



THE SKYLAKE STATE BANK

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TELEPHONE: (305) 364-4230 • FAX: (305) 558-0518
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G13874

FILED

99 OCT -5 AM 8:45

SECRETARY OF STATE
TALLAHASSEE, FLORIDA

October 4, 1999

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*****87.50 *****87.50

Florida Division of Corporations
P.O. Box 6327
Tallahassee, Florida 32314

Re: Skylake Bankshares, Inc.

Dear Sir or Madam:

I have enclosed for filing the following fully-executed corporate documents:

1. **Articles of Merger** of Kislak Financial Corporation with and into Skylake Bankshares, Inc.
2. **Articles of Amendment to Articles of Incorporation** of Skylake Bankshares, Inc.

I also have enclosed a photocopy of each of the foregoing documents, which I would like to have certified by the Division and returned to me. I have enclosed a check in the amount of \$87.50, representing the filing fees for, and the charges for obtaining certified copies of, the two enclosed corporate documents.

Thank you very much for your cooperation in this matter. If you have any questions, please call me at (305) 364-4123.

Very truly yours,

Howard J. Brafman
General Counsel

Merger
10-18-99
HJS

EFFECTIVE DATE

10-11-99

HJB/ms
Enclosures

ARTICLES OF MERGER
Merger Sheet

MERGING:

KISLAK FINANCIAL CORPORATION, a Florida corporation, P97000062179

INTO

SKYLAKE BANKSHARES, INC., a Florida entity, G13874

File date: October 5, 1999, effective October 11, 1999

Corporate Specialist: Doug Spitler

**ARTICLES OF MERGER
OF
KISLAK FINANCIAL CORPORATION
INTO
SKYLAKE BANKSHARES, INC.**


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SECRETARY OF STATE
TALLAHASSEE, FLORIDA

Pursuant to the provisions of Sections 607.1101 and 607.1105 of the Florida Business Corporation Act, as amended, Kislak Financial Corporation, a Florida corporation ("KFC"), and Skylake Bankshares, Inc., a Florida corporation ("SBS" or the "Surviving Corporation"), adopt the following Articles of Merger for the purpose of merging KFC with and into the Surviving Corporation (the "Merger").

- FIRST:** The Merger shall be consummated pursuant to that certain Agreement and Plan of Merger by and between KFC and the Surviving Corporation (the "Plan of Merger").
- SECOND:** The effective date of the Merger shall be October 11, 1999 (the "Effective Date").
- THIRD:** The Plan of Merger was adopted by the Board of Directors of KFC at a meeting of such board held on June 23, 1999, and was adopted by the Shareholders of KFC at a meeting of such shareholders held on July 30, 1999.
- FOURTH:** The Plan of Merger was adopted by the Board of Directors of the Surviving Corporation at a meeting of such board held on June 23, 1999, and was adopted by the Shareholders of the Surviving Corporation at a meeting of such shareholders held on July 30, 1999.
- FIFTH:** The Articles of Incorporation of SBS as of the Effective Date shall be the Articles of Incorporation of the Surviving Corporation and shall continue in full force and effect until changed, altered or amended as therein provided and in the manner prescribed by the laws of the State of Florida. The directors and officers of SBS in office on the Effective Date shall continue to be the directors and officers of the Surviving Corporation, all of whom shall hold their directorship and offices until the election and qualification of their respective successors or until their tenure is otherwise terminated in accordance with the bylaws of the Surviving Corporation.

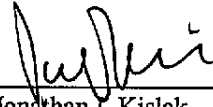
IN WITNESS WHEREOF, these Articles of Merger have been executed on behalf of the parties hereto as of the 30 day of September, 1999.

SKYLAKE BANKSHARES, INC.

By: 
Name: Jonathan I. Kislak
Title: President

EFFECTIVE DATE
10-11-99

KISLAK FINANCIAL CORPORATION

By: 
Name: Jonathan I. Kislak
Title: President

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER ("Agreement") is entered into as of this 1st day of July, 1999 ("Execution Date"), by and among KISLAK FINANCIAL CORPORATION, a Florida corporation ("KFC"), and SKYLAKE BANKSHARES, INC., a Florida corporation ("SBS").

PREAMBLE

Each of KFC and SBS is a bank holding company pursuant to authorization by the Federal Reserve Bank of Atlanta ("FRBA"). KFC and SBS have deemed it advisable for the mutual benefit of the parties to this Agreement and their respective shareholders that KFC merge with and into SBS (the "Merger") upon the terms and subject to the conditions set forth herein, including but not limited to the approval of the shareholders of KFC, and in accordance with applicable laws. In accordance with the terms and conditions of this Agreement, at the Effective Time (as hereinafter defined), KFC will be merged with and into SBS.

Now, therefore, in consideration of the premises and the mutual covenants, agreements, representations and warranties set forth herein, the parties hereto, intending to be legally bound, agree as follows:

ARTICLE I THE MERGER

1.1 Merger.

(a) Subject to the terms and conditions of this Agreement, at the date and time at which the Merger becomes effective as provided in Section 1.3 of this Agreement, KFC shall be merged with and into SBS. SBS shall be the surviving bank holding company (hereinafter referred to as "SBS" or the "Surviving BHC") and shall continue its corporate existence under the laws of the State of Florida and as a bank holding company under its present name. The separate existence of KFC shall cease at the Effective Time of the Merger and the Surviving BHC will assume all the obligations of KFC.

1.2 Time and Place of Closing. The closing of the transactions contemplated by the Merger (the "Closing") shall take place at the principal offices of SBS, on the date that the Effective Time occurs, or at such other time, or at such other place, as may be mutually agreed upon by SBS and KFC in writing, subject to the terms of this Agreement.

1.3 Effective Time. The Merger shall be effective at the date and time specified in the Articles of Merger filed with the Florida Secretary of State ("Effective Time"). Unless otherwise mutually agreed upon in writing by KFC and SBS, subject to the terms and conditions hereof, the Effective Time specified in the Articles of Merger shall be a date that is within five days following the last to occur of (a) the date that is thirty days after the notice by the FRBA approving the Merger, (b) the effective date of the last order, approval or exemption of any other federal or state regulatory agency approving the Merger (if such action is required), or (c) the last date on which the shareholders of KFC approve this Agreement and Merger. At the Effective Time, the Articles of Merger in substantially the form of Schedule 1.3 hereto (subject to changes in the parties' reasonable discretion or as requested by applicable regulatory authorities) shall be filed with the Florida Secretary of State.

1.4 Effect of the Merger. (a) At the Effective Time of the Merger, all assets, properties, rights, privileges, powers, interests, immunities and authorities of KFC shall pass, and be taken and

deemed to be transferred to and vest in SBS, the Surviving BHC, without further act or deed in the same manner and to the same extent as if same were owned, held or enjoyed by SBS immediately before the Effective Time of the Merger, without any conveyance or other transfer. The Surviving BHC shall be responsible for all of the liabilities of every kind and description of KFC, whether matured or unmatured, including without limitation, all contracts, deposits, debts and obligations existing immediately before the Effective Time of the Merger.

(b) The Merger shall not impair the rights of creditors nor any liens upon the property of KFC.

(c) SBS shall be subject to all the restrictions, disabilities and duties of KFC and shall be liable for all the obligations and liabilities of KFC as of the Effective Time of the Merger.

1.5 Offices. The main office of the Surviving BHC shall be SBS's main office located at 1550 N.E. Miami Gardens Drive, North Miami, Florida.

1.6 Directors and Officers. The persons who are directors and officers of SBS, as of the Effective Time shall be the directors and officers, respectively, of the Surviving BHC, in each case until their successors have been duly elected and qualified in accordance with the Articles of Incorporation and Bylaws of the Surviving BHC. The directors and officers of KFC shall resign as of the Closing of the Merger.

1.7 Articles of Incorporation; Bylaws. As of the Effective Time, the Articles of Incorporation and Bylaws of SBS in effect immediately prior to consummation of the Merger shall be the Articles of Incorporation and Bylaws of the Surviving BHC until otherwise amended repealed subject to changes in either made prior to the filing of the Articles of Merger that will not adversely affect KFC or its shareholders and any changes requested by the applicable regulatory authorities. Copies of the Articles of Incorporation and Bylaws of the Surviving BHC are available for inspection (during business hours) at the executive offices of the Surviving BHC.

1.8 Capitalization. (a) The authorized capital stock of KFC consists of 100,000 shares of common stock, par value \$1.00 per share ("KFC Common Stock"), of which 55,945 shares of common stock are issued and outstanding, and all such shares of KFC Common Stock are validly issued, fully paid and nonassessable.

(b) The authorized capital stock of SBS consists of 72,000 shares of common stock, par value \$1.00 per share ("SBS Common Stock"), of which 68,396 shares of common stock are issued and outstanding, and all such shares of SBS Common Stock are validly issued, fully paid and nonassessable. As of the Effective Time, the authorized capital stock of SBS will consist of 400,000 of SBS Common Stock as provided in Sections 3.1(c) and 5.2(a) herein. SBS currently has in effect a Put Agreement with several of its shareholders, which would provide in part that for a limited period of time, the shareholder(s) may put approximately 17,510 shares of SBS Common Stock to SBS. SBS currently has an agreement with Edward Haynes to redeem 302 shares of SBS Common Stock, being all of the stock owned by him, such redemption to become effective immediately prior to five days before the Effective Time at a redemption price of \$352.55 per share (the "Haynes Redemption").

(c) Except as set forth above, as of the Execution Date, there are no shares of capital stock or other securities bearing voting or other equity rights, whether contingent or not of SBS and KFC outstanding; there are no outstanding subscriptions, options, puts, calls, warrants or other rights,

contractual or otherwise, to purchase or acquire any capital stock of KFC and SBS and there are no contracts, commitments, understandings, arrangements or restrictions by which KFC or SBS are or may become bound to issue any additional shares of their capital stock of any class or any options or rights with respect thereto, or any securities convertible into any share of stock of any class.

ARTICLE II

PURCHASE PRICE

2.1 Conversion. At the Effective Time, by virtue of the Merger and without any further action on the part of the holders thereof:

(a) Each issued and outstanding share of KFC Common Stock, shall be automatically deemed canceled and converted into the right to receive SBS Common Stock (the "Stock Payment") in accordance with Section 2.1 and 3.2 herein.

(b) Each shareholder of KFC will be entitled to receive the Stock Payment, subject to the provisions of Section 3.2(f).

(c) The Stock Payment shall be determined five days prior to the Effective Time of the Merger (based upon the financial statements of each of SBS and KFC as of the most recent month-end at least five (5) days prior to the Effective Time) to take into account any dividends paid subsequent to the Execution Date and any changes in stockholders equity or retained earnings as follows:

(i) The Stock Payment to a KFC shareholder shall be equal to the number of shares held by each respective KFC shareholder multiplied by the Stock Conversion Ratio, as defined herein. The Stock Payment will be based upon the Stock Conversion Ratio, which is 1.8545 shares of SBS Common Stock per share of KFC Common Stock as adjusted pursuant to Section 2.1(c)(ii).

(ii) The agreed Stock Conversion Ratio is based upon SBS having equity capital of \$20,533,000 five days prior to the Effective Time ("SBS Base Capital") and KFC having equity capital of \$33,963,000 five days prior to the Effective Time ("KFC Base Capital"). To the extent that the equity capital of either SBS or KFC as of five days prior to the Effective Time differs from its Base Capital, the Stock Conversion Ratio shall be adjusted based upon a dollar-for-dollar credit or debit for the difference between (a) SBS equity capital at the relevant date less the SBS Base Capital and (b) KFC equity capital at the relevant date less the KFC Base (c) divided by the agreed upon per share value of the SBS Common Stock. For purposes calculating the Stock Conversion Ratio, SBS shares shall be valued at \$352.55 per share, and the Haynes Redemption shall be taken into account.

By way of example, if at the relevant time, SBS has equity capital of \$19,533,000, and KFC has equity capital of \$33,963,000, the Stock Conversion Ratio will be 1.9053, and SBS would issue, in the aggregate, 2836.48 additional shares of Common Stock (\$1,000,000 shortfall in the equity capital of SBS, divided by \$352.55).

(iii) KFC, SBS and their accountants shall cooperate in agreeing upon the calculation of the Stock Conversion Ratio. KFC shall cause its regularly retained certified independent public accounting firm ("KFC's Accountant"), to calculate the

Stock Conversion Ratio, in accordance with the terms and conditions of Section 2.1 (c) herein, within five (5) days of the Effective Time. At all times during the calculation of the Stock Conversion Ratio, SBS shall give KFC, its independent and internal accountants (SBS's Accountants"), full and complete access to all books, records, work papers and other documents of SBS relevant to such calculations. The determination of the Stock Conversion Ratio by KFC's Accountant, unless objected to in writing within three (3) days of receipt of SBS, shall be final and binding upon the parties hereto. Any such objection by SBS shall specify in reasonable detail the item or items challenged and shall specify SBS's calculation of the Stock Conversion Ratio. If the determination of the Stock Conversion Ratio is not amended by KFC within two (2) days thereafter to the satisfaction of SBS, SBS may, at its own expense, have SBS's Accountants reexamine the determination of the Stock Conversion Ratio as to the items challenged and shall conduct such further review as to those items challenged, in accordance with the terms and conditions of Section 2.1(c) herein, as SBS deems necessary. KFC shall cooperate with SBS's Accountants in this regard and provide access to such books and records as shall reasonably be necessary for SBS's Accountants to make their own calculation. Should a discrepancy remain between the amount of the Stock Conversion Ratios determined by KFC's Accountant and SBS's Accountants, the parties shall cause their respective accountants to cooperate to try to eliminate such discrepancy. Should KFC's Accountant and SBS's Accountants fail to eliminate such discrepancy, then, in such event, a nationally recognized accounting firm mutually agreeable to both parties (the "Disinterested Firm") shall then review the reports and other books and records relative to the issue or issues in dispute and shall make a final determination of the challenged items, in accordance with the terms and conditions of Section 2.1 (c) herein, which determination shall be final and binding upon the parties hereto. If the amount of the Stock Conversion Ratio determined by the Disinterested Firm is closer to the calculation of the Stock Conversion Ratio then being proposed by KFC's Accountant than to the amount being proposed by SBS's Accountants, then SBS shall pay all fees and expenses of the Disinterested Firm. If the amount of the Stock Conversion Ratio determined by the Disinterested Firm is closer to the calculation of the Stock Conversion Ratio being proposed by SBS's Accountants than to that of KFC's Accountant, then KFC shall pay all fees and expenses of the Disinterested Firm.

2.2 Exchange of Certificates. As soon as practicable after the Effective Time, SBS shall deliver to KFC a letter of transmittal and instructions for use (both in form and content reasonably acceptable to KFC) in effecting the exchange of the certificates representing shares of KFC Common Stock for the Merger consideration. Upon the surrender of such certificates, the shareholders of KFC shall be paid, pursuant to Section 2.1, the "actual" Stock Payment, as applicable, and the surrendered certificates shall be canceled. The Stock Payment, will be delivered to KFC's shareholders in respect to lost share certificates of KFC, subject to receipt of such affidavits and other assurances and requirements normally required to replace lost share certificates, or as SBS, in its reasonable discretion, determines are necessary. After the Effective Time, until surrendered as provided in this Section, any remaining certificate or certificates which immediately prior to the Effective Time represented shares of KFC Common Stock shall be deemed for all purposes to represent only the right to receive the Stock Payment into which the shares of KFC Common Stock have been converted.

2.3 Dissenting Shareholders. Notwithstanding the foregoing, each outstanding share of KFC Common Stock, the holder of which has perfected dissenters' rights in accordance with the provisions of Florida Statutes, including but not limited to Sections 607.1103, 607.1301, 607.1302 and 607.1320

(collectively, the "Dissent Provisions") and has not effectively withdrawn or lost such holder's right to such appraisal (the "Dissenting KFC Shares"), shall not be converted into or represent a right to receive the Stock Payment, payable in the Merger, but shall be entitled only to such rights as are granted by the Dissent Provisions. KFC shall give SBS prompt written notice upon receipt by KFC of any written exercise or notice of any rights under the Dissent Provisions, and of withdrawals thereof, and any other instrument provided to KFC pursuant to the Dissent Provisions. If any dissenting shareholder shall have failed to perfect or shall have effectively withdrawn or lost such right to demand payment of fair or appraised value, the shares held by such Dissenting Shareholder shall thereupon be deemed to be converted into the right to receive the consideration to be issued in the Merger as provided by Section 2.1 herein.

2.4 Closing of Transfer Books. On and after the Execution Date, no further transfers of KFC Common Stock shall be registered on the records of KFC. If after the Effective Time of the merger, certificates representing KFC Common Stock are presented to the Surviving BHC, such certificates, subject to the applicable laws of escheat and abandoned property, shall be canceled as provided for in Section 2.2 herein.

ARTICLE III

CONDITIONS TO CLOSING

3.1 Mutual Conditions. The respective obligations of SBS and KFC to effect the Merger and/or the other transactions contemplated hereby shall be subject to the fulfillment or waiver at or prior to the Effective Time of the following conditions:

(a) Regulatory Approval. There shall have been obtained all consents and approvals of any governmental agency or authority required for consummation of the Merger, including, without limitation, the approval of the FRBA.

(b) Shareholder Approval. This Agreement and the Merger shall have been approved and ratified by the shareholders of KFC in the manner, to the extent and according to the procedures prescribed by applicable law, it being understood that the Board of Directors of KFC has approved this Agreement and the Merger subject only to approval by the shareholders of KFC and satisfaction or waiver of the conditions which are contained herein.

(c) Amendment to the Articles of Incorporation. The shareholders of SBS shall have approved an amendment to the Articles of Incorporation increasing the total authorized shares of SBS to a minimum of 400,000 shares, it being understood that the Board of Directors of SBS has approved the amendment to the Articles of Incorporation subject to the approval of the shareholders of SBS.

(d) Waiver of Preemptive Rights. All of the shareholders of SBS shall have waived their preemptive rights in accordance with applicable law and in connection with the proposed shares of SBS that will be issued to the shareholders of KFC who are entitled to receive the Stock Payment.

(e) No Injunction. No order, ruling, consent decree, judgment or injunction of any court or regulatory authority shall have been entered prohibiting the consummation of the transactions contemplated hereby; nor shall there be pending any suit, action or proceeding that seeks any of the foregoing.

(f) Shareholders' Agreement. All shareholders of KFC who would become shareholders of SBS as a result of the Merger shall enter into a Shareholders' Agreement with SBS and the SBS shareholders, substantially in the form of Schedule 3.2(f) hereof; provided, however, that SBS shall have the right to waive this condition as to one or more SBS or KFC shareholders, in its sole discretion.

3.2 Conditions to Obligations of SBS. The obligations of SBS hereunder to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of the following additional conditions, any one or more of which may be waived by SBS:

(a) Representations True. The representations and warranties of KFC contained in this Agreement and the Schedules attached hereto, shall be true and correct in all material respects on and as of the Effective Time. For purposes hereof, such representations and warranties shall be considered to be true and correct in all material respects if the aggregate liability or potential liability from the inaccuracy or breach of such representations and warranties does not exceed One Hundred Thousand Dollars (\$100,000). KFC shall have delivered to SBS at the Closing a certificate signed on its behalf by an executive officer dated as of the Effective Time to the foregoing effect.

(b) No Material Adverse Changes. Other than as reflected in the Financials (as hereinafter defined) for the period ended March 31, 1999, since December 31, 1998, there shall have been no material adverse change in the financial condition, results of operations or business of KFC, nor shall there have occurred any event or condition of any character which may reasonably be expected to have a material adverse effect on the financial condition, results of operations or business of KFC, and KFC shall have delivered to SBS at the Closing a certificate signed on its behalf by an executive officer dated as of the Effective Time to the foregoing effect.

(c) Third Party Consents. To the extent that any material lease, license, loan, financing arrangement or other contract or agreement to which KFC is a party requires the consent of or waiver from the other party thereto as a result of the transactions contemplated by this Agreement, such consent or waiver shall have been obtained, unless (i) waived by SBS in accordance with this Section 3.2(c) of this Agreement, or (ii) the failure to obtain such consent or waiver would not have a material adverse effect on the financial condition, results of operations or business of KFC, SBS or any of SBS's subsidiaries or affiliates following the Merger or the transactions contemplated hereby.

(d) Issuance of Options. No options or similar instruments to purchase shares of capital stock of KFC will be issued and outstanding at the Effective Time.

(e) Dissenting Shareholders. Holders of not more than 10% of the outstanding KFC Common Stock shall have exercised dissenters' rights. No more than 10% of the outstanding shares of KFC Common Stock shall be dissenting shares under applicable law.

3.3 Conditions to Obligations of KFC. The obligations of KFC to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of the following additional conditions, any one or more of which may be waived by KFC:

(a) Representations True. The representations and warranties of SBS contained in this Agreement and the Schedules attached hereto, shall be true and correct in all material respects on and as of the Effective Time. SBS shall have delivered to KFC at the Closing a certificate signed on its behalf by an executive officer dated as of the Effective Time to the foregoing effect.

(b) No Material Adverse Changes. Other than as reflected in the Financials (as hereinafter defined) for the period ended March 31, 1999, since December 31, 1998, there shall have been no material adverse change in the financial condition, results of operations or business of SBS, nor shall there have occurred any event or condition of any character which may reasonably be expected to have a material adverse effect on the financial condition, results of operations or business of SBS, and SBS shall have delivered to KFC at the Closing a certificate signed on its behalf by an executive officer dated as of the Effective Time to the foregoing effect.

(c) Third Party Consents. To the extent that any material lease, license, loan, financing arrangement or other contract or agreement to which SBS is a party requires the consent of or waiver from the other party thereto as a result of the transactions contemplated by this Agreement, such consent or waiver shall have been obtained, unless (i) waived by KFC in accordance with this Section 3.2(c) of this Agreement, or (ii) the failure to obtain such consent or waiver would not have a material adverse effect on the financial condition, results of operations or business of SBS, KFC or any of KFC's subsidiaries or affiliates following the Merger or the transactions contemplated hereby.

ARTICLE IV **REPRESENTATIONS AND WARRANTIES OF KFC**

KFC represents and warrants to SBS that:

4.1 Organization Standing and Authority. KFC is a duly organized and validly existing bank holding company, organized, existing and in good standing under the laws of the State of Florida. KFC is duly qualified to do business and is in good standing in all jurisdictions (whether federal, state, local or foreign) where its ownership or leasing of property or the conduct of its business requires it to be so qualified and in which the failure to be duly qualified would have a material adverse effect on the business, financial condition or results of operations of KFC or the ability of KFC to perform its obligations hereunder or consummate the transactions contemplated herein. KFC has all requisite corporate power and authority to carry on its business as now conducted and to own, lease and operate its assets, properties and business, the absence of which would have a material adverse effect on the business or financial condition of KFC, and to execute and deliver this Agreement and perform the terms of this Agreement and all transactions contemplated hereby. KFC has in effect all federal, state, local and foreign governmental, regulatory and other authorizations, permits and licenses (collectively, "Authorizations") necessary for it to own or lease its properties and assets and to carry on its business as now conducted, the absence of which would have a material adverse effect on the business or financial condition of KFC.

4.2 Capitalization.

(a) The authorized capital stock of KFC consists of 100,000 shares of Common Stock, of which 55,945 shares are issued and outstanding. No shares of preferred stock of KFC are authorized, issued or outstanding. All issued and outstanding shares of KFC Common Stock are duly and validly issued and are fully paid and nonassessable and none of such outstanding shares has been issued in violation of any preemptive rights.

(b) Except for that certain Shareholders' Agreement dated January 1, 1998 among KFC and certain shareholders of KFC relating to the continuation of KFC's status as an "S" corporation, there are no other equity securities of KFC outstanding and no outstanding options, warrants, scrip, rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities or rights

convertible into or exchangeable for shares of KFC stock or contracts, commitments, undertakings or arrangements by which KFC is or may be bound to issue additional shares of its stock or options, warrants or rights to purchase or acquire any additional shares of its stock.

4.3 Authorization of Merger and Related Transactions.

(a) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action in respect thereof on the part of KFC, subject to the approval of KFC's shareholders, as required by applicable law. This Agreement represents a valid and legally binding obligation of KFC enforceable against KFC in accordance with its terms, provided, however, that the remedy of specific performance and injunctive and other forms of relief may be subject to certain KFC defenses and to the discretion of the court before which any proceeding therefor may be brought.

(b) Subject to obtaining applicable shareholder and regulatory approval and third party approvals as set forth herein, neither the execution and delivery of this Agreement by KFC nor the consummation by KFC of the transactions contemplated hereby nor compliance by KFC with any of the provisions herein will (i) conflict with or result in a breach of any provision of KFC's Articles of Incorporation or Bylaws, or (ii) constitute or result in a breach of any term, condition or provision of, or constitute a default with or without notice or lapse of time or both under, or give rise to any right of termination, cancellation or acceleration of any obligation or the loss of a benefit with respect to, or result in the creation of any lien, claim, security interest, charge or other encumbrance (collectively, "Lien") upon, any property or assets of KFC pursuant to any loan or credit agreement, note, bond, mortgage, indenture, license, agreement, lease, permit, concession, franchise or other instrument or obligation (collectively, "Document") to which any of them is a party or by which any of them or any of their properties or assets may be subject, and that would, in the aggregate, have a material adverse effect on the business or financial condition of KFC, or (iii) subject to receipt of the requisite approvals set forth herein, violate any judgment, order, writ, injunction, decree, statute, law, ordinance, rule or regulation applicable to KFC or any of its properties or assets which in the aggregate would have a material adverse effect on the business or financial condition of KFC.

(c) Other than regulatory approvals, including (i) compliance with the provisions of applicable state and federal corporate and securities laws and regulations (the "Securities Laws"), or (ii) consents or approvals from the FRBA, no notice to, filing with, authorization of, exemption by, or consent or approval of any public body or authority is necessary for the consummation by KFC of the Merger and the other transactions contemplated in this Agreement.

4.4 Financial Statements. KFC (i) has delivered to SBS copies of the balance sheets and related statements of operations, statements of changes in shareholders' equity and statements of cash flows (including related notes and schedules) of KFC as, of and for the periods ended December 31, 1998 and March 31, 1999 and (ii) will deliver to SBS promptly upon the preparation thereof copies of the balance sheets and related statements of operations, statements of changes in shareholders' equity and statements of cash flows (including related notes and schedules) of KFC subsequent to the execution of this Agreement (clauses (i) and (ii), the "Financials"), including any audited financial statements prepared during such periods. The Financials (as of the dates thereof and for the periods covered thereby) (A) are or will be in accordance with the information in the books and records of KFC in all material respects, which are or will be complete and accurate in all material respects and which have been or will have been maintained in accordance with good business practices and legal requirements, in each case, as applicable to bank holding companies, and (B) present or will present fairly the financial

position and the results of operations, changes in shareholders' equity and statements of cash flows of KFC as of the dates and for the periods indicated, in accordance with GAAP, consistently applied, subject in the case of interim financial statements to normal recurring year-end adjustments and except for the absence of certain footnote and cash flow information in the unaudited statements.

4.5 Absence of Undisclosed Liabilities. KFC does not have any obligations or liabilities (contingent or otherwise whether accrued or reserved) that may reasonably be expected to have a material adverse effect on the business or financial condition of KFC, except obligations and liabilities (i) which are accrued or reserved against in the balance sheets included in the Financials as of March 31, 1999 or reflected in the notes thereto, or (ii) which were incurred after March 31, 1999 in the ordinary course of business consistent with past practice, or in connection with the transactions contemplated by this Agreement. Since March 31, 1999, KFC has not incurred or paid any obligation or liability which would be material to the financial or business condition of KFC, except in the ordinary course of business consistent with past practice or in connection with the transactions contemplated by this Agreement.

4.6 Tax Matters

(a) All federal, state, local and foreign Tax Returns (as hereinafter defined) required to be filed by or on behalf of KFC, if any, have been timely filed or requests for extensions have been timely filed, granted and not expired, and each such Tax Return filed is true, complete and accurate in all material respects. All Tax Returns required to be filed by or on behalf of KFC after the date of this Agreement and on or before the Effective Time will be timely filed or requests for extension will be timely filed, granted and not expired, and each such Tax Return will be, when filed, true, complete and accurate in all material respects. KFC has timely paid or caused to be paid all Taxes (whether shown on any Tax Return or not required to be shown on any Tax Return) required to be paid, if any, before the Effective Time and will timely pay or cause to be paid all Taxes (whether shown on any Tax Return or not required to be shown on any Tax Return) required to be paid, if any, before the Effective Time. There is no audit examination, deficiency or refund litigation or matter in controversy with respect to any Taxes (as hereinafter defined). All Taxes due with respect to completed and settled examinations or concluded litigation have been paid, accrued or provided for. No director, officer or employee responsible for Tax matters of KFC expects any authority to assess any additional Tax in respect of any period on or before the date hereof or the Effective Time or has any knowledge of any actual or potential dispute or claim concerning any Tax liability in respect of any such period.

(b) KFC has not executed and will not execute an extension or waiver of any statute of limitations on the assessment or collection of any Tax, without the prior written consent of SBS (which consent shall not be unreasonably withheld).

(c) Adequate provision in accordance with GAAP for any Taxes due or to become due from KFC for any period or periods through and including March 31, 1999 (including all periods ending on or before March 31, 1999) has been made and is reflected on the March 31, 1999 Financials. Adequate provision in accordance with GAAP for any Taxes due or to become due from KFC for any period or periods after March 31, 1999 and through and including the Effective Time will be made and reflected on the Financials.

(d) Deferred Taxes, if any, of KFC have been and will be provided for in the Financials in accordance with GAAP, subject in the case of interim financial statements to normal recurring year-end adjustments.

(e) All Taxes that relate directly or indirectly to KFC or to any third party (including any employee, independent contractor, creditor or shareholder) that KFC is required by law to withhold or to collect for payment have been duly withheld and collected and have been paid to the proper governmental entity or are being withheld by KFC.

(f) "Tax" shall mean any Federal, state, local or foreign tax or other governmental charge of any nature for which KFC could be liable together with any interest, additional amounts, additions to tax, penalties or any other comparable amounts. "Tax Return" shall mean any return, declaration, report, claim for refund or information return or statement relating to any Tax, including any schedule or attachment thereto and any amendment thereof.

4.7 Properties. KFC has good, valid and, in the case of real property, marketable title, free and clear of all material Liens (except inchoate Liens relating to real and personal property in respect of taxes not yet due and payable), to all its properties and assets, whether tangible or intangible, real, personal or mixed, reflected in the Financials and owned by KFC as of the date hereof. All buildings, and all fixtures, equipment and other property and assets which are material to the business or financial condition of KFC held under leases or subleases by KFC are held under valid instruments enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium, equitable principles and similar laws. Substantially all of KFC's equipment in regular use has been well maintained and is in good and serviceable condition, reasonable wear and tear excepted, except where any failure to so maintain and preserve such equipment in good and serviceable condition would not individually or in the aggregate have a material adverse effect on the business or financial condition of KFC.

4.8 Compliance with Laws.

(a) KFC is in compliance in all material respects with all laws, regulations, reporting and licensing requirements and orders applicable to its business or to its employees conducting its business, with any Regulatory Agreements (as hereinafter defined), and with its internal policies and procedures, the breach or violation of which would have a material adverse effect on the business or financial condition of KFC.

(b) KFC has not received any written notification or communication from any agency or department of any federal, state or local government or from any of the FRBA or other applicable regulatory authorities or agencies or the staffs thereof (collectively, the "Regulatory Authorities") (i) asserting that KFC is not in substantial compliance with any of the statutes, regulations, or ordinances which such agency, department or Regulatory Authority enforces, (ii) threatening to revoke any license, franchise, permit or governmental authorization or (iii) requiring or threatening to require KFC or indicating that KFC may be required to enter into a cease and desist order, agreement or memorandum of understanding (any such notice, communication, memorandum, agreement or order described in this sentence herein referred to as a "Regulatory Agreement").

4.9 Contracts. Except for this Agreement and material agreements copies of which have been previously provided to SBS, KFC is not a party to nor is bound by or subject to, nor receives benefits under any of the following: (i) any agreement, arrangement or commitment that is material to the financial condition, results of operations or liquidity of KFC, except loan agreements, arrangements or commitments of KFC and except those entered into in the ordinary course of business or cancelable by KFC without penalty, (ii) any real property lease; (iii) any agreement, arrangement or commitment relating to the employment, election or retention in office of any present or former director, officer or

employee of KFC (including any understandings or obligations with respect to severance or termination pay, liabilities or fringe benefits); (iv) any contract containing noncompetition covenants which limits the ability of KFC to compete in any line of business or which involve any restriction of the geographical area in which KFC may carry on its business (other than as may be required by law or applicable governmental authorities); or (v) any contract, agreement or understanding with any labor union affecting KFC.

4.10 Reports. KFC has filed all reports and statements, together with all amendments required to be made with respect thereto, that it was required, if any, to file with any Regulatory Authorities. As of their respective dates, each of such reports and documents described in the preceding sentence, including the financial statements, exhibits and schedules thereto, complied in all material respects with all applicable statutes, rules and regulations and do not contain any material information that was false or misleading as of their respective dates.

4.11 Statements True and Correct. At the request of SBS, KFC shall supply written information for inclusion in documents filed with Regulatory Authorities (collectively, all such written information supplied by KFC is referred to herein as the "KFC Information"). The KFC Information shall not at the time any such document is filed with a Regulatory Authority contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein not misleading.

4.12 Legal and Other Proceedings. Neither KFC, nor any of its respective directors or officers, is a party to any pending, or, to the knowledge of KFC, threatened, or unasserted but considered by it to be probable of assertion, claim, action, suit, investigation, arbitration or proceeding, or is subject to any order, judgment or decree, that is reasonably expected to have, either individually or in the aggregate, a material adverse effect on the condition, financial or otherwise, earnings or results of operations of KFC. KFC is not, as of the date hereof, a party to or subject to any enforcement action instituted by, or any agreement or memorandum of understanding with, any federal or state regulatory authority restricting KFC's operations or requiring that actions be taken.

4.13 Absence of Certain Changes or Events. Other than as reflected in the Financials for the period ended March 31, 1999, from December 31, 1998, there has been no adverse material change in the financial condition, results of operations, assets (including loans) or business of KFC, nor has there occurred any event or condition of any character (whether actual or, to the knowledge of KFC, threatened or contemplated) which may reasonably be expected to have a material adverse effect on the financial condition, results of operations, assets (including loans), or business of KFC.

4.14 Insurance. The property and assets of KFC are insured against loss or damage of the kinds and in the amounts adequate to protect the assets and business of KFC; provided, that KFC shall provide SBS with written notice promptly upon any material change in its insurance coverage.

4.15 Premises. SBS's representatives have received a complete list of all of KFC's premises together with true and correct copies of all leases or other agreements relating to such real property, all of which are in full force and effect. KFC is not in default of any of its material obligations thereunder.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF SBS

SBS represents and warrants to KFC that:

5.1 Organization, Standing and Authority. SBS is a duly organized and validly existing bank holding company, organized, existing and in good standing under the laws of the State of Florida. SBS is duly qualified to do business and is in good standing in all jurisdictions (whether federal, state, local or foreign) where its ownership or leasing of property or the conduct of its business requires it to be so qualified and in which the failure to be duly qualified would have a material adverse effect on the business, financial condition or results of operations of SBS or the ability of SBS to perform its obligations hereunder or consummate the transactions contemplated herein. SBS has all requisite corporate power and authority to carry on its business as now conducted and to own, lease and operate its assets, properties and business, the absence of which would have a material adverse effect on the business or financial condition of SBS, and to execute and deliver this Agreement and perform the terms of this Agreement and all transactions contemplated hereby. SBS has in effect all federal, state, local and foreign governmental, regulatory and other authorizations, permits and licenses (collectively, "Authorizations") necessary for it to own or lease its properties and assets and to carry on its business as now conducted, the absence of which would have a material adverse effect on the business or financial condition of SBS.

5.2 Capitalization.

(a) As of the Effective Time, the authorized stock of SBS will consist of 400,000 shares of Common Stock, of which 68,094 shares will be issued and outstanding (taking into account the Haynes Redemption). No shares of preferred stock of SBS are authorized, issued or outstanding. All issued and outstanding shares of SBS Common Stock are duly and validly issued and are fully paid and nonassessable and none of such outstanding shares has been issued in violation of any preemptive rights.

(b) Except as set forth herein, there are no shares of SBS stock or other equity securities of SBS outstanding and no outstanding options, warrants, scrip, rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities or rights convertible into or exchangeable for shares of the SBS stock or contracts, commitments, undertakings or arrangements by which SBS is or may be bound to issue additional shares of its SBS stock or options, warrants or rights to purchase or acquire any additional shares of its SBS stock. SBS currently is subject to: (i) a Put Agreement with one of its shareholders, which would provide in part that for a limited period of time, SBS or the shareholder may put approximately 17,510 shares of SBS Common Stock to SBS, and (ii) a Shareholders' Agreement dated December 1, 1998 relating to the continuation of SBS' status as a S Corporation within the meaning of Section 1361 of the Internal Revenue Code of 1986, as amended.

5.3 Authorization of Merger and Related Transactions.

(a) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action in respect thereof on the part of SBS, subject to the approval of SBS's shareholders as required by applicable law with regard to the matters set forth in Sections 3.1(c) and 5.2(a) herein. This Agreement represents a valid and legally binding obligation of SBS enforceable against SBS in accordance with its terms, provided, however, that the remedy of specific performance and injunctive and other forms of

relief may be subject to certain SBS defenses and to the discretion of the court before which any proceeding may be brought.

(b) Subject to obtaining applicable shareholder and regulatory approval and third party approvals as set forth herein, neither the execution and delivery of this Agreement by SBS nor the consummation by SBS of the transactions contemplated hereby nor compliance by SBS with any of the provisions herein will (i) conflict with or result in a breach of any provision of SBS's Articles of Incorporation or Bylaws, or (ii) constitute or result in a breach of any term, condition or provision of, or constitute a default with or without notice or lapse of time or both under, or give rise to any right of termination, cancellation or acceleration of any obligation or the loss of a benefit with respect to, or result in the creation of any lien, claim, security interest, charge or other encumbrance (collectively, "Lien") upon, any property or assets of SBS pursuant to any loan or credit agreement, note, bond, mortgage, indenture, license, agreement, lease, permit, concession, franchise or other instrument or obligation (collectively, "Document") to which any of them is a party or by which any of them or any of their properties or assets may be subject, and that would, in the aggregate, have a material adverse effect on the business or financial condition of SBS, or (iii) subject to receipt of the requisite approvals referred to in this Agreement, violate any judgment, order, writ, injunction, decree, statute, law, ordinance, rule or regulation applicable to SBS or any of its properties or assets which in the aggregate would have a material adverse effect on the business or financial condition of SBS.

(c) Other than regulatory approvals, including (i) compliance with the provisions of applicable state and federal corporate and securities laws and regulations (the "Securities Laws") or (ii) consents or approvals from the FRBA, if applicable, no notice to, filing with, authorization of, exemption by, or consent or approval of any public body or authority is necessary for the consummation by SBS of the Merger and the other transactions contemplated in this Agreement.

5.4 Financial Statements. SBS has (i) delivered to KFC copies of the balance sheets and related statements of operations, statements of changes in shareholders' equity and statements of cash flows (including related notes and schedules) of SBS as of and for the periods ended December 31, 1998 and March 31, 1999 and (ii) will deliver to KFC promptly upon the preparation thereof copies of the balance sheets and related statements of operations, statements of changes in shareholders' equity and statements of cash flows (including related notes and schedules) of SBS subsequent to the execution of this Agreement (clauses (i) and (ii), the "Financials"), including any audited financial statements prepared during such periods. The Financials (as of the dates thereof and for the periods covered thereby) (A) are or will be in accordance with the information in the books and records of SBS in all material respects, which are or will be complete and accurate in all material respects and which have been or will have been maintained in accordance with good business practices and legal requirements, in each case, as applicable to bank holding companies, and (B) present or will present fairly the financial position and the results of operations, changes in shareholders' equity and statements of cash flows of SBS as of the dates and for the periods indicated, in accordance with GAAP, consistently applied, subject in the case of interim financial statements to normal recurring year-end adjustments and except for the absence of certain footnote and cash flow information in the unaudited statements.

5.5 Absence of Undisclosed Liabilities. SBS does not have any obligations or liabilities (contingent or otherwise whether accrued or reserved) that may reasonably be expected to have a material adverse effect on the business or financial condition of SBS, except obligations and liabilities (i) which are accrued or reserved against in the balance sheets included in the Financials as of March 31, 1999 or reflected in the notes thereto, or (ii) which were incurred after March 31, 1999 in the ordinary course of business consistent with past practice, or in connection with the transactions contemplated by

this Agreement. Since March 31, 1999, SBS has not incurred or paid any obligation or liability which would be material to the financial or business condition of SBS, except in the ordinary course of business consistent with past practice or in connection with the transactions contemplated by this Agreement.

5.6 Tax Matters.

(a) All federal, state, local and foreign Tax Returns (as hereinafter defined) required to be filed by or on behalf of SBS have been timely filed or requests for extensions have been timely filed, granted and not expired, and each such Tax Return filed is true, complete and accurate in all material respects. All Tax Returns required to be filed by or on behalf of SBS after the date of this Agreement and on or before the Effective Time will be timely filed or requests for extension will be timely filed, granted and not expired, and each such Tax Return will be, when filed, true, complete and accurate in all material respects. SBS has timely paid or caused to be paid all Taxes (whether shown on any Tax Return or not required to be shown on any Tax Return) required to be paid before the Effective Time and will timely pay or cause to be paid all Taxes (whether shown on any Tax Return or not required to be shown on any Tax Return) required to be paid, if any, before the Effective Time. There is no audit examination, deficiency or refund litigation or matter in controversy with respect to any Taxes (as hereinafter defined). All Taxes due with respect to completed and settled examinations or concluded litigation have been paid, accrued or provided for. No director, officer or employee responsible for Tax matters of SBS expects any authority to assess any additional Tax in respect of any period on or before the date hereof or the Effective Time or has any knowledge of any actual or potential dispute or claim concerning any Tax liability in respect of any such period.

(b) SBS has not executed and will not execute an extension or waiver of any statute of limitations on the assessment or collection of any Tax, without the prior written consent of KFC (which consent shall not be unreasonably withheld).

(c) Adequate provision in accordance with GAAP for any Taxes due or to become due from SBS for any period or periods through and including March 31, 1999 (including all periods ending on or before March 31, 1999) has been made and is reflected on the March 31, 1999 Financials. Adequate provision in accordance with GAAP for any Taxes due or to become due from SBS for any period or periods after March 31, 1999 and through and including the Effective Time will be made and reflected on the Financials.

(d) Deferred Taxes of SBS, if any, have been and will be provided for in the Financials in accordance with GAAP, subject in the case of interim financial statements to normal recurring year-end adjustments.

(e) All Taxes that relate directly or indirectly to SBS or to any third party (including any employee, independent contractor, creditor or shareholder) that SBS is required by law to withhold or to collect for payment have been duly withheld and collected and have been paid to the proper governmental entity or are being withheld by SBS.

(f) "Tax" shall mean any Federal, state, local or foreign tax or other governmental charge of any nature for which SBS could be liable together with any interest, additional amounts, additions to tax, penalties or any other comparable amounts. "Tax Return" shall mean any return, declaration, report, claim for refund or information return or statement relating to any Tax, including any schedule or attachment thereto and any amendment thereof.

5.7 Properties. SBS has good, valid and, in the case of real property, marketable title, free and clear of all material Liens (except inchoate Liens relating to real and personal property in respect of taxes not yet due and payable), to all its properties and assets, whether tangible or intangible, real, personal or mixed, reflected in the Financials and owned by SBS as of the date hereof. All buildings, and all fixtures, equipment and other property and assets which are material to the business or financial condition of SBS held under leases or subleases by SBS are held under valid instruments enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium, equitable principles and similar laws. Substantially all of SBS's equipment in regular use has been well maintained and is in good and serviceable condition, reasonable wear and tear excepted, except where any failure to so maintain and preserve such equipment in good and serviceable condition would not individually or in the aggregate have a material adverse effect on the business or financial condition of SBS.

5.8 Compliance with Laws.

(a) SBS is in compliance in all material respects with all laws, regulations, reporting and licensing requirements and orders applicable to its business or to its employees conducting its business, with any Regulatory Agreements (as hereinafter defined), and with its internal policies and procedures, the breach or violation of which would have a material adverse effect on the business or financial condition of SBS.

(b) SBS has not received any written notification or communication from any agency or department of any federal, state or local government or from any of the FRBA or other applicable regulatory authorities or agencies or the staffs thereof (collectively, the "Regulatory Authorities") (i) asserting that SBS is not in substantial compliance with any of the statutes, regulations, or ordinances which such agency, department or Regulatory Authority enforces, (ii) threatening to revoke any license, franchise, permit or governmental authorization or (iii) requiring or threatening to require SBS or indicating that SBS may be required to enter into a cease and desist order, agreement or memorandum of understanding (any such notice, communication, memorandum, agreement or order described in this sentence herein referred to as a "Regulatory Agreement").

5.9 Contracts. Except for this Agreement and material agreements copies of which have been previously provided to KFC, including an Executive Employment Agreement between The Skylake State Bank, a wholly-owned banking subsidiary of SBS, and William Biggs, a shareholder and director of SBS dated July 1, 1998; a Put Agreement between SBS and William Biggs, a shareholder and director of SBS; and the Haynes Redemption, SBS is not a party to, nor is bound by or subject to, nor receives benefits under any of the following: (i) any agreement, arrangement or commitment that is material to the financial condition, results of operations or liquidity of SBS, except loan agreements, arrangements or commitments of SBS and except those entered into in the ordinary course of business or cancelable by SBS without penalty, (ii) any real property lease; (iii) any agreement, arrangement or commitment relating to the employment, election or retention in office of any present or former director, officer or employee of SBS (including any understandings or obligations with respect to severance or termination pay, liabilities or fringe benefits); (iv) any contract containing noncompetition covenants which limits the ability of SBS to compete in any line of business or which involve any restriction of the geographical area in which SBS may carry on its business (other than as may be required by law or applicable governmental authorities); or (v) any contract, agreement or understanding with any labor union affecting SBS.

5.10 Reports. SBS has filed all reports and statements, together with all amendments required to be made with respect thereto, that it was required to file with any Regulatory Authorities. As of their respective dates, each of such reports and documents described in the preceding sentence, including the financial statements, exhibits and schedules thereto, complied in all material respects with all applicable statutes, rules and regulations and do not contain any material information that was false or misleading as of their respective dates.

5.11 Statements True and Correct. SBS shall supply written information for inclusion in a proxy statement to be prepared by KFC and to be used to solicit the approval of KFC's shareholders for the transactions contemplated by this Agreement, including specifically the matters described in Sections 3.1(b) herein (the "Proxy Statement") and to be used in documents filed with Regulatory Authorities (collectively, all such written information supplied by SBS is referred to herein as the "SBS Information"). The SBS Information shall not at the time any such document is filed with a Regulatory Authority and, in the case of the Proxy Statement and any amendments thereto, shall not, when first mailed to KFC's shareholders and at the time of KFC's shareholders' meeting held pursuant to this Agreement, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein or in any earlier communication made to its shareholders in connection with the transactions contemplated hereby, in light of the circumstances under which such statements were made, not misleading.

5.12 Legal and Other Proceedings. Neither SBS, nor any of its respective directors or officers, is a party to any pending, or, to the knowledge of SBS, threatened, or unasserted but considered by it to be probable of assertion, claim, action, suit, investigation, arbitration or proceeding, or is subject to any order, judgment or decree, that is reasonably expected to have, either individually or in the aggregate, a material adverse effect on the condition, financial or otherwise, earnings or results of operations of SBS. SBS is not, as of the date hereof, a party to or subject to any enforcement action instituted by, or any agreement or memorandum of understanding with, any federal or state regulatory authority restricting SBS's operations or requiring that actions be taken.

5.13 Absence of Certain Chances or Events. Other than as reflected in the Financials for the period ended March 31, 1999, from December 31, 1998, there has been no material adverse change in the financial condition, results of operations, assets (including loans) or business of SBS, nor has there occurred any event or condition of any character (whether actual or, to the knowledge of SBS, threatened or contemplated) which may reasonably be expected to have a material adverse effect on the financial condition, results of operations, assets (including loans), or business of SBS.

5.14 Insurance. The property and assets of SBS are insured against loss or damage of the kinds and in the amounts adequate to protect the assets and business of SBS; provided, that SBS shall provide KFC with written notice promptly upon any material change in its insurance coverage.

5.15 Premises. KFC's representatives have received a complete list of all of SBS's premises together with true and correct copies of all leases or other agreements relating to such real property, all of which are in full force and effect. SBS is not in default of any of its material obligations thereunder.

ARTICLE VI

ADDITIONAL AGREEMENTS

6.1 Shareholder Approval: Proxy Statement. KFC shall call a meeting of its shareholders to be held as soon as practicable after the date of this Agreement for the purpose of voting upon this

Agreement and the Merger. In connection with the shareholders' meetings, KFC shall publish such notices, prepare and mail a proxy statement to its shareholders, all in accordance with the requirements of applicable law. The Board of Directors of KFC, subject to its fiduciary duties, shall at all times prior to the Effective Time, and in the proxy statement, recommend to shareholders of KFC that this Agreement and the Merger be approved and that the shareholders should agree to vote their shares of Common Stock in favor of the Merger Agreement. KFC shall mail or otherwise furnish to their shareholders such amendments to the proxy statement as may be necessary so that the proxy statement, as so supplemented, will contain no untrue statement of any material fact and will not omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made not misleading, or as may be necessary to comply with applicable law.

6.2 Miscellaneous Agreements and Consents. Subject to the terms and conditions of this Agreement, each of the parties hereto agrees to use its respective best efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement as expeditiously as reasonably practicable. In case at any time after the Effective Time any further action is necessary or desirable to carry out the purposes of this Agreement, the officers and directors of the Surviving BHC shall be deemed to have been granted authority to take all such necessary or desirable action.

ARTICLE VII

ABANDONMENT OF MERGER

7.1 Abandonment of Merger. Notwithstanding anything contained in this Agreement to the contrary and notwithstanding the approval of this Agreement, the Merger and this Agreement may be terminated and the Merger abandoned at any time prior to the Effective Time: (a) by the mutual consent of the Board of Directors of KFC and SBS; (b) by either the Board of Directors of KFC or SBS if the FRBA has denied approval of the Merger and such denial has become final and nonappealable or the Effective Time does not occur by December 31, 1999; or (c) by SBS (if it is not in breach of any of its obligations hereunder) pursuant to notice in the event of a material breach or failure by KFC, that is material in the context of the transactions contemplated hereby, of any representation, warranty, covenant or agreement by KFC or condition of KFC's obligations contained herein which has not been, or cannot be, cured within thirty (30) days after written notice of such breach or failure is given to KFC; or (d) by KFC (if it is not in breach of any of its obligations hereunder) pursuant to notice in the event of a material breach or failure by SBS, that is material in the context of the transactions contemplated hereby, of any representation, warranty, covenant or agreement by SBS or condition to SBS's obligations contained herein which has not been, or cannot be, cured within thirty (30) days after written notice of such breach or failure is given to SBS or (e) by SBS if the shareholders of KFC fail to approve the Merger at the KFC shareholders' meeting (it being understood that the directors of KFC have agreed to vote all of their shares of KFC Common Stock in favor of the foregoing and that KFC's Board of Directors has approved the execution and delivery of this Agreement and consummation of the Merger, subject only to the approval of the remaining KFC shareholders and the other terms and conditions of this Agreement).

7.2 Effect of Termination. In the event of termination of this Agreement pursuant to Section 7.1, written notice thereof shall forthwith be given by the party electing such termination to the other party hereto, and subject to the expiration of the cure period described in subsections (c) and (d) above, if

any, this Agreement shall become void and of no effect, without liability on the part of KFC or SBS or their respective shareholders, directors and officers, as the case may be, to any other party hereto.

ARTICLE VIII

CERTAIN COVENANTS OF KFC

8.1 Conduct of Business Prior to the Effective Time.

(a) KFC will conduct its business in the ordinary course as heretofore conducted and use its best efforts to preserve its business and business organization intact, to keep available to KFC the services of present officers, agents and employees, to preserve the goodwill of customers and others having business relations with KFC, to maintain its properties in customary repair, working order and condition, to comply in all material respects with all laws applicable to it and the conduct of its business, to keep in force at not less than their present limits all policies of insurance and to make no material change in the customary terms and conditions upon which it does business which would adversely affect its ability to obtain any necessary approvals of governmental authorities or agencies required for consummation of the transactions required hereby.

(b) KFC will give prompt written notice to SBS of any material adverse development affecting the assets, liabilities, business, financial condition, operations or results of operations of KFC or upon becoming aware of the occurrence or impending occurrence of any event or circumstance which would cause or constitute a material breach of any representation, warranty or covenant of KFC herein. KFC will give prompt written notice to SBS of any such material adverse development affecting the ability of KFC to consummate the transactions contemplated by this Agreement. Any such notices shall be accompanied by copies of any and all pertinent documents, correspondence and similar papers relevant to a complete understanding of such material adverse development. SBS shall have ten (10) days after receipt of any written notice pursuant to this Section 8.1 (b) within which to exercise any right it may have to terminate this Agreement by reason of such development, unless such period is extended in writing by KFC. Unless SBS terminates this Agreement within the aforementioned period, the written notice of a material development will be deemed to have amended any affected Schedule, to have qualified the representations and warranties contained herein, and to have cured any misrepresentation or breach of warranty that otherwise might have existed hereunder by reason of the material development.

(c) Without the prior written consent of SBS (which consent shall not be unreasonably withheld) KFC will not:

(i) amend its Articles of Incorporation or Bylaws, or issue any additional shares of stock or other securities or options, warrants or rights to purchase, acquire or subscribe for, or other commitments for the issuance of, shares of stock or other securities;

(ii) merge or consolidate with any other corporation or business organization, or, except in the ordinary course of business, acquire any stock (except in a fiduciary capacity) or assets of any other person, corporation or business organization except in the ordinary course of business ("ordinary course" shall include actions taken in connection with enforcement of Liens), or agree to do any of the foregoing;

(iii) incur any direct liabilities other than in the ordinary course of its business or make any loans or commitments (including modifications or extensions of existing loans or commitments) other than in the ordinary course of its business;

(iv) sell or otherwise dispose of any asset other than in the ordinary course of its business and consistent with past practices; or

(d) Subject only to its fiduciary duties as set forth herein, KFC agrees to use its best efforts to cause all its shareholders to vote in favor of the Merger.

8.2 Filings: Consents. KFC undertakes and agrees to file or submit promptly and to prosecute diligently any and all applications to or notices with public authorities, federal, state or local, and requests for approvals, consents or waivers (including holders of its indebtedness), the filing or granting of which is necessary for the consummation of the transactions contemplated hereby, in order that the Merger be effective on or before December 31, 1999, and promptly to provide copies of all such applications and notices to SBS and to keep SBS current and fully informed of the status of such applications; and in good faith to take all steps that are within their power to cause to be fulfilled those of the conditions precedent to their obligations or SBS's obligations to consummate the Merger that are dependent upon their actions.

ARTICLE IX

CERTAIN COVENANTS OF SBS

9.1 Conduct of Business Prior to the Effective Time.

(a) SBS will conduct its business in the ordinary course as heretofore conducted and use its best efforts to preserve its business and business organization intact, to keep available to SBS the services of present officers, agents and employees, to preserve the goodwill of customers and others having business relations with SBS, to maintain its properties in customary repair, working order and condition, to comply in all material respects with all laws applicable to it and the conduct of its business, to keep in force at not less than their present limits all policies of insurance and to make no material change in the customary terms and conditions upon which it does business which would adversely affect its ability to obtain any necessary approvals of governmental authorities or agencies required for consummation of the transactions required hereby.

(b) SBS will give prompt written notice to KFC of any material adverse development affecting the assets, liabilities, business, financial condition, operations or results of operations of SBS or upon becoming aware of the occurrence or impending occurrence of any event or circumstance which would cause or constitute a material breach of any representation, warranty or covenant of SBS herein. SBS will give prompt written notice to KFC of any such material adverse development affecting the ability of SBS to consummate the transactions contemplated by this Agreement. Any such notices shall be accompanied by copies of any and all pertinent documents, correspondence and similar papers relevant to a complete understanding of such development. KFC shall have ten (10) days after receipt of any written notice pursuant to this Section 9.1 (b) within which to exercise any right it may have to terminate this Agreement by reason of such development, unless such period is extended in writing by SBS. Unless KFC terminates this Agreement within the aforementioned period, the written notice of a material development will be deemed to have amended any affected Schedule, to have qualified the representations and warranties contained herein, and to have cured any

misrepresentation or breach of warranty that otherwise might have existed hereunder by reason of the material development.

(c) Without the prior written consent of KFC (which consent shall not be unreasonably withheld), SBS will not:

(i) amend its Articles of Incorporation (except as contemplated by this Agreement) or Bylaws, or issue any additional shares of stock or other securities or options, warrants or rights to purchase, acquire or subscribe for, or other commitments for the issuance of, shares of stock or other securities;

(ii) merge or consolidate with any other corporation or business organization, or, except in the ordinary course of business, acquire any stock (except in a fiduciary capacity) or assets of any other person, corporation or business organization except in the ordinary course of business ("ordinary course" shall include actions taken in connection with enforcement of Liens) or agree to do any of the foregoing;

(iii) incur any direct liabilities other than in the ordinary course of its business or make any loans or commitments (including modifications or extensions of existing loans or commitments) other than in the ordinary course of its business;

(iv) sell or otherwise dispose of any asset other than in the ordinary course of its business and consistent with past practices; or

9.2 Filings; Consents. SBS undertakes and agrees to file or submit promptly and to prosecute diligently any and all applications to or notices with public authorities, federal, state or local, and requests for approvals, consents or waivers (including holders of its indebtedness), the filing or granting of which is necessary for the consummation of the transactions contemplated hereby, in order that the Merger be effective on or before December 31, 1999, and promptly to provide copies of all such applications and notices to KFC and to keep KFC current and fully informed of the status of such applications; and in good faith to take all steps that are within its power to cause to be fulfilled those of the conditions precedent to its obligations or KFC's obligations to consummate the Merger that are dependent upon its actions.

ARTICLE X

MISCELLANEOUS PROVISIONS

10.1 Complete Agreement. This Agreement and the Schedules hereto, as well as the other documents and instruments delivered in connection herewith, contain a complete and exclusive statement of all the arrangements between the parties hereto, and all prior negotiations and agreements between the parties hereto are superseded by this Agreement.

10.2 Survival of Representations, Warranties and Covenants. None of the representations, warranties, covenants and agreements made by the parties in this Agreement or in any schedule, certificate or other instrument delivered pursuant to this Agreement shall survive the Merger other than the provisions of Sections 2.2, 2.3, 6.2 and 10.6 which shall survive as specified therein, or if not specified for the full period provided by the applicable statute of limitations.

10.3 Waiver and Amendment. Any representation, warranty, covenant, term or condition of this Agreement which may legally be waived, may be waived, or the time of performance thereof

extended, at any time by the party hereto entitled to the benefit thereof, and any term, condition or covenant hereof (including, without limitation, the period during which any condition is to be satisfied or any obligation performed) may be amended by all parties hereto at any time. Any such waiver, extension or amendment shall be evidenced by an instrument in writing executed on behalf of the appropriate party or parties or on its behalf by its Chairman, President or any Vice President or other person who has been authorized by its Board of Directors to execute waivers, extensions or amendments on its behalf. No amendment to the purchase price shall be made after the meeting of the shareholders of KFC without the approval of the shareholders of KFC.

10.4 Assignment; Binding Effect. This Agreement may not be assigned by any party without the written consent of the other parties. Notwithstanding the foregoing, the parties understand that KFC will merge with and into SBS pursuant to the merger. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, heirs, personal representatives and permitted assigns.

10.5 Notices. Any notice, demand, claim or other communication under this Agreement shall be in writing and shall be deemed to have been given upon the delivery or mailing thereof, as the case may be, if delivered personally or sent by certified mail, return receipt requested, postage prepaid, to the parties at the following addresses (or at such other address as a party may specify by notice to the others):

If to Skylake Bankshares, Inc., to:

Skylake Bankshares, Inc.
1550 N.E. Miami Gardens Drive
North Miami, Florida
Attention: President

If to Kislak Financial Corporation, to:

Kislak Financial Corporation
7900 Miami Lakes Drive West
Miami Lakes, Florida 33016
Attention: Howard Brafman

10.6 Expenses. Each of the parties hereto agrees to pay, without right of reimbursement from any other party and whether or not the transactions contemplated by this Agreement shall be consummated, the fees and costs incurred by it incident to preparing for, entering into and performing its obligations under this Agreement.

10.7 Additional Agreements. Subject to the terms and conditions herein provided, each of the parties hereto agrees to use its best efforts in good faith to take or cause to be taken as promptly as practicable all action and to do or cause to be done all things necessary or advisable to consummate and make effective the transactions contemplated by this Agreement. In case at any time after the Effective Time any further action is necessary or advisable by any party to carry out the purposes of this Agreement, such party to this Agreement shall take all such action.

10.8 Governing Law. This Agreement shall be governed by and construed in accordance with the law of the State of Florida, except to the extent federal law is applicable, regardless of the laws that might otherwise be applicable under principles of conflicts of law. Venue is set in Dade County, Florida.

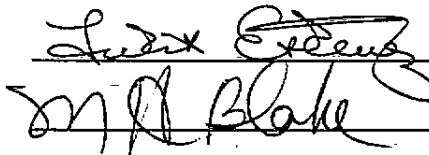
10.9 Headings. Any headings in this Agreement are solely for convenience of reference and shall not affect its interpretation.


10.10 Execution of Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

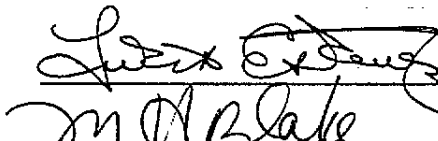
IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement to be effective on the day and year first above written.

WITNESSES:


SKYLAKE BANKSHARES, INC.


M. R. Blake

By: 
Title: President


M. R. Blake

KISLAK FINANCIAL CORPORATION

By: 
Title: President