

ADDENDUM TO SUPERVISORY AGREEMENT

This Addendum to Supervisory Agreement ("Addendum"), which constitutes an Addendum to the May 29, 1992 Supervisory Agreement ("Agreement") by and between Vermont Federal Bank, Williston, Vermont (OTS No. 03822) ("Vermont Federal" 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"), is made and is effective on this 11th day of February, 1993. It is understood and agreed that this Addendum is a "written agreement" entered into with the OTS within the meaning of Section 8 of the Federal Deposit Insurance Act, 12 U.S.C. Sc 1818. The Agreement remains in full force and effect, and is hereby supplemented by the following provisions:

1. Thrift Financial Reports (TFRs)

(a) Within thirty (30) days of execution of this Addendum, the Institution shall correct and resubmit to the OTS all 1992 Thrift Financial Reports ("TFRs"). The Institution's Chief Financial Officer shall certify in writing to the Regional Deputy Director that such correction and resubmission has been accomplished.

(b) The Institution's President and Chief Financial Officer shall certify in writing, by separate letter to the Regional Deputy Director, that future TFR submissions for each quarter are, to their best knowledge, accurately prepared and submitted.

2. Regulatory Violations

Within thirty (30) days of the execution of this Addendum, the Institution shall certify in writing to the Regional Deputy Director that the \$225,000 line of credit to Office Environments, Inc. is in the process of being offered to other institutions and that all other regulatory violations noted on Appendix Page A-2 of the OTS Report of Examination ("ROE") of September 9, 1992 have been corrected.

3. Loss Classifications

Immediately upon execution of this Addendum, the Institution shall confirm in writing to the Regional Deputy Director that all assets classified loss in the ROE are charged off or specifically reserved against.

4. Guarantee of Eastern Bancorp

Within thirty (30) days of the execution of this Addendum, the Institution shall obtain the full guarantee of Eastern Bancorp, Inc., the holding company of the Institution, on the loan to Vermont Service Corporation.

5. Actual/Budgeted Financial Projections

No later than (30) days following the conclusion of each calendar quarter, the Institution shall provide to the Regional Deputy Director a written report comparing actual to budgeted balance sheet and operating statements along with a summary discussion of substantial positive or negative variances.

6. Operating Expenses

Within ninety (90) days of the execution of this

Addendum, the Institution shall develop and submit to the Regional Deputy Director a detailed plan (which shall include a timetable) for the review of operating expenses and any necessary reductions in operating expenses during 1993.

7. Policy Amendments/Update and Annual Policy Review

(a) Within thirty (30) days of the execution of this Addendum, the Institution shall certify in writing to the Regional Deputy Director that a system is in place to review and approve all Institution policies on an annual basis.

(b) Within sixty (60) days of the execution of this Addendum, the Institution shall confirm in writing to the Regional Deputy Director that its interest rate risk policy, investment policy, and the borrowing policy have been updated, reviewed and approved by the Board.

8. Loans to One Borrower Report

Within thirty (30) days of the execution of this Addendum, the Institution shall correct the deficiencies in its Loans to One Borrower Report, noted at page(s) 9 and A-1.1 of the ROE, and shall provide written confirmation of such corrections to the Regional Deputy Director.

9. Quarterly Classified Asset Reports

The Institution shall continue to submit quarterly classified asset reports to the Regional Deputy Director as required by the Supervisory Agreement dated May 29, 1992, utilizing the format and content of the reports submitted pursuant to the Agreement.

10. Internal Loan Review

Within sixty (60) days of the execution of this Addendum, the Institution shall:

(a) develop formal, qualified and independent loan review policies and procedures that comply with OTS Thrift Bulletin 3 and Section 210.4 of the OTS Thrift Activities Regulatory Handbook;

(b) develop and provide to the Regional Deputy Director a schedule to assure that the Institution's commercial loan portfolio will be reviewed by no later than May, 1993 (including a reasonable sample of large commercial credits that are performing). Written confirmation that the process has been completed shall be provided to the Regional Deputy Director no later than June 15, 1993;

(c) develop and implement a system, as part of the loan review process, to test check the accuracy of documentation submitted on loans reviewed by the account officer who initiated the credit;

(d) develop and implement a system to monitor the actual performance of restructured borrowers' business operations against projections provided by such borrowers to support requests for such restructurings; and

(e) develop and implement a monthly reporting system detailing specific reserves, the assets to which these reserves apply, and reconciling the reserves to the general ledger.

