

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of
PARTNERS SAVINGS BANK
Tampa, Florida

Re: Resolution No. ATL-91-81

DATED: November 25, 1991

STIPULATION AND CONSENT TO THE ENTRY
OF A CEASE AND DESIST ORDER

The Office of Thrift Supervision ("OTS"), by and through its Regional Director for the Southeast Region ("Regional Director") and Partners Savings Bank, Tampa, Florida, OTS Docket Number 8285 ("Partners" or "Institution"), stipulate and agree as follows:

1. Consideration

The OTS, based upon information derived from the exercise of its supervisory and regulatory powers, is of the opinion that grounds exist to initiate an administrative cease and desist proceeding against Partners pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(b) (1988 & Supp. I 1989). The grounds include unsafe and unsound practices in conducting the business of the Institution, as follows:

- (a) The Institution has engaged in serious and repeated violations of regulations applicable to loans to one borrower, specifically 12 C.F.R. § 563.93.
- (b) The Institution made a speculative investment in a damaged 61 foot yacht. An investment of this nature is considered an unsafe and unsound practice.
- (c) The Institution failed to adequately document its corporate and lending activity, in violation of 12 C.F.R. § 563.170 (c).
- (d) The Institution's overall liquidity level, as a percentage of savings, totaled 4.11% during February 1990, in violation of 12 C.F.R. § 566.2.

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- (e) The Institution has not complied with the regulations applicable to the classification of certain assets and general valuation allowances, specifically 12 C.F.R. § 563.160 and the policy statement at 12 C.F.R. § 571.26.
- (f) The Institution's level of criticized assets has increased 242% since the previous Report of Examination, dated July 3, 1989. Criticized assets total \$4.1 million, or 11.19% of total assets as of September 30, 1990. At June 30, 1991, criticized assets amounted to \$4.1 million, or 13.2% of assets.
- (g) The Institution lacks a fully effective internal audit program. The Institution does not have a formal audit function and does not perform internal audits concerning the lending functions.

Partners desires to cooperate with the OTS and to avoid the time and expense of such administrative proceeding and, without admitting or denying that such grounds exist, hereby stipulates and agrees to the following terms in consideration of the forbearance by the OTS from initiating such administrative cease and desist proceeding against Partners with respect to the matters covered in the accompanying Order to Cease and Desist ("Order").

2. Jurisdiction

- (a) Partners is a "savings association" within the meaning of Section 3(b), of the FDIA, 12 U.S.C. § 1813(b), and Section 2(4) of the Home Owners' Loan Act ("HOLA"), 12 U.S.C. § 1462(4). It is an "insured depository institution" as that term is defined in Section 3(c) of the FDIA, 12 U.S.C. § 1813(c).
- (b) Pursuant to Section 3 (q)(4) of the FDIA, 12 U.S.C. § 1813(q)(4), the Director of the OTS is the "appropriate Federal banking agency" to maintain an enforcement proceeding against such a savings association. Therefore, Partners is subject to the authority of the OTS to initiate and maintain a cease and desist proceeding against it pursuant to Section 8(b) of the FDIA, 12 U.S.C. § 1818(b).

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3. Consent

Partners consents to the issuance by the OTS of the accompanying Order. It further agrees to comply with the terms of the Order upon issuance and stipulates that the Order complies with all requirements of law.

4. Finality

The Order is issued under Section 8(b) of the FDIA, 12 U.S.C. § 1818(b). Upon its issuance by the Regional Director, it shall be a final order, effective and fully enforceable by the OTS under the provisions of Section 8(i) of the FDIA, 12 U.S.C. § 1818(i).

5. Waivers

Partners waives its right to a notice of charges and the administrative hearing provided by Section 8(b) of the FDIA, 12 U.S.C. § 1818(b), and further waives any right to seek judicial review of the Order, including any such right provided by Section 8(h) of the FDIA, 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order.

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WHEREFORE, in consideration of the foregoing, the OTS, by and through its Regional Director and Partners, by a majority of its directors, execute this Stipulation and Consent to the entry of a Cease and Desist Order.

OFFICE OF THRIFT SUPERVISION PARTNERS SAVINGS BANK,
by a majority of its
directors:

By: John E. Ryan
Regional Director
Southeast Region

[illegible]

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of

Partners Savings Bank

Tampa, Florida

Re: Resolution No. ATL-91-81

DATED: November 25, 1991

ORDER TO CEASE AND DESIST

WHEREAS, Partners Savings Bank, Tampa, Florida, OTS Docket Number 8285, ("Partners" or "Institution"), through its Board of Directors, has executed a Stipulation and Consent to the Entry of a Cease and Desist Order ("Stipulation"), which is incorporated herein by reference, and is accepted and approved by the Office of Thrift Supervision ("OTS"), acting through its Regional Director for the Southeast Regional Office ("Regional Director"); and

WHEREAS, Partners, in the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist ("Order") pursuant to Section 8(b) of the Federal Deposit Insurance Act (FDIA), 12 U.S.C. § 1818(b) (1988 & Supp. I 1989).

NOW THEREFORE, it is ordered that Partners and its directors, officers, employees, agents and service corporations shall cease and desist from any violation of, or the aiding and abetting of any violation of:

1. 12 C.F.R. § 563.93;
2. 12 C.F.R. § 563.160;
3. 12 C.F.R. § 563.170(c);
4. 12 C.F.R. § 566.2(a).

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IT IS FURTHER ORDERED THAT:

Responsibilities of the Directors

5. The Board of Directors of Partners shall actively fulfill its fiduciary responsibilities to ensure that the Institution is effectively supervised, consistent with the guidelines set forth in OTS Bulletin R 62 and Section 140 of the OTS Thrift Activities Handbook. All minutes of the meetings of the Board of Directors and any committees thereof shall be detailed and accurate so as to reflect all business transacted at meetings and the level of supervision exercised by the directorate over the affairs of Partners.

Internal Controls

6. Management and the Board of Directors shall review those comments concerning internal controls contained in the OTS examination report of October 29, 1990 ("1990 Examination Report"), and, within 45 days of the effective date of this Order, shall, to the extent not already accomplished, correct the deficiencies noted. Within the same period, the Board of Directors shall, to the extent not already accomplished, adopt and implement new policies and procedures to strengthen and maintain internal controls over the Institution's operations.
7. Within 90 days of the effective date of this Order, the Institution shall obtain from an independent auditor a written evaluation of the measures taken by the Institution to correct the internal control deficiencies described in the 1990 Examination Report. This evaluation shall assess the adequacy of any new policies and procedures and shall include a recommendation for corrective measures needed for their improvement.
8. Within 120 days of the date of this Order, the Board of Directors shall adopt a resolution containing their response to the remaining problems described in the independent auditors' report.

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Internal Audit

9. In order to monitor the quality and effectiveness of internal controls within the Institution, the Board of Directors shall implement an effective internal audit program. The Institution shall provide for an annual review and written evaluation of this program, including recommendations for improvement, by its independent auditors. This written evaluation shall be presented to the Board of Directors.
10. Within 60 days of the effective date of this Order, the Institution shall name an individual or an outside firm to perform the function of an internal auditor. The internal auditor or auditing firm shall report directly to the Board of Directors or to a committee of the directors, the members of which may not be an officer or employee of the Institution. If an individual is hired as internal auditor, that individual shall perform no other function within the Institution.

Recordkeeping

11. Management and the Board of Directors are responsible for the adequacy and accuracy of the Institution's books and records. Management and the Board of Directors shall adopt, implement, and maintain policies and procedures that will promote the maintenance of reliable and accurate books and records, and will devote adequate resources to this effort. The Institution shall, as part of its annual independent audit, retain its independent auditors to review these policies and procedures and to provide a written evaluation, along with any recommendations for improvement, to the Board of Directors.

Loan Underwriting and Documentation

12. Within 60 days of the date of this Order, Management and the Board of Directors shall, to the extent not already accomplished, review, revise, and implement policies and procedures for the underwriting and documentation of loans. These policies and procedures shall comply with safe and sound lending principles and with 12 C.F.R. §

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563.170. The Institution shall retain an independent auditor to review these policies and procedures and to provide a written evaluation, including recommendations for improvement, to the Board of Directors within 120 days of the effective date of this Order.

13. Until such time as these new policies and procedures are reviewed and evaluated in writing by the independent auditors, and approved by the board of directors, the Institution shall not originate or acquire any interest in non residential real estate loans, commercial loans, or speculative real estate construction loans, except for the following :
 - a. Loans for which legally binding commitments exist at the date of this Order.
 - b. Loans made for the purpose of restructuring or otherwise resolving problem assets provided that the Institution has exercised its best efforts to otherwise remove these assets from its books and has documented its files to reflect these efforts.
 - c. Loans made for the purpose of facilitating the sale of repossessed property.
 - d. Loans for consumer purposes and loans otherwise secured by savings accounts, certificates of deposit, and readily marketable stocks and bonds.

Asset Classification and Valuation Allowances

14. Within 60 days of the effective date of this Order, the Institution shall, to the extent not already accomplished, revise and implement its written policies and procedures for asset classification and valuation allowances, and establish corresponding internal control systems, as necessary, to provide for an effective system of self-classification of all assets and the establishment of prudent valuation allowances pursuant to and in compliance with 12 C.F.R. §§ 563.160 and 571.26. These revised policies shall provide for quarterly self-classifications of assets and for recommendations for adjustments to the levels of valuation reserves if needed. Also, written reports

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shall be made to the Board of Directors of the results of the revision and implementation of these policies and procedures.

15. Partners shall establish and maintain adequate general valuation allowances in an amount not less than \$370,000, as set forth in the 1990 Examination Report. The Institution shall thereafter maintain prudent general valuation allowances, considering the amount of criticized and classified assets, and the risk inherent in its loan and investment portfolio, pursuant to and in compliance with 12 C.F.R. § 563.160 and its own general valuation allowance policy. The Board of Directors shall review and assess the adequacy of the Institution's general valuation reserves on a quarterly basis and adjust them as necessary to address the risks inherent in the Institution's asset portfolio.

Asset Quality

16. Partners shall, to the extent not already accomplished, develop and implement, within 60 days of the effective date of this Order, a written plan to resolve its classified and criticized assets. This plan shall include, at a minimum, individual strategies for each criticized and classified asset or related group of such assets in excess of \$250,000 and interim targets for reducing overall classifications as a percentage of capital. The individual strategies shall be updated quarterly.

Loans to One Borrower

17. Within 60 days of the effective date of this Order, the Board of Directors shall, to the extent not already accomplished, adopt, implement, and adhere to policies and procedures that will provide for monitoring for compliance with all regulations and statutes applicable to loans to one borrower. No further loans shall be extended to, or interests in loans acquired from, those persons or entities who are known to be in violation of the loans to one borrower regulation, 12 C.F.R. § 563.93, until the violation is resolved. Management shall report to the Board of Directors on a monthly basis its compliance with these regulations.

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Speculative Investments in Personal Property

18. The Institution shall exert its best efforts to dispose, to the extent not already accomplished, of all current speculative investments in personal property within 90 days of the effective date of this Order. A record of all efforts to achieve this goal shall be maintained in writing in the Institution's files and shall be made available to OTS examiners. Other than repossessed loan security, and furniture, fixtures, and equipment required for the operation of the Institution, no further direct investments in personal property shall be made or acquired.

Monitoring of Major Borrowers

19. The Institution shall develop, adopt, maintain, and adhere to revised policies for the special monitoring of the financial condition of borrowers for loans or groups of related loans where the aggregate outstanding indebtedness equals or exceeds \$500,000, and the primary loan security is not an owner occupied single family home. This monitoring activity shall be fully documented.

Compliance

20. On a quarterly basis, the Board of Directors shall determine the Institution's compliance with this Order, and shall include its findings in the minutes of the Board meetings.

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All technical words or terms used in this Order for which meanings are not specified or otherwise provided by the provisions of this Order, shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations. Any such technical words or terms used in this Order and undefined in said Code of Federal Regulations shall have meanings that accord with the best custom and usage in the savings and loan industry. For purposes of this Order, references to regulations, bulletins, memoranda and publications shall include any successor regulations, bulletins, memoranda and publications.

THE OFFICE OF THRIFT SUPERVISION

/S/

By:

John E. Ryan
Regional Director
Southeast Regional Office