

AGREEMENT BY AND BETWEEN
The Lancaster National Bank
Lancaster, New Hampshire
and
The Comptroller of the Currency

The Lancaster National Bank, Lancaster, New Hampshire (“Bank”) and the Comptroller of the Currency of the United States of America (“Comptroller”) wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

In consideration of the above premises, the Comptroller, through his authorized representative, and the Bank, by and through its duly elected and acting Board of Directors (“Board”), do hereby agree that the Bank shall at all times operate in compliance with the articles of this Agreement.

ARTICLE I

JURISDICTION

(1) This Agreement shall be construed to be a “written agreement entered into with the agency” within the meaning of 12 U.S.C. § 1818(b)(1).

(2) This Agreement shall be construed to be a “written agreement between such depository institution and such agency” within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(3) This Agreement shall be construed to be a “formal written agreement” within the meaning of 12 C.F.R. § 5.51(c)(6)(ii). See 12 U.S.C. § 1831i.

(4) This Agreement shall be construed to be a “written agreement” within the meaning of 12 U.S.C. § 1818(u)(1)(A).

(5) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Agreement shall be forwarded to:

Kathleen M. Cahill
Assistant Deputy Comptroller
New England Field Office
20 Winthrop Square, Suite 200
Boston, MA 02110

ARTICLE II

COMPLIANCE COMMITTEE

(1) Within ten (10) days of the date of this Agreement, the Board shall appoint a Compliance Committee of at least three (3) directors, of which none shall be an employee of the Bank. Upon appointment, the names of the members of the Compliance Committee, and any new member's name in the event of a change in membership, shall be submitted in writing to the Assistant Deputy Comptroller. The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Agreement.

(2) The Compliance Committee shall meet at least monthly.

(3) Within thirty (30) days of the date of this Agreement and monthly thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) a description of the action needed to achieve full compliance with each Article of this Agreement;
- (b) actions taken to comply with each Article of this Agreement; and
- (c) the results and status of those actions.

(4) The Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Assistant Deputy Comptroller within ten (10) days of receiving such report.

ARTICLE III

BOARD TO ENSURE COMPETENT MANAGEMENT

(1) Within one hundred and twenty (120) days, the Board shall ensure that the Bank has competent management in place on a full-time basis in its Chief Executive Officer/President and Senior Loan Officer positions to carry out the Board's policies, ensure compliance with this Agreement, applicable laws, rules, and regulations, and manage the day-to-day operations of the Bank in a safe and sound manner.

(2) Within ninety (90) days, the Board shall review the capabilities of the Bank's management to perform present and anticipated duties and the Board will determine whether management changes will be made, including the need for additions or deletions from current management.

(3) For incumbent officers in the positions listed in Paragraph (1) of this Article, the Board shall within one hundred and twenty (120) days assess the experience of each of these officers, other qualifications, and performance compared to the position's description, duties, and responsibilities.

(4) If the Board determines that an officer will continue in his/her position but that the officer's depth of skills needs improvement, the Board will within one hundred and twenty (120) days develop and implement a written program, with specific timeframes, to improve the officer's supervision and management of the Bank. At a minimum the written program shall include:

- (a) an education program designed to ensure that the officer has skills and abilities necessary to supervise effectively;
- (b) a program to improve the effectiveness of the officer;

- (c) objectives by which the officer's effectiveness will be measured; and
- (d) a performance appraisal program for evaluating performance according to the position's description and responsibilities, and for measuring performance against the Bank's goals and objectives.

Upon completion, a copy of the written program shall be submitted to the Assistant Deputy Comptroller.

(5) If a position mentioned in Paragraph (1) or (2) of this Article is vacant now or in the future, including if the vacancy is due to the Board's realignment of an existing officer's responsibilities, the Board shall within ninety (90) days of such vacancy appoint a capable person to the vacant position who shall be vested with sufficient executive authority to ensure the Bank's compliance with this agreement and the safe and sound operation of functions within the scope of that position's responsibility.

(6) Prior to the appointment of any individual to an executive officer's position, the Board shall submit to the Assistant Deputy Comptroller the following information:

- (a) the information sought in the "Changes in Director and Senior Executive Officers" and "Background Investigations" booklets of the Comptroller's Licensing Manual, together with a legible fingerprint card for the proposed individual;
- (b) a written statement of the Board's reasons for selecting the proposed officer; and
- (c) a written description of the proposed officer's duties and responsibilities.

(7) The Assistant Deputy Comptroller shall have the power to disapprove the appointment of the proposed new officer. However the lack of disapproval of such individual shall not constitute an approval or endorsement of the proposed officer.

(8) The requirement to submit information and the prior disapproval provisions of this Article are based on the authority of 12 U.S.C. § 1818(b)(6)(E) and do not require the Comptroller or the Assistant Deputy Comptroller to complete his/her review and act on any such information or authority within ninety (90) days.

ARTICLE IV

PROFIT PLAN

(1) Within ninety (90) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written profit plan to improve and sustain the earnings of the Bank. This plan shall include, at a minimum, the following elements:

- (a) identification of the major areas in and means by which the Board will seek to improve the Bank's operating performance; and
- (b) a description of the operating assumptions that form the basis for major projected income and expense components, including written assumptions of how your actions will increase profitability.

(2) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the plan developed pursuant to this Article.

- (3) The Board shall also ensure maintenance of:
- (a) realistic and comprehensive budgets, including projected balance sheets and year-end income statements that incorporate the activities and actions to improve the bank's profitability; and
 - (b) a budget review process to monitor both the Bank's income and expenses, and to compare actual figures with budgetary projections.

(4) The budgets and related documents required in Paragraphs (1) and (3) of this Article shall be submitted to the Assistant Deputy Comptroller upon completion.

(5) The Board shall submit to the Assistant Deputy Comptroller annual budgets as described in Paragraphs (1) and (3) of this Article for each year this Agreement remains in effect, on or before November 30, of the preceding year.

(6) The Board shall forward comparisons of its balance sheet and profit and loss statement to the profit plan projections to the Assistant Deputy Comptroller on a quarterly basis.

ARTICLE V

CREDIT UNDERWRITING AND ONGOING CREDIT MONITORING

(1) Within one hundred twenty (120) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a program to improve credit underwriting processes and reduce the increasing level of risk in the Bank's loan portfolio. The program shall include, but not be limited to:

- (a) procedures to strengthen credit underwriting in the commercial and industrial and commercial real estate portfolios;
- (b) a process to ensure that extensions of credit are granted, including renewals, to any borrower only after obtaining and accurately analyzing satisfactory financial information of current and prior years. Loans to be repaid from operations should include cash flow analysis;
- (c) a process that identifies and informs the Board through documentation on loan presentation sheets, the risks and strengths of a commercial loan presented for approval;

- (d) a process that requires financial information from commercial borrowers annually to assess the borrowers' financial condition and ability to service the debt, and to accurately risk rate the loan;
 - (e) a process that identifies any policy exceptions on the loan presentation sheets and includes why approval of the exception is in the best interests of the bank; and.
 - (f) a process that ensures Board approval of any loan policy exception is documented in Board minutes.
- (2) Upon completion, a copy of the program shall be forwarded to the Assistant Deputy Comptroller.

ARTICLE VI

LOAN PORTFOLIO MANAGEMENT

- (1) The Board shall, within one hundred twenty (120) days, develop, implement, and thereafter ensure Bank adherence to a written program to improve the Bank's loan portfolio management. The program shall include, but not be limited to:
- (a) procedures to ensure satisfactory and perfected collateral documentation;
 - (b) procedures to ensure compliance with the Bank's lending policies and laws, rules, and regulations pertaining to the Bank's lending function;
 - (c) a system to track and analyze exceptions to the loan policy;
 - (d) a system to track and analyze all credit exceptions;
 - (e) a system to track and analyze all collateral exceptions; and
 - (f) a performance appraisal process, including performance appraisals, job descriptions, and incentive programs for loan officers, which adequately

consider their performance relative to policy compliance, documentation standards, accuracy in credit grading, and other loan administration matters.

(2) Upon completion, a copy of the program shall be forwarded to the Assistant Deputy Comptroller.

(3) Beginning no later than June 30, 2007 and on a quarterly basis thereafter, management will provide the Board with written reports that include at a minimum, the following information:

- (a) the identification, type, rating, and amount of problem loans and leases;
- (b) the identification and amount of
 - (i) delinquent loans and leases;
 - (ii) credit documentation exceptions; and
 - (iii) collateral documentation exceptions;
- (c) the identification and status of credit related violations of law, rule or regulation;
- (d) the identification of loans and leases not in conformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies; and
- (e) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (3)(a) through (3)(d) of this Article and Paragraph.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program and systems developed pursuant to this Article.

ARTICLE VII

PROCESS TO RESPOND TO EXTERNAL CONSULTANT RESULTS

(1) Within sixty (60) days, the Board shall develop a process that ensures findings from independent external consultants are followed up and adequately addressed in a report by the Chief Executive Officer, the Senior Loan Officer, or other designated management member.

The process shall include, but not be limited to the following:

- (a) the external consultant report must be reviewed by the Board or a designated committee upon receipt;
- (b) a management member must be explicitly assigned the responsibility of responding to the external consultant report;
- (c) the assigned management member shall generate a report to address:
 - (i) exceptions noted in the report (e.g., policy, credit, collateral, or safe and soundness concerns);
 - (ii) violations of laws or regulations; and
 - (iii) recommendations provided to correct weaknesses or deficiencies;
- (d) management reports must include how weaknesses and deficiencies will be corrected, who is responsible for the corrective action, and when the corrective action will be completed;
- (e) management reports and corrective actions must be reported to the Board within 30 to 45 days; and
- (f) future independent external consultant report results and management responses should be formally discussed between the consultant and the Board.

(2) Within sixty (60) days, the Board shall implement a system to review, track, and monitor management's efforts to correct weaknesses and deficiencies identified by the bank's independent external consultant.

(3) The Board or a committee of the Board shall evaluate management's responses to the external consultant reports and shall ensure that immediate, adequate, and continuing remedial action, if appropriate, is taken upon all findings noted in the report(s) on a quarterly basis.

(4) Within sixty (60) days the system described in Paragraphs (1) through (3) of this Article shall be completed for the external loan review results received in August 2006.

(5) A copy of the reports submitted to the Board, as well as documentation of actions taken by the Bank to correct weaknesses, deficiencies, exceptions, or to collect or strengthen assets identified as problem credits, shall be preserved in the Bank for as long as this Agreement remains in effect.

(6) The Board shall forward a copy of management's response to the external consultant report with any additional comments by the Board to the Assistant Deputy Comptroller within ten (10) days of receiving the report.

(7) The Board shall forward follow-up reports that ensure corrective action is implemented quarterly to the Assistant Deputy Comptroller.

ARTICLE VIII

ADMINISTRATIVE APPEALS AND EXTENSIONS OF TIME

(1) If the Bank determines that an exception to any provision of this Agreement is in the best interests of the Bank, or requires an extension of any timeframe within this Agreement, the Board shall submit a written request to the Assistant Deputy Comptroller asking for relief.

(2) Any written requests submitted pursuant to this Article shall include a statement setting forth in detail the special circumstances that prevent the Bank from complying with any provision that requires the Assistant Deputy Comptroller to exempt the Bank from any provision or that requires an extension of any timeframe within this Agreement. All such requests shall be accompanied by relevant supporting documentation.

(3) The Assistant Deputy Comptroller's decision regarding this request is final and not subject to further review.

ARTICLE IX

CLOSING

(1) Although the Board has by this agreement consented to submit certain programs and reports to the Assistant Deputy Comptroller for review or prior written determination of no supervisory objection, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(3) Any time requirements imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time requirements may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(4) The provisions of this Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are

amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.

(5) In each instance in this Agreement in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Agreement;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement;
- (c) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any non-compliance with such actions.

(6) This Agreement is intended to be, and shall be construed to be, a supervisory “written agreement entered into with the agency” as contemplated by 12 U.S.C. § 1818(b)(1), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract. The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency has statutory or other authority to bind the United States, the U.S. Treasury Department, the

Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller's exercise of his supervisory responsibilities. The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller, has hereunto set her hand on behalf of the Comptroller.

/S/
Kathleen M. Cahill
Assistant Deputy Comptroller
New England Field Office

June 13, 2007
Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

/s/ _____ Ronald N. Bailey	6-11-2007 _____ Date
/s/ _____ Tawnya Finkel	6-11-2007 _____ Date
/s/ _____ Elaine M. Gainer	6/11/2007 _____ Date
/s/ _____ J. Edward Perreault	6/11/2007 _____ Date
/s/ _____ Erling Roberts	6/11/2007 _____ Date
/s/ _____ Clifford A. Rowe	6/11/2007 _____ Date
/s/ _____ James Seppala	6/5/2007 _____ Date
/s/ _____ Elwin Wright	6/11/2007 _____ Date