

## AMENDED SUPERVISORY AGREEMENT

This Amended Supervisory Agreement (Amended Agreement) is entered into and made effective this 5<sup>th</sup> day of May, 2011 (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), a bureau of the United States Department of the Treasury, 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**, OTS entered into a Supervisory Agreement with the Association, effective January 7, 2010 (2010 Supervisory Agreement); and

**WHEREAS**, OTS is of the opinion that the Association continues to operate with insufficient capital levels, and elevated levels of criticized assets<sup>1</sup> and Higher Risk Loans<sup>2</sup>; and

**WHEREAS**, the Association, by and through its Board of Directors (Board) desires to cooperate with the OTS and to demonstrate its commitment to the continued development of appropriate financial policies and practices;

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<sup>1</sup> 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.

<sup>2</sup> 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.

**WHEREAS**, in furtherance of their common goal to ensure that the Association addresses the unsafe or unsound practices identified by the OTS in the October 12, 2010 Report of Examination (2010 ROE), the Association and the OTS have mutually agreed to enter into this Amended Agreement; and

**WHEREAS**, on May 4, 2011, the Association's Board, at a duly constituted meeting adopted a resolution (Board Resolution) that authorizes the Association to enter into this Amended Agreement and directs compliance by the Association and its directors, officers, employees, and other institution-affiliated parties with each and every provision of this Amended Agreement.

**NOW THEREFORE**, in consideration of the above premises and the mutual undertakings set forth herein, it is agreed as follows:

**Amendment of Existing 2010 Supervisory Agreement.**

1. This Amended Agreement amends the 2010 Supervisory Agreement, which remains in full force and effect. The 2010 Supervisory Agreement is hereby amended by replacement of existing Paragraphs 1, 2, 3, 4, 5, and 6 with the following Paragraphs 1, 2, 3, 4, 5, and 6:

**Business Plan.**

1. *Within thirty (30) days, the Association shall submit for Regional Director review and comment, a revised comprehensive written three (3) year Business Plan, for the time period of January 1, 2011 through December 31, 2013, that incorporates both a revised Capital Augmentation Plan, as described in Paragraph 3, and a revised Risk Reduction Plan, as described in Paragraph 5, with detailed quarterly pro forma financial statements over the term of the revised 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. *Within thirty (30) days, the Association shall revise its Capital Augmentation Plan for the time period of January 1, 2011 through December 31, 2013. The revised 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 revised Capital Augmentation Plan shall:*

*(a) consider the requirements and restrictions imposed by this Amended 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 2010 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 revised 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 Amended Agreement (Capital Notice) and begin execution of the alternative strategy. If the alternative strategy set forth in the revised 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 revised detailed written plan with specific strategies and timeframes to: (a) reduce both the Classified Assets to Capital Ratio<sup>3</sup> and Criticized-Assets-to-Capital Ratio<sup>4</sup> (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) to at or below four hundred percent (400%);*
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 revised Risk Reduction Plan.*

**Effective Date.**

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

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<sup>3</sup> 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).

<sup>4</sup> 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.

**Duration.**

3. This Amended 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.**

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

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

**Submissions and Notices.**

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

7. Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Amended 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

8. Following the Transfer Date,<sup>5</sup> all submissions, requests, communications, consents or other documents relating to this Order by the Association shall be directed to the Comptroller of the Currency, or to the individual, division, or office designated by the Comptroller of the Currency.

**No Violations Authorized.**

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

**OTS Authority Not Affected.**

10. Nothing in this Amended 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.**

11. The Association acknowledges and agrees that its execution of the Amended Agreement is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 10 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.

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<sup>5</sup> See Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. Law No. 111-203, § 311, 124 Stat. 1520 – 21 (2010).

**Miscellaneous.**

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

13. If any provision of this Amended 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.

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

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

16. The terms of this Amended 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 Amended Agreement.**

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

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**WHEREFORE**, the OTS, acting by and through its Regional Director, and the Board of the Association, hereby execute this Amended 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/\_\_\_\_\_  
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

\_\_\_\_\_/s/\_\_\_\_\_  
William H. Mausert, Director