

AGREEMENT BY AND BETWEEN
First National Bank of Litchfield
Litchfield, Connecticut
and
The Comptroller of the Currency

First National Bank of Litchfield, Litchfield, Connecticut (“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.

The Comptroller, through his National Bank Examiner, has examined the Bank, and his findings are contained in the Report of Examination (“ROE”) for the examination that commenced on February 23,2009.

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors (“Board”), and the Comptroller, through his authorized representative, that the Bank shall operate at all times 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 the:

Assistant Deputy Comptroller
New York Metro - South
340 Madison Avenue, 4th Floor
New York, NY 10173-0002

ARTICLE II

COMPLIANCE COMMITTEE

(1) Within thirty (30) days of the date of this Agreement, the Board shall appoint a Compliance Committee of at least three (3) directors, of which no more than one (1) shall be an employee of the Bank or any of its affiliates (as the term “affiliate” is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. Upon appointment, the names of the members of the Compliance Committee and, in the event of a change of the membership, the name of any new member 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

STRATEGIC PLAN

(1) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written strategic plan for the Bank, including its operating subsidiaries, covering at least a three-year period. The strategic plan shall include:

(a) key business lines including products and services. Plans for existing products/services should be outlined (growth, percent of balance sheet, modifications) as well as material new products and services under consideration (significance to profitability, balance sheet, etc.);

(b) a staffing plan including projected staffing levels of general staff, and lending staff in particular, as well as senior management team commensurate with the size and risk profile of the institution. Reevaluation of your staffing levels and the competency & organization of your management team should be performed on an annual basis;

(c) risk management infrastructure;

- (d) plans regarding mergers and/or acquisitions;
- (e) a profit plan that identifies the major areas in and means by which the board will seek to improve the Bank's operating performance;
- (f) realistic and comprehensive budgets, including projected balance sheets and year-end income statements;
- (g) a budget review process to monitor both the Bank's income and expenses, and to compare actual figures with budgetary;
- (h) a formal management succession plan for senior officer positions; and
- (i) the strategic plan needs to be reevaluated and approved by the board on an annual basis and/or if a significant event takes place.

(2) Upon adoption, a copy of the plan shall be forwarded to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall implement and adhere to the strategic plan. Copies of any reviews and updates shall be submitted to the Assistant Deputy Comptroller.

(3) 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.

ARTICLE IV

BOARD TO ENSURE COMPETENT MANAGEMENT

(1) Within sixty (60) days, the Board shall review the capabilities of the Bank's management to perform present and anticipated duties and to 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. Within those sixty (60) days, the Board shall determine whether management changes will be made, including the need for additions to or deletions from current management or their staffs.

(2) 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 shall, within thirty (30) days of completing the review required by paragraph 1, develop and implement a written program, with specific time frames, 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.

(3) If a position mentioned in Paragraph (1) of this Article is vacant now or in the future, including if the Board realigns an existing officer's responsibilities and a position mentioned in Paragraph (1) of this Article becomes vacant, the Board shall within sixty (60) 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.

ARTICLE V

CAPITAL PLAN

(1) Within ninety (90) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a three-year capital program. The program shall include:

- (a) specific plans for the maintenance of adequate capital pursuant to the requirements under Part 3 and to remain well-capitalized pursuant to Part 6;
- (b) projections for growth and capital requirements based upon a detailed analysis of the Bank's assets, liabilities, earnings, fixed assets, and off- balance sheet activities;
- (c) projections of the sources and timing of additional capital to meet the Bank's current and future needs;
- (d) the primary source(s) from which the Bank will strengthen its capital structure to meet the Bank's needs;
- (e) contingency plans that identify alternative methods should the primary source(s) under (d) above not be available; and
- (f) a dividend policy that permits the declaration of a dividend only:
 - (i) when the Bank is in compliance with its approved capital program;
 - (ii) when the Bank is in compliance with 12 U.S.C. §§ 56 and 60; and

(iii) with the prior written determination of no supervisory objection by the Assistant Deputy Comptroller.

(2) Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall implement and adhere to the capital program. The Board shall review and update the Bank's capital program on an annual basis or more frequently if necessary. Copies of the reviews and updates shall be submitted to the Assistant Deputy Comptroller.

ARTICLE VI

BROKERED DEPOSITS

(1) Effective immediately, brokered deposits shall not exceed five percent (5%) of average assets. The foregoing restriction shall not apply to the following: retail CDARS deposits (i.e., deposits accepted from Bank customers for placement in the CDARS diversified bank deposit program); or wholesale CDARS deposits (i.e., the Bank's participation in the CDARS program as an issuer of deposits to customers of other banks in the CDARS program) not to exceed ten percent (10%) of total deposits.

(2) "Brokered deposit" shall otherwise have the meaning set forth in 12 C.F.R. § 337.6(a)(2). The limitations of paragraph (1) and (2) shall include the acquisition of brokered deposits through any transfer, purchase, or sale of assets, including Federal funds transactions, but does not include brokered deposits funding mortgage banking assets held for sale.

(3) If the Bank seeks to acquire brokered deposits exceeding the limitation in paragraphs (1) and (2), the Board shall apply to the Assistant Deputy Comptroller for written permission. Such application shall contain, at a minimum, the following:

(a) the dollar volume, maturities, and cost of the brokered deposits to be acquired;

(b) the proposed use of the brokered deposits, e.g., short-term liquidity or restructuring of liabilities to reduce cost;

(c) alternative funding sources available to the Bank;

(d) the reasons why the Bank believes that the acceptance of the brokered deposits does not constitute an unsafe and unsound practice in its particular circumstances;

(4) The Assistant Deputy Comptroller may require the submission of such additional information as necessary to make an informed decision. Upon consideration of the Bank's application, the Assistant Deputy Comptroller will determine whether the proposed acquisition of broke red deposits may be accomplished in a safe and sound manner and may condition the Bank's acquisition as the Assistant Deputy Comptroller shall deem appropriate.

(5) Nothing in this article shall relieve the Bank of its obligation under 12 U.S.C. § 1831f to seek necessary approvals from the Federal Deposit Insurance Corporation before accepting Brokered Deposits and to comply with all the requirements of 12 U.S.C. § 1831f.

ARTICLE VII

CREDIT RISK MANAGEMENT

(1) Within ninety (90) days, the Board shall develop and ensure adherence to an effective credit risk management program that covers the bank's loan and leasing portfolios. This program shall be designed in light of the comments for expectations of bank credit risk rating systems, risk rating process controls, and credit risk evaluation process found in the "Rating

Credit Risk” booklet of the Comptroller’s Handbook. The program shall include, but not be limited to:

(a) establishment of prudent concentration risk limits that reflect the Board’s risk tolerance and assess whether concentrations are reasonable or excessive;

(b) procedures to strengthen the risk rating process and ensure accuracy & timeliness of ratings that address:

(i) ratings changes when risk changes; and

(ii) split ratings are effectively used.

(c) establishment of a risk rating review process, conducted at least quarterly and prior to the filing of the Call Report, to ensure the accuracy of ratings;

(d) review of and amendment to credit policies to outline:

(i) when re-appraisals are needed; and

(ii) clear criteria for re-appraisals of impaired loans identified under

FAS 114.

(e) procedures to strengthen management of the loan portfolio including:

(i) periodic monitoring and interim financial analysis of credits;

(ii) documentation of periodic monitoring and interim financial

analysis of credits;

(iii) establishment of monitoring procedures specific to watch rated

credits and the inherent risk of those credits;

(iv) establishment of a process for updating financial information; and

(v) appropriate distribution of loan officer workload to ensure adequate monitoring of classified loans.

(f) procedures to ensure the strengthening of the financial analysis on both existing and new customers subject to annual reviews including:

(i) preparing global cash flow analysis of borrowers and guarantors as well as assessing their contingent liabilities.

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

(3) At least quarterly, the Board shall prepare a written assessment of the bank's credit risk, which shall evaluate the Bank's progress under the aforementioned program. The Board shall submit a copy of this assessment to the Assistant Deputy Comptroller. The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE VIII

CRITICIZED ASSETS

(1) The Bank shall take immediate and continuing action to protect its interest in those assets criticized in the ROE, in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination.

(2) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written program designed to eliminate the basis of criticism of assets, including leases, criticized in the ROE, in any subsequent Report of Examination, or by any

internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination as “doubtful,” “substandard,” or “special mention.” This program shall include, at a minimum:

- (a) an identification of the expected sources of repayment;
- (b) the appraised value of supporting collateral and the position of the Bank’s lien on such collateral where applicable;
- (c) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations; and
- (d) the proposed action to eliminate the basis of criticism and the timeframe for its accomplishment.

(3) Upon adoption, a copy of the program for all criticized assets equal to or exceeding seven hundred fifty thousand dollars (\$750,000) shall be forwarded to the Assistant Deputy Comptroller.

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

(5) The Board, or a designated committee, shall conduct a review, on at least a monthly basis, to determine:

- (a) the status of each criticized asset or criticized portion thereof that equals or exceeds seven hundred fifty thousand dollars (\$750,000);
- (b) management’s adherence to the program adopted pursuant to this Article;
- (c) the status and effectiveness, of the written program; and

(d) the need to revise the program or take alternative action.

(6) A copy of each review shall be forwarded to the Assistant Deputy Comptroller on a monthly basis (in a format similar to Appendix A, attached hereto).

(7) The Bank may extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination and whose aggregate loans or other extensions exceed seven hundred fifty thousand dollars (\$750,000) only if each of the following conditions is met:

(a) the Board or designated committee finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, extending or capitalizing any additional credit, a majority of the full Board (or designated committee) approves the credit extension and records in writing why such extension is necessary to promote the best interests of the Bank; and

(b) a comparison to the written program adopted pursuant to this Article shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

(8) A copy of the approval of the Board or of the designated committee shall be maintained in the file of the affected borrower.

ARTICLE IX

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within sixty (60) days, the Board shall review the adequacy of the Bank's Allowance for Loan and Lease Losses ("Allowance") and shall establish a program for the maintenance of an adequate Allowance. This review and program shall be designed in light of the comments on maintaining a proper Allowance that complies with OCC Bulletin 2006-47, Interagency Policy Statement on the Allowance for Loan and Lease Losses, and shall focus

particular attention on the following factors:

- (a) results of the Bank's internal loan review;
- (b) results of the Bank's external loan review;
- (c) an estimate of inherent loss exposure on each significant credit;

loan loss experience;

- (d) trends of delinquent and nonaccrual loans;
- (e) concentrations of credit in the Bank;
- (f) present and prospective economic conditions;
- (g) present and prospective external factors strengthening support of FAS 114

impairment analysis for individual large classified loans to support how values were determined;

- (h) documentation of support identified in subparagraph (h);
- (i) processes to improve analysis for the qualitative and environmental

factors:

- (i) thorough description and documented support for the percentages

assigned to each factor.

- (ii) support and documentation of why percentages used for each

factor have changed over time.

(iii) further segmenting the FAS 5 loan pools for loans with similar risk characteristics (small business loans, owner vs. non-owner occupied commercial real estate loans) by indicating historic loss experience for loans in that group (or using industry data if necessary).

(1) Clarify support for the final calculation of the Allowance compared to the actual balance.

(2) The program shall provide for a review of the Allowance by the Board at least once each calendar quarter. Any deficiency in the Allowance shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions from earnings. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the Allowance.

(3) A copy of the Board's program shall be submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall implement and adhere to the program.

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

ARTICLE X

LIQUIDITY PLANNING

(1) Within sixty (60) days, the Board shall expand and document the bank's liquidity planning including the contingency funding plan (CFP). Liquidity planning shall provide for a coordinated strategy and, at a minimum, address:

(a) suitable qualitative and quantitative factors, specifically:

(i) guidelines for maintaining adequate levels of liquid assets,

(ii) guidelines for ensuring prudent maximum levels of wholesale funding, such as for reliance on Federal Home Loan Bank borrowings, brokered deposits, and other forms of borrowings.

(iii) adopting prudent limits for the loan to deposit ratio, net non-core funding dependence ratio, and core deposits to total deposits ratio.

(b) the management of unfunded commitments; and

(c) augmenting the CFP to include a more severe worst case scenario.

(2) Upon adoption, a copy of the written plan shall be forwarded to the Assistant Deputy Comptroller for review.

(3) The Board, or a committee thereof, 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.

ARTICLE XI

GROWTH RESTRICTION

Effective immediately, the Board shall ensure that the Bank's annual growth does not

exceed five percent (5%) of average assets from one fiscal year to the next, calculated using the quarterly average total assets in place as of September 30, 2009; provided that, such restriction shall not apply to funding existing lines of credit or increases in the balance of single family/owner occupied first mortgage residential loans over the balance of those loan as of September 30, 2009, but only to the extent the bank is legally obligated to fund such loans.

ARTICLE XII

CLOSING

(1) Although the Board has agreed 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/her 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, stop, bar, or otherwise prevent the Comptroller from so doing.

(3) Any time limitations 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;

follow-up on any non-compliance with such actions in a timely and appropriate manner; and

(c) 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 his hand on behalf of the Comptroller.

/s/

11/9/09

Maria Olguin
Acting Assistant Deputy Comptroller
New York Metro - South

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/

11/9/09

Patrick Boland

Date

/s/

11/9/09

John A. Brighenti

Date

/s/

11/9/09

Joseph J. Greco

Date

/s/

11/9/09

Perley H. Grimes, Jr.

Date

/s/

11/9/09

George M. Madsen

Date

/s/

11/9/09

Alan B. Magary

Date

/s/

11/9/09

Gregory S. Oneglia

Date

Patricia D. Werner

Date

/s/

11/9/09

Richard E. Pugh

Date

/s/

11/9/09

William J. Sweetman

Date

/s/

11/9/09

H. Ray Underwood

Date