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[Home](#) > [Business](#) > [Banking](#) > [Banking Legal Resources](#) > [Opinions and Decisions](#) >
[2012 Decisions of the Commissioner of Banks](#) > [Decision of October 12, 2012](#) >

Decision of October 12, 2012

By the [Division of Banks](#)

DECISION
RELATIVE TO THE PETITION OF
BERKSHIRE HILLS BANCORP, INC., PITTSFIELD,
MASSACHUSETTS
TO ACQUIRE
BEACON FEDERAL BANCORP, INC., EAST SYRACUSE, NEW YORK

Berkshire Hills Bancorp, Inc. ("Berkshire" or the "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 Beacon Federal Bancorp, Inc. ("Beacon Bancorp"), East Syracuse, New York and its subsidiary bank, Beacon Federal, East Syracuse, New York. 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 Beacon Federal Bancorp, Inc., will merge with and into the Petitioner. An application has also been filed for the subsequent merger of the subsidiary banks, Beacon Federal with and into Berkshire Bank. That part of the proposed transaction is, by statute, subject to approval by the Division of Banks.

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 September 10, 2012. The comment period on the proposed transaction ended on September 26, 2012. While no shareholder approval of the proposed transaction was necessary for the Petitioner, subsequent to the public hearing and within the public comment period Beacon Bancorp held its stockholders' vote on this proposed transaction and the stockholders voted in favor of the transaction. No stockholders or other person or entity submitted a comment to the Board after the public hearing or after the announced vote of the shareholders at Beacon Bancorp.

The Board has reviewed the application, the oral testimony received at the public hearing, and information subsequently filed. 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 subsidiary banks of the holding companies. 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 September 19, 2012.

Berkshire is a Delaware corporation headquartered in Pittsfield, Massachusetts that was formed in the year 2000 to become the holding company for Berkshire Bank upon its conversion from a mutual holding company to stock holding company form of organization. Berkshire owns all of the issued and outstanding stock of Berkshire Bank. Berkshire is a savings and loan holding company pursuant to Section 10(1) of the Home Owner's Loan Act and is subject to supervision and regulation by the Federal Reserve Board ("FRB"). Berkshire's common stock is registered under Section 12(g) of the Securities Exchange Act of 1934 and it files periodic securities reports with the Securities and Exchange Commission ("SEC").

The Petitioner operates in two segments: banking and insurance through its subsidiaries. As a bank holding company, one of its primary purposes 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 the capital stock of Berkshire Bank, a state-chartered stock savings bank. Berkshire is also the holding company for Berkshire Insurance Group, Inc., an independent insurance agency in western Massachusetts. At June 30, 2012 Berkshire had total assets of approximately \$4.5 billion. The Petitioner, through Berkshire Bank and its other subsidiaries offers a full range of financial products for consumers, businesses, investors, municipalities and non-profit organizations. The Petitioner also owns Berkshire Hills Capital Trust I, which was organized to facilitate the issuance of trust preferred securities. Berkshire, as a holding company, offers no financial products and services directly.

Berkshire Bank, a Massachusetts chartered savings bank, chartered in 1846, is one of Massachusetts' oldest and largest banking institution based in Western Massachusetts. Berkshire Bank, headquartered in Pittsfield, Massachusetts, and has 68 eight full-service banking offices in communities throughout western Massachusetts, northeastern and central New York and Southern Vermont and central Connecticut. Berkshire Bank has offices in the following communities of Berkshire, Hampden and Hampshire Counties in Massachusetts: Chicopee; Dalton; East Longmeadow; Feeding Hills; Great Barrington (3); Haydenville; Lee; Lenox (2); Longmeadow; Ludlow; North Adams; Otis; Pittsfield (7); Sheffield; South Hadley; Southwick (2); Springfield; Stockbridge; West Stockbridge; and Westfield (2). Berkshire Bank has offices in the following communities of Albany, Oneida, Rensselaer, Saratoga, and Schenectady Counties in New York: Albany (2); Bethlehem; Clifton

Park; Colonie (2); Delmar (2); East Greenbush; Glenville; Guilderland (2); Halfmoon; Latham; New Hartford; North Greenbush; Oriskany Falls; Rome (4); Rotterdam; and Whitehall. Berkshire Bank has offices in the following communities of Connecticut: Hartford; Newington; Rocky Hill; Vernon; West Hartford; and Windsor. Its remaining banking offices are in the following communities in Vermont: Arlington; Dorset; Ludlow; Manchester Center (2); and Rutland.

The deposits of Berkshire Bank are insured by the FDIC and all deposits in excess of FDIC deposit insurance coverage are insured by the Depositors Insurance Fund. At June 30, 2012 Berkshire Bank had consolidated assets of approximately \$4.0 billion. As of the same date, Berkshire Bank's Tier 1 risk-based capital ratio was 9.34%, a total risk-based capital ratio was 10.29% and Tier 1 leverage capital ratio was 8.04%. Accordingly, Berkshire Bank is a "well-capitalized" institution pursuant to applicable law. Berkshire Bank owns three 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. Additionally, Berkshire Bank owns the inactive subsidiary, Berkshire Financial Planning, Inc.

Beacon Bancorp is a Maryland corporation. It was organized in 2007 to become the holding company for Beacon Federal upon its conversion from mutual to stock form. Beacon Bancorp owns all of the issued and outstanding stock of Beacon Federal. Beacon Bancorp is a savings and loan holding company subject to supervision and regulation by the Federal Reserve Board. Beacon Bancorp's common stock is registered under Section 12(g) of the Securities and Exchange Act of 1934 and it files periodic securities reports with the SEC.

Beacon Federal is a federal savings association which commenced operations as such in 1999 after converting from a credit union to a federal mutual savings association charter. Beacon Federal subsequently converted to stock form in 2007. Beacon Federal's deposits are insured to applicable limits by the FDIC. Beacon Federal's primary regulator is the Office of the Comptroller of the Currency ("OCC"), as successor to the Office of Thrift Supervision ("OTS"). Beacon Federal is a community based institution serving primarily small businesses and individuals. It currently operates seven retail offices: four in New York, including its main office; one in Massachusetts; and two in Tennessee. Beacon Federal has one wholly-owned service corporation subsidiary, Beacon Comprehensive Services Corporation, a New York corporation which engages in sales of insurance and non-depository investment products and offers tax preparation services. At June 30, 2012, Beacon Federal had consolidated assets of approximately \$1.0 billion. As of the same date, Beacon Federal had (a) a total risk-based capital ratio of 15.59%; (b) a Tier 1 risk-based capital ratio of 14.38%; and (c) a Tier 1 leverage ratio of 10.99%.

The financial aspects of any transaction are a significant consideration of the Board as they may affect the continuing holding company's ability to serve the banking public and to actively compete with other financial institutions as well as to maintain its capital ratio standards for a safe and sound institution. The acquisition of the holding company will be accomplished by the merger of the two holding companies in a transaction whereby each outstanding share of Beacon Bancorp common stock will be exchanged for either 0.9200 of a common share of Berkshire stock or \$20.50 in cash, or a combination of both, at the election of the shareholder. The Merger Agreement specifies, however, that 50% of the eligible Beacon Bancorp shares must be converted to Berkshire stock and 50% must be converted to cash. Accordingly, the

Merger consideration will be pro-rated as provided in the Merger Agreement so that the mandated 50/50 ratio will be achieved. Fractional shares will be cashed out. Beacon Bancorp treasury shares will be cancelled. On August 22, 2012 the Commissioner of Banks approved the issuance by Berkshire Bank of up to \$65 million of subordinated debentures to the Petitioner, approximately \$50 million of which would be used, in part, for the cash Merger Consideration associated with this transaction. The remaining cash component of the Merger Consideration, approximately \$10 million, is expected to be funded from cash on hand at Berkshire. Upon consummation of the transaction, Berkshire Bancorp, Inc. will remain a well capitalized holding company under applicable bank regulatory guidelines. The Board of Directors and senior executive officers after the merger will consist of the current directors and management of Berkshire Hills Bancorp, Inc. and one Beacon Federal Bancorp, Inc. director who will be appointed to the boards of Berkshire Hills Bancorp, Inc. and Berkshire Bank.

The Board has considered that there are no municipalities in Massachusetts in which both Berkshire Bank and Beacon Federal have branches. Beacon Federal's sole Massachusetts branch is in Chelmsford, Massachusetts. Berkshire Bank does not currently have a branch in Chelmsford. Consequently, the banks' CRA assessment areas do not overlap in any community. Accordingly, upon review, the Board does not believe 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 institution.

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 banks will ensure that the resulting institution will be able to offer financial products and services at competitive rates. The Board believes that Beacon Federal's merger with and into Berkshire Bank enables the respective institutions to pool their financial resources, to reduce costs, to diversify risk, and better to serve their communities by offering a broader array of products and services to consumers and businesses. Customers of Beacon Federal will have access to more products and services including, among others: commercial, employee benefits and life insurance through Berkshire Bank's wholly-owned subsidiary, Berkshire Insurance Group, Inc.; the Express Credit program for commercial loans, and commercial cash management services, including sweep accounts; deposit lockbox services; and asset based loans.

In connection with the transaction, Berkshire Bank has no current plans to close any branch office of its own or of Beacon Federal. Therefore, customers of both banks will be able to conduct their banking business at a greater number of locations over a much larger geographic area. The Board has considered the Petitioner's analysis of "net new benefits" related to the transaction with respect to the statutory criteria. The term 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 and in response to questions by the Board indicated that Berkshire currently employs 950 individuals, 650 of whom are Massachusetts residents. The Petitioner also stated that while there would be some immediate reduction of staff levels, it was anticipated that there would be future growth in such levels resulting from the proposed transaction, if approved. The Petitioner's application indicates that Berkshire Bank anticipates that it will continue to grow in the future

which will create additional jobs and also provide opportunities for career advancement for current Berkshire Bank employees as well as Beacon Federal employees who will be joining Berkshire Bank. The Petitioner stated in its application that it anticipates opening several additional *de novo* branches in New York, central Connecticut, and possibly central and eastern Massachusetts over the next two to three years. The Petitioner stated further in its application that such occurrences will require hiring in those areas and will also necessitate hiring of additional office and support staff in Berkshire Bank's home community in Berkshire County, Massachusetts. 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 subsidiary banks 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 " from the FDIC and a "High Satisfactory" rating in its most recent examination of performance under CRA by the Division of Banks. The Board has noted that Beacon Federal has a "Satisfactory" rating at its most recent examination conducted by the OTS.

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 subsidiary banks 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 Beacon Federal Bancorp, Inc. and its subsidiary bank, Beacon Federal 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

October 12, 2012

Date

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