

# Connecticut Bank and Trust Co. Agrees To Be Acquired



The Connecticut Bank and Trust Company [CTBC] rings the Closing Bell Copyright 2006, The Nasdaq Stock Market Inc. At center is David Lentini, CEO of the Connecticut Bank & Trust Company. ( The Nasdaq Stock Market Inc. / March 1, 2006)

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The second Connecticut Bank and Trust Co. — chartered in 2004 with one of the state's oldest banking monikers — didn't survive as long as its namesake, but it didn't go bust either.

Hartford-based CBT announced agreed to be acquired by Berkshire Hills Bancorp Inc., the parent of Berkshire Bank, in a cash-and-stock deal valued at \$30 million, it was announced late Tuesday.

The deal will be Pittsfield, Mass.-based Berkshire's first foray into Connecticut, right into the heart of the Hartford area. The purchase of CBT will add eight branches to

Berkshire's network of 60 offices in Massachusetts, New York and Vermont. The purchase will provide a springboard for further growth in Connecticut by Berkshire, with \$4 billion in assets, both through the opening of individual branches and acquisitions. "We appreciate what CBT has done with its brand, and we have flexibility in how we go forward from here," Michael P. Daly, Berkshire's president and chief executive. "There will be no immediate changes in the bank's name."

Berkshire bills itself as "America's Most Exciting Bank," based on its people, attitude and energy. Daly said Berkshire can bring CBT to the next step in size and profitability. The sale, which values CBT at \$7.90 a share, brings to a close a quest to rebuild the influence of the CBT name in Connecticut which began in 2002. The original CBT had a history of nearly 200 years in Connecticut prior to the spectacular collapse of its parent company, Bank of New England, in the deep recession year of 1991.

The sale of CBT comes as tighter regulations enacted by financial services reform in the wake of the mortgage crisis have made it more expensive for banks to operate, making it tougher for community banks. The stubbornly slow economic recovery has compounded those troubles making it tougher for community banks to compete and expand their portfolios.

In recent quarters, CBT, a commercial lender, has struggled with losses in its portfolio. More community banks are expected to seek out merger partners as it become less financially feasible to operate independently.

David A. Lentini, CBT's president and chief executive and the driving force behind CBT's rebirth, said it is always a tough decision whether to remain independent or agree to an acquisition.

"We are public company," Lentini said, in an interview. "We want to do what is best for our shareholders. We looked at how quickly we could recover and bring our stock price to a more normal level and pay a dividend. This was really the best decision for us."

Lentini said CBT shareholders will benefit from Berkshire's higher stock price and the shareholder dividend it pays. A majority of CBT employees — now numbering about 70 — will keep their jobs because the markets of the two banks don't overlap.

Customers also will see the benefits of a broader array products and services.

"Some of our customers were outgrowing us because we couldn't offer them bigger lines of credit," Lentini said.

CBT also faced an imminent transition with leadership because Lentini is now 65. He said he expects to remain with the merged bank until the end of 2013.

The failure of Bank of New England came amid a monumental decline in the residential and commercial real estate markets in the region in the late 1980s and early 1990s.

Lentini, a former CBT executive, became interested in bringing back the CBT name when he found it still engendered goodwill, even though it disappeared as part of a spectacular bank failure. Another former CBT executive, Peter Shapiro owned the name, which he had acquired after 1992.

The launch of the bank brought back Barney — the persona of the old CBT's ATMs — but gave him a much broader role, making him embody not just convenience, but also the return of customer service.

Barney was once so recognizable in the state that any bank's ATM came to be known as a Barney machine and any access card a Barney card.

But the bank faced tough competition and just as it turned profitable, the economy began sinking it what a deep recession and now, a slow recovery. It accepted \$5.4 million from the government's capital assistance program, part of the Troubled Asset Relief Program

The \$7.90 per-share value represents a 29-percent premium to the average \$6.13 CBT share price in the ten days ended Oct. 21. CBT shares went public in 2004 at \$10 a share and rose as high as \$22.50.

Under terms of the deal, expected to close by the end of the first quarter, 70 percent of outstanding CBT shares will be exchanged for 0.3810 shares of Berkshire stock. The remainder will be exchanged for \$8.25 in cash.

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