

AGREEMENT BY AND BETWEEN  
OCALA NATIONAL BANK  
OCALA, FLORIDA  
AND  
THE OFFICE OF THE COMPTROLLER OF THE CURRENCY

Ocala National Bank ( Bank ), and the Comptroller of the Currency of the United States of America ( Comptroller ) wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller, through his National Bank Examiner, has examined the Bank, and his findings are contained in the Report of Examination, dated July 6, 1998 ( Report of Examination ).

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors ( Board ), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the articles of this Agreement.

ARTICLE I

SENIOR LENDING OFFICER

(1) Within one hundred twenty (120) days, the Board shall appoint a capable senior lending officer who shall be vested with sufficient executive authority to ensure the Bank s compliance with this Agreement and the safe and sound operation of the Bank s lending function.



(2) Prior to the appointment of any individual to the senior lending officer position, the Board shall submit to the Deputy Comptroller the following information:

- (a) the information sought in the "Changes in Directors and Senior Executive Officers" booklet of the Comptroller's Corporate Manual together with a legible fingerprint card for the proposed individual;
- (b) a written statement of the Board's reasons for selecting the proposed officer; and
- (c) a written description of the proposed officer's duties and responsibilities.

(3) The Deputy Comptroller shall have the power of veto over the employment of the proposed senior lending officer. However, the failure to exercise such veto power shall not constitute an approval or endorsement of the proposed officer.

(4) The requirement to submit information and the prior veto provisions of this Article are based on the authority of 12 U.S.C. 1818(b) and do not require the Comptroller to complete his review and act on any such information or authority within ninety (90) days.

## ARTICLE II

### MANAGEMENT STUDY

(1) Within ninety (90) days, the Board shall complete a study of the Bank's management, management structure and staffing requirements in light of the Bank's present condition. The findings and recommendations of the Board shall be set forth in a written report. At a minimum, the report shall contain:

- (a) identification of present and future management and staffing requirements

of each area of the Bank, with particular emphasis given to the lending area;

- (b) detailed written job descriptions for all executive officers;
- (c) an evaluation of each officer's qualifications and ability to perform the duties and responsibilities of his or her position;
- (d) recommendations as to whether management or staffing changes should be made, including the need for additions to or deletions from the current management team;
- (e) objectives by which management's effectiveness will be measured;
- (f) a training program to address identified weaknesses in the skills and abilities of the Bank's staff and management team;
- (g) an evaluation of current lines of authority, reporting responsibilities and delegation of duties for all officers, including identification of any overlapping duties or responsibilities;
- (h) a recommended organization chart that clearly reflects areas of responsibility and lines of authority for all officers, including the Bank's president and chief executive officer;
- (i) an assessment of the Board's strengths and weaknesses along with a director education program designed to strengthen identified weaknesses;
- (j) an assessment of whether the Board members are receiving adequate information on the operation of the Bank to enable them to fulfill their fiduciary responsibilities and other responsibilities under law;

- (k) recommendations to expand the scope, frequency and sufficiency of information provided to the Board by management; and
- (l) recommendations to correct or eliminate any other deficiencies in the supervision or organizational structure of the Bank.

(2) Within sixty (60) days of completion of the study, the Board shall adopt a written plan, with specific timeframes, to eliminate any deficiencies in Bank management, staffing or in supervision of management by the Board.

(3) A copy of this study and plan shall be submitted to the Deputy Comptroller. The Deputy Comptroller shall retain the right to determine the adequacy of the report and its compliance with the terms of this Agreement. It shall remain the responsibility of the Board to fully implement the plan within specified timeframes. In the event the written plan, or any portion thereof, is not implemented, the Board shall immediately advise the Deputy Comptroller, in writing, of specific reasons for deviating from the plan.

### ARTICLE III

#### CREDIT AND COLLATERAL EXCEPTIONS

(1) The Board shall obtain current and satisfactory credit information on all loans lacking such information, including those listed in any Report of Examination, any listings of loans lacking such information provided management, or by the Bank's internal or external loan review.

(2) The Board shall ensure proper collateral documentation is maintained on all loans and correct each collateral exception listed in any Report of Examination, any listings of loans

lacking such information provided management, or by the Bank's internal or external loan review.

(3) The Bank may grant, extend, renew, alter or restructure any loan or other extension of credit only after:

- (a) documenting the specific reason or purpose for the extension of credit;
- (b) identifying the expected source of repayment in writing;
- (c) structuring the repayment terms to coincide with the expected source of repayment;
- (d) obtaining and analyzing current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations;
  - (i) Failure to obtain the information in (d) shall require a majority of the full Board or a delegated committee thereof to certify in writing the specific reasons why obtaining and analyzing the information in (d) would be detrimental to the best interests of the Bank.
  - (ii) A copy of the Board certification shall be maintained in the credit file of the affected borrower(s). The certification will be reviewed by this Office in subsequent examinations of the Bank, and
- (e) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable.

## ARTICLE IV

### ASSETS SUBJECT TO CRITICISM

(1) The Bank shall take immediate and continuing action to protect its interest in those assets subject to adverse classification in any Report of Examination, in any list provided to management by the National Bank Examiners, or by the Bank's internal or external loan review.

(2) Within thirty (30) days, the Board shall adopt and implement a written program designed to eliminate the basis of adverse classification of assets classified in the Report of Examination as "doubtful", "substandard", or "special mention". This program shall include, at a minimum:

- (a) an identification of the expected sources of repayment;
- (b) the appraised value of supporting collateral and the position of the Bank's lien on such collateral where applicable;
- (c) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations; and
- (d) the proposed action to eliminate the basis of criticism and the timeframe for its accomplishment.

A similar program shall be adopted for all additional assets which have been classified or are subsequently classified by the Bank's internal or external loan review, or are subsequently classified in any report of examination or in any list provided to management by the National Bank Examiners.

(3) Upon adoption, a copy of the program for all classified assets equal to or

exceeding one hundred thousand dollars (\$100,000) shall be forwarded to the Deputy Comptroller.

(4) The Board, or a designated committee, shall conduct a review, on at least a monthly basis, to determine:

- (a) the status of each classified asset or classified portion thereof which is equal to or exceeds one hundred thousand dollars (\$100,000);
- (b) management's adherence to the program adopted pursuant to this Article;
- (c) the status and effectiveness of the written program; and
- (d) the need to revise the program or take alternative action.

(5) A copy of each review shall be forwarded to the Deputy Comptroller on a monthly basis in a format similar to Appendix A, attached hereto.

(6) The Bank may extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are classified in any Report of Examination or by the Bank's internal or external loan review and whose aggregate loans or other extensions exceed one hundred thousand dollars (\$100,000), only if each of the following conditions is met:

- (a) the Board or designated committee finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, extending or capitalizing any additional credit, a majority of the full Board or designated committee approves the credit extension and records in writing, why such extension is necessary to promote the best interests of the Bank; and



- (b) a comparison to the written program adopted pursuant to this article shows that the Board's formal plan to collect or strengthen the classified asset will not be compromised.

(7) A copy of the Board's approval shall be maintained in the file of the affected borrower.

## ARTICLE V

### EXTERNAL LOAN REVIEW

(1) Within sixty (60) days, the Board shall employ a qualified consultant to perform an ongoing asset quality review of the Bank.

(2) Prior to hiring a consultant or entering into any contract with a consultant, the Bank shall submit the proposed terms of employment and the qualifications of the consultant to the Deputy Comptroller who shall have the power of veto.

## ARTICLE VI

### ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) The Board shall review the adequacy of the Bank's Allowance for Loan and Lease Losses and shall establish a program for the maintenance of an adequate Allowance. This review and program shall be designed in light of the comments on maintaining a proper Allowance for Loan and Lease Losses found in the Allowance for Loan and Lease Losses booklet of the Comptroller's Handbook (June, 1996), and shall focus particular attention on the following factors:

- (a) results of the Bank's external loan review;
- (b) an estimate of inherent loss exposure on each significant credit;
- (c) loan loss experience;
- (d) trends of delinquent and nonaccrual loans;
- (e) concentrations of credit in the Bank; and
- (f) present and prospective economic conditions.

(2) The program shall provide for a review of the Allowance by the Board at least once each calendar quarter. Any deficiency in the Allowance shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Report of Condition and Income, by additional provisions from earnings. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the Allowance.

## ARTICLE VII

### CONFLICT OF INTEREST POLICY

(1) Within sixty (60) days, the Board shall adopt and implement a written, comprehensive conflict of interest policy applicable to the Bank s and the Bank holding company s directors, principal shareholders, officers, and employees ( Insiders ) and related interests of such insiders. The policy, in addition to defining a conflict of interest, shall address:

- (a) avoidance of conflicts of interest and breaches of fiduciary duty, and the appearance of conflicts of interest;

- (b) involvement in the loan approval process of insiders who may benefit directly or indirectly from the decision to grant credit;
- (c) disclosure of actual and potential conflicts of interest to the Board, and periodic disclosure of "related interests" as defined by 12 C.F.R. Part 215;
- (d) requirements for arms-length dealing in any transactions by insiders, or insider-related organizations, involving the Bank's sale, purchase, or rental of property and services;
- (e) disclosure of any material interest in the business of a borrower, an applicant, or other customer of the Bank; and
- (f) restrictions on and disclosure of receipt of anything of value by insiders, directly or indirectly, from borrowers, loan applicants, other customers, or suppliers of the Bank.

(2) Upon adoption, a copy of this conflict of interest policy shall be forwarded to the Deputy Comptroller for review.

(3) Within one hundred twenty (120) days, the Board shall conduct a review of the Bank's existing relationships with its and its holding company's directors, executive officers, affiliates, and principal shareholders, employees and their related interests for the purpose of identifying relationships not in conformity with the policy. The Bank shall bring any nonconforming relationships into conformity with the policy. The Board shall require that the Bank is properly reimbursed for:

- (a) any excess or improper payments to insiders and their related interests; and

- (b) any excess or improper payments for services provided by insiders and their related interests.

Thereafter, the Board shall review all proposed transactions, or modifications of existing relationships, between the Bank and any of its holding company's directors, executive officers, and principal shareholders, employees and their related interests. Documentation supporting these reviews shall be in writing and preserved in the Bank.

## ARTICLE VIII

### CAPITAL

(1) The Bank shall achieve by December 31, 1998, and thereafter maintain, the following capital levels as defined in 12 C.F.R. Part 3:

- (a) Tier 1 capital at least equal to eight percent (8%) of risk-weighted assets;
- (b) Tier 1 capital at least equal to five percent (5%) of adjusted total assets;  
and
- (c) Total risk-based capital at least equal to ten percent (10%) of risk weighted assets.

(2) Within ninety (90) days, the Board shall develop a three year capital program.

The program shall include:

- (a) specific plans for the maintenance of adequate capital which may in no event be less than the requirements of paragraph (1);
- (b) projections for growth and capital requirements based upon a detailed

analysis of the Bank's assets, liabilities, earnings, fixed assets, and off-balance sheet activities;

- (c) projections of the sources and timing of additional capital to meet the Bank's current and future needs;
- (d) the primary source(s) from which the Bank will strengthen its capital structure to meet the Bank's needs; and
- (e) contingency plans which identify alternative methods should the primary source(s) under (d) above not be available; and

(3) Upon completion, the Bank's capital program shall be submitted to the Deputy Comptroller for approval. Upon approval by the Deputy Comptroller, the Bank shall implement and adhere to the capital program. The Board shall review and update the Bank's capital program on an annual basis, or more frequently if necessary. Copies of the reviews and updates shall be submitted to the Deputy Comptroller.

## ARTICLE IX

### DIVIDENDS

- (1) The Board shall declare or pay dividends only:
  - (a) when the Bank is in compliance with 12 U.S.C. §§ 56 and 60;
  - (b) when the Bank is in compliance with its approved capital program; and
  - (c) with the prior written approval of the Deputy Comptroller.

## ARTICLE X

### BUDGET/BUSINESS PLAN

(1) Within ninety (90) days, the Board shall prepare and implement a written three-year business plan which shall include a projection of major balance sheet and income statement components, and shall provide for injections of equity capital, as necessary. The business plan shall also include a written capital plan, profit plan and a detailed budget. Specifically, the plan shall describe the Bank's objectives for improving Bank earnings, contemplated strategies, including detailed projections for loan growth, and major capital expenditures required to achieve those objectives. Such strategies shall include specific market segments which the Bank intends to promote or develop. Procedures shall also be established to monitor the Bank's actual results against these projections and to provide for appropriate adjustments to the budget and profit plan. The plan shall set forth specific timeframes for the accomplishment of these objectives.

(2) The plan shall be submitted to the Deputy Comptroller for review and approval prior to implementation.

## ARTICLE XI

### INTERNAL AUDIT

(1) Within one hundred twenty days (120) days, the Board shall adopt and implement an independent, internal audit program sufficient to:

- (a) detect irregularities in the Bank's operations;
- (b) determine the Bank's level of compliance with all applicable laws, rules and regulations;

- (c) evaluate the Bank's adherence to established policies and procedures, with particular emphasis directed to the Bank's adherence to its loan policies concerning underwriting standards and problem loan identification and classification;
- (d) ensure adequate audit coverage in all areas; and
- (e) establish an audit cycle sufficient to achieve these objectives.

(2) As part of this audit program, the Board shall evaluate the audit reports of any party providing services to the Bank, and shall assess the impact on the Bank of any audit deficiencies in such reports.

(3) The Board shall ensure that the audit department is adequately staffed, with respect to both the experience level and number of the individuals employed.

(4) The Board shall ensure that the audit program is independent. The persons responsible for implementing the internal audit program described above shall report directly to the Board, which shall have the sole power to direct their activities. All reports prepared by the audit staff shall be filed directly with the Board and not through any intervening party.

(5) All audit reports shall be in writing. The Board shall take immediate action to remedy deficiencies cited in audit reports and maintain a written record describing any actions undertaken to address any deficiency.

(6) The audit staff shall have access to any records necessary for the proper conduct of its activities. National bank examiners shall have access to all reports and workpapers of the audit staff and any other parties working on its behalf.

(7) Upon adoption, a copy of the internal audit program shall be submitted to the Deputy Comptroller.

## ARTICLE XII

### VIOLATIONS OF LAW

(1) The Bank shall immediately take all steps necessary to correct each violation of law, rule or regulation cited in any Report of Examination. As each violation is corrected, the Board shall notify the Deputy Comptroller of the date and manner in which each correction has been effected.

(2) Within sixty (60) days, the Board shall adopt and implement specific procedures to prevent future violations as cited in the Report of Examination and shall adopt and implement general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

(3) Upon adoption, a copy of these procedures shall be forwarded to the Deputy Comptroller.

## ARTICLE XIII

### MONTHLY PROGRESS REPORTS

(1) The Board shall submit monthly progress reports to the Deputy Comptroller. These reports shall set forth in detail:

(a) actions taken since the prior progress report to comply with each Article of



the Agreement; and

(b) results of those actions.

(2) The progress reports should also include any actions initiated by the Board and the Bank pursuant to the criticisms and comments in the Report of Examination.

#### ARTICLE XIV

(1 ) Although the Board has agreed to submit certain programs and reports to the Deputy Comptroller for review or approval, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2 ) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(3 ) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time requirements may be extended by the Deputy Comptroller for good cause upon written application by the Board.

(4 ) The provisions of this Agreement shall continue in full force and effect unless or until such provisions are amended by mutual consent of the parties to the Agreement or excepted, waived, or terminated by the Comptroller.

(5) The Agreement by and between Ocala National Bank, Ocala, Florida and the Office of the Comptroller of the Currency dated September 30, 1997 is hereby terminated.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller, has  
hereunto set his hand on behalf of the Comptroller.

/s/

09-03-98

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Kennard L. Page  
Assistant Deputy Comptroller  
North Florida Field Office

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Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

\_\_\_\_\_/s/\_\_\_\_\_  
Dennis E. Andrews

\_\_\_\_\_  
09-03-98  
Date

\_\_\_\_\_/s/\_\_\_\_\_  
Michael W. Berryhill

\_\_\_\_\_  
09-03-98  
Date

\_\_\_\_\_/s/\_\_\_\_\_  
Jerry B. Cullison

\_\_\_\_\_  
09-03-98  
Date

\_\_\_\_\_/s/\_\_\_\_\_  
Don Kay, Jr.

\_\_\_\_\_  
09-03-98  
Date

\_\_\_\_\_/s/\_\_\_\_\_  
Kyle A. Kay

\_\_\_\_\_  
09-03-98  
Date

\_\_\_\_\_/s/\_\_\_\_\_  
Rance H. Kay

\_\_\_\_\_  
09-03-98  
Date

\_\_\_\_\_/s/\_\_\_\_\_  
Harold L. Russell

\_\_\_\_\_  
09-03-98  
Date

\_\_\_\_\_/s/\_\_\_\_\_  
James E. Stephens

\_\_\_\_\_  
09-03-98  
Date

APPENDIX A

OCALA NATIONAL BANK  
OCALA, FLORIDA  
CRITICIZED ASSET REPORT AS OF:

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BORROWER(S) :

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ASSET  
BALANCE(S) AND OCC RATING CRITICISM (OAEM, SUBSTANDARD, DOUBTFUL  
OR LOSS) :

\$ \_\_\_\_\_ CRITICISM \_\_\_\_\_  
AMOUNT CHARGED OFF TO DATE \_\_\_\_\_  
FUTURE POTENTIAL CHARGE-OFF \_\_\_\_\_

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PRESENT STATUS\* (include past due status, nonperforming,  
significant progress of deterioration, etc.):

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FINANCIAL AND/OR COLLATERAL SUPPORT (include brief summary of  
most current financial information, appraised value of collateral  
and/or estimated value and date thereof, bank's lien position and  
amount of available equity, if any, guarantor(s) info, etc.):

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PROPOSED PLAN OF ACTION TO ELIMINATE ASSET CRITICISM(S) AND  
TIMEFRAME FOR ITS ACCOMPLISHMENT:

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IDENTIFIED SOURCE OF REPAYMENT AND DEFINED REPAYMENT PROGRAM  
(repayment program should coincide with source of repayment:

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Use this form for reporting each criticized asset which exceeds \_\_\_\_\_  
dollars (\$\_\_\_\_\_) and retain the original in the credit  
file for review by the examiners. Submit your reports quarterly  
until notified otherwise, in writing, by the Deputy Comptroller.

\*Any increase in the asset(s) should be fully explained in the  
PRESENT STATUS section.