

95008

SUPPLEMENTAL SUPERVISORY AGREEMENT

This Supplemental Supervisory Agreement ("Supplemental Agreement") is made and effective this 16th day of ^{April} March, 1992 (the "Effective Date") by and between Greater Boston Bank, A Co-operative Bank (OTS No. 04204) (The "Institution"), through its Board of Directors ("Board") for itself and any wholly-owned or partly-owned subsidiary, and the Office of Thrift Supervision ("OTS"), through the Regional Deputy Director for the Boston area Office ("Regional Deputy Director"). This Supplemental Agreement is a supplement to the outstanding Supervisory Agreement between the Institution and the OTS, dated February 21, 1991. This Supplemental 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 Supplemental Agreement is a "written agreement" entered into with the OTS within the meaning of Section 8(b)(1) and (i)(2) of the Federal Deposit Insurance Act, 12 U.S.C. 1818(b)(1) and (i)(2).

WHEREAS, as evidenced by the OTS Report of Examination, dated July 29, 1991 (the "ROE"), the OTS is of the opinion that the Institution has violated certain laws, rules and regulations to which the Institution is subject, thereby providing grounds for the initiation of cease and desist proceedings against the Institution;

WHEREAS, the OTS is willing to forebear at this time from the initiation of cease and desist proceedings against the Institution on the subjects covered by this Supplemental Agreement for so long as the Institution is in compliance with the provisions of this Supplemental Agreement; and

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

NOW THEREFORE, in consideration of the above-stated forbearance by the OTS from the initiation of cease and desist proceedings against the Institution, and without the Board admitting or denying any of the forgoing, it is agreed among the parties hereto as follows:

1. Within sixty (60) days of the Effective Date, the Board shall form a committee to review the staffing requirements of the Institution. At a minimum, the committee shall evaluate the adequacy and effectiveness of current senior management of the institution.

2. Within sixty (60) days from the Effective Date, the Board shall cause to be developed and submit to the Regional Deputy Director for his review written policies which will ensure proper accounting for troubled debt restructurings, in-substance foreclosures and real estate owned through or as a result of foreclosure, in-substance foreclosure, or deed in lieu of foreclosure ("REO"). At a minimum, these policies shall require the preparation of net realizable value and

fair value analyses, respectively, in accordance with Generally Accepted Accounting Principles ("GAAP") and the OTS Statement of Policy regarding accounting for troubled debt restructuring, 12 C.F.R. 571.18.

3. In compliance with established loan administration and monitoring policies and procedures, management shall:

(a) make all reasonable efforts to assure that borrowers/guarantors for loans other than owner-occupied residential property with outstanding indebtedness of \$250,000 or more in the aggregate, and all borrowers/guarantors whose loans are classified or subject to special mention in the ROE submit current financial information at least annually;

(b) make all reasonable efforts to assure that current operating statements, rent rolls and lease agreements on all income-producing properties be submitted at least annually; and

(c) require that the analysis of all financial information is undertaken on a timely basis and is documented in writing.

4. Within sixty (60) days of the Effective Date, the Board shall adopt and submit to the Regional Deputy Director for review a revised investment policy, consistent with the OTS Policy Statement regarding investment policies, 12 C.F.R. 571.19. The revised investment policy shall at a minimum:

(a) incorporate GAAP; and

(b) identify how the potential for changes in market interest rates will impact investment decisions.

5. (a) The Institution shall immediately charge-off or establish specific reserves for all assets classified Loss in the ROE.

(b) Within thirty (30) days from the Effective Date, the Institution shall increase its general reserves to \$5.0 million after the recognition of all Loss classifications.

6. Within ninety (90) days from the Effective Date, the Institution shall adopt and submit to the Regional Deputy Director for review a revised 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) qualitative and quantitative 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 enable the Institution to comply with regulatory capital requirements by December 31, 1994, based

on a 4% core requirement; and

(f) annual pro forma 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.

7. All requirements of the Supervisory Agreement between the Institution and the OTS, dated February 21, 1991, shall remain in full force and effect unless otherwise agreed to in writing by the Regional Deputy Director.

IN WITNESS WHEREOF, the parties have executed this Supplement.

GREATER BOSTON BANK, A CO-OPERATIVE BANK
Brighton, Massachusetts
By: Its Board of Directors

DEPARTMENT OF THE TREASURY
OFFICE OF THRIFT SUPERVISION

By:

Ralph W. Gridley
Regional Deputy Director