

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D. C.

and

COMMONWEALTH OF MASSACHUSETTS

DIVISION OF BANKS

In the Matter of:)

STONEHAM SAVINGS BANK)
STONEHAM, MASSACHUSETTS)

CONSENT ORDER

FDIC - 10 - 019b

(INSURED STATE NONMEMBER BANK))
)
)
)
)

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for Stoneham Savings Bank, Stoneham, Massachusetts (“Bank”), under 12 U.S.C. § 1813(q), and the Commonwealth of Massachusetts Division of Banks (“Division”) is the appropriate State regulatory authority under Massachusetts General Laws (M.G.L.).

The Bank, by and through its duly elected and acting Board of Trustees (“Board”), has executed a Stipulation and Consent to the Issuance of a Consent Order (“Consent Agreement”), dated January 25, 2010, that is accepted by the FDIC and the Division. With the Consent Agreement, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices and violations of laws and/or regulations relating to deterioration in the quality of the loan and investment portfolios, management’s failure to act to improve the

Bank's overall financial condition, and failure to ensure compliance with statutory and regulatory requirements and internal policies, to the issuance of this Consent Order ("ORDER") by the FDIC and the Division.

Having determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and Massachusetts General Laws Chapters 167 and 168 have been satisfied, the FDIC and the Division hereby order that:

BOARD PARTICIPATION

1. Within thirty (30) days from the effective date of this ORDER, the Board shall increase its participation in the affairs of the Bank, assuming full responsibility for the approval of sound policies and objectives and for the supervision of all of the Bank's activities, consistent with the role and expertise commonly expected for trustees of banks of comparable size. At a minimum, the Board shall conduct monthly meetings at which it shall review and approve policies and procedures relating to the following areas: reports of income and expenses; new, overdue, renewal, insider, charged-off, and recovered loans; investment activity; operating policies; and individual committee actions. The Board shall also review no less than annually each of the plans, policies, and programs required by this ORDER, and revise them as necessary. The Board's minutes shall document these reviews and approvals, including the names of any dissenting trustees.

MANAGEMENT

2. (a) Within fifteen (15) days from the effective date of this ORDER, the Bank shall retain a bank consultant acceptable to the Area Director of the Boston Area Office of the FDIC Area Director) and the Commonwealth of Massachusetts Commissioner of Banks

(“Commissioner”). The consultant shall develop a written analysis and assessment of the Bank’s senior management, Board, and staffing needs (“Consultant’s Staffing Report”).

(b) 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:

- i) A description of the work to be performed under the contract or engagement letter;
- ii) The responsibilities of the consultant;
- iii) Identification of the professional standards covering the work to be performed;
- iv) Identification of the specific procedures to be used when carrying out the work to be performed;
- v) The qualifications of the employee(s) who are to perform the work;
- vi) The time frame for completion of the work;
- vii) Any restrictions on the use of the reported findings; and
- viii) A provision for unrestricted examiner access to work papers.

(c) Within ninety (90) days from the effective date of this ORDER, the Board, assisted by external consultants, shall complete an independent written assessment of the Bank’s Board, senior management, and staffing requirements, incorporating its review of the Consultant’s Staffing Report, 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”). 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 and trustee 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 restoration and maintenance of the Bank in a safe and sound condition; and

(iv) A plan to recruit and hire any additional or replacement personnel with the requisite ability, experience, and other qualifications, to fill Bank positions identified in the Management Plan.

(d) The Bank shall submit the Management Plan and the Consultant's Staffing Report to the Area Director and the Commissioner for review and comment. At the next Board meeting but within no more than thirty (30) days of receipt of all such comments from the Area Director and/or 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.

3. 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 Federal Deposit Insurance 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.

VIOLATIONS OF LAWS AND REGULATIONS

4. Within sixty (60) days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of laws, rules, and regulations, and contraventions of policy cited in the Report of Examination. The Bank shall also implement policies and procedures to ensure future compliance with all applicable laws, rules, regulations, and statements of policy.

STRATEGIC PLANNING

5. (a) Within one hundred twenty (120) days from the effective date of this ORDER, the Bank shall develop and submit to the Area Director and the Commissioner a written three-year strategic plan (“Strategic Plan”), supported by an operating budget and consisting of goals and strategies, consistent with sound banking practices, and taking into account the Bank’s other written plans, policies, or other actions as required by this ORDER.

(b) The written Strategic Plan shall include, at a minimum:

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

(ii) Specific goals to improve the net interest margin, increase interest income, reduce discretionary expenses, and improve and sustain earnings, as well as maintain appropriate provisions to the Allowance;

(iii) Realistic and comprehensive budgets for all categories of income and expense items;

(iv) A description of the operating assumptions that form the basis for, and adequately support, material projected revenue and expense components;

(v) Coordination of the Bank's loan, investment, funds management, and operating policies, strategic plan, and Allowance methodology with the profit and budget planning;

(vi) A budget review process to monitor the revenue and expenses of the Bank whereby actual performance is compared against budgetary projections not less than quarterly, recording the results of the evaluation and any actions taken by the Bank in the minutes of the Board meeting at which such evaluation is undertaken; and,

(vii) Identification of personnel responsible for implementing each of the goals and strategies of the Strategic Plan.

(c) The Strategic Plan shall be supported by an operating budget and shall include at a minimum specific goals for the dollar volume of total loans, total investments securities, and total deposits. The Strategic Plan shall also specify the anticipated average maturity and average yield on loans and securities; the average maturity and average cost of deposits; the level of earning assets as a percentage of total assets; and the ratio of net interest income to average earning assets. The Bank shall establish procedures to quarterly evaluate management's performance against the Strategic Plan and revise the plan if changes are deemed necessary.

(d) The Strategic Plan and any subsequent amendments thereto shall be submitted to the Area Director and the Commissioner for review and comment. At the next Board meeting but within no more than thirty (30) days of receipt of all such comments from the Area Director and/or the Commissioner, and after incorporation and adoption of any required changes, the Bank shall approve the Strategic Plan, which approval shall be recorded in the

minutes of the Board. Thereafter, the Bank shall implement and fully comply with the Strategic Plan and all amendments thereto.

CAPITAL PLAN

6. (a) The Bank shall achieve and maintain the following minimum capital levels (as defined in Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325), after establishing an adequate Allowance:

- (i) Tier 1 capital of not less than seven percent (7%) of total assets;
- (ii) Tier 1 risk-based capital of not less than nine percent (9%) of total risk-weighted assets; and
- (iii) Total risk-based capital of not less than eleven percent (11%) of total risk-weighted assets.

(b) In addition, the Bank shall comply with Part 325 of the FDIC Rules and Regulations, 12 C.F.R. Part 325.

(c) If, after achieving the minimum capital levels set forth in subparagraph (a), any of the specified ratios falls below the established minimum in a quarter-end Report of Condition and Income ("Call Report"), the Bank shall notify the Area Director and the Commissioner and shall, within thirty (30) days thereafter, submit for review and comment a plan for increasing such capital in an amount sufficient to comply with the requirements of this paragraph ("Capital Increase Plan"). At the next Board meeting but within no more than thirty (30) days of receipt of all such comments from the Area Director and/or the Commissioner, and after incorporation and adoption of any required changes, the Bank shall approve the Capital Increase 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 Capital Increase Plan.

(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.

7. (a) Within ninety (90) days from 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 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; and

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

(b) The Bank shall submit the Capital Plan to the Area Director and the Commissioner for review and comment. At the next Board meeting but within no more than thirty (30) days of receipt of all such comments from the Area Director and/or 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 meeting 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 compliance with the Capital Plan.

PROFIT PLAN

8. (a) Within sixty (60) days from 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 which, and the 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 on not less than a quarterly basis; 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 and subsequent amendments thereto to the Area Director and the Commissioner for review and comment. At the next Board meeting but within no more than thirty (30) days of receipt of all such comments from the Area Director

and/or the Commissioner, and after incorporation and adoption of any required changes, the Bank shall approve the Profit 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 Profit Plan and all amendments thereto.

(c) 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.

CHARGE-OFF

9. Within thirty (30) days from the effective date of this ORDER, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" by the Division and which have not been previously collected or charged off. Elimination or reduction of such assets through proceeds of loans of loans made by the Bank shall not be considered "collection" for purposes of this paragraph. Thereafter, within thirty (30) days after the receipt of any Report of Examination of the Bank from the FDIC or the Division, 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.

REDUCTION OF ADVERSELY CLASSIFIED ASSETS

10. (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 \$750,000 dollars 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 Division or

the FDIC. In developing the Risk Exposure Plan, 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 and comment. At the next Board meeting but within no more than thirty (30) days of receipt of all such comments from the Area Director and/or 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.

**RESTRICTIONS ON ADVANCES TO ADVERSELY
CLASSIFIED BORROWERS**

11. (a) The Bank shall not extend or renew, directly or indirectly, 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 the 2009 Report of Examination, or in any subsequent reports of examination by the FDIC or the Division, and is uncollected. The requirements of this paragraph shall not prohibit the Bank from extending or renewing, after collecting in cash all interest and fees due from a borrower, any credit already extended to the borrower.

(b) 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, the members of which shall certify, in writing:

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

(ii) That the extension of such credit would improve the Bank's position, including an explanation of how the Bank's position would improve; and

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

(c) The signed certification described in subparagraph (b) shall be noted in the minutes of the meeting of the Board, or designated Committee, with the original retained in the borrower's credit file.

LOAN POLICY

12. (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 (“Loan Policy”) necessary to address the lending deficiencies identified in the 2009 Report of Examination, including, at a minimum, the risks associated with warehouse lending. The Board shall also establish review and monitoring procedures to ensure that all lending personnel are adhering to the Loan Policy, and that the trustees are receiving timely and fully documented reports on loan activity, including reports that identify deviations from the Loan Policy.

(b) The Loan Policy should also include, at a minimum, the following:

(i) 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.

(ii) 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;

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

(iv) Require the individual reporting of loans granted as exception to the Loan Policy and the aggregate of such loans in the portfolio.

(v) 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 such action is in the best interest of the Bank; and

(vii) 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.

(c) The Bank shall submit the revised Loan Policy to the Area Director and the Commissioner for review and comment. At the next Board meeting but within no more than thirty (30) days of receipt of all such comments from the Area Director and/or the Commissioner, and after incorporation and adoption of any required changes, the Bank shall approve the Loan Policy, which approval shall be recorded in the minutes of the meeting of the Board. Thereafter, the Bank shall implement and fully comply with the Loan Policy.

ALLOWANCE FOR LOAN AND LEASE LOSSES

13. (a) Within thirty (30) days from the effective date of this ORDER, the Bank shall establish a comprehensive policy and methodology (“ALLL Policy”) for determining the appropriateness of the Allowance for Loan and Lease Losses (“Allowance”). The ALLL 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 Division and the FDIC;

(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 Call Report. The Bank shall thereafter maintain an appropriate Allowance.

(c) The Bank shall submit the ALLL Policy to the Area Director and the Commissioner for review and comment. At the next Board meeting but within no more than thirty (30) days of receipt of all such comments from the Area Director and/or the Commissioner, and after incorporation and adoption of any required changes, the Bank shall approve the ALLL Policy, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the ALLL Policy.

(d) The Bank shall submit to the Area Director and the Commissioner the analysis and 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/or the Commissioner determine that the Bank's Allowance is inadequate, the Bank shall increase the Allowance and amend its Call Report accordingly.

INDEPENDENT LOAN REVIEW

14. (a) Within thirty (30) days of the effective date of this ORDER, the Bank shall develop a program of independent loan review (“Loan Review Program”) 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 Loan Review Program 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) Corrective 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) An assessment of the ability of individual members of the lending staff to operate within the framework of the Loan Policy and applicable laws, rules, and regulations; and an action plan to address the identified deficiencies; and

(x) A mechanism for reporting periodically, but in no event less than quarterly, the information developed in (i) through (ix) 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 Loan Review Program to the Area Director and the Commissioner for review and comment. At the next Board meeting but within no more than thirty (30) days of receipt of all such comments from the Area Director and/or the Commissioner, and after incorporation and adoption of any required changes, the Board shall approve the Loan Review Program, which approval shall be recorded in the minutes of the meeting of the Board. Thereafter, the Bank shall implement and fully comply with the Loan Review Program.

(c) Upon implementation of the Loan Review Program, 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 in 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 by the Board, shall be recorded and retained in the minutes of the meeting of the Board.

LIQUIDITY

15. (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 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 in the Financial Institution Letter (“FIL”) issued by the FDIC on August 26, 2008, entitled “Liquidity Risk Management.”

(b) The Bank shall submit the Liquidity Plan to the Area Director and the Commissioner for review and comment. At the next Board meeting but within no more than thirty (30) days of receipt of all such comments from the Area Director and/or the Commissioner, and after incorporation and adoption of any required changes, 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.

(c) 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.

OTHER ACTION

16. Within ninety (90) days of the effective date of this ORDER, the Bank shall address the remaining weaknesses and deficiencies identified in the 2009 Report of Examination, and implement the recommendations contained therein, to the extent that such weaknesses and deficiencies are not specifically referenced by paragraphs 1 through 15 of this ORDER.

ORDER COMPLIANCE MONITORING COMMITTEE

17. (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 trustees 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 this 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.

(b) For the purposes of this ORDER, an "independent trustee" 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 trustee;

(ii) Is not related by blood or marriage to an officer or trustee of the Bank or its affiliates, and who does not otherwise share a common financial interest with such officer or trustee;

(iii) 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

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

PROGRESS REPORTS

18. Within thirty (30) days of the effective date of this ORDER, and within thirty (30) days following the end of each calendar quarter 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 and 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.

The provisions of this ORDER shall not bar, estop, or otherwise prevent the FDIC, the Commissioner, or any other state or federal agency from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties.

This ORDER shall be effective on the date of issuance.

The Provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

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

Pursuant to delegated authority.

Dated at Boston, Massachusetts, this 26th day of January, 2010.

Federal Deposit Insurance Corporation

By /s/ Gregory P. Bottone
Gregory P. Bottone
Acting Area Director

Commonwealth of Massachusetts
Division of Banks

By /s/ Steven L. Antonakes
Hon. Steven L. Antonakes
Commissioner