

95004

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 8th day of April, 1992, by and between Key Florida Bank, F.S.B., Bradenton, Florida, OTS Number 8330, for itself and its wholly owned service corporations and subsidiaries (hereinafter called "Key" or "Institution") and the Office of Thrift Supervision ("OTS"), acting through its Southeast Regional Director or his designee ("Regional Director").

WHEREAS, the OTS is of the opinion that the grounds exist to initiate administrative proceedings against Key pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. 1818(b); and

WHEREAS, the Institution, without admitting or denying that grounds exist to initiate administrative proceedings against Key, has determined that it is in the best interests of the Institution to enter into this Agreement to avoid the initiation of such administrative proceedings on the matters covered by this Agreement; and

WHEREAS, the OTS is willing to forebear from the initiation of such administrative proceedings against the Institution to require the actions specifically covered by this Agreement for so long as the Institution is in compliance with the provisions of the Agreement that pertain to such actions; and

WHEREAS, it is understood by the parties that execution of this Agreement does not preclude the OTS from taking further supervisory or enforcement measures on matters not specifically covered by this Agreement that the OTS considers appropriate under the circumstances.

NOW THEREFORE, in consideration of the above-stated forbearance, it is agreed between the parties hereto as follows:

PRECEDING AGREEMENT

1. The Operating Agreement of May 13, 1991, between OTS and Key is hereby terminated.

MANAGEMENT

2. The Board of Directors ("Board") shall provide independent and effective oversight over all operations and activities of the Institution, including compliance with this Agreement.

3. To the extent not already accomplished, within ninety (90) days of the effective date of this Agreement, the Board shall review and strengthen senior management so as to provide that Key is efficiently and effectively managed.

In addition, the Board, or a committee thereof consisting of at least a majority of outside directors, shall, on a semiannual basis, perform a written evaluation of senior management and shall place this evaluation into the Board minutes.

4. The Board shall review and evaluate the Institution's compliance with this Agreement on a quarterly basis and shall incorporate its findings into the Board minutes.
5. The Institution shall comply in all respects with OTS Regulatory Bulletin 27, dated November 8, 1991, and shall not enter into or modify any employment contract with any senior executive officer or director without the prior written approval of the Regional Director.
6. The Institution shall comply in all respects with OTS Thrift Bulletin 50, dated November 19, 1991, and shall not enter into any contract for services considered to be outside the normal course of business without the prior written approval of the Regional Director.

ASSET CLASSIFICATION AND VALUATION ALLOWANCES

7. With respect to the Paragraphs below numbered 8, 9, 11, 12, 13, 14, 15, 16, 18, 19, 21, 22, and 23, it is acknowledged by the parties that, prior to the effective date of this Agreement, Key had submitted to the OTS Southeast Regional office some or all of the written policies, procedures, plans, strategies, internal controls, appraisals and other required documentation (collectively, the "Documents") described in those Paragraphs for review. To the extent not already accomplished as of the effective date of this Agreement, Key will make any revisions to the Documents, if necessary, whether originally submitted prior to or following the effective date of this Agreement, as may be required by the Regional Director. Key shall thereafter comply with the terms of the Documents unless otherwise instructed in writing by the Regional Director.
8. Within sixty (60) days of the effective date of this Agreement, the Institution shall, implement and shall

adhere to written asset classification policies and procedures which comply with 12 C.F.R. Section 563.160 and which incorporate factors and considerations set forth in Section 260 of the OTS Regulatory Handbook on Thrift Activities and in 12 C.F.R. Section 571.26. These policies and procedures shall provide that the asset classification function shall be performed by individuals not involved in the loan origination function. Additionally, these policies and procedures shall require that all real estate owned acquired through foreclosure and all loans that are greater than ninety (90) days past due be classified, at a minimum, as substandard.

9. Within sixty (60) days of the effective date of this Agreement, Key shall review and shall revise, to the extent necessary, its general valuation allowance policy so as to:
 - a. provide for general valuation allowances for assets classified as special mention.
 - b. comply with 12 C.F.R. Section 563.160; and
 - c. incorporate the considerations set forth in Section 261 of the Thrift Activities Handbook. The revised GVA policy shall be applied by the Institution on a quarterly basis. As a result of said review and application, Key shall make any necessary additions to its general valuation allowances prior to filing its quarterly Thrift Financial Reports.
10. Key shall maintain, at a minimum, general valuation allowances in the amount of \$510,000 as recommended in the OTS examination report of June 12, 1991 (Exam Report). Key shall be allowed to reduce the required amount of general valuation reserves in a manner consistent with its stated policies provided that the agreement of the Regional Director is obtained prior to such reduction.

CRITICIZED ASSETS

11. The Board shall, within sixty (60) days of the effective date of this Agreement, develop and implement a written strategy for reducing the level of the Institution's criticized assets. This strategy shall contain objectives, strategies, action plans, and time frames for reducing criticized assets. In particular, Key shall prepare individual written plans for the resolution of each classified asset with a book value of as much as \$250,000. This strategy shall be reviewed and updated on

a quarterly basis. The Board shall also review and assess the progress of the efforts to resolve criticized assets on a quarterly basis, and place a record of that assessment in the Board minutes.

BUSINESS PLAN

12. Within sixty (60) days of the effective date of this Agreement, Key shall prepare, adopt, and submit to OTS a revised business plan. Such business plan shall specifically incorporate, at a minimum:
 - a. immediate steps to be taken by Key to reduce its operating expenses;
 - b. the objectives of the mortgage banking operation and guidelines to be followed by Key to manage and conduct the mortgage banking operation in a safe and sound manner;
 - c. specific goals and objectives for each department of Key. It is understood that Key shall adopt these goals and objectives within 180 days of the effective date of this Agreement.
 - d. Key's current operating and investment strategies; and
 - e. the possible sale of assets by Key to its holding company.

BOOKS, RECORDS, AND INTERNAL CONTROLS

13. Within thirty (30) days of the effective date of this Agreement, the Board shall adopt a policy to insure that the minutes of Key's board and committee meetings are compiled and maintained in a complete, timely, and accurate manner.
14. Within thirty (30) days of the date of this agreement, the Board shall adopt and implement policies and procedures that will provide for effective controls over, and accurate accounting for, all expense accounts.
15. Within thirty (30) days of the effective date of this agreement, the board shall adopt and implement effective policies and procedures for the purchase and management of furniture, fixtures and equipment.
16. Within sixty (60) days of the effective date of this

Agreement, the Board shall review and revise the Institution's internal controls over lending so as to provide that all lending functions are discharged in a manner consistent with applicable laws, statutes, regulations and sound business practice.

CAPITAL

17. The Institution shall pay no dividends or make any other capital distribution without thirty (30) days prior written notice to, and the written approval of, the Regional Director.

INTERNAL AUDIT

18. Within sixty (60) days of the effective date of this Agreement, Key shall develop and shall thereafter maintain, a comprehensive and effective internal audit program. This program shall be consistent with the guidelines set forth in Section 120 of the OTS Thrift Activities Handbook.
19. Within sixty (60) days of the effective date of this Agreement, the Board shall name a person or firm as the Institution's Internal Auditor. The Internal Auditor's sole function within the Institution shall be the internal audit program. The Internal Auditor shall report directly to a committee of the Board, none of whom may be employees or officers of the Institution.

REVIEW BY INDEPENDENT AUDITOR

20. The Institution shall provide for an annual review of the internal audit program by its independent auditor, and for the submission of a written report of the findings of this review to the Board.

APPRAISALS AND APPRAISAL POLICIES AND PROCEDURES

21. Within sixty (60) days of the effective date of this Agreement, Key shall obtain each of the appraisals requested by OTS in the Exam Report. Key shall submit these appraisal reports to the OTS within fifteen (15) days of the receipt of the reports.
22. Within sixty (60) days of the effective date of this Agreement, Key shall revise and shall thereafter adhere to its appraisal policies so as to comply with 12 C.F.R. Part 564 and to address the appraisal concerns noted in the Exam Report.

INVESTMENT POLICY

23. Within sixty (60) days of the effective date of this Agreement, the Institution shall revise its investment policy so as to comply in all respects with OTS Thrift Bulletin 41 and to address the concerns noted in the Exam Report. The revised policy shall address investment strategies for securities and shall identify whether securities are to be held for investment or for trading purposes.

AFFILIATED TRANSACTIONS

24. The Institution shall comply in all respects with the requirements of Section 11 of the Home Owners Loan Act, OTS policy as set forth in 12 C.F.R. Section 571.7, Sections 23A and 23B of the Federal Reserve Act and Regulation O as promulgated thereunder, and all successor laws, regulations and policies, pertaining to transactions with affiliates and avoidance of conflicts of interest in conducting the business of the Institution.

All technical words or terms used in this Agreement, for which meanings are not specified or otherwise provided by the provisions of this Agreement, shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, and any such technical words or terms used in this Agreement 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 Agreement, references to regulations, bulletins, memoranda and publications shall include any successor regulations, bulletins, memoranda and publications which are provided pursuant to, issued or remain in effect under the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA").

This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of Key Florida Bank, F.S.B. It is understood and agreed that this Agreement is a "written Agreement entered into with the agency" as that phrase is used in Section 8(b)(1) of the FDIA, 12 U.S.C. 1818(b)(1).

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.

Key Florida Bank, F.S.B. (#8330)
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This Agreement shall remain in effect until terminated, modified or suspended by the OTS, acting through the Regional Director or his designee. The Regional Director or his designee may suspend, in his or her sole discretion, any or all provisions of this Agreement.

IN WITNESS WHEREOF, the OTS, acting through the Regional Director or his designee, and the Institution, by its duly elected directors, have executed this Agreement.

Key Florida Bank, F.S.B.
Bradenton, Florida
OTS Number 8330

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OFFICE OF THRIFT SUPERVISION

By: 151
John E. Ryan
Regional Director

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**CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS**

I, the undersigned, being the duly qualified Secretary of Key Florida Bank, F.S.B., Bradenton, Florida, OTS Number 8330 ("Institution"), hereby certify that the following is a true copy of a resolution duly adopted by its Board of Directors at a meeting duly called and held on MARCH 17, 1992, and at said meeting a quorum was present and voting throughout, and that said resolution has not been rescinded or modified and is now in full force and effect:

RESOLUTION

WHEREAS, the officers and directors of the Institution have been advised that the Office of Thrift Supervision ("OTS") is of the opinion that the grounds exist to initiate administrative proceedings against Key Florida Bank, F.S.B., pursuant to Section 8(b) of the Federal Deposit Insurance Act, 12 U.S.C. 1818(b); and

WHEREAS, said officers and directors have been informed that the OTS will forbear from the initiation of such administrative proceedings in connection with the matters referred to in the attached Supervisory Agreement ("Agreement") if the Agreement is executed by the Institution and if its terms are thereafter complied with by the Institution; and

WHEREAS, the directors of the Institution have read and considered the proposed Agreement attached to the minutes of the meeting of the Board of Directors held on MARCH 17, 1992, and after due consideration, and in the interest of regulatory compliance and cooperation, have determined to enter into the proposed Agreement:

NOW, THEREFORE, BE IT RESOLVED, that the proposed Agreement, a copy of which is attached hereto and the provisions of which are incorporated herein by reference, be and is hereby approved by the Board of Directors of the Institution. The officers and employees of the Institution are directed and authorized to take all necessary steps to implement immediately the terms of the Agreement.

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of Key Florida Bank, F.S.B., this 19th day of MARCH, 1992.

15/
Secretary