

SUPERVISORY AGREEMENT

This Supervisory Agreement, ("Agreement") is made and is effective this 29th day of May, 1992, by and between Vermont Federal Bank (OTS NO. 03822) ("Vermont Federal" or 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 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 the 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) ("FDIA").

WHEREAS, as evidenced by the OTS Report of Examination dated November 4, 1991 ("ROE"), the OTS is of the opinion that the Institution has not complied with 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; and

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

WHEREAS, without admitting or denying that such grounds

exist, 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 initiation of cease and desist proceedings against the Institution, it is agreed among the parties hereto as follows:

1. Within sixty (60) days of the effective date of this Agreement, the Board shall implement corrective action to address any regulatory violations noted on Appendix page 2.1 of the ROE, to the extent that they have not already been corrected.

2. Within ninety (90) days of the effective date of this Agreement, the Institution shall implement and maintain an accurate and comprehensive borrower liability ledger. Such ledger shall record total borrower liability to the Institution in all loan/credit areas and shall include both direct liability (whether as maker, co-maker, partner, or any other type of direct liability) and indirect contingent liabilities (as endorser, guarantor and any other type of contingent liability), and shall identify related interests of each borrower. Such ledger shall be maintained in a current status for all borrowers with other than 1 to 4 family owner-occupied residential loans and consumer installment credit. Total liability reports will be reported in loan file writeups and presented to the Board when approving loans.

3. Within sixty (60) days of the effective date of this

Agreement, the Board shall determine and document the relationship between Director Ernest Pomerleau, Antonio Pomerleau and their controlled businesses. The documentation shall include:

- a) A list of all loans granted to Antonio Pomerleau, Ernest Pomerleau and any other child of Antonio Pomerleau individually (each an "Individual Borrower") and entities controlled, directly or indirectly, by each such Individual Borrower;
- b) The obligors, direct and indirect, on all such loans;
- c) The principals and affiliates of all entities controlled by any Individual Borrower (for purposes of this Agreement, the term "affiliate" shall mean any person or entity that controls, is controlled by, or is under common control with, another person or entity, and "control" shall have the same meaning set forth at 12 U.S.C. 1467a (a)(2)(B));
- d) Updated financial information on Antonio Pomerleau, Ernest Pomerleau, any other Individual Borrower, and any entities controlled by any of them borrowing at the Institution. A report of the findings of this effort shall be presented to the OTS Regional Deputy Director within ninety (90) days of execution of this Agreement.

4. Vermont Federal shall, within one hundred and twenty days (120) of the effective date of this Agreement, implement and maintain a system to monitor and update the history and current status of commercial loans in its portfolio, including:

- a) the loan purpose and repayment source for each loan or extension of credit;
- b) a summary of other borrower lending relationships with the Institution;
- c) a list of extensions, modifications or restructurings of all existing commercial loans;
- d) current financial information and analysis on each commercial borrower/business (with respect to loans previously made, to the extent that Vermont Federal is entitled to obtain such information under existing loan documentation or is able, through its best efforts, to obtain such information by requesting it in writing from the borrower/business);
- e) information regarding deposit account(s) (average balances and overdrafts) concerning each commercial borrower; and
- f) a written summary of any discussions with each borrower and Institution concerns as to the borrower's credit quality.

5. Within sixty (60) days of the effective date of this Agreement, Vermont Federal shall develop a plan for the timely completion of the corporate restructuring noted in the ROE. The plan shall address the senior commercial and consumer lending positions and staffing needs for major departments of the Institution, considering the size and types of activities in which the Institution presently engages or presently plans to engage.

6. Within thirty (30) days of the close of each calendar quarter, the Institution shall continue to provide the OTS Regional Deputy Director with a quarterly progress report, in the general format heretofore provided to the OTS, on each criticized asset cited in the ROE with a balance in excess of \$250,000, providing, with respect to each such asset, the following information:

- a) current balance;
- b) payment status, including past due payments, maturity date of the obligation, and whether on accrual status or cash basis of accounting;
- c) plan of resolution for the asset (such as sale of collateral, refinance with new borrower, or any other anticipated resolution as applicable) and anticipated date of such action;
- d) current value of collateral, basis of that value and date of valuation; and
- e) internal classification status, date of last classification review, and reserves established against the asset.

7. Within thirty (30) days after the Board meeting immediately following the end of each calendar 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, the Institution and its subsidiaries are complying in all material respects with each condition of this

Agreement. This resolution shall set forth any exceptions to any conditions of this Agreement that were approved by the Regional Deputy Director.

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

9. (a) All technical words or terms used in this Agreement, for which meanings are not specified or otherwise provided by the provisions of the Agreement, shall, insofar, as applicable, have meanings as defined in the Home Owners' Loan Act, 12 U.S.C. 1461 et seq. ("HOLA"), Chapter V of Title 12 of the Code of Federal Regulations ("CFR"), and/or OTS Regulatory or Thrift Bulletins. Any such technical words or terms used in this Agreement and undefined in the HOLA, FDIA, CFR or such OTS Bulletins shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

(b) The terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest.

(c) This Agreement shall remain in effect until terminated, modified or suspended by the OTS, acting through the Regional Deputy Director.

10. A copy of all documentation or reports required under the terms of this Agreement are to be submitted to the

Regional Deputy Director and shall also be provided to the Regional Director of the Federal Deposit Insurance Corporation.

IN WITNESS WHEREOF, the parties have executed this Agreement.

VERMONT FEDERAL BANK
Williston, Vermont
By: Its Board of Directors

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DEPARTMENT OF THE TREASURY
OFFICE OF THRIFT SUPERVISION

By: *15/* _____
Barth W. Gridley
Regional Deputy Director