



*The Commonwealth of Massachusetts*

*Office of the Commissioner of Banks*

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*Boston, Massachusetts 02202*

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GOVERNOR

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COMMISSIONER

GOVERNMENT DOCUMENTS  
COLLECTION

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DECISION  
RELATIVE TO THE MERGER OF  
THE FEDERAL SAVINGS BANK, WALTHAM, MASSACHUSETTS  
WITH AND INTO  
USTRUST, BOSTON, MASSACHUSETTS

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UStTrust ("UStTrust" or the "Petitioner"), Boston, Massachusetts has applied to the Division of Banks (the "Division") for authority to merge with its affiliate, The Federal Savings Bank, ("Federal"), Waltham, Massachusetts pursuant to the provisions of Massachusetts General Laws chapter 172, section 36 and under the terms of an Agreement of Merger (the "Agreement") dated as of September 30, 1998. The Agreement provides for the merger of Federal with and into UStTrust under the name, charter and by-laws of UStTrust. The banking offices of Federal will become branch offices of UStTrust.

Notice of the application has been posted and published. The time period for interested parties to submit comments has passed. Accordingly, all documents and materials related to this transaction have been reviewed. That record has been considered with regard to the financial and managerial resources of each bank, the competitive effects of the proposed transaction and the convenience and needs of the communities to be served by the continuing institution and other applicable statutory criteria.

UStTrust is a state-chartered trust company. As of June 30, 1998 it had assets of approximately \$3.9 billion. Its main office is in Boston, Massachusetts and UStTrust operates seventy-four branch offices.

It has also recently received approvals to establish one additional branch office in Waltham and one additional branch office in Brookline as well as approvals to close a branch office in Lexington and another branch office in Waltham. Moreover, USTrust recently applied to the Division and received approval to establish a branch office in Burlington. USTrust is a subsidiary of UST Corp., a Massachusetts bank holding company. The deposits of USTrust are insured by the Federal Deposit Insurance Corporation ("FDIC").

Federal is a federally-chartered savings bank in stock form with its main office and one branch office in Waltham as well as one branch office in Concord and one branch office in Weston. Federal is a subsidiary of Affiliated Community Bancorp, Inc. ("Affiliated"), a Massachusetts bank holding company which itself is a subsidiary of UST Corp. The deposits of Federal are insured by the FDIC. As of June 30, 1998, Federal had assets of approximately \$559 million.

The proposed merger will be accomplished through USTrust issuing 23,172 shares of its common stock to Affiliated in exchange for Affiliated's one hundred percent ownership of Federal. In addition to the approval of the Division for the merger, approval of the issuance of shares by USTrust is required pursuant to General Laws chapter 172, section 24, subsection A.

Materials have been submitted to address the issue that competition among banks will not be unreasonably affected by the proposed transaction. Much of that analysis is detailed according to various tests relative to the size of each institution and its competitors within delineated markets used by federal agencies. That analysis demonstrates that consummation of the transaction will not result in undue concentration of banking resources in the Boston banking market in Massachusetts. The Division, however, also looks to the primary service area of the bank which is being merged with and into another financial institution to analyze the banking options which will remain for the public in those communities.

The Division's review has focused on the communities in which Federal operates banking offices, Waltham, Concord and Weston, Massachusetts. Upon review, the Division notes the high concentration of other banking offices in the Greater Boston area, including those three communities, which will also remain available to both commercial and consumer customers. Additionally, weight must be given to the fact that UST Corp. could negate competition in any form between its bank subsidiaries. The Division's analysis of these facts and materials indicate that no significant adverse impact on competition within Federal's primary service area would result from this consolidation.

The application notes that the continuing institution's Board of Directors will consist of all of the persons occupying such positions with USTrust immediately prior to the consummation of the merger. The management of the combined bank is also detailed in the application documents. The applicant bank argues that the combined institution will produce some economies and service capabilities. Upon consolidation, the continuing bank will meet all required capital standards. Accordingly, upon review, financial and managerial considerations support the application.

The application cites numerous benefits to the banking public resulting from the transaction. According to the Petitioner, the continuing bank will have an extended branch office network through which it will offer its services and products, some of which are not currently services of Federal. The services which will be new to Federal customers include free checking accounts and "Prime Always" Home Equity Loans as well as trust, investment management, cash management, international and asset based lending services. Additionally, USTrust's affiliate, United States Trust Company, Boston, Massachusetts, provides trust, money management and custodial services which will become available to Federal customers. It is also noted that USTrust will have a larger lending limit than it had prior to the merger. The Division considered these reasons and others cited in the submitted documents in

determining that public convenience and advantage will be promoted by approval of this transaction.

In determining whether or not to approve a petition under the statutory criteria, the Commissioner is also required to consider a showing of "net new benefits" related to the transaction. That term as set out in subsection A of section 36 of said chapter 172 includes initial capital investments, job creation plans, consumer and business services, and commitments to maintain and open branch offices, among other factors, which the Commissioner may deem necessary. The applicant bank has addressed this requirement of statute. In particular, it states that its improved ability to meet demand for lending to small businesses will foster economic development and the creation of new jobs. The maintenance of Federal's banking offices as branch offices of the continuing bank as well as USTrust's intent not to engage in any significant employee terminations are also cited as support for meeting this criteria.

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 review for a state-chartered bank includes examination by personnel of the Division as well as analysis of concerns received from the bank's community and its response to those concerns fairly raised. The application and records of the Division reflect that both USTrust and Federal received "Outstanding" ratings in their most recent examinations of performance for CRA compliance. Accordingly, the Division's review of factors related to public convenience and advantage are consistent with approval of the Petitioner's application.

As part of the review of this transaction, USTrust's year 2000 ("Y2K") readiness and compliance efforts were considered. The Division specifically requested information on the matter from the applicant. That analysis by the Division does not preclude the approval of this transaction.

Upon review of this application with reference to the relevant statutory and regulatory criteria, the Division has concluded that all such requirements have been met and that consummation of the proposed

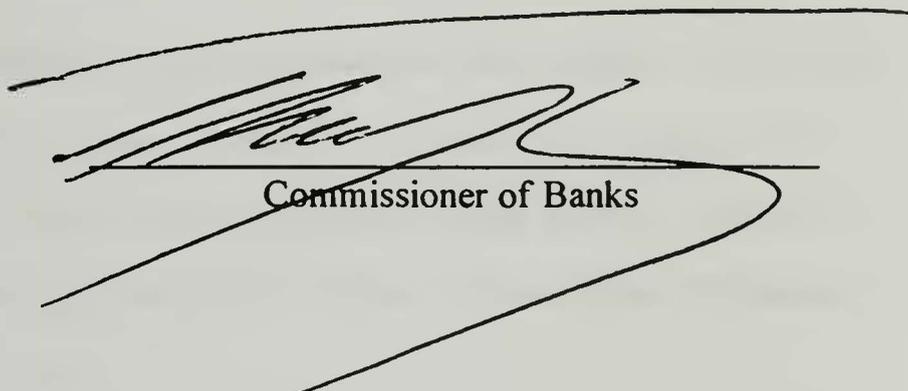
merger would be in the public interest. On the basis of these considerations, approval is granted for Federal to merge with and into USTrust and USTrust is authorized to issue 23,172 shares of its common stock pursuant to General Laws chapter 172, section 24, subsection A. Approval is also granted for USTrust to maintain the four banking offices of Federal as branch offices under General Laws chapter 167C, section 3.

The approvals granted herein are subject to the following conditions:

- (1) That no merger shall become effective until a certificate signed by the Presidents and Clerks or other duly authorized officers of the banks involved in the merger indicating that each such institution has complied with the provisions of Massachusetts General Laws chapter 172, section 36, or other applicable statute has been returned with my endorsement thereon;
- (2) that the proposed merger shall not become effective until Articles of Merger with my endorsement thereon are filed with the Secretary of State; and
- (3) that the proposed merger shall be consummated within one year of the date of this decision.

11/30/98

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Date

  
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Commissioner of Banks

