

OFFICE OF THRIFT SUPERVISION

Approval of Holding Company Application and Bank Merger Act Application

Order No.: 2003-41

Date: August 20, 2003

**Docket Nos.: H-3845, H-3846,
00803, 00901**

Enfield Mutual Holding Company, Enfield, Connecticut (MHC) and New England Bancshares, Inc., Enfield, Connecticut (Holding Company) (collectively, Applicants) have applied pursuant to 12 U.S.C. § 1467a(e) and 12 C.F.R. § 574.3, for approval of the Office of Thrift Supervision (OTS) to acquire Windsor Locks Community Bank, FSL, Windsor Locks, Connecticut (Thrift). In addition, Enfield Federal Savings and Loan Association, Enfield, Connecticut (Association) and the Thrift have applied pursuant to 12 U.S.C. § 1828(c) and 12 C.F.R. §§ 552.13 and 563.22(a), for OTS approval of the merger of the Thrift into the Association. (The foregoing filings are collectively referred to as the Applications.)

The Applications

The MHC, the top-tier holding company in a federally chartered mutual holding company structure, owns approximately 55% of the outstanding common stock of the Holding Company, a mid-tier federally chartered mutual holding company, which owns all of the common stock of the Association. The Applicants propose to acquire the Thrift, a federally chartered mutual savings association, and merge the Thrift into the Association. As a result of the merger, the membership interests of the Thrift's depositors and borrowers will become interests of the same nature in the MHC.

Holding Company and Bank Merger Act Applications

The Applicants' acquisition of the Thrift and the merger of the Thrift into the Association require OTS approval under section 10(e) of the Home Owners' Loan Act (HOLA), and the OTS regulations thereunder (Control Regulations), and under section 18(c) of the Federal Deposit Insurance Act (BMA), and 12 C.F.R. §§ 552.13 and 563.22(a). In addition, the acquisition must be consistent with the mutual holding company regulations under 12 C.F.R. Part 575.

Section 10(e) of the HOLA and the Control Regulations require that OTS consider, with respect to the proposed transactions, the financial and managerial resources and future prospects of the Applicants, the Thrift and the Association, the effect of the acquisition on the savings associations, the insurance risk to the Savings Association Insurance Fund (SAIF), and the convenience and needs of the community to

be served. OTS also must consider the impact of the acquisition on competition. Further, 12 C.F.R. § 563e.29(a) requires that the OTS take into account assessments under the Community Reinvestment Act (CRA) when approving holding company acquisitions.

The BMA and the OTS regulations thereunder impose substantially similar standards of approval.¹ The BMA requires, in addition, that the responsible agency consider, in its evaluation of the BMA application, the effectiveness of any insured depository institution in combating money laundering activities. OTS regulations require that OTS consider whether the transaction is equitable to all concerned, whether full disclosure has been provided regarding written or oral agreements through which any person will receive anything of value in connection with the transaction, and whether compensation to officers, directors, and controlling persons of the disappearing association is reasonable.² The CRA requires, in the context of the merger transaction, that the OTS consider the CRA performance of the institutions.³

As for managerial resources, OTS, in its role as the regulator of the Applicants, the Association and the Thrift, is familiar with their managerial resources. Upon consummation of the merger, the Association will continue to be a wholly owned subsidiary of the Holding Company. All of the Thrift's current directors (6 persons) will become directors of the Association, which will expand its board to 14. The current chairman of the Thrift's board will join the boards of the Holding Company and the MHC. A second director of the Thrift will also join the Holding Company's board. The current President of the Thrift will become President of the Association. The current President of the Association will remain the CEO of the Association, and will retain his other positions at the Holding Company and MHC. Based on its experience with the managerial resources of the Applicants, the Association, and the Thrift, OTS concludes that the managerial resources of the Applicants, the Association, and the Thrift, are consistent with approval.

As for financial resources, OTS is familiar with the financial resources of the Applicants, the Association, and the Thrift. As of June 30, 2003, the Association's tangible, core and total risk-based capital ratios were 13.1%, 13.1%, and 27.1%, respectively. Upon consummation of the transaction, the Association will remain "well capitalized" pursuant to the OTS Prompt Corrective Action regulation. OTS also has considered the financial resources of MHC and the Holding Company. Based on the foregoing, OTS concludes that the financial resources of the Applicants and the resulting institution are consistent with approval.

Based on its consideration of the managerial and financial resources of the Applicants and the resulting institution, OTS concludes that the future prospects of the Applicants and the resulting institution, and the effect of the transaction on the SAIF are consistent with approval, provided that OTS imposes the conditions set forth below.

¹ 12 U.S.C. § 1828(c)(5)(B); 12 C.F.R. § 563.22(d) (2003).

² 12 C.F.R. § 563.22(d)(1)(vi) (2003).

³ See 12 C.F.R. § 563e.29(a)(2003).

As for the competitive impact of the transaction, the Thrift and the Association compete in Hartford County, Connecticut. The Hartford County, Connecticut Metropolitan Statistical Area (MSA) is a highly competitive market, served by at least 30 other depository institutions. The Association and the Thrift are 22nd and 29th, respectively, in their deposit holdings in the Hartford County, Connecticut MSA. The merger will cause the Association to be ranked 21st in deposits. The Department of Justice's competitive factors report has not objected to the transaction. Accordingly, OTS concludes that the transaction is not objectionable on competitive grounds.

As for CRA, the Association's and the Thrift's most recent CRA ratings are "Satisfactory." OTS received no comments addressing CRA considerations. Accordingly, OTS concludes that approval of the transaction is consistent with the CRA.

As for convenience and needs, the Association will be assuming the operations of the Thrift's existing offices and providing continuing services to the offices' customers and communities. Although one office is to be consolidated into another, the two offices involved are in close proximity. Accordingly, OTS concludes that approval of the transaction is not objectionable based on convenience and needs.

As for equitable treatment, full disclosure, compensation of officers and directors, and advisory boards, the Applications indicate that the transaction was negotiated at arms'-length, both the Association and the Thrift obtained fairness opinions reflecting that the transactions are fair to the Holding Company's minority shareholders, the Thrift's members, and MHC's members, respectively, full disclosure has been provided regarding written or oral agreements or understandings through which any person or company will receive anything of value in connection with the proposed transaction, and compensation to officers and directors, is consistent with the regulations. Accordingly, OTS concludes that approval of the transaction is not objectionable based on equitable treatment, full disclosure, and compensation of officers and directors.

As for compliance with money laundering statutes and regulations, OTS has reviewed the Association's Bank Secrecy Act (BSA) policies and believes the Association has adequate BSA policies in place. Accordingly, OTS concludes there is no basis for objection to the BMA application based on anti-money laundering grounds.

Mutual Holding Company Considerations

Section 575.10(a)(2) provides, in relevant part, that mutual holding companies may acquire control of a savings association in mutual form by merger of such association into any subsidiary of the mutual holding company from which the parent mutual holding company draws members, provided: (i) the proposed acquisition is approved by a majority of the board of directors of the mutual savings association; (ii) the proposed acquisition is submitted to the mutual savings association's members pursuant to a proxy statement authorized by OTS, and approved by a majority vote of the members

eligible to vote; (iii) all necessary approvals are obtained from OTS; and (iv) approval of the members of the mutual holding company is obtained, if OTS advises the mutual holding company in writing that such approval will be required.

OTS concludes that all of these requirements have been, or will be, satisfied in the context of the proposed acquisition. A majority of the board of directors of the Thrift has approved the proposed acquisition, the proposed acquisition will be submitted for the vote of the members of the Thrift (on a proxy statement authorized for use by OTS), the shareholders of the Holding Company, and the Holding Company's minority shareholders. All necessary approvals will have been received from OTS prior to consummation of the transaction.

OTS received two letters objecting to the transaction from the same commenter. The letters objected to the transaction as not in the best interests of the depositors, and incorrectly stated that the depositors would lose their mutual interest and would not be allowed to vote on the transaction. OTS concludes that the letters do not provide a basis for objection to the transaction. The Thrift's accountholders will vote on the transaction, and their rights in the MHC will correspond to their existing rights, and be equivalent to the rights of the Association's existing depositors.

OTS regulations at 12 C.F.R. § 575.5(a)(2) and (4), require, under these circumstances, that depositors and borrowers of the Thrift receive, respectively, after the transaction, the same membership rights as depositors, and borrowers of the Association. OTS has reviewed the Applications, and representations of counsel and concludes that the acquisition satisfies this requirement.

OTS must also consider the fairness of the transaction. While the Applicants and the Association will not pay any consideration to acquire the Thrift, the depositors and borrowers of the Thrift will receive the same membership rights as the depositors and borrowers of the Association. To compensate for any windfall benefit to the Holding Company's minority shareholders, the Holding Company will issue additional stock to the MHC. While this results in a dilution of the Holding Company's minority interest, the stock value of the minority shareholders interest will remain unchanged. Based on the Holding Company's proposed issuance of stock to the MHC, as described in the Applications, OTS has concluded that the proposed transaction does not conflict with the mutual holding company regulations and does not raise concerns regarding the policies underlying the mutual holding company regulations.

Conclusions

Based on the foregoing analysis, OTS concludes that the Applications meet the applicable approval criteria. Accordingly, the foregoing Applications are hereby

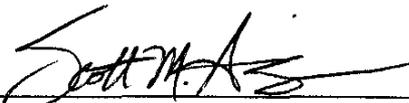
approved, provided that the following conditions are complied with in a manner satisfactory to the Northeast Regional Director, or his designee (Regional Director):

1. The Applicants, the Association, and the Thrift must receive all required regulatory and shareholder approvals and submit copies of such approvals to the Regional Director prior to the consummation of the proposed transaction;
2. The proposed transaction must be consummated no earlier than 15 calendar days and no later than 120 calendar days from the date of this Order;
3. On the business day prior to the date of consummation of the proposed transaction, the chief financial officers of the Applicants, the Association, and the Thrift must certify in writing to the Regional Director that no material adverse events or material adverse changes have occurred with respect to the financial condition or operations of their respective entities as disclosed in the Applications. If additional information having a material adverse bearing on any feature of the Applications is brought to the attention of the Applicants, the Association, the Thrift or OTS since the date of the financial statements submitted with the Applications, the transaction must not be consummated unless the information is presented to the Regional Director, and the Regional Director provides written non-objection to consummation of the transaction;
4. The Applicants and the Association must advise the Regional Director in writing within five calendar days after the effective date of the proposed transaction: (a) of the effective date of the transaction; and (b) that the transaction was consummated in accordance with all applicable laws and regulations, the Applications, and this Order;
5. No later than 30 calendar days after the merger of the Thrift with and into the Association, the Association shall advise each accountholder, whose withdrawable accounts in the Association would increase above \$100,000 as a result of the transaction, or whose uninsured balance would increase as a result of the merger, of the effect of the transaction on deposit insurance coverage, and submit copy of such notice to the Regional Director; and

6. The Applicants must submit a final federal tax opinion satisfactory to the Regional Director prior to the effective date of the transaction.

Any time period set forth herein may be extended for up to 120 calendar days, for good cause, by the Regional Director.

By order of the Director of the Office of Thrift Supervision, or his designee,
effective August 20, 2003.



Scott M. Albinson
Managing Director
Office of Supervision