

UNITED STATES OF AMERICA
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE
SYSTEM
WASHINGTON, D. C.
AND
STATE OF FLORIDA
DEPARTMENT OF BANKING AND FINANCE
DIVISION OF BANKING
TALLAHASSEE, FLORIDA

_____)	
Written Agreement by and among)	
)	
SOUTHERN SECURITY BANK)	
Hollywood, Florida)	
)	
FEDERAL RESERVE BANK OF ATLANTA)	Docket No. 98-021-WA/RB-SM
Atlanta, Georgia)	
)	
STATE COMPTROLLER AND BANKING)	
COMMISSIONER OF THE STATE)	
OF FLORIDA)	
Tallahassee, Florida)	
_____)	

WHEREAS, in recognition of their common goal to restore and maintain the financial soundness of the Southern Security Bank, Hollywood, Florida (the "Bank"), a State chartered bank that is a member of the Federal Reserve System, the Bank, the Federal Reserve Bank of Atlanta (the "Reserve Bank") and the State Comptroller and Banking Commissioner of the State of Florida (the "Comptroller") have mutually agreed

to enter into this Written Agreement (the "Agreement"), which supersedes the Written Agreement, dated March 17, 1992:

WHEREAS, this Agreement is being executed in accordance with the Rules Regarding Delegation of Authority of the Board of Governors of the Federal Reserve System (the "Board of Governors"), specifically 12 C.F.R. 265.11(a)(15), and the Reserve Bank has received the prior approval of the Director of the Division of Banking Supervision and Regulation (the "Director") and the General Counsel of the Board of Governors to enter into this Agreement with the Bank; and

WHEREAS, on October 28, 1998, the board of directors of the Bank, at a duly constituted meeting adopted a resolution authorizing and directing Chairman Philip C. Modder to enter into this Agreement on behalf of the Bank and consented to compliance by the Bank and its institution-affiliated parties, as defined by section 3(u) of the Federal Deposit Insurance Act, as amended (12 U.S.C. 1813(u)) (the "FDI Act"), with each and every provision of this Agreement.

NOW, THEREFORE, before the taking of any testimony or adjudication of or finding on any issue of fact or law herein, and without this Agreement constituting an admission of any allegation made or implied by the Board of Governors or the Comptroller, the Bank, the Reserve Bank, and the Comptroller agree as follows:

1. Management Review

(a) Within 30 days of this Agreement, the Bank's board of directors shall engage an outside consultant, acceptable to the Reserve Bank and the Comptroller, to conduct an independent review of the functions and performance of the executive officers of the Bank and prepare a written report of findings and recommendations to the Bank's board of directors. The review shall focus on an assessment of the duties performed by each executive officer and the ability of each officer to perform competently his or her assigned duties. The primary purpose of this review shall be to aid in the development of a management structure that is suitable to the Bank's needs and is adequately staffed by qualified and trained personnel. At a minimum, the qualifications of management shall be assessed for its ability to (1) restore and maintain all aspects of the Bank to a safe and sound condition, and (2) comply with the requirements of this Agreement .

(b) Within 30 days of the Bank's receipt of the consultant's written report of findings and recommendations required by paragraph 1(a) hereof, the Bank shall submit a written management plan to the Reserve Bank and the Comptroller describing specific actions that the board of directors proposes to take in order to strengthen Bank management and to improve the board of directors' supervision over the Bank's officers. The management plan shall fully address the consultant's findings and recommendations and include written detailed descriptions of the responsibilities of each executive officer of the Bank, including reporting lines of authority and the responsibilities of subordinates. A copy of the consultant's written report shall also be forwarded to the Reserve Bank and the Comptroller.

2. Dividends and Management Fees

(a) The Bank shall not declare or pay any dividends without the prior written approval of the Reserve Bank, the Comptroller, and the Director.

(b) The Bank shall not pay to its parent bank holding company, Southern Security Corporation, Hollywood, Florida, any fee or fees that represent service or management fees of any nature without the prior written approval of the Reserve Bank and the Comptroller. Any request for prior approval pursuant to this paragraph shall be accompanied by documentation adequate to provide the Reserve Bank and the Comptroller with the details of each fee proposed to be paid by the Bank and a description of the benefits proposed to be derived by the payment of the fee, the type of services to be rendered, and the identity of the person or persons who will supply the services or advice covered by the fee.

3. Capital Adequacy

(a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Comptroller an acceptable written plan to achieve and maintain sufficient capital. The plan shall, at a minimum, address and consider: (1) the Bank's current and future capital requirements, including compliance with the Capital Adequacy Guidelines of the Board of Governors (12 C.F.R. Part 208, App. A and B); (2) any planned growth in the Bank's assets; (3) the Bank's level of concentrations of credit; (4) the volume of the Bank's adversely classified assets; (5) the Bank's anticipated level of retained earnings;

and (6) the source and timing of additional funds to fulfill the future capital needs of the Bank.

(b) Notwithstanding the provisions of paragraph 3(a) hereof, the Bank shall, from the date of this Agreement through December 31, 1998, maintain its tier 1 leverage ratio at a level of no less than 6.25 percent. At all times thereafter during the term of this Agreement, the Bank shall maintain its tier 1 leverage ratio at a level of no less than 7 percent.

4. Compliance with Applicable Laws and Regulations

(a) The Bank shall immediately take all necessary steps to eliminate or correct all violations of State and Federal law, rule, and regulation cited in the State of Florida Examination Report, dated April 4, 1998 (the "Report of Examination").

(b) The Bank shall immediately initiate an affirmative compliance program in order to ensure compliance with the provisions of all applicable laws, rules, and regulations and this Agreement. Pursuant thereto, the management of the Bank shall familiarize itself with the applicable provisions of the Federal Reserve Act and the regulations promulgated thereunder, the laws of the State of Florida, and the provisions of this Agreement.

5. Brokered Deposits

The Bank shall not accept brokered deposits except in compliance with the provisions of section 29 of the FDI Act (12 U. S. C. 1831e). The Bank shall notify the Reserve Bank and the Comptroller if the Bank requests any waiver of the restrictions imposed by section 29 from the Federal Deposit Insurance Corporation (the "FDIC"), and shall notify the Reserve Bank and Comptroller of the FDIC's disposition of any request for such a waiver.

6. Asset/Liability Management

(a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Comptroller an acceptable revised written asset/liability management policy designed to improve management of the Bank's liquidity and sensitivity to market risk.

(b) The revised policy regarding liquidity shall, at a minimum, address the following: (1) a minimum level of temporary assets; (2) a maximum level of volatile liabilities; (3) an appropriate level of core deposits; (4) an appropriate level of loans relative to deposits and capital; (5) parameters for off-balance sheet risk; (6) the number and amount of large deposits; (7) the Bank's borrowing availability; and (8) appropriate standards for volume, mix and maturity of the Bank's loans, investments, and deposits.

(c) The revised policy regarding sensitivity to market risk shall, at a minimum, address the following parameters for interest rate risk: (1) appropriate guidelines for "GAP" management; (2) an adequate system to model and control the vulnerability of

net interest income to changes in interest rates; and (3) appropriate parameters governing the economic risk to the Bank's capital due to changes in interest rates.

(d) The Asset/Liability Committee (the "ALCO") of the Bank shall be responsible for providing the necessary reports to the board of directors on a monthly basis so that the board of directors can make informed decisions regarding the Bank's management of market risk.

(e) The ALCO shall, at all times, be comprised of at least two outside directors. The ALCO shall be responsible for monitoring compliance with the Bank's asset/liability policies and procedures, and shall review, on a monthly basis, all decisions made by the Bank's management with regard to such policies and procedures, paying particular attention to whether each decision was made in accordance with the established policies and procedures. Any exceptions to the policies and procedures shall be documented by the ALCO as to the reason for the exception, and the continuance of any exception must be approved by a majority of both the ALCO and the Bank's board of directors.

7. Funds Management

(a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Comptroller an acceptable written funds management plan and procedures to provide for the maintenance of an adequate liquidity position. The plan and procedures shall, at a minimum, address and consider:

(1) Identification of potential sources of liquidity if the Bank were to experience an erosion of its deposit base:

(2) establishment of contingency plans for meeting large, unexpected withdrawals, which shall, at a minimum, include: (A) the sale of assets, and (B) establishing lines of credit with other financial institutions to advance funds on short notice; and

(3) a monthly review by the Bank's board of directors to determine how best to allocate the Bank's available funding sources among various asset categories after reviewing: (A) the Bank's liquidity position; (B) outstanding commitments such as loan commitments and letters of credit; and (C) the Bank's rate-sensitivity position and net interest margin.

(b) The funds management plan shall be coordinated with the Bank's loan, investment, operating, and strategic plan and budget policies.

8. **Concentrations**

Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Comptroller an acceptable written policy and procedures to monitor and control concentrations of credit. The policy and procedures shall, at a minimum, address and consider: (a) methods used to identify assets or groups of assets or contingent claims with common risk elements that, in the aggregate, represent 25 percent or more of the

Bank's tier 1 capital; (b) the establishment by the board of directors of acceptable limits on concentrations of credit; (c) monitoring procedures to control concentrations of credit; and (d) written monthly reporting of concentration levels to the Bank's board of directors, copies of which shall be retained for subsequent supervisory review.

9. Policy Revisions

Within 90 days of this Agreement, the Bank shall submit to the Reserve Bank and the Comptroller acceptable revised written policies for the following areas:

(a) Loan Policy: revisions to the loan policy shall include, but not be limited to: (1) the annual review of the loan policy by the board of directors; (2) the establishment of the duties, responsibilities, and procedures for the Bank's Loan and Discount Committee; (3) a requirement that real estate appraisals and bank management inspections be updated annually, and that appraisals be at "fair value" estimates; and (4) the board of directors' annual adoption of a list of approved real estate appraisal firms.

(b) BSA/Suspicious Activity Report/Know Your Customer: revisions to these policies shall include, but not be limited to: (1) maintenance of a sample Currency Transaction Report (Form 4789) and preparation instructions; (2) establishment of procedures for the detection and review of off-line and multiple transactions; (3) maintenance of a sample Suspicious Activity Report and preparation instructions; and (4) maintenance of a written record of the training received by Bank personnel, including the frequency of training and the names of personnel trained.

(c) Wire Transfer: revisions to the wire transfer policy shall include, but not be limited to: (1) the specification of the positions responsible for performing the various wire transfer functions; (2) required written agreements between the Bank and the customer for requests received by facsimile; (3) a record of the institutions through which incoming and outgoing wire transfers are processed and the instances when these institutions are used for the processing of wire transactions; (4) a requirement that "call-back" procedures are performed and documented when telephone and/or facsimile wire transfer requests are received from customers; and (5) a contingency plan in the event of a disaster or emergency.

10. Loan Committee

(a) A majority of the Bank's Loan Committee shall, at all times, be comprised of outside directors, who are not executive officers of the Bank. The prior approval of the Loan Committee shall be required for any extension of credit made or acquired by the Bank (1) that in the aggregate will exceed \$100,000 to any borrower, including related interest(s) of such borrower; ^{except those collateralized by cash and cash equivalents} (2) to any institution-affiliated party of the Bank, including any related interest(s) of such borrower; or (3) for any loan acquisitions aggregating 25 percent or more of the Bank's tier 1 capital. All loan approvals by the Loan Committee shall be made in accordance with the requirements of section 658.48 of the Florida Statutes. The Loan Committee shall have the responsibility for monitoring compliance with the Bank's written loan policies and procedures and shall review, on a monthly basis, all loans made by the Bank and the activities of all personnel of the Bank involved in its lending functions and operations. At each meeting of the Loan

Committee, the Committee shall review the current status of all loans in excess of \$50,000 that are in default as to principal or interest for 30 days or more as of the date of the Committee meeting, that are adversely classified or listed for special mention by State or Federal examiners in the Bank's latest report of examination or that are to an institution-affiliated party of the Bank. The Committee shall specifically address whether the extension of credit was made in accordance with the Bank's written loan policies and procedures and whether the collection actions undertaken by Bank management to reduce the volume of past due loans were in full compliance with the Bank's collection procedures as set forth in its written loan policies and procedures. The Loan Committee shall maintain accurate written minutes of its meetings, which shall be available for subsequent supervisory review.

(b) At least once every 30 days from the date of this Agreement, but no less than five days before a board of directors' meeting, the Loan Committee shall submit to the board of directors a written report regarding all actions it has taken.

(c) For the purpose of this Agreement, the terms (1) "related interest" shall be defined as set forth in section 215.2(k) of Regulation O of the Board of Governors (12 C.F.R. 215.2(k)); (2) "extension of credit" shall be defined as set forth in section 215.3 of Regulation O of the Board of Governors (12 C.F.R. 215.3); and "executive officer" shall be defined as set forth in section 215.2(d) of Regulation O of the Board of Governors (12 C.F.R. 215.2(d)).

11. Loan Documentation

(a) Within 45 days of this Agreement, the Bank shall take all necessary steps to correct all exceptions to the Bank's loan files reflected in the loans adversely classified and the loans listed for technical exceptions in the Report of Examination, including, but not limited to, obtaining accurate and current financial statements, updating insurance coverage, and obtaining income/cash flow information.

(b) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and to the Comptroller a written report detailing the actions taken pursuant to paragraph 11(a) hereof.

12. Allowance for Loan and Lease Losses

(a) Within 10 days of this Agreement, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" in the Report of Examination that have not been previously collected in full or charged-off.

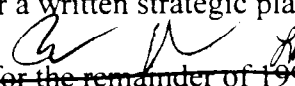
(b) The Bank shall continue to maintain, through charges to current operating income, an adequate allowance for loan and lease losses (the "ALLL"). The adequacy of the ALLL shall be determined in light of the current level of nonperforming loans, the current level of concentrations of credit within the loan portfolio of the Bank, past loss experience, evaluation of the potential losses in the loan portfolio of the Bank, especially the potential for unidentified losses in loans adversely classified, current economic

conditions and examiners' criticisms or other comments contained in the Bank's most recent report of examination, and the requirements of the Interagency Policy Statement on the Allowance for Loan and Lease Losses, dated December 21, 1993. A written record shall be maintained indicating the methodology used in determining the amount of the ALLL needed.

13. Loan Review

The board of directors shall take all actions necessary to ensure the Bank's compliance with its established written loan review policy and procedures and shall not amend such policy and procedures without the prior written approval of the Reserve Bank and the Comptroller.

14. Strategic Plan and Budget

(a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Comptroller a written strategic plan and budget concerning the Bank's proposed business activities  ~~for the remainder of 1998 and~~ for 1999. This plan shall, at a minimum, provide for or describe: (1) the responsibilities of the Bank's board of directors towards the definition, approval, implementation and monitoring of the strategic plan and budget, and the procedures designed to ensure that the board of directors fulfills such responsibilities; (2) management, lending, and operational objectives, given the condition of the Bank as reflected in the Report of Examination and subsequent reports; (3) an earnings improvement plan, with emphasis on the net interest margin and overhead expenses; (4) the operating assumptions that form the bases for major projected income

and expense components, and the sources and uses of new funds; (5) financial performance objectives, including plans for asset growth, earnings, liquidity, and capital supported by detailed quarterly and annual pro forma financial statements, including projected budgets, balance sheets and income statements; (6) the establishment of a monthly review process to monitor the actual income, expenses and net cash flow of the Bank in comparison to budgetary projections; (7) the quarterly revision of projected financial statements, including projected quarterly and annual budgets and quarter-end and year-end balance sheet and income statements for the Bank; and (8) the submission to the Reserve Bank and the Comptroller of a revised strategic plan or budget 60 days prior to the occurrence of planned material changes to the strategic plan or budget .

(b) A strategic plan and budget for each calendar year subsequent to 1999 shall be submitted to the Reserve Bank and the Comptroller at least one month prior to the beginning of that calendar year. The revised quarterly and annual financial statements required by paragraph 14(a)(7) hereof shall be submitted to the Reserve Bank and the Comptroller within 30 days of the end of each calendar quarter.

15. Call Reports

The Bank shall take such actions as are necessary to ensure that all Consolidated Reports of Condition and Income filed or published by the Bank accurately reflect the Bank's condition on the date(s) for which such reports are filed or published, that all such reports are filed or published in a timely manner, and that all records indicating how such reports are prepared are adequately maintained for subsequent supervisory review.

16. Approval of, and Compliance with, Submissions

(a) The plans, policies, and procedures required by paragraphs 3(a), 6(a), 7(a), 8, and 9 hereof shall be submitted to the Reserve Bank and to the Comptroller for review and approval. The Reserve Bank and the Comptroller may comment on the plans, policies, and procedures. Acceptable plans, policies, and procedures shall be submitted to the Reserve Bank and to the Comptroller within the time periods set forth in this Agreement. The Bank shall adopt all approved plans, policies, and procedures within 10 days of approval by the Reserve Bank and the Comptroller and then shall fully comply with them. During the term of this Agreement, the Bank shall not amend or rescind the approved plans, policies, and procedures without the prior written approval of the Reserve Bank and the Comptroller.

(b) The Bank's board of directors shall review all policies and procedures annually, and review compliance with all policies and procedures quarterly.

17. Quarterly Reports

Within 30 days of the end of each calendar quarter (September 30, December 31, March 31, and June 30) following the date of this Agreement, the Bank shall furnish to the Reserve Bank and the Comptroller written progress reports detailing the form and manner of all actions taken to ensure compliance with this Agreement and the results thereof. The board of directors of the Bank shall certify in writing to the Reserve Bank and to the Comptroller that each director has reviewed each quarterly progress report

required by this paragraph. Such reports may be discontinued when corrections required by this Agreement have been accomplished, and the Reserve Bank and the Comptroller have, in writing, released the Bank from making further reports.

18. Communications

All communications regarding this agreement shall be sent to:

- (a) Mr. Marion P. Rivers, III
Assistant Vice President
Federal Reserve Bank of Atlanta
104 Marietta Street, NW
Atlanta, Georgia 30303-2713
- (b) Mr. Robert F. Milligan
State Comptroller and Banking Commissioner
Office of the Comptroller – The Capitol
State of Florida
Tallahassee, Florida 32399-0350
- (c) Mr. Philip C. Modder
Chairman
Southern Security Bank
3475 Sheridan Street
Hollywood, Florida 33021

Miscellaneous

19. Notwithstanding any provision of this Agreement to the contrary, the Reserve Bank and the Comptroller may, in their sole discretion, grant written extensions of time to the Bank to comply with any provision of this Agreement.

20. The provisions of this Agreement shall be binding upon the Bank and all of its institution-affiliated parties, in their capacities as such, and their successors and assigns.

21. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated or suspended by the Reserve Bank and the Comptroller.


22. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors or the Comptroller from taking any other action affecting the Bank or any of its current or former institution-affiliated parties and their successors and assigns.

23. This Agreement is a "Written Agreement" for the purposes of section 8 of the FDI Act (12 U.S.C. 1818).

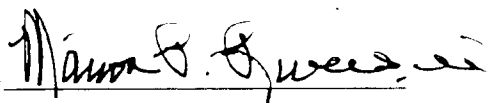
24. As of the date of this Agreement, the Written Agreement by and among the Bank, the Reserve Bank, and the Comptroller, dated March 17, 1992, is terminated.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 13th day of November, 1998.

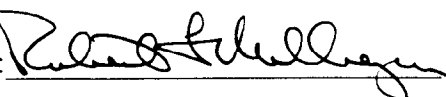
Southern Security Bank

By: 
Chairman

Federal Reserve Bank of Atlanta

By: 


State Comptroller and Banking
Commissioner of the State of Florida

By: 

The undersigned directors of the Bank individually acknowledge reading the foregoing Agreement and approve of the consent thereto by the Bank.



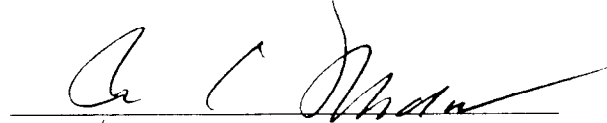
Sylvia M. Berman



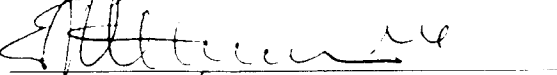
Timothy S. Butler



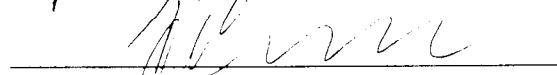
Frank D. Camperlengo



Philip G. Modder



Eugene J. Strasser, M.D.



James L. Wilson