

SUPERVISORY AGREEMENT

This Supervisory Agreement (Agreement) is made this January 7, 2010 (Effective Date), by and through the Board of Directors (Board) of First Trade Union Bank, Boston, Massachusetts, OTS Docket No. 08433 (Association) and the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Northeast Region (Regional Director).

WHEREAS, the OTS, pursuant to 12 U.S.C. § 1818, has the statutory authority to enter into and enforce supervisory agreements to ensure the establishment and maintenance of appropriate safeguards in the operation of the entities it regulates; and

WHEREAS, the Association is subject to examination, regulation and supervision by the OTS; and

WHEREAS, based on its June 29, 2009 examination of the Association, the OTS finds that the Association is operating with insufficient capital levels, an elevated level of criticized assets,¹ and Higher Risk Loans,² and ineffective underwriting and credit administration policies and procedures; and

WHEREAS, in furtherance of their common goal to ensure that the Association addresses the unsafe or unsound practices identified by the OTS, the Association and the OTS have mutually agreed to enter into this Agreement; and

WHEREAS, on December 17, 2009, the Association's Board, at a duly constituted meeting adopted a resolution (Board Resolution) that authorizes the Association to enter into this

¹ The term "Criticized Assets" includes both the advanced and unadvanced portions of all loans and assets the Association designates as either classified (substandard, doubtful or loss) or special mention.

² The term "Higher Risk Loans" means the sum of: (i) Mortgage Construction Loans, inclusive of loans in process; (ii) Land Loans; (iii) Nonresidential Real Estate Loans; (iv) Commercial Loans; (v) Auto Loans; (vi) Home Improvement Loans; (vii) Mobile Home Loans; (viii) Credit Card Loans; and (ix) Consumer Yacht Loans.

Agreement and directs compliance by the Association and its directors, officers, employees, and other institution-affiliated parties with each and every provision of this Agreement.

NOW THEREFORE, in consideration of the above premises, it is agreed as follows:

Business Plan.

1. Within thirty (30) days, the Association shall submit for Regional Director review and comment, a comprehensive written three (3) year Business Plan, for the time period January 1, 2010, through December 31, 2012, that incorporates both a Capital Augmentation Plan, as described in Paragraph 3, and a Risk Reduction Plan, as described in Paragraph 5, with detailed quarterly pro forma financial statements over the term of the Business Plan.
2. Within fifteen (15) days of receipt of any comments from the Regional Director, the Board shall revise the Business Plan to incorporate the comments, if any, and adopt the Business Plan. Thereafter, the Association shall submit the approved Business Plan to the Regional Director within five (5) days of approval and implement and adhere to the Business Plan.

Capital Augmentation Plan.

3. The Capital Augmentation Plan shall establish quarterly capital targets for the Association's Tier 1 (Core) capital ratio and total risk-based capital ratio to ensure the maintenance of a capital position that supports the risk profile of the Association. At a minimum, the Capital Augmentation Plan shall:
 - (a) consider the requirements and restrictions imposed by this Agreement;
 - (b) establish the timeframes by which additional capital will be raised;
 - (c) detail the method by which the additional capital will be raised and identify the sources of such capital;
 - (d) support the Association's existing and prospective risk profile, considering the

risks and weaknesses identified in the June 29, 2009 Report of Examination (2009 ROE);
and

(e) establish an alternative strategy, to be implemented immediately, if the Association's primary strategy to raise additional capital is unsuccessful.

4. Immediately upon determining that the capital goals established in the Capital Augmentation Plan cannot be met and additional capital cannot be obtained within the timeframes set forth therein, the Association shall provide the Regional Director with written notice of its inability to comply with Paragraph 3 of this Agreement (Capital Notice) and begin execution of the alternative strategy. If the alternative strategy set forth in the Capital Augmentation Plan involves a merger or acquisition, the Association shall provide the Regional Director with a copy of a definitive merger agreement within ten (10) days of execution and shall provide bi-weekly updates until consummation of a merger or acquisition.

Risk Reduction Plan.

5. Within thirty (30) days, the Association shall prepare and submit to the Regional Director for review and comment a detailed written plan with specific strategies and timeframes to: (a) reduce both the Classified Assets to Capital Ratio³ and Criticized-Assets-to-Capital Ratio⁴ (collectively Problem Asset Ratios); and (b) reduce the ratio of Higher Risk Loans to Tier 1 (Core) Capital plus the Allowance for Loan and Lease Losses (Higher Risk Loans to Capital Ratio);

³ The term "Classified Assets to Capital Ratio" means the percentage that is determined when the total dollar amount of the Association's Classified Assets (the numerator) are divided by a denominator amount equal to the sum of: (i) the Association's Tier 1 (Core) Capital ; and (ii) the Association's total allowance for loan and lease losses (ALLL).

⁴ The term "Criticized Assets to Capital Ratio" means to the percentage that is determined when the total dollar amount of the Association's Criticized Assets (the numerator) are divided by a denominator amount equal to the sum of: (i) the Association's Tier 1 (Core) Capital ; and (ii) the Association's ALLL.

6. Within ten (10) days of receipt of any comments from the Regional Director, the Association shall revise the Risk Reduction plan to incorporate the comments and shall implement the amended Risk Reduction Plan.

Restrictions on Lending.

7. Effective immediately, the Association shall not, except with the prior written non-objection of the Regional Director, make, invest in, purchase, refinance, extend, or otherwise modify, any loans to borrowers whose existing loans or lines are classified or listed as special mention, unless the Association has: (i) developed and implemented a workout plan for that borrower, and (ii) strengthened its position through a reduction in the outstanding loan balance and/or obtained additional collateral, or removed the existing borrower and substituted a stronger borrower.

8. Effective immediately, the Association shall not originate or purchase new Higher Risk Loans, extend new money on an existing Higher Risk Loan, or modify an existing Higher Risk Loan until: (i) all underwriting and credit administration corrective measures discussed in the 2009 ROE have been implemented and approved by the OTS, and (ii) the Risk Reduction Plan, required to be submitted under Paragraph 5, has been approved by OTS and implemented by the Association.

Correction of Loan Underwriting and Credit Administration Deficiencies.

9. Within thirty (30) days, the Association shall evaluate the adequacy and effectiveness of the underwriting and credit administration functions at the Association and develop a plan to address the corrective actions and deficiencies and weaknesses in these functions noted in the 2009 ROE. The evaluation shall include an assessment of whether existing employees overseeing the underwriting and credit administration functions of the Association have adequate

experience, appropriate lending authority, and clearly defined lines of reporting and shall include a plan for addressing any corrective actions identified and deficiencies and weaknesses noted.

10. Effective immediately, the Association shall improve the monitoring efforts of its loan portfolios by:

- (a) ensuring that internal asset reviews are performed on the Higher Risk Loans by December 31, 2009, and semi-annually thereafter;
- (b) ensuring that loan file commentary is consistently performed and that adequate borrower/guarantor, and or business/project financial data, including operating statements for businesses and collateral properties and project performance information is gathered, evaluated, and documented in the loan files;
- (c) ensuring that interim financial statements are obtained when annual statements are delayed or not available;
- (d) expanding the monitoring of acquisition, development, and construction (ADC) loans to consistently obtain and document current unit sales volume, rental activity, and unit pricing information for comparison with the information forecasted at the time the loan was originally approved;
- (e) ensuring that an updated property appraisal or evaluation, as appropriate, is obtained in situations where the underlying assumptions of the original appraisal are no longer valid or accurate;
- (f) ensuring that appraisal reviews are appropriately documented in the loan file and that property inspections are performed when warranted; and
- (g) ensuring that risk rating definitions are quantified in terms of specific performance criteria such as debt service coverage thresholds and for ADC loans, unit

sales per quarter, that if not met, would trigger a rating downgrade.

Loan Review and Classification.

11. Within thirty (30) days, the Association shall review and revise its policies and procedures to identify and classify problem assets (Loan Review and Classification Program. The revised Loan Review and Classification Program shall address the corrective actions and deficiencies and weaknesses noted in the 2009 ROE and shall effectively identify the risks within the Association's loan and lease portfolio to ensure timely and appropriate classification and reporting of the Association's assets and maintenance of adequate Allowance for Loan and Lease Losses (ALLL).

12. At a minimum, the revised Loan Review and Classification Policy shall comply with regulatory requirements and guidance and appropriate accounting standards, and shall require:

- (a) identification and ongoing monitoring of assets rated as classified (substandard, doubtful, or loss), or special mention (collectively referred to as Criticized Assets) based on an assessment of all pertinent factors affecting the likelihood that the loan will be repaid according to its contractual terms;
- (b) prompt charge-off of loans, or portions of loans, that have been identified as impaired under FAS 114 and for which an impairment loss has been determined;
- (c) maintenance of an ALLL level that adequately reflects the risk in the Association's loan and lease portfolio and a methodology that is in compliance with regulatory guidance and accounting standards; and
- (e) timely and accurate reporting by the Association on its Thrift Financial Reports.

13. Within thirty (30) days, the Association shall provide the amended Loan Review and Classification Program policies and procedures to the Regional Director for review. Within

fifteen (15) days of receipt of any comments from the Regional Director, the Association shall incorporate any comments by the Regional Director and shall implement and adhere to the revised Loan Review and Classification Program.

Restrictions on Asset Growth and Deposits.

14. Effective immediately, the Association's asset growth in any quarter shall not exceed net interest credited on deposit liabilities during the quarter without the prior written non-objection of the Regional Director.

15. Effective immediately, the Association shall not accept, renew or roll over any brokered deposit, as that term is defined at 12 C.F.R. § 337.6(a)(2), without the written non-objection of the Regional Director.

16. A request for non-objection under Paragraphs 14 and 15 must be submitted to the Regional Director at least forty five (45) days prior to: (a) the end of the calendar quarter in which the Association seeks to grow in excess of interest credited on deposit liabilities; or (b) the anticipated date of acceptance of deposits restricted herein.

Employment Contracts and Compensation Arrangements.

17. Effective immediately, the Association shall not enter into, renew, extend or revise any contractual arrangement relating to compensation or benefits for any Senior Executive Officer⁵ or director of the Association, unless it first provides the OTS with not less than thirty (30) days prior written notice of the proposed transaction. The notice to the OTS shall include a copy of the proposed employment contract or compensation arrangement or a detailed, written description of the compensation arrangement to be offered to such officer or director, including all benefits and perquisites. The Board shall ensure that any contract, agreement or arrangement

⁵ The term Senior Executive Officer is defined at 12 C.F.R. § 563.555.

submitted to the OTS fully complies with the requirements of 12 C.F.R. Part 359, 12 C.F.R. §§ 563.39 and 563.161(b), and 12 C.F.R. Part 570 – Appendix A.

Director and Management Changes.

18. Effective immediately, the Association shall comply with the prior notification requirements for changes in directors and Senior Executive Officers set forth in 12 C.F.R. Part 563, Subpart H.

Severance and Indemnification Payments.

19. Effective immediately, the Association shall not make any golden parachute payment⁶ or prohibited indemnification payment⁷ unless, with respect to each such payment, the Association has complied with the requirements of 12 C.F.R. Part 359 and, as to indemnification payments, 12 C.F.R. § 545.121.

Effective Date.

20. This Agreement is effective on the Effective Date as shown on the first page.

Duration.

21. This Agreement shall remain in effect until terminated, modified or suspended, by written notice of such action by the OTS, acting by and through its authorized representatives.

Time Calculations.

22. Calculation of time limitations for compliance with the terms of this Agreement run from the Effective Date and shall be based on calendar days, unless otherwise noted.

23. The Regional Director may extend any of the deadlines set forth in the provisions of this Agreement upon written request by the Association that includes reasons in support for any extension. Any OTS extension shall be made in writing.

⁶ The term “golden parachute payment” is defined at 12 C.F.R. § 359.1(f).

⁷ The term “prohibited indemnification payment” is defined at 12 C.F.R. § 359.1(l).

Submissions and Notices.

24. All submissions, including progress reports, to the OTS that are required by or contemplated by the Agreement shall be submitted within the specified timeframes.

25. Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Agreement shall be in writing and sent by first class U.S. mail (or by reputable overnight carrier, electronic facsimile transmission or hand delivery by messenger) addressed as follows:

- (a) To: OTS
Michael E. Finn, Regional Director
Office of Thrift Supervision
Harborside Financial Center Plaza Five
Suite 1600
Jersey City, New Jersey 07311

- (b) To: First Trade Union Bank
c/o Michael Butler
President and Chief Executive Officer
One Harbor Street, Suite 201
Boston, Massachusetts 02210

No Violations Authorized.

26. Nothing in this Agreement shall be construed as allowing the Association, its Board, officers or employees to violate any law, rule, or regulation.

OTS Authority Not Affected.

27. Nothing in this Agreement shall inhibit, estop, bar or otherwise prevent the OTS from taking any other action affecting the Association if at any time the OTS deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by law.

Other Governmental Actions Not Affected.

28. The Association acknowledges and agrees that its execution of the Agreement is solely

for the purpose of resolving the matters addressed herein, consistent with Paragraph 27 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Association that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

Miscellaneous.

29. The laws of the United States of America shall govern the construction and validity of this Agreement.

30. If any provision of this Agreement is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise.

31. All references to the OTS in this Agreement shall also mean any of the OTS's predecessors, successors, and assigns.

32. The section and paragraph headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

33. The terms of this Agreement represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters.

Enforceability of Agreement.

34. This Agreement is a "written agreement" entered into with an agency within the meaning and for the purposes of 12 U.S.C. § 1818.

WHEREFORE, the OTS, acting by and through its Regional Director, and the Board of the Association, hereby execute this Agreement.

First Trade Union Bank
Boston, Massachusetts

OFFICE OF THRIFT SUPERVISION

By: _____/s/_____
Michael E. Finn
Regional Director, Northeast Region

Date: See Effective Date on page 1

By:

_____/s/_____
Michael A. Butler, Director

_____/s/_____
William H. Mausert, Director

_____/s/_____
Thomas W. Burke, Director

_____/s/_____
Albert Peciario, Director

_____/s/_____
Robert F. Carlino, Director

_____/s/_____
Thomas F. Roberts, III, Director

_____/s/_____
Harry R. Dow, IV, Director

_____/s/_____
Dale Stuhmiller, Director

_____/s/_____
Georgina MacDonald, Director

_____/s/_____
Raymond H. Weaving, Director