

Decision of September 18, 2015

By the [Division of Banks](#)

DECISION
RELATIVE TO THE APPLICATION OF
ADAMS COMMUNITY BANK, ADAMS, MASSACHUSETTS
TO ACQUIRE ASSETS AND ASSUME LIABILITIES OF
THE LENOX NATIONAL BANK, LENOX, MASSACHUSETTS

Adams Community Bank, Adams, Massachusetts (Adams) has applied to the Division of Banks (Division) for authority to purchase all the assets and assume all the liabilities of The Lenox National Bank, Lenox, Massachusetts (Lenox) in a multi-step transaction pursuant to Massachusetts General Laws chapter 167I, section 8. According to the terms of an Agreement and Plan of Merger dated as of April 8, 2015 (Merger Agreement), Adams will form an interim national bank that will merge with and into Lenox. No application is required to be filed with the Massachusetts Board of Bank Incorporation pursuant to Massachusetts General Laws chapter 167A, section 3. Lenox will transfer all of its assets and liabilities, including all of its deposits and contingent liabilities, to Adams pursuant to a Purchase and Assumption Agreement. Adams will then cause Lenox to dissolve and surrender its charter to the Office of the Comptroller of the Currency (OCC). The sole banking office of Lenox will become a branch office of Adams.

Notice of Adams' application was posted and published as directed by the Division thereby affording opportunity for interested parties to submit comments. The period for filing comments has expired. Accordingly, all documents and materials related to this transaction have been reviewed in accordance with the statutory criteria of whether competition among banking institutions would be unreasonably affected and whether public convenience and advantage would be promoted. In making these determinations, the Division considered "net new benefits" arising out of this transaction, including capital investments, job creation plans, consumer and business services, and commitments to maintaining and opening branch offices within the bank's community. Both banks' records of performance under the Community Reinvestment Act (CRA) were also considered by the Division. Finally, the Division reviewed the financial and managerial aspects of the transaction.

Adams is a Massachusetts-chartered mutual savings bank that was chartered in 1869, with its main office located in the Town of Adams. In addition to its main office, Adams operates six banking offices, which are all located in Berkshire County. Adams offers a portfolio of personal and business deposit products; a combination of residential, consumer, and commercial loan products; and investment advisory services. As a Massachusetts-chartered mutual savings bank, deposits in Adams in excess of the deposit insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC) are insured, in full, by the Depositors Insurance fund (DIF). Adams engages in securities trading and investing on its own behalf through its wholly-owned subsidiary, Adams Security Corp., a Massachusetts security corporation. As of June 31, 2015, Adams had total assets of approximately \$403.3 million and total deposits of approximately \$327.6 million.

Lenox is a national bank that was chartered in 1889. Lenox operates solely from its main office located in the Town of Lenox, Massachusetts. Lenox offers personal and commercial banking services as well as consumer, residential, and commercial loans. Lenox's deposits are insured by the FDIC to the fullest extent permissible by law. Lenox engages in securities trading and investing on its own behalf through its wholly-owned subsidiary, Lenox Village Securities Corporation, a Massachusetts security corporation. Following consummation of the transaction, Adams will maintain both Massachusetts security corporations as wholly-owned subsidiaries. As of June 31, 2015, Lenox had total assets of approximately \$66.6 million and total deposits of approximately \$58.1 million.

In reviewing the proposed transaction, the Division must receive notice from the Massachusetts Housing Partnership

Fund (MHP) pursuant to Massachusetts General Laws chapter 167A, section 4. The Division received notice from the MHP that satisfactory arrangements have been made for this transaction in a letter dated July 7, 2015.

Materials have been submitted to address the issue of whether competition among banks would be unreasonably affected by the proposed transaction. The application contained an analysis applying the Herfindahl-Hirschman Index (HHI). As articulated in the application, the HHI analysis indicates that the impact on competition for deposits among the banks' market area—Berkshire County, Massachusetts—would be de minimis, even if the market is considered highly concentrated. The Division, however, does not limit its review of a proposed transaction's effect on competition to an HHI analysis. It is the position of the Division to also 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 Division recognizes that there are no cities or towns in which Adams and Lenox both maintain a banking office. Adams indicated in the application that it intends to maintain the Lenox office as a branch office after the consummation of the transaction. The Division is satisfied that consumers of Lenox will continue to have access to competitive products and services. Therefore, the Division's analysis of the competitive impact of this transaction supports its approval.

The Division has considered whether public convenience and advantage will be promoted by the proposed transaction, including any "net new benefits." That term includes initial capital investments, job creation plans, consumer and business services, commitments to maintain and open branch offices, and such other factors that the Division may deem necessary. Adams has addressed this requirement of the statute in the application. The application indicates that the increased asset base resulting from the proposed transaction will allow Adams to spread fixed expenses, thereby allowing the bank to offer products and services more cost effectively. Capital investments are expected to be approximately \$90,000 in the aggregate and paid for in cash. Capital investments will include new signage, computer upgrades, and branch improvements. The application indicates that Adams will have the resources and capability to offer a broader range of products and services to customers of Lenox as well as the ability to underwrite larger loans than those currently available from Lenox. Customers will have the additional convenience of conducting their banking business from a larger branch office network. Finally, the deposits held by Lenox that will be assumed by Adams will become insured by the DIF for amounts exceeding FDIC limitations.

Adams expects to retain all Lenox employees and maintain Lenox's main office as a branch office. The Merger Agreement provides a severance package for Lenox employees not otherwise covered by individual or change in control agreements who are terminated by Adams without cause and within six months of the Merger. Adams anticipates that the bank will continue to expand over time and anticipates that such expansion will create more jobs and further increase the size of the branch network to the benefit of consumers.

Related to the issue of public convenience and advantage is the record of performance under CRA by the banks which are parties to this transaction. Such a review for a state-chartered bank includes examination by personnel of the Division as well as an analysis of concerns received by the bank's community and its response to those concerns fairly raised. For other institutions, the Division looks to a publicly available descriptive rating and evaluation by the supervising federal or state regulatory agency. The Division has noted that Adams received a "Satisfactory" rating in its most recent CRA performance evaluation by the Division of Banks and the FDIC as of April 13, 2015. The Division has noted that Lenox also received a "Satisfactory" rating in its most recent CRA performance evaluation conducted by the OCC as of July 15, 2013. The Division's consideration of the CRA performance of Adams and Lenox support the approval of the transaction.

The financial and managerial aspects of the proposed transaction are also considered by the Division. The merger will be funded in a cash transaction with no additional capital or other financing required. Upon the effective date of the merger, each shareholder of Lenox common stock will receive cash consideration of \$1,388.35 per share. The aggregate merger consideration is approximately \$14.3 million. Materials provided indicate that all regulatory capital requirements will continue to be met after the consummation of the proposed transaction. The application indicates that the senior management of Adams will remain the same after consummation of the proposed transaction. The Board of Trustees of Adams will be expanded by one member from the Lenox Board of Directors. The Division's consideration of the financial and managerial aspects of the transaction also support its approval.

Upon review of the application with reference to the relevant statutory and regulatory requirements, the Division finds that competition among banking institutions will not be unreasonably affected; that public convenience and advantage will be promoted by consummation of the proposed transaction; and that records of CRA performance by the banks involved in this transaction are consistent with its approval. On the basis of these considerations, approval is granted to Adams to acquire all of the assets and assume all of the liabilities of Lenox pursuant to the provisions of Massachusetts General Laws chapter 167I, section 8. Approval is also granted for Adams to maintain the sole banking office of Lenox as a branch office pursuant to Massachusetts General Laws chapter 167C, section 6.

The transactions as proposed shall be consummated within one year of the date of this Decision.

September 18, 2015

Date

David J. Cotney

Commissioner of Banks