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SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 9th day of September, 1991, by and between Westerly Savings Bank, Westerly, Rhode Island (OTS No. 05943) ("Westerly" or the "Institution") for itself and the Office of Thrift Supervision ("OTS") through the Regional Deputy Director for the Boston District Office ("Regional Deputy Director"). This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Institution. It is understood and agreed that this Agreement is a "written agreement" entered into with the OTS within the meaning of 12 U.S.C. 1818(b)(1) and (i)(2).

WHEREAS, as evidenced by the Thrift Financial Report dated December 31, 1990, Westerly failed its risk based capital requirement set forth at 12 C.F.R. 567.2(a)(1) and (b); and

WHEREAS, Westerly did not file a Capital Plan with the OTS within 60 days of failing one of the three capital requirements as required by Section 5(t)(6)(A)(ii) of the Home Owners' Loan Act ("HOLA"), 12 U.S.C. 1464(t)(6)(A)(ii), as interpreted and clarified by OTS Thrift Bulletin 36a, thus providing the grounds for formal enforcement proceedings against the Institution, including, but not limited to, cease-and-desist proceedings pursuant to Section 8(b) of the Federal Deposit Insurance Act, 12

U.S.C. 1818(b); and

WHEREAS, Westerly filed a capital plan twelve days later than required by Section 5(t)(6)(A)(ii) of the HOLA; and

WHEREAS, Westerly has reported compliance with all three capital requirements in its March 31, 1991 and June 30, 1991 Thrift Financial Reports; and

WHEREAS, the OTS is willing to forbear from the initiation of cease-and-desist proceedings against the Institution on the subject covered by this Agreement for so long as the Institution is in compliance with the provisions of this Agreement; and

WHEREAS, the Institution, in the interest of regulatory compliance and cooperation, is willing to enter into this Agreement to avoid the initiation of such cease and desist proceedings:

NOW, THEREFORE, in consideration of the above forbearance by the OTS from initiation of such cease-and-desist proceedings against the Institution, it is agreed among the parties hereto that Westerly shall, within sixty days of any date at which the Institution fails any of the capital requirements (tangible, core or risk based) set forth in Section 5(s) and (t) of the HOLA and 12 C.F.R. Part 567, as now or hereafter in effect, file with the Regional Deputy Director a capital plan as required by 12 C.F.R.

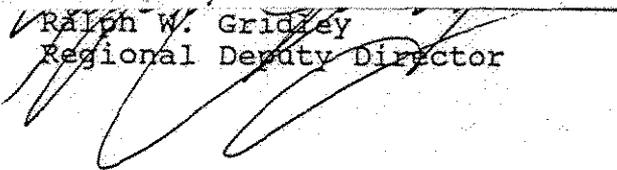
1464(t)(6)(A)(ii) as interpreted and clarified by OTS Thrift
Bulletin 36a. Such plan shall conform to the guidelines set
forth in Thrift Bulletin 36a.

IN WITNESS WHEREOF, the parties have executed this
Agreement.

WESTERLY SAVINGS BANK
Westerly, Rhode Island
By: Its Board of Directors

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DEPARTMENT OF THE TREASURY
OFFICE OF THRIFT SUPERVISION

By: *151*

Ralph W. Gridley
Regional Deputy Director