

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

Written Agreement by and among

BUTLER BANCORP, MHC
Lowell, Massachusetts

BUTLER BANCORP, INC.
Lowell, Massachusetts

and

FEDERAL RESERVE BANK OF
BOSTON
Boston, Massachusetts

Docket No. 09-132-WA/RB-HC

WHEREAS, Butler Bancorp, MHC and Butler Bancorp, Inc. (collectively, the “Companies”), each of Lowell, Massachusetts, registered bank holding companies, own and control Butler Bank, a Cooperative Bank, Lowell, Massachusetts (the “Bank”), a state chartered nonmember bank, and a nonbank subsidiary;

WHEREAS, it is the common goal of the Companies and the Federal Reserve Bank of Boston (the “Reserve Bank”) to maintain the financial soundness of the Companies so that the Companies may serve as a source of strength to the Bank;

WHEREAS, the Companies and the Reserve Bank have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on October 20, 2009, the board of directors of the Companies, at a duly constituted meeting, adopted a resolution authorizing and directing Janet Bruno to enter into this

Agreement on behalf of the Companies, and consenting to compliance with each and every provision of this Agreement by the Companies and their institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. §§ 1813(u) and 1818(b)(3)).

NOW, THEREFORE, the Companies and the Reserve Bank agree as follows:

Dividends and Distributions

1. (a) The Companies shall not declare or pay any dividends without the prior written approval of the Reserve Bank and the Director of the Division of Banking Supervision and Regulation (the “Director”) of the Board of Governors of the Federal Reserve System (the “Board of Governors”).

(b) The Companies shall not directly or indirectly take dividends or any other form of payment representing a reduction in capital from the Bank without the prior written approval of the Reserve Bank.

(c) The Companies and their nonbank subsidiary shall not make any distributions of interest, principal, or other sums on subordinated debentures or trust preferred securities without the prior written approval of the Reserve Bank and the Director.

(d) All requests for prior approval shall be received by the Reserve Bank at least 30 days prior to the proposed dividend declaration date, proposed distribution on subordinated debentures, and required notice of deferral on trust preferred securities. All requests shall contain, at a minimum, current and projected information on the Companies’ capital, earnings, and cash flow; the Bank’s capital, asset quality, earnings, and allowance for loan and lease losses; and identification of the sources of funds for the proposed payment or distribution. For requests to declare or pay dividends, the Companies must also demonstrate that

the requested declaration or payment of dividends is consistent with the Board of Governors' Policy Statement on the Payment of Cash Dividends by State Member Banks and Bank Holding Companies, dated November 14, 1985 (Federal Reserve Regulatory Service, 4-877 at page 4-323).

Debt and Stock Redemption

2. (a) The Companies and any nonbank subsidiary shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank. All requests for prior written approval shall contain, but not be limited to, a statement regarding the purpose of the debt, the terms of the debt, and the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

(b) The Companies shall not, directly or indirectly, purchase or redeem any shares of their stock without the prior written approval of the Reserve Bank.

Compliance with Laws and Regulations

3. (a) In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, the Companies shall comply with the notice provisions of section 32 of the FDI Act (12 U.S.C. § 1831i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*).

(b) The Companies shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the Federal Deposit Insurance Corporation's regulations (12 C.F.R. Part 359).

Progress Reports

4. Within 30 days after the end of each calendar quarter following the date of this Agreement, the board of directors shall submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with the provisions of this Agreement and the results thereof, and a parent company only balance sheet, income statement, and, as applicable, a report of changes in stockholders' equity.

Communications

5. All communications regarding this Agreement shall be sent to:

(a) Mr. Robert Augusta, Jr.
Vice President
Supervision, Regulation & Credit Department
Federal Reserve Bank of Boston
600 Atlantic Avenue, Floor H-3
Boston, Massachusetts 02210

(b) Ms. Janet Bruno
President and Chief Executive Officer
Butler Bancorp, MHC
Butler Bancorp, Inc.
10 George Street
Lowell, Massachusetts 01852

Miscellaneous

6. Notwithstanding any provision of this Agreement, the Reserve Bank may, in its sole discretion, grant written extensions of time to the Companies to comply with any provision of this Agreement.

7. The provisions of this Agreement shall be binding upon the Companies and their institution-affiliated parties, in their capacities as such, and their successors and assigns.

8. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank.

9. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, or any other federal or state agency from taking any other action affecting the Companies, the Bank, any nonbank subsidiary of the Companies, or any of their current or former institution-affiliated parties and their successors and assigns.

10. Pursuant to section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under section 8 of the FDI Act (12 U.S.C. § 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 20th day of October, 2009.

BUTLER BANCORP, MHC

FEDERAL RESERVE BANK OF BOSTON

By: /s/ Janet M. Bruno
Janet Bruno
President and Chief Executive Officer

By: /s/ Robert Augusta, Jr.
Robert Augusta, Jr.
Vice President

BUTLER BANCORP, INC.

By: /s/ Janet M. Bruno
Janet Bruno
President and Chief Executive Officer