FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

and

COMMONWEALTH OF MASSACHUSETTS

DIVISION OF BANKS

In the Matter of:	
THE COMMUNITY BANK BROCKTON, MASSACHUSETTS	ORDER TO CEASE AND DESIST
	FDIC-09-212b
(INSURED STATE NONMEMBER BANK)	

The Community Bank, Brockton, Massachusetts (Bank), having been advised of its right to a Notice of Charges and of Hearing under section 8(b) of the Federal Deposit Insurance Act (Act), 12 U.S.C. § 1818(b), detailing the unsafe or unsound banking practices and violations of law and regulations alleged to have been committed by the Bank, and of its right to a hearing on such alleged charges, and having waived those rights, and having waived any rights that the Bank has or may have under the Massachusetts General Laws, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST (CONSENT AGREEMENT) with a representative of the Legal Division of the Federal Deposit Insurance Corporation (FDIC), and with the Commissioner of Banks of the Commonwealth of Massachusetts

(Commissioner), dated June 25, 2009, whereby solely for the purpose of this proceeding and without admitting or denying any unsafe or unsound banking practices or violations of law or regulations, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST (ORDER) by the FDIC and the Commonwealth of Massachusetts Division of Banks (Division).

The FDIC and the Division considered the matter and determined that they had reason to believe that the Bank engaged in unsafe or unsound banking practices and violations of law and regulations. The FDIC and the Division, therefore, accepted the CONSENT AGREEMENT and issued the following:

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED that the Bank, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns, cease and desist from the following unsafe or unsound banking practices and violations of law and regulations:

a. Operating with deficient supervision by the Board of Directors ("Board");

b. Operating with deficient management, policies, and practices;

c. Engaging in hazardous lending practices, including, but not limited to, poor credit administration practices and ineffective underwriting standards and practices.

d. Engaging in practices that produce an excessive volume of criticized assets;

e. Engaging in practices that produce an excessive volume of concentrations of credit;

f. Failing to provide for an effective system to identify problem assets and prevent deterioration;

g. Operating with a deficient allowance for loan and lease losses for the volume, type, and quantity of loans and leases held;

h. Operating with a deficient level of capital for the Bank's risk profile;

i. Operating with deficient earnings;

j. Operating with a deficient level of liquidity and deficient funds and liquidity management practices;

k. Engaging in violations of applicable laws and regulations;

l. Engaging in contraventions of Interagency guidelines and statements of policy;

m. Operating without proper internal routine and controls; and

n. Operating with weaknesses in the Bank Secrecy Act (BSA) and Anti-Money Laundering (AML) compliance program.

IT IS FURTHER ORDERED that the Bank, its institution-affiliated parties, and its successors and assigns, take affirmative action as follows:

1. (a) Within fifteen (15) days after the effective date of this ORDER, the Bank shall identify a bank consultant to the Area Director of the Boston Area Office of the FDIC (Area Director) and the Commissioner. Upon approval of or non-objection to the consultant by the Area Director and the Commissioner, the consultant shall develop a written analysis and assessment of the Bank’s Board, operating management, and staffing needs (Consultant’s Plan) for the purpose of providing qualified management for the Bank.

(i) The Bank shall provide the Area Director and the Commissioner with a copy of the proposed engagement letter or contract with the consultant for review before it is executed. The contract or engagement letter, at a minimum, should include:

A) A description of the work to be performed under the contract or engagement letter;

B) The responsibilities of the consultant;

C) An identification of the professional standards covering the work to be performed;

D) An identification of the specific procedures to be used when carrying out the work to be performed;

E) The qualifications of the employee(s) who are to perform the work;

F) The time frame for completion of the work;

G) Any restrictions on the use of the reported findings; and

H) A provision for unrestricted examiner access to work papers.

(b) Within sixty (60) days from the Bank’s retention of the bank consultant required by Section 1(a) hereof, upon approval of or non-objection to the consultant by the Area Director and the Commissioner, the Board shall complete an independent written assessment of the Bank’s Board, management, and staffing requirements, incorporating its review of the Consultant’s Plan, to restore the Bank to a satisfactory financial condition, including, but not limited to, capital adequacy, asset quality, management effectiveness, earnings, liquidity, sensitivity to market risk, and compliance with applicable laws and regulations (Management Plan), and retain appropriate management and staff that meet the requirements of the Management Plan. The Management Plan shall include, at a minimum,

(i) identification of both the type and number of officer positions needed to appropriately manage and supervise the affairs of the Bank;

(ii) identification and establishment of such Bank committees as are needed to provide appropriate guidance and oversight to active management;

(iii) evaluation of each senior Bank officer to determine whether each individual possesses the ability, experience, and other qualifications to perform present and anticipated duties, including adherence to the Bank's established policies and practices, and maintenance of the Bank in a safe and sound condition; and

(iv) plan to recruit and hire any additional or replacement personnel with the requisite ability, experience, and other qualifications, and whom the Board determines are necessary to fill Bank officer or staff member positions consistent with the Board's management evaluation and assessment.

(c) The Bank shall submit the Management Plan and the Consultant's Plan to the Area Director and the Commissioner for review. Within thirty (30) days of receipt of comments from the Area Director and the Commissioner, and after incorporation and adoption of any required changes, the Bank shall approve the Management Plan, which approval shall be recorded in the minutes of the meeting of the Board. Thereafter, the Bank shall implement and fully comply with the Management Plan.

2. While this ORDER is in effect, the Bank shall notify the Area Director and the Commissioner in writing of any resignations or terminations of any members of its Board or any of its senior executive officers within fifteen (15) days of the event. The Bank also shall comply with section 32 of the Act, 12 U.S.C. § 1831i, and Subpart F of Part 303 of the FDIC's Rules and Regulations, 12 C.F.R. §§ 303.100 through 303.103. In addition, the Bank shall establish procedures to ensure such compliance.

3. (a) Within ninety (90) days of the effective date of this ORDER, the Bank shall develop a program of independent loan review (Independent Loan Review) that will provide for a periodic review of the Bank's loan portfolio and the identification and categorization of problem credits. At a minimum, the Independent Loan Review shall provide for:

(i) Prompt identification of loans with credit weaknesses that warrant the special attention of management, including the name of the borrower, amount of the loan, reason why the loan warrants special attention, and assessment of the degree of risk that the loan will not be fully repaid according to its terms;

(ii) Action plans to reduce the Bank’s risk exposure from each identified relationship;

(iii) Prompt identification of all outstanding balances and commitments attributable to each obligor identified under the requirements of subparagraph (i), including outstanding balances and commitments attributable to related interests of such obligors, including the obligor of record, relationship to the primary obligor identified under subparagraph (i), and an assessment of the risk exposure from the aggregate relationship;

(iv) Identification of trends affecting the quality of the loan portfolio, potential problem areas, and action plans to reduce the Bank’s risk exposure;

(v) Assessment of the overall quality of the loan portfolio;

(vi) Identification of credit and collateral documentation exceptions and an action plan to address the identified deficiencies;

(vii) Identification and status of violations of laws, rules, or regulations with respect to the lending function and an action plan to address the identified violations;

(viii) Identification of loans that are not in conformance with the Bank's lending policy and an action plan to address the identified deficiencies;

(ix) Identification of loans to directors, officers, principal shareholders, and their related interests;

(x) An assessment of the ability of individual members of the lending staff to operate within the framework of the Bank’s loan policy and applicable laws, rules, and regulations; and an action plan to address the identified deficiencies; and

(xi) A mechanism for reporting periodically, but in no event less than quarterly, the information developed in (i) through (x) above to the Board. The report should also describe the action(s) taken by management with respect to problem credits.

(b) The Bank shall submit the Independent Loan Review to the Area Director and the Commissioner for review. Within thirty (30) days from receipt of any comment from the Area Director and the Commissioner, and after incorporation and adoption of any required changes, the Board shall approve the Independent Loan Review, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Independent Loan Review.

(c) Upon implementation of the Independent Loan Review, a copy of each report prepared pursuant thereto shall be submitted to the Board, as well as documentation of the actions taken by the Bank or recommendations to the Board that address identified deficiencies in specific loan relationships or the Bank’s policies, procedures, strategies, or other elements of the Bank’s lending activities. Such reports and recommendations, as well as any resulting determinations, shall be recorded and retained in the minutes of the meeting of the Board.

4. (a) Within ninety (90) days from the effective date of this ORDER, and annually thereafter, the Board shall conduct a review (Loan Policy Review) of the Bank’s loan policies and procedures for adequacy and, based upon the Loan Policy Review, shall make all appropriate revisions to the policies and procedures necessary to strengthen the Bank’s asset quality and lending functions and to prevent further deterioration. Pursuant to the Loan Policy Review, the Bank’s loan policies and procedures shall include, at a minimum, provisions and practices that:

(i) Identify the general fields of lending in which the Bank will engage, the types and kinds of loans and collateral considered desirable, and the types and kinds of loans and collateral considered undesirable;

(ii) Establish lending limits for each officer, including limitations on the aggregate level of credit to any one borrower that can be granted without the prior approval of the Bank's loan committee;

(iii) Establish lending limits for the Bank's loan committee, including limitations on the aggregate level of credit to any one borrower that can be granted without the prior approval of the Board;

(iv) Establish review and monitoring procedures to ensure that all lending personnel are adhering to established lending procedures, and that the directorate is receiving timely and fully documented reports on loan activity, including reports that identify deviations from established policy and the loan officers responsible for the deviations;

(v) Designate the Bank's normal trade area;

(vi) Establish limitations on the maximum volume of loans in relation to total assets;

(vii) Require that all extensions of credit originated or renewed by the Bank, including loans purchased from a third party (loan participations):

A) Have a clearly defined and stated purpose;

B) Have a predetermined and realistic repayment source and schedule, including secondary source of repayment;

C) Are supported by complete loan documentation, including lien searches, perfected security interests, and collateral valuations; and

D) Are supported by current financial information, profit and loss statements or copies of tax returns, and cash flow projections, which shall be maintained throughout the term of the loan; and are otherwise in conformance with the Bank’s lending policies and procedures.

(viii) Establish standards for extending unsecured credit;

(ix) Incorporate limitations on the amount that can be loaned in relation to established collateral values, require the source of collateral valuations to be identified, require that collateral valuations be completed prior to the commitment to lend funds, and require that collateral valuations be performed on a periodic basis over the term of the loan;

(x) Require prior written approval by the Board for any extension of credit, renewal, or disbursement to “related interests,” as such term is defined in section 215.2(n) of Regulation O of the Board of Governors of the Federal Reserve System, 12 C.F.R. § 215.2(n);

(xi) Require that extensions of credit to any of the Bank’s executive officers, directors, or principal shareholders, or to any related interest of such person, be reviewed for compliance with all provisions of Regulation O of the Board of Governors of the Federal Reserve System, 12 C.F.R.

§§ 215.1-215.11, section 337.3 of the FDIC's Rules and Regulations, 12 C.F.R. § 337.3, and Division of Banks Regulatory Bulletin 2.1-102, "Insider Transactions";

(xii) Require accurate reporting of past due loans to the Board or the Bank's loan committee at least monthly;

(xiii) Establish standards for collection efforts for past due loans;

(xiv) Establish guidelines for timely recognition of loss through charge-off;

(xv) Require a non-accrual policy in accordance with the Federal Financial Institutions Examination Council's Instructions for the Consolidated Reports of Condition and Income;

(xvi) Prohibit the capitalization of interest or loan-related expenses unless the Board or the Bank's loan committee provides, in writing, a detailed explanation of why said deviation is in the best interest of the Bank;

(xvii) Establish limitations on the maximum amount of an overdraft to be paid without the prior written approval of the Bank's loan committee, and impose appropriate limitations on the use of the Cash Items account;

(xviii) Address concentrations of credit and diversification of risk, including goals for portfolio mix, establishment of limits within loan and other asset categories, and development of a tracking and monitoring system for the economic and financial condition of specific geographic locations, industries, and groups of borrowers;

(xix) Require strict guidelines for out-of-territory loans which, at a minimum, include an aggregate limitation on such loans, require complete credit documentation, and require approval by a majority of the Board prior to disbursement of funds, including a written explanation of why such loans are in the best interest of the Bank;

(xx) Establish review and monitoring procedures for compliance with the FDIC's appraisal regulation, 12 C.F.R. Part 323, and the Interagency Appraisal and Evaluation Guidelines;

(xxi) Prohibit issuance of standby letters of credit unless the letters of credit are well secured by readily marketable collateral or are adequately supported by current and complete financial information;

(xxii) Require the establishment and maintenance of a loan grading system and internal loan watch list;

(xxiii) Require loan committee review and monitoring of the status of repayment and collection of overdue and maturing loans, as well as all loans classified "Substandard" and "Doubtful" in Regulatory Reports of

Examination and loans similarly classified internally by the Bank;

(xxiv) Prohibit extending the maturity date, advancing additional credit, or renewing a loan to a borrower whose obligations to the Bank were classified “Substandard” or “Doubtful,” whether in whole or in part, in Regulatory Reports of Examination, without the full collection in cash of accrued and unpaid interest, unless the loans are well secured or are adequately supported by current and complete financial information, and the extension or renewal has first been approved in writing by a majority of the Bank’s Board.

(xxv) Provide guidance for a consistent and accurate calculation of a debt-service-coverage (DSC) ratio;

(xxvi) Identify minimum DSC ratios required on an individual loan analysis basis as well as a global DSC analysis basis for the approval of a loan;

(xxvii) Provide guidance and requirements for the utilization of interest reserves; and

(xxviii) Provide guidance and requirements for the ongoing collection of borrower financial information.

(b) The Bank shall submit the revised loan policies and procedures resulting from the Loan Policy Review to the Area Director and the Commissioner for review. Within thirty (30) days from receipt of any comment from the Area Director and the

Commissioner, and after incorporation and adoption of any required changes, the Bank shall approve the loan policies and procedures resulting from the Loan Policy Review, with its approval recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the loan policies and procedures resulting from the Loan Policy Review.

5. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall formulate a written plan (Risk Exposure Plan) to reduce the Bank's risk exposure in each asset relationship in excess of one million dollars ($1 million) classified as "Substandard" in the Report of Examination. For purposes of this provision, "reduce" means to collect, charge off, or improve the quality of an asset so as to warrant its removal from adverse classification by the FDIC or the Division. In developing the plan mandated by this paragraph, the Bank shall, at a minimum, with respect to each adversely classified loan or lease, review, analyze, and document the financial position of the borrower, including source of repayment, repayment ability, and alternative repayment sources, as well as the value and accessibility of any pledged or assigned collateral, and any possible actions to improve the Bank's collateral position.

(b) In addition, the Risk Exposure Plan shall also include, but not be limited to, the following:

(i) A schedule for reducing the outstanding dollar amount of each adversely classified asset, including timeframes for achieving the reduced dollar amounts (at a minimum, the schedule for each adversely classified asset must show its expected dollar balance on a quarterly basis);

(ii) Specific action plans intended to reduce the Bank's risk exposure in each classified asset;

(iii) A schedule showing, on a quarterly basis, the expected consolidated balance of all adversely classified assets, and the ratio of the consolidated balance to the Bank's projected Tier 1 capital plus the allowance for loan and lease losses;

(iv) A provision for the Bank's submission of monthly written progress reports to its Board; and

(v) A provision mandating Board review of the progress reports, with a notation of the review recorded in the minutes of the meeting of the Board.

(c) The Bank shall submit the Risk Exposure Plan to the Area Director and the Commissioner for review. Within thirty (30) days from receipt of any comment from the Area Director and the Commissioner, and after incorporation and adoption of any required changes, the Board shall approve the

Risk Exposure Plan, which approval shall be recorded in the minutes of the meeting of the Board. Thereafter, the Bank shall implement and fully comply with the Risk Exposure Plan.

6. While this ORDER is in effect, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit or obligation with the Bank that has been, in whole or in part, charged off or classified “Substandard,” “Doubtful,” or "Loss" in Regulatory Reports of Examination and is uncollected. The requirements of this paragraph shall not prohibit the Bank from renewing, after collecting in cash all interest and fees due from a borrower, any credit already extended to the borrower. This provision shall not apply if the Bank's failure to extend further credit to a particular borrower would be detrimental to the best interests of the Bank provided that, prior to extending such additional credit, whether in the form of a renewal, extension, or further advance of funds, such additional credit shall be approved by the Board, or a designated committee thereof, who shall certify, in writing:

(a) Why failure of the Bank to extend such credit would be detrimental to the best interests of the Bank;

(b) That the extension of such credit would improve the Bank's position, including an explanatory statement of how the Bank’s position would improve; and

(c) An appropriate workout plan has been developed and will be implemented in conjunction with the additional credit to be extended.

The signed certification shall be made a part of the minutes of the meeting of the Board, or designated Committee, with a copy retained in the borrower's credit file.

7. Within sixty (60) days from the effective date of this ORDER, the Bank shall develop a written plan (Special Mention Plan) to correct all deficiencies in the assets listed for “Special Mention” in the Report of Examination. The Bank shall submit the Special Mention Plan to the Area Director and the Commissioner for review. Within thirty (30) days from receipt of any comment from the Area Director and the Commissioner, and after incorporation and adoption of any required changes, the Board shall approve the Special Mention Plan, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Special Mention Plan.

8. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall develop a written plan (Concentration Plan) for systematically reducing and monitoring the Bank’s portfolio of loans or other extensions of credit, as described

within the Concentrations page of the Report of Examination, advanced or committed, directly or indirectly, to or for the benefit of any borrowers in commercial real estate loans, to an amount which is commensurate with the Bank's business strategy, management expertise, size, and location. At a minimum, the Concentration Plan shall include:

(i) Dollar levels and percent of capital to which the Bank shall reduce each concentration;

(ii) Timeframes for achieving the reduction in dollar levels identified in response to (i) above;

(iii) Provisions for the submission of monthly written progress reports to the Bank's Board for review and notation in minutes of the meetings of the Board; and

(iv) Procedures for monitoring the Bank's compliance with the Concentration Plan.

(b) The Bank shall submit the Concentration Plan to the Area Director and the Commissioner for review. Within thirty (30) days of receipt of comments from the Area Director and the Commissioner, and after incorporation and adoption of any required changes, the Bank shall approve the Concentration Plan, which approval shall be recorded in the minutes of the meeting of the Board. Thereafter, the Bank shall implement and fully comply with the Concentration Plan.

(c) The Bank shall not make or renew any extensions or commitments of credit to or for the benefit of any borrower or associated entities so long as such extension or commitment would result in the Bank exceeding any limit contained in the Concentration Plan.

9. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall establish a comprehensive policy and methodology (Allowance Policy) for determining the appropriateness of the Allowance for Loan and Lease Losses (Allowance). The Allowance Policy shall provide for a review of the Allowance by the Board at least once each calendar quarter and be completed at least fifteen (15) days prior to the end of each quarter in order that the results of the review conducted by the Board may be properly reported in the quarterly Reports of Condition and Income. Such reviews shall, at a minimum, include the following:

(i) The Federal Financial Institutions Examination Council's Instructions for the Reports of Condition and Income, the Interagency Statement of Policy on the Allowance for Loan and Lease Losses, other applicable regulatory guidance that addresses the adequacy of the Allowance, and any analysis of the Allowance provided by the FDIC and the Commissioner;

(ii) The volume and mix of the overall loan portfolio, including trends in the portfolio mix by loan type and geography, trends in the severity of nonperforming or delinquent loans, trends in the severity of weaknesses in extensions of credit identified as “Special Mention” and adversely classified in the latest Report of Examination;

(iii) Previous loan loss experience by loan type, including the level, trends, and severity of overdrafts, trend of net charge-offs as a percent of average loans over the past several years, as well as an analysis of net charge-offs experienced on previously adversely classified loans;

(iv) The degree of risk associated with renewed and extended loans;

(v) The volume, trend, rate and duration of loan growth;

(vi) The results of internal loan reviews;

(vii) Concentrations of credit and significant individual credits;

(viii) Present and prospective economic conditions, generally and locally;

(ix) Off-balance sheet credit risks; and

(x) Any other factors appropriate in determining future allowances, including changes in the Bank’s strategic plan, and loan products and markets.

(b) A deficiency in the Allowance shall be remedied in the calendar quarter in which it is discovered by a charge to current operating earnings prior to any Tier 1 capital determinations required by this ORDER and prior to the Bank’s submission of its Report of Condition and Report of Income. The Bank shall thereafter maintain an appropriate Allowance.

(c) The Bank shall submit the Allowance Policy to the Area Director and the Commissioner for review. Within thirty (30) days from receipt of any comment from the Area Director and the Commissioner, and after incorporation and adoption of any required changes, the Bank shall approve the Allowance Policy, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Allowance Policy.

(d) While this ORDER is in effect, the Bank shall submit to the Area Director and the Commissioner documents sufficient to support the determination of the adequacy of the Allowance. These submissions may be made at such times as the Bank files the quarter-end progress reports otherwise required by this ORDER. In the event that the Area Director and the Commissioner determine that the Bank's Allowance is inadequate, the Bank shall increase the Allowance and amend its Consolidated Reports of Condition and Income accordingly.

10. (a) The Bank shall achieve and maintain the following minimum capital levels (as defined in Part 325 of the FDIC’s

Rules and Regulations), after establishing an adequate Allowance:

(i) Tier 1 capital at least equal to eight percent (8%) of total assets;

(ii) Tier 1 risk-based capital at least equal to nine percent (9%) of total risk-weighted assets; and

(iii) Total risk-based capital at least equal to ten percent (10%) of total risk-weighted assets.

(b) In addition, the Bank shall comply with the FDIC's Statement of Policy on Risk-Based Capital found in Appendix A to Part 325 of the FDIC Rules and Regulations, 12 C.F.R. Part 325, Appendix A.

(c) In the event any ratio falls below the established minimum, the Bank shall notify the Area Director and the Commissioner and shall increase capital in an amount sufficient to comply with this provision within thirty (30) days.

(d) The Bank shall not initiate a plan to increase total assets by more than two and one-half percent (2.5%) during any consecutive three-month period, or more than eight percent (8.0%) during any consecutive twelve-month period during the life of the Order.

11. (a) Within sixty (60) days of the effective date of

this ORDER, the Bank shall develop a written capital plan (Capital Plan). At a minimum, the Capital Plan shall include:

(i) specific plans to achieve the capital levels required under this ORDER;

(ii) specific plans for the maintenance of adequate capital that may in no event be less than the requirements of the provisions of this ORDER;

(iii) projections for asset growth and capital requirements, and such projections shall be based upon a detailed analysis of the Bank's current and projected assets, liabilities, earnings, fixed assets, and off-balance sheet activities, each of which shall be consistent with the Bank’s strategic business plan;

(iv) projections for the amount and timing of the capital necessary to meet the Bank's current and future needs;

(v) the primary source(s) from which the Bank will strengthen its capital to meet the Bank's needs;

(vi) contingency plans that identify alternative sources of capital should the primary source(s) under (v) above not be available; and

(vii) a dividend policy that permits the declaration of a dividend only:

A) when the Bank is in compliance with its approved capital program;

B) when the Bank is in compliance with applicable State and Federal laws and regulations;

C) when, after payment of such dividends, the Bank remains in compliance with the above minimum capital ratios;

D) when such declaration and payment of dividends has been approved in advance by the Board of Directors of the Bank; and

E) when such declaration and payment of dividends has been approved in advance, in writing, by the Area Director and the Commissioner.

(b) The Bank shall submit the Capital Plan to the Area Director and the Commissioner for review. Within thirty (30) days of receipt of any comment from the Area Director and the Commissioner, and after incorporation and adoption of any required changes, the Bank shall approve the Capital Plan, which approval shall be recorded in the minutes of the meetings of the Board. Thereafter, the Bank shall implement and fully comply with the Capital Plan.

(c) The Board shall review the Bank’s adherence to the Capital Plan, at minimum, on a monthly basis. Copies of the reviews and updates shall be submitted to the Area Director and the Commissioner as part of the progress reports required by this ORDER. The Board shall ensure that the Bank has processes, personnel, and control systems in place to ensure implementation of and adherence to the program developed pursuant to the Capital Plan.

12. (a) Within sixty (60) days of the effective date of this ORDER, the Bank shall develop a written profit plan (Profit Plan). At a minimum, the Profit Plan shall include:

(i) Identification of the major areas in, and means by, which the Board will seek to improve the Bank’s operating performance;

(ii) A comprehensive budget for two years for all income and expense categories based on realistic assumptions;

(iii) A budget review process to monitor the income and expenses of the Bank and compare actual results with budget projections; and

(iv) A description of the operating assumptions that form the basis for, and adequately support, major projected income and expense components.

(b) The Bank shall submit the Profit Plan to the Area Director and the Commissioner for review and comment. Within thirty (30) days of receipt of any comments from the Area Director and the Commissioner, and after incorporation and adoption of all such comments, the Bank shall approve the Profit Plan, which approval shall be recorded in the minutes of the meetings of the Board. Thereafter, the Bank shall implement and fully comply with the Profit Plan. The Board shall review the Bank’s adherence to the Profit Plan, at a minimum, on a monthly basis. Copies of the reviews and updates shall be submitted to the Area Director and the Commissioner as part of the progress reports required by this ORDER.

13. (a) Within sixty (60) days of the effective date of this ORDER, the Bank shall develop a written plan (Liquidity Plan) to improve the Bank’s liquidity position and implement funds and liquidity management practices which address each of the weaknesses identified within the Report of Examination. At a minimum, the funds and liquidity management practices shall include:

(i) Expansion of the Funds Management and Asset Liability Policy to provide guidelines regarding calculations, reporting responsibilities and timeframes, and risk limits for the Bank’s position;

(ii) Improvement of the Quarterly Liquidity Coverage Analysis as discussed within the Report of Examination;

(iii) Improvement of the Bank’s Cashflow Projections analysis to include projections under various scenarios as discussed within the Report of Examination, to provide for reporting of results to the Finance and Audit

Committee and the Board, and to establish limits or guidelines for projected funding shortfalls or gaps; and

(iv) Establishment of a comprehensive Contingency Funding Plan that addresses guidance contained within the August 26, 2008 Financial Institution Letter entitled Liquidity Risk Management.

(b) The Bank shall submit the Liquidity Plan to the Area Director and the Commissioner for review. Within thirty (30) days of receipt of any comments from the Area Director and the Commissioner, and after incorporation and adoption of all such comments, the Bank shall approve the Liquidity Plan, which approval shall be recorded in the minutes of the meetings of the Board. Thereafter, the Bank shall implement and fully comply with the Liquidity Plan. The Board shall review the Bank's adherence to the Liquidity Plan, at a minimum, on a monthly basis. Copies of the reviews and updates shall be submitted to the Area Director and the Commissioner as part of the progress reports required by this ORDER.

14. The Bank shall comply with section 337.6 of the FDIC's Rules and Regulations, 12 C.F.R. § 337.6, concerning brokered deposits. In addition, the Bank shall give thirty (30) days prior written notice to the Area Director and the Commissioner at any time the Bank plans to make use of, or increase its use

of, volatile liabilities. For purposes of this ORDER, volatile liabilities shall include Federal Home Loan Bank borrowings and other such borrowings. The notification shall indicate how the funds are to be utilized, with specific reference to credit quality of investments/loans and the effect on the Bank's funds position and asset/liability matching.

15. Within sixty (60) days of the effective date of this ORDER, the Bank shall correct the remediable violations of laws and regulations cited within the Report of Examination and implement policies and procedures to prevent future violations in the identified areas.

16. Within sixty (60) days of the effective date of this ORDER, the Bank shall revise the BSA and AML compliance program to address each of the weaknesses identified in the Report of Examination. The BSA / AML compliance program shall be submitted to the Area Director and the Commissioner for review and comment. Within thirty (30) days of receipt of all such comments from the Area Director and the Commissioner, and after incorporation and adoption of all such comments, the Board shall approve the BSA / AML compliance program, which approval shall be recorded in the minutes of the meetings of the Board. Thereafter, the Bank shall implement and fully comply with the BSA / AML program. The BSA / AML compliance program revisions

shall include, but not be limited to:

(a) Implementation of risk-based customer due diligence policies, procedures, and processes that include enhanced due diligence for high risk customers at account opening and on an ongoing basis;

(b) Performance of comprehensive and supported BSA / AML risk assessments;

(c) Performance of an assessment to stratify the Bank’s customers by risk category and to tailor reporting thresholds to risk categories;

(d) Implementation of all customer due diligence requirements specified in the Bank’s BSA Policy; and

(e) A program to ensure filing of Suspicious Activity Reports in accordance with regulatory requirements and instructions.

17. Within thirty (30) days of the effective date of this ORDER, the Bank shall develop a written action plan (Action Plan) to address the remaining weaknesses and recommendations within the Report of Examination, not specifically referenced by paragraphs 1 through 16 of this ORDER. The Action Plan should identify the item, required corrective action, responsibility for implementing the corrective action, and date by which each item will be corrected. The Action Plan shall be submitted to

the Area Director and the Commissioner for review and comment. Within thirty (30) days of receipt of all such comments from the Area Director and the Commissioner, and after incorporation and adoption of all such comments, the Bank shall approve the Action Plan, which approval shall be recorded in the minutes of the meetings of the Board. Thereafter, the Bank shall implement and fully comply with the Action Plan. The Board shall review the Bank’s adherence to the Action Plan, at minimum, on a monthly basis. Copies of the reviews and updates shall be submitted to the Area Director and the Commissioner as part of the progress reports required by this ORDER.

18. Within thirty (30) days after the receipt of any Report of Examination of the Bank from the FDIC or the Commissioner, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified “Loss” in any Report of Examination that have not been previously collected or charged off.

19. Within thirty (30) days after the effective date of this ORDER, the Bank shall review Consolidated Reports of Condition and Income filed with the FDIC on or after December 31, 2008, and amend said reports if necessary to accurately reflect the financial condition of the Bank as of the date of each such report. In particular, such reports shall contain a

reasonable Allowance. Reports filed after the effective date of this ORDER shall also accurately reflect the financial condition of the Bank as of the reporting date.

20. (a) Within thirty (30) days from the effective date of this ORDER, the Board shall establish a committee, consisting of at least five (5) Board members, responsible for ensuring compliance with the ORDER, overseeing corrective measures with respect to the ORDER, and reporting to the Board. More than fifty percent (50%) of the members of the committee shall be independent directors as defined herein. The committee shall monitor compliance with this ORDER and, within thirty (30) days from the effective date of this ORDER, and every thirty (30) days thereafter, shall submit a written report detailing the Bank’s compliance with this ORDER to the Board, for review and consideration during its regularly scheduled meeting. The compliance report and any discussion related to the report or ORDER shall be incorporated into the minutes of the meeting of the Board. Nothing contained herein shall diminish the responsibility of the entire Board to ensure compliance with the provisions of this ORDER. For the purposes of this ORDER, an "independent director" shall be an individual who:

(i) Is not employed in any capacity by the Bank, any of its subsidiaries, or affiliated organizations, other than as a director;

(ii) Does not own or control more than twenty-five percent (25%) of the outstanding shares of the Bank or its parent company;

(iii) Is not related by blood or marriage to an officer or director of the Bank or its affiliates, or to any shareholder owning more than ten percent (10%) of the outstanding shares of the Bank or its parent company, and who does not otherwise share a common financial interest with such officer, director or shareholder;

(iv) Is not indebted, directly or indirectly, to the Bank or any of its affiliates, including the indebtedness of any entity in which the individual has a substantial financial interest, in an amount exceeding ten percent (10%) of the Bank's total Tier 1 capital and Allowance; and

(v) Is a resident of, or engaged in business in, the Bank's trade area; or is otherwise deemed to be an independent director for purposes of this ORDER by the Area Director and the Commissioner.

21. Within thirty (30) days of the effective date of this ORDER, and quarterly thereafter, the Bank shall furnish written progress reports to the Area Director and the Commissioner detailing the form, manner, and results of any actions taken to

secure compliance with this ORDER. In addition, the Bank shall furnish such other reports as requested by the Area Director or the Commissioner. All progress reports and other written responses to this ORDER shall be reviewed by the Board and made a part of the minutes of the Board meeting.

22. This ORDER shall not bar, estop, or otherwise prevent the FDIC, the Division, or any other federal or state agency or department from taking any action against the Bank, the Bank's current or former institution-affiliated parties, or any of their respective directors, officers, employees, and agents.

23. Nothing herein shall prevent the FDIC or the Division from conducting on-site reviews or examinations of the Bank, its affiliates, agents, service providers or other institution-affiliated parties at any time to monitor compliance with this ORDER.

24. This ORDER shall become effective upon issuance by the FDIC and the Division and shall be fully enforceable by the FDIC pursuant to the provisions of section 8(i)(1) of the Act, 12 U.S.C. § 1818(i)(1), and by the Division pursuant to the provisions of Massachusetts General Laws Chapters 167 through 172 and other applicable statutes.

25. The provisions of this ORDER shall be binding upon the

Bank, its successors and assigns, any of their respective directors, officers, employees, and agents, and any of the Bank's institution-affiliated parties.

26. The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provision of this ORDER shall have been modified, suspended, or terminated in writing by the FDIC and by the Division.

Pursuant to delegated authority.

Dated at Braintree, Massachusetts, this _29th_ day of June, 2009.

Federal Deposit Insurance Corporation

By _/s/____________________

Scott D. Strockoz
Acting Area Director

Commonwealth of Massachusetts
Division of Banks

By __/s/______________________

Hon. Steven L. Antonakes
Commissioner