

AGREEMENT BY AND BETWEEN
The Bank of Maine
Portland, Maine
and
The Comptroller of the Currency

The Bank of Maine, Portland, Maine (“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 has found unsafe and unsound banking practices and regulatory violations relating to asset quality, credit administration, management, and the Bank's compliance program.

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. § 163.555. *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).

ARTICLE II

COMPLIANCE COMMITTEE

(1) Within thirty (30) days of the date of this Agreement, the Board shall establish a Compliance Committee comprised of at least three (3) directors, of which no more than one (1) shall be an employee or controlling shareholder 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 quarterly.

(3) The Compliance Committee shall ensure that the Bank conducts periodic audits to ensure compliance with each provision of this Agreement.

(4) Within forty five (45) days of the end of each fiscal quarter after the effective date of this Agreement, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) a description of the actions needed to achieve full compliance with each Article of this Agreement;

- (b) actions taken to comply with each Article of this Agreement;
- (c) the results and status of those actions; and
- (d) the status of any audits completed and the remedial actions required by any audit evaluating compliance with this Agreement.

(5) 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

RISK REDUCTION PLAN

(1) Within sixty (60) days of the date of this Agreement, the Board must adopt and ensure that the Bank implements and adheres to a Risk Reduction Plan that addresses the high level of problem assets and is designed to restore asset quality to a satisfactory condition. The Board shall review and update the Bank's Risk Reduction Plan at least annually, and more frequently if necessary, or as required by the Assistant Deputy Comptroller in writing. The Risk Reduction Plan must:

- (a) identify quarterly targets for reductions in classified and special mention assets that are consistent with the Strategic Plan;
- (b) ensure problem loan reports are current and include actions to improve the quality of the credit or otherwise resolve the problem asset;
- (c) continue to identify prudent loan restructuring opportunities and workout efforts to improve the collectability of problem loans and reduce the risk of loss;

- (d) continue diligent and close oversight by the Special Assets Group (“SAG”) and the Bank to ensure all workout options are fully considered to improve each problem asset; and
- (e) provide the Board detailed supporting information necessary to assess the efforts associated with meeting the Risk Reduction Plan.

ARTICLE IV

STRATEGIC PLAN

(1) Within sixty (60) days of the date of this Agreement, the Board shall develop a written Strategic Plan for the Bank covering at least a three-year period. The Strategic Plan shall establish objectives for the Bank’s overall risk profile, earnings performance, liquidity, growth, balance sheet mix, off-balance sheet activities, liability structure, capital adequacy, reduction in classified and special mention assets, product line development and market segments that the Bank intends to promote or develop, together with strategies to achieve those objectives and, at a minimum, include:

- (a) plans and strategies to restructure the Bank’s operations, strengthen and improve the Bank’s earnings, and achieve positive core income and profitability;
- (b) strategies for ensuring that the Bank has the financial and personnel resources necessary to implement and adhere to the strategic plan, adequately support the Bank’s risk profile, maintain compliance with applicable regulatory capital requirements, comply with this Agreement, and maintain appropriate levels of liquidity;

- (c) quarterly pro forma financial projections (balance sheet, regulatory capital ratios, income statement, classified assets, special mention assets, and key financial ratios) and budget; and
- (d) identification of all relevant assumptions made in formulating the strategic plan and retention of documentation supporting such assumptions.

(2) Prior to adoption by the Board, a copy of the Strategic Plan shall be forwarded to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection. Revisions to the Bank's Strategic Plan shall be submitted to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection. The Board shall review and update the Bank's Strategic Plan at least annually, and more frequently if necessary, or as required by the Assistant Deputy Comptroller in writing. At the next Board meeting following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection, the Board shall adopt and the Bank, subject to Board review and ongoing monitoring, shall implement and thereafter ensure adherence to the Strategic Plan and any amendments and revisions thereto.

(3) Until the Strategic Plan, or any revisions thereto, required under this Article has been submitted by the Bank for OCC review, and the Bank has received a written determination of no supervisory objection from the OCC, and is being implemented by the Bank, the Bank shall not significantly deviate from the products, services, asset composition and size, funding sources, structure, operations, policies, procedures, and markets of the Bank that existed before this Agreement without first obtaining the OCC's prior written determination of no supervisory objection to such significant deviation. Any request to the OCC for prior written determination

of no supervisory objections to a significant deviation must be submitted to the Assistant Deputy Comptroller at least 30 days in advance of the significant deviation and shall include:

- (a) an assessment of the adequacy of the Bank's management, staffing levels, organizational structure, financial condition, capital adequacy, funding sources, management information systems, internal controls, and written policies and procedures with respect to the proposed significant deviation, and
- (b) the Bank's evaluation of its capability to identify, measure, monitor, and control the risks associated with the proposed significant deviation.

(4) For the purposes of this Article, once the Bank has received no supervisory objection to its Strategic Plan, changes that may constitute a significant deviation from the Strategic Plan include, but are not limited to, a change in the Bank's products, services, asset composition and size, funding sources, structure, operations, policies, procedures, and markets, any of which, alone or in the aggregate, may have a material impact on the Bank's operations or financial performance; or any other changes in personnel, operations, or external factors that may have a material impact on the Bank's operations or financial performance.

(5) If the OCC determines, in its sole judgment, that the Bank has failed to submit an acceptable Strategic Plan as required by paragraph (1) of this Article or has failed to implement or adhere to the Bank's specific, measurable, and verifiable objectives included in the strategic plan, for which the OCC has taken no supervisory objection pursuant to paragraph (2) of this Article, then within fifteen (15) days of receiving written notice from the OCC of such fact, the Board shall develop and shall submit to the OCC for its review and prior determination of no supervisory objection, a revised Strategic Plan.

(6) Failure to submit a timely, acceptable Strategic Plan may be deemed a violation of this Agreement, in the exercise of the OCC's sole discretion.

ARTICLE V

ENTERPRISE RISK MANAGEMENT

(1) Within sixty days (60) of the date of this Agreement and annually thereafter, the Bank shall perform an annual risk assessment of the enterprise wide risks confronting the Bank, inclusive of price risk.

(2) Prior to the Bank's involvement in any new products, activities, or services the Bank must conduct the following:

- (a) an assessment of the risks and benefits of the new product, activity, or service to the Bank;
- (b) an explanation of how the product or service is consistent with the Bank's strategic plan; and
- (c) an evaluation of the adequacy of the Bank's organizational structure, staffing, management information systems, internal controls and written policies and procedures to identify, measure, monitor, and control the risks associated with the new product, activity, or service.

(3) The Board must approve the new product, activity, or service after consideration of the Bank's assessment required by subparagraphs (a), (b), and (c) of Paragraph (2).

ARTICLE VI

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within sixty (60) days of the date of this Agreement, the Board must ensure that the Bank effectively implements and adheres to its Allowance Policy and methodology, consistent with OCC Bulletin 2006-47 Interagency Policy Statement on the Allowance for Loan and Lease Losses, that ensures the Bank:

- (a) effectively implements procedures and practices that conform to Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 310-10 to accurately identify troubled debt restructurings (“TDRs”) and properly evaluate loans for impairment;
- (b) incorporates a discounted cash flow analysis for loans deemed impaired, but not collateral dependent;
- (c) reviews all modified and impaired loans to determine if the measurement of impairment using a cash flow analysis is necessary; and
- (d) records any reserves deemed necessary based on these reviews by June 30, 2012.

(2) The Board must ensure that the Bank completes training of loan officers, workout officers, and accounting personnel involved in the identification of TDRs and the recognition and loss measurement of impaired loans by June 30, 2012.

ARTICLE VII

REAL ESTATE OWNED POLICY

(1) Within sixty (60) days of the date of this Agreement, the Board shall review, adopt, ensure that the Bank implements and thereafter adheres to a comprehensive policy to ensure that Real Estate Owned (“REO”) is managed in accordance with accounting and regulatory guidance. The policy shall address, at minimum:

- (a) proper accounting procedures for REO, including the identification of in-substance foreclosures;
- (b) procedures for properly valuing all foreclosed property at acquisition, in accordance with 12 C.F.R. § 160.172; and
- (c) procedures for reviewing existing REO carrying values to ensure the valuations are appropriate on at least a quarterly basis.

ARTICLE VIII

APPRAISAL PRACTICES

(1) The Board must ensure that the Bank effectively implements and adheres to its Appraisal Policy and ensure that the Bank's appraisal practices are consistent with 12 C.F.R. § 164.3(a). The Bank must obtain appraisals as required by the Appraisal Policy to support lending and workout decisions.

(2) Within 30 days of the date of this Agreement, the Bank must correct the regulatory violations of 12 C.F.R. §§ 164.3 and 164.4 cited in the September 26, 2011 Report of Examination (“ROE”) by ordering the necessary appraisals from a qualified, state certified appraiser.

ARTICLE IX

RESIDENTIAL UNDERWRITING STANDARDS

(1) Within 30 days of the date of this Agreement, the Board shall revise, adopt, and ensure that the Bank implements and thereafter adheres to the Bank's written residential loan underwriting policy to establish appropriate limits and standards for underwriting both loans held for portfolio and loans held for sale. The Board shall review and update the Bank's residential loan underwriting policy at least annually, and more frequently if necessary, or as required by the Assistant Deputy Comptroller in writing. The policy shall be revised to:

- (a) be consistent with safe and sound banking practices and 12 C.F.R. § 160.101 of the OCC regulations, including the Appendix thereto;
- (b) establish prudent underwriting standards including loan to value limits, debt to income ratios, and FICO scores; and
- (c) correct the deficiencies noted in the ROE.

ARTICLE X

MORTGAGE BANKING FILE REVIEW

(1) Within thirty (30) days of the date of this Agreement, the Board needs to ensure that the Bank engages a qualified service provider to perform a file review of all applications received by the Maryland Loan Production Offices (“LPOs”). The file review shall include all applications and inquiries received by the Bank through its Maryland LPOs during 2011. The review must:

- (a) determine compliance with the Real Estate Settlement Procedures Act, 12 U.S.C. §§ 2601-2617, (“RESPA”), the Equal Credit Opportunity Act

(“ECOA”), 15 U.S.C. § 1691 *et seq.*, Home Mortgage Disclosure Act, 12 U.S.C. § 2801 *et seq.* (“HMDA”), and ECOA’s implementing regulation, 12 C.F.R. Part 202 (“Regulation B”); and

(b) the review must provide a summary and loan level detail of any violations of RESPA, ECOA, and Regulation B.

(2) By June 30, 2012, the Board shall forward to the Assistant Deputy Comptroller the findings of the review required pursuant to Paragraph (1) of this Article and a written Resolution Plan for resolving any issues noted during the review completed pursuant to Paragraph (1) of this Article that minimizes the Bank’s reputation and compliance risks and protects consumer interests. Within thirty (30) days of receipt of the Assistant Deputy Comptroller’s written determination of no supervisory objection, the Board shall adopt and the Bank, subject to Board review and ongoing monitoring, shall implement and thereafter ensure adherence to the Resolution Plan.

(3) The Bank must also ensure that its Home Mortgage Disclosure Act, 12 U.S.C. § 2801 *et seq.*, (“HMDA”) filing for 2011 is accurate in regards to these applications.

ARTICLE XI

MORTGAGE BANKING ACTIVITIES

(1) The Board must ensure that the Bank ceases any expansion of mortgage banking activities until appropriate controls are in place to oversee these activities and address the concerns identified in the ROE. The Bank shall not expand its mortgage banking business products, services, activities, and markets that existed before this Agreement and may not increase its origination volume above projections in the Strategic Plan adopted by the Board

pursuant to Article IV of this Agreement without first obtaining the OCC's prior written determination of no supervisory objection.

- (2) Within sixty (60) days of the date of this Agreement, the Bank needs to:
 - (a) address all concerns noted in the ROE;
 - (b) implement a training program that ensures the education and training of all appropriate personnel in the requirements of all federal and state consumer protection laws, rules and regulations. The program must require that new employees are properly trained and that ongoing training is provided at least annually or upon significant changes to applicable laws and regulations;
 - (c) establish adequate internal controls to ensure compliance with consumer protection laws, rules, and regulations;
 - (d) establish an audit program to test for compliance with consumer protection laws, rules and regulations;
 - (e) expand quality control oversight from sampling ten percent of total residential production to include a sampling of the production from each loan production office, from each originator, and 100% sampling of each new originator for the first six months;
 - (f) incorporate mortgage banking within the internal audit and risk assessment process; and
 - (g) expand employee oversight through use of Internet monitoring.

(3) Any request to the OCC for prior written determination of no supervisory objection to expanding its mortgage banking business must be submitted to the Assistant Deputy Comptroller at least 30 days in advance and shall include:

- (a) an assessment of the adequacy of the Bank's mortgage banking management, staffing levels, organizational structure, funding sources, management information systems, internal controls, and written policies and procedures, and
- (b) the Bank's evaluation of its capability to identify, measure, monitor, and control the risks associated with its mortgage banking business.

ARTICLE XII

REVERSE MORTGAGE LENDING

(1) Within thirty (30) days of the date of this Agreement, the Board must ensure that the Bank engages a qualified service provider to perform a file review of all reverse mortgage loans to assess the program for compliance with all federal and state consumer protection laws, rules, and regulations. The review must provide:

- (a) an analysis of the applicability of, and compliance with, federal and state lending or other applicable regulations;
- (b) the enforceability of the Reverse Mortgage Deed, Note, and Reverse Mortgage Program Loan Agreement; and
- (c) a review of each individual loan detailing the original loan terms and conditions; conflicting terms and conditions within and between documents; any changes in the original loan terms, repayment and collections status, appraisal history; compliance issues; and whether there was any substantial consumer injury.

(2) By June 30, 2012, the Board shall forward to the Assistant Deputy Comptroller the findings of the review required pursuant to Paragraph (1) of this Article and a written Resolution Plan for resolving any issues noted during the review completed pursuant to Paragraph (1) that minimizes the Bank's reputation and compliance risks and protects consumer interests. Within thirty (30) days of receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection, the Board shall adopt and the Bank, subject to Board review and ongoing monitoring, shall implement and thereafter ensure adherence to the Resolution Plan.

ARTICLE XIII

BOARD TO ENSURE COMPETENT MANAGEMENT

(1) The Board shall ensure that the Bank has competent management in place on a full-time basis 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 of the date of this Agreement, 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.

(3) The Board shall ensure that the Bank has sufficient processes, management, personnel, and control systems to effectively implement and adhere to all provisions of this Agreement, and that the Bank's management and personnel have sufficient training and authority to execute their duties and responsibilities under this Agreement.

ARTICLE XIV

VIOLATIONS OF LAW

(1) The Board shall immediately take all necessary steps to ensure that Bank management corrects or, when technical correction is not feasible, addresses to the satisfaction of the Assistant Deputy Comptroller each violation of law, rule, or regulation cited in the ROE and in any subsequent Report of Examination. The quarterly progress reports required by Article I of this Agreement shall include the date and manner in which each violation has been corrected or addressed during that reporting period.

(2) Within sixty (60) days of the date of this Agreement, the Board shall adopt and ensure that the Bank implements and thereafter adheres to (i) specific procedures to prevent future violations as cited in the ROE and (ii) general procedures addressing compliance management that incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

(3) Within sixty (60) days of receipt of any subsequent Report of Examination which cites violations of law, rule, or regulation, the Board shall adopt and ensure that the Bank implements and thereafter adheres to (i) specific procedures to prevent future violations as cited in the ROE and (ii) general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

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

ARTICLE XV

CLOSING

(1) This Agreement shall cause the Bank to be designated as in “troubled condition,” as set forth in 12 C.F.R. § 163.555, unless otherwise informed in writing by the Comptroller, and the following restrictions apply:

- (a) The Bank is required to notify the OCC of the proposed addition of any individual to the board of directors or the employment of any individual as a senior executive officer at least thirty (30) days before such addition or employment becomes effective, as required by the 12 C.F.R. § 163.560 and 12 U.S.C. § 1831i.
- (b) The Bank is restricted from making any “golden parachute payment” (including severance payments and agreements relating thereto), within the meaning and subject to the restrictions of 12 U.S.C. § 1828(k) and 12 C.F.R. Part 359, except as may be permitted under the above-mentioned statute and regulation.
- (c) The Bank will not qualify for expedited treatment for applications and notices filed with the OCC. *See* 12 C.F.R. § 116.5.

(2) 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:

Michael P. Moriarty, Assistant Deputy Comptroller
New England Field Office
99 Summer Street, Suite 1400
Boston, MA 02110-1213

(3) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for the review or prior written determination of no supervisory

objection, the Board has the ultimate responsibility for proper and sound management of the Bank.

(4) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon it 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.

(5) 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.

(6) 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.

(7) Reference in this Agreement to provisions of statutes, regulations and other published regulatory guidance shall be deemed to include references to all amendments to such provisions as have been made as of the date hereof and references to successor provisions as they become applicable.

(8) 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.

(9) 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/ Michael P. Moriarty
Michael P. Moriarty
Assistant Deputy Comptroller
New England Field Office

6/21/2012

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/ John W. Everts
John W. Everets

5/30/12
Date

/s/ Richard D. Fields
Richard D. Field

5/30/12
Date

/s/ Robert H. Gardiner
Robert H. Gardiner

5/30/12
Date

/s/ David J. Ott
David J. Ott

5/30/12
Date

/s/ James H. Ozanne
James H. Ozanne

6/12/12
Date

/s/ Ronald E. Roark
Ronald E. Roark

5/30/12
Date

/s/ Carl Soderberg
Carl Soderberg

5/30/12
Date