

## SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 1st day of November, 1991, by and between The Boston Five Cents Savings Bank, FSB, Boston, Massachusetts (OTS No. 07913) ("The Boston Five" or the "Institution") through its Board of Directors ("Board"), 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 OTS Report of Examination ("ROE") dated March 18, 1991, the OTS is of the opinion that the Institution has not complied with certain rules and regulations to which the Institution is subject, thereby providing grounds for the initiation of a cease and desist proceeding against the Institution; and

WHEREAS, the OTS is willing to forbear from the initiation of such 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, without admitting that grounds exist for the initiation of such proceedings but 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 cease and desist proceedings against the Institution, it is agreed among the parties hereto as follows:

1. Within sixty (60) days from the effective date of this Agreement, the Institution shall adopt and submit to the Regional Deputy Director for review, a three-year business plan ("Business Plan"). The Business Plan shall include, at a minimum:

- a. a mission statement of the basic business, scope, activities, and purpose of the Institution;
- b. goals that the Institution desires to achieve;
- c. objectives providing specific quantitative measures consistent with each goal;
- d. strategies regarding the courses of action the Institution will take to achieve its goals;
- e. capital projections and capital enhancement strategies to ensure continuing compliance with minimum capital standards with a goal toward increasing core capital to at least 5% of assets.
- f. annual proforma financial statements and budgets that reflect the anticipated position of the Institution after considering the impact of its goals, objectives, and strategies on its existing position.

2. Within sixty (60) days from the effective date of this Agreement, the Board shall develop and submit to the Regional

Deputy Director for review, workout plans for reducing each loan and real estate asset in excess of \$2 million classified "Substandard," "Doubtful," or "Special Mention" in the ROE ("Workout Plans"). As used in the Agreement, the word "reduce" means (a) to collect, (b) to charge off, or (c) to improve the quality of assets criticized sufficiently to warrant the removal of the adverse classification or criticism. Each such Workout Plan shall detail the steps to be taken to rehabilitate the loan/property and estimate the period of time within which correction is expected to be accomplished. In addition, each Workout Plan for each service corporation joint venture shall detail anticipated future development, marketing efforts and timing of sales activity. Progress reports shall be submitted to the Regional Deputy Director every ninety (90) days after submission of the original Workout Plans, which identify for each such loan or property, the name of the obligor/property; the balance as of the examination date; the balance as of the reporting date; status of the reductions versus the plan and; any other comments deemed appropriate.

3. The Institution shall not make any capital distributions (payment of dividends) without prior written approval from the Regional Deputy Director or his designee.

4. The Institution and/or its subsidiaries shall not enter into any new real estate development ventures. Furthermore, the Institution shall make every effort to disengage from, or dispose of, any existing ventures as soon as practical.

5. Within sixty (60) days from the effective date of this Agreement, the Board shall develop and submit to the Regional

Deputy Director for review, a detailed plan for the reduction of asset concentrations listed on Appendix page A-15 of the ROE. Such plan shall include, at a minimum, the balance of each separate asset as of the examination date, the balance as of the date of the plan, current status of the asset and a summary of steps either taken/to be taken to alleviate the concentration.

6. Within sixty (60) days from the effective date of this Agreement, the Board shall develop and submit to the Regional Deputy Director for review, a written asset diversification policy ("Diversification Policy"). The Diversification Policy shall include, at a minimum:

- a. quantified goals and objectives wherein the composition of the asset portfolio mix and limits in dollar amount or percentage of assets are established for each asset category;
- b. limitations of all asset types;
- c. strategies to be utilized to achieve objectives and control credit risk;
- d. procedures to be employed to monitor economic and financial conditions in the Institution's lending areas;
- e. procedures to be followed when conditions warrant a change in strategies;
- f. names of individuals and/or committees who are authorized to determine the mix of assets; and
- g. descriptions of reports to be utilized by management and the Board to monitor the portfolio and evaluate the risks associated with any concentrations and

identify those that should be limited or avoided.

The Board shall approve the Diversification Policy, and such approval shall be recorded in the minutes of the Board.

Subsequent material modifications to the policy shall require notification to the Regional Deputy Director. No modification shall become effective until approved by the Executive Committee and ratified by the Board at its next meeting. Such approval/ratification shall be recorded in the Board/Executive Committee minutes. The Institution, its directors and officers shall follow the Diversification Policy and/or any subsequent modifications thereto.

7. The Institution shall immediately charge off or establish specific reserves for all assets classified "loss" in the ROE, and shall increase its general loss reserve by \$2 million.

8. The Board shall review its general loss reserve adequacy on at least a quarterly basis. Such reviews shall include equity investments in joint ventures. Adjustments to the reserve shall be made within fifteen (15) days following each such quarterly review. Such reviews and supporting analysis for the adequacy of the general loss reserve shall be documented within the Board minutes of the meeting at which they are considered.

9. The Institution shall conduct a review of all disbursements made on the "Granite Hill I and II" projects to identify and reconcile their ultimate uses. A written report of the findings of the review and/or copies of the findings of the auditors currently reviewing the joint venture records, shall be provided to the Regional Deputy Director within ten (10) days following receipt from its auditors.

10. The Institution shall maintain detailed documentation for absorption periods and/or salesprices employed in internally prepared net realizable value ("NRV") calculations and shall revise these key NRV assumptions at least quarterly. In addition, the net realizable value calculations for the Bigelow, BHP and Harbor Point investments shall include a review of the recognition of tax credits in relation to the Institution's earnings performance and current tax status on at least a semiannual basis.

11. The Institution shall not extend or renew directly, or with knowledge, indirectly, any additional credit to any borrower whose commercial real estate and/or non-real estate loans have been classified or listed for special mention in the ROE without the prior approval of the Executive Committee or the Directors' Loan Committee. Such approval shall include approval of each advance individually or of a project budget with which each advance is consistent. The Board shall ratify all approvals, and such approval shall be recorded in the Board minutes.

12. Within sixty (60) days from the effective date of this Agreement, the Board shall develop and submit to the Regional Deputy Director for review, a revised asset classification policy (the "Classification Policy"), which shall include, at a minimum:

- a. asset classification definitions consistent with 12 C.F.R. 563.160 and 571.26;
- b. asset classification processes and reporting procedures that include all assets of the Institution, including equity investments and securities; and
- c. a provision to establish greater independence for the

internal loan review function by having this department report directly to a committee of the Board, the majority of the members of which shall not be officers or employees of the Institution. In addition, the policy shall provide for a review of this process by the internal audit department.

13. The Board shall approve the Classification Policy, and such approval shall be recorded in the Board minutes. The Institution, its directors, officers and employees shall implement and follow the Classification Policy and/or any subsequent modification(s) thereto.

14. Within thirty (30) days from the effective date of this Agreement, the Institution shall develop and submit to the Regional Deputy Director a written analysis and assessment of Directors Brenton's and Pierce's ability to continue to fulfill their fiduciary capacities as members of the Board in light of their high number of absences from regular meetings.

15. Within sixty (60) days from the effective date of this Agreement, the Board shall adopt a revised interest rate risk management policy (the "Interest Rate Risk Policy") that meets the requirements of 12 C.F.R. 563.176 as interpreted and clarified by the OTS policy statement on interest rate risk, 12 C.F.R. 571.3 and OTS Thrift Bulletin No. 13. Such policy shall require an update of loan prepayment estimates at least on a quarterly basis. The Board shall approve the Interest Rate Risk Policy, and such approval shall be recorded in the Board minutes. The Institution, its directors, officers, and employees shall implement and follow the Interest Rate Risk Policy and/or

subsequent modification thereto.

16. The Institution shall ensure that each Thrift Financial Report filed with OTS has been accurately prepared, and shall require the Institution's internal audit department to perform an annual audit of the regulatory reporting function.

17. Within thirty (30) days after the Institution's Board meeting immediately following the end of each fiscal quarter, the Board shall submit to the Regional Deputy Director a resolution signed by each director, certifying that to the best of his or her knowledge and belief, and based upon a prudent review, during the previous quarter, the Institution is complying in all material respects with each condition of this Agreement. This resolution shall set forth any exceptions to any conditions of this Agreement especially those that may have been approved by the Regional Deputy Director.

18. References in this Agreement to provisions of statutes and regulations shall be deemed include references to all successor provisions of such statutes and regulations as they become applicable.

19. A copy of all documentation or reports required under the terms of this Agreement to be submitted to the Regional Deputy Director shall also be provided to the Regional Director of the Federal Deposit Insurance Corporation.

IN WITNESS WHEREOF, the parties have executed this Agreement.

THE BOSTON FIVE CENTS SAVINGS BANK, FSB  
Boston, Massachusetts  
By: Its Board of Directors

15/  
George R. Baldwin  
15/  
Peter J. Blampied  
15/  
Shepard Brown  
15/  
Harrison A. Fitch  
15/  
John B. Furman MORRIS GORDON II  
15/  
Morris Gordon II JOHN FURMAN  
15/  
John F. Howe  
15/  
Ernest E. Monrad  
15/  
Murray R. Reiser  
15/  
William R. Thompson

15/  
S. Maxwell Beal, Jr.  
Absent  
Frank M. Brenton  
15/  
Webster A. Collins ALLAN W. FOLKERS  
15/  
Allan W. Folkers WEBSTER A. COLLINS  
15/  
Arthur L. Goldstein  
15/  
Katharine H. Hanson  
15/  
William F. McCall, Jr.  
15/  
Rudolph F. Pierce  
15/  
Richard J. Testa  
15/  
Lawrence L. Wing

DEPARTMENT OF THE TREASURY  
OFFICE OF THRIFT SUPERVISION

By: 15/  
Ralph W. Gridley  
Regional Deputy Director

Concur:

FEDERAL DEPOSIT INSURANCE CORPORATION

By: 15/  
Paul H. Wiechman  
Regional Director