank anticipates making an unsecured loan to Connecticut Bank just prior to the closing of the Merger, after all conditions of the closing have been satisfied, for this purpose. Berkshire and Connecticut Bank intend to seek appropriate regulatory clearances for the redemption of the Capital Purchase Program Preferred Stock. However, the Merger Agreement also provides that if that condition to closing is waived by Berkshire, and the class A Preferred Stock is not redeemed, it will convert into the right to receive preferred shares of Berkshire, having identical rights, preferences, privileges and voting rights.

The submitted documents state that if consummated, the management organization of Berkshire and Berkshire Bank will consist of the current members of their Boards of Directors with the addition of one director from Connecticut Bank. The Board's consideration of the financial and managerial factors are supportive of approval of this transaction.

The Petitioner has submitted materials to address the issue that competition among banks will not be unreasonably affected by the proposed transaction. The application contained an analysis utilizing the various tests used by federal agencies. The analysis demonstrates that consummation of the transaction will not result in undue concentration of banking resources in the specified banking markets in Massachusetts. Traditionally, however, this Board has not limited its review to those previously cited federal standards in its consideration of whether competition will be unreasonably affected. Rather it is the position of this Board to consider a transaction in light of its impact on the citizens, communities and banking structure in the Commonwealth on a community by community basis instead of by variously grouped markets. The Board has considered the fact that the two banks, Berkshire Bank and Connecticut Bank do not have branch offices in the same communities or CRA assessment areas. There will be no geographical overlap in banking operations. Upon review, the Board does not believe that the transaction will unreasonably affect competition for

the reasons cited as well as the fact that a number of diverse financial institutions will continue to provide competitive deposit and credit services throughout the affected areas and banking markets served by the continuing institutions.

The Board has considered whether public convenience and advantage will be promoted by the proposed transaction. The Petitioner states that the enhanced financial strength of the combined banking institutions, the opportunity to broaden their geographic scope and geographically to diversify their asset mix and risk profile throughout Western Massachusetts, Northeastern New York, Southern Vermont, and the Greater Hartford area of Connecticut, will further enhance the combined institution's ability to better serve customers in such respective areas. The Petitioner stated at the hearing that, upon consummation of the transaction, customers of the Springfield, Greater Hartford and other aforementioned relevant geographic areas would benefit greatly from the larger branch network. The Petitioner submitted information in support of its application indicating that customers of the continuing bank will either: (1) have several products and services which Connecticut Bank formerly did not offer; or (2) will receive enhanced versions of presently existing Connecticut Bank products and services. Such products and services may include the following: investment and wealth management services; increased emphasis on and expansion of product offerings in the areas of consumer loans, residential mortgages and home equity loans and lines of credit; personal, commercial, employee benefits and life insurance through Berkshire's wholly owned subsidiary, Berkshire Insurance Group, Inc.; overdraft lines of credit; enhanced credit programs for commercial loans, requiring more efficient financial information submissions; an SBA credit program; commercial cash management services, including sweep accounts, remote deposit lockbox and electronic funds transfer services; enhanced checking accounts; and asset-based lending. In connection with the proposed transaction, Berkshire Hills Bancorp, Inc. has no current plans to close any branches office of Connecticut Bank.

The Board has considered the Petitioner's analysis of "net new benefits" related to the transaction with respect to the statutory criteria which includes initial capital investments, job creation plans, consumer and business services, and commitments to maintain and open branch offices, among other factors. Testimony by the Petitioner indicated that while there would be some immediate reduction of staff levels, it was anticipated that there would be future growth resulting from the proposed transaction if approved. The Petitioner stated at the hearing that it employs a total of 800 people, approximately 562 of whom are Massachusetts residents. Testimony was provided on the jobs to be affected as well as the ongoing growth of Berkshire Hills Bancorp, Inc. which the Petitioner states will create additional jobs and also provide opportunities for career advancement for current Berkshire Bank employees, as well as Connecticut Bank employees who will be joining Berkshire Bank. Testimony by the Petitioner indicated that Berkshire Bank's anticipated growth will necessitate hiring additional back office and support staff in its home community of Massachusetts. Further testimony by the Petitioner indicated that the addition of the branches of the former Rome Savings Bank formerly of Rome, New York, and of Legacy Banks, both in 2011, has created a greater demand for increased home office support services that must be provided by local workers, further indicating that, at least with respect to acquisition of The Rome Savings Bank, the acquisition of out-of-state offices can effectuate the creation of jobs in Massachusetts. Information was also submitted concerning the capital investments to be made in conjunction with this transaction.

The Board has considered the application and testimony submitted by the Petitioner and finds that consideration of public convenience and advantage including net new benefits weighs in favor of approving the proposed transaction.

Related to the issue of public convenience and advantage is the record of performance under the CRA by the respective banking institutions which are the parties to this transaction. Such a review for a state-chartered bank includes examination by personnel of the Division of Banks as well as analysis of concerns received by the bank's community and its response to those concerns fairly raised. For other institutions, the Board looks to a publicly available descriptive rating and evaluation by a federal or state bank regulatory agency. The Board has noted that the Petitioner's subsidiary bank, Berkshire Bank, has a "Satisfactory" rating in its most recent examination of performance under CRA. The Board has noted that Connecticut Bank received a "Satisfactory" CRA rating on its most recent CRA performance evaluation. The fact that all the banking institutions involved, if the transaction were to be approved, would have "Satisfactory" CRA ratings or higher was discussed at the public hearing.

The application, supporting documents, as well as the testimony received at the public hearing have established a comprehensive record on this petition, which has been reviewed consistent with statutory provisions and the policies of the Board. Based on the record of this matter considered in light of all relevant statutory and administrative requirements, the Board finds that public convenience and advantage will be promoted and that competition among banking institutions will not be unreasonably affected and that the record of performance under CRA by the banking institutions involved in this transaction are consistent with its approval. Having considered the record established on this application, the Board has found that the applicable statutory and administrative criteria have been met. Accordingly, the Board has concluded that the petition should be approved.

In accordance with the findings expressed herein and pursuant to statute, the Board hereby approves the petition and authorizes Berkshire Hills Bancorp, Inc. to acquire The Connecticut Bank and Trust Company, provided that the transaction is completed within one year of the date of this Decision.

Board of Bank Incorporation

David J. Cotney

Commissioner of Banks

Amy Pitter

Commissioner of Revenue

Steven Grossman

Treasurer and Receiver-General

April 18, 2012

Date

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