

UNITED STATES OF AMERICA  
BEFORE THE  
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D.C.

STATE OF FLORIDA  
OFFICE OF FINANCIAL REGULATION  
TALLAHASSEE, FLORIDA

Written Agreement by and among

SUNRISE BANK  
Cocoa Beach, Florida

FEDERAL RESERVE BANK  
OF ATLANTA  
Atlanta, Georgia

and

STATE OF FLORIDA  
OFFICE OF FINANCIAL REGULATION  
Tallahassee, Florida

Docket No. 09-091-WA/RB-SM

OFR Administrative  
File No. 0649-FI-07/09

WHEREAS, in recognition of their common goal to maintain the financial soundness of Sunrise Bank, Cocoa Beach, Florida (the “Bank”), a state chartered bank that is a member of the Federal Reserve System, the Bank, the Federal Reserve Bank of Atlanta (the “Reserve Bank”), and the State of Florida, Office of Financial Regulation, Tallahassee, Florida (the “OFR”) have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on July 16, 2009, the Bank’s board of directors, at a duly constituted meeting, adopted a resolution authorizing and directing Mr. Lawrence A. Roselle, Jr., President and Chief Executive Officer to consent to this Agreement on behalf of the Bank, and consenting to compliance with each and every applicable provision of this Agreement by the Bank and its

institution-affiliated parties, as defined in Sections 3(u) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. § 1813(u)) and Section 655.005(1)(i), Florida Statutes.

NOW, THEREFORE, the Bank, the Reserve Bank, and the OFR agree as follows:

### **Corporate Governance and Management Review**

1. (a) Within 60 days of this Agreement, the outside directors of the Bank shall complete an assessment of the Bank’s management and staffing needs and the qualifications and performance of all senior Bank management. The primary purpose of the review shall be to aid in the development of a suitable management structure commensurate with the size and complexity of the Bank that is adequately staffed by qualified personnel (the “Management Review”). A copy of the Management Review shall be provided to the Reserve Bank and the OFR at the same time that it is provided to the full board of directors. The Management Review shall, at a minimum, address, consider, and include:

- (i) the identification of the type and number of officers needed to manage and supervise properly the affairs of the Bank, restore and maintain the Bank to a safe and sound condition, and comply with the requirements of this Agreement;
- (ii) the identification of present and future management and staffing needs for each area of the Bank, particularly in the areas of credit risk management, loan underwriting, appraisal review, credit administration, and problem asset resolution; and
- (iii) an assessment of the current structure and composition of the board of directors’ committees, and a determination of the structure and composition needed to adequately supervise the affairs of the Bank.

(b) For purposes of this Agreement, the term “outside director” is defined as any director who is not an executive officer or principal shareholder of the Bank, as defined in Sections 215.2(e)(1) and 215.2(m)(1) of Regulation O of the Board of Governors (12 C.F.R. §§ 215.2(e)(1) and 215.2(m)(1)).

2. Within 30 days of receipt of the Management Review, the full board of directors shall submit a written management plan to the Reserve Bank and the OFR that fully addresses the findings and recommendations in the Management Review and describes the specific actions that the board of directors proposes to take in order to strengthen the Bank’s management, and to hire, as necessary, additional officers or staff to properly manage and operate the Bank.

### **Credit Risk Management**

3. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the OFR an acceptable written plan to strengthen credit risk management practices. The plan shall, at a minimum, address, consider, and include:

(a) Procedures to periodically review and revise risk exposure limits to address changes in market conditions and strategies to minimize credit losses; and

(b) procedures to identify, limit, and manage concentrations of credit that are consistent with the Interagency Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices, dated December 12, 2006 (SR 07-1).

### **Loan Underwriting**

4. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the OFR acceptable revised policies and procedures to strengthen the Bank’s loan underwriting practices that shall, at a minimum, address, consider, and include:

- (a) Standards for each type of credit extended by the Bank, including but not limited to the use of prudent amortization schedules;
- (b) establishment of appropriate interest rate floors; and
- (c) evaluation of aggregate cash flow when assessing the financial strength of a borrower or guarantor.

### **Credit Administration**

5. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the OFR an acceptable written plan to strengthen the Bank's credit administration that shall, at a minimum, address, consider, and include:

- (a) The separation of duties and reporting lines between credit administration and loan production functions;
- (b) strategies to reduce interest-only loans;
- (c) assessing the overall financial condition of the borrower and any guarantor; and
- (d) assessing the status and condition of underlying collateral, including but not limited to, changes in market conditions and project status.

### **Appraisal and Appraisal Review Program**

6. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the OFR an acceptable revised written program and practices for real estate appraisals and appraisal reviews that are consistent with the Interagency Statement on Independent Appraisal and Evaluation Functions dated October 27, 2003 (SR 03-18), and Interagency Appraisal and Evaluation Guidelines, dated October 27, 1994 (SR 94-55), as well as the requirements of Subpart

G of Regulation Y of the Board of Governors (12 C.F.R. Part 225, Subpart G) made applicable to state member banks by Section 208.50 of Regulation H of the Board of Governors

(12 C.F.R. § 208.50). The program and practices shall, at a minimum, provide for:

(a) The review of appraisals by qualified individuals who are independent of the loan production process;

(b) policies and procedures to obtain current appraisals or valuations on problem credits; and

(c) written standards for when reappraisals and reevaluations must be conducted, including, but not limited to, when loans are renewed or when there are material changes in market conditions or the condition of the collateral.

#### **Asset Improvement**

7. (a) The Bank shall not, directly or indirectly, extend or renew any credit to or for the benefit of any borrower, including any related interest of the borrower, who is obligated to the Bank in any manner on any extension of credit or portion thereof that has been charged off by the Bank or classified, in whole or in part, “loss” in the report of examination commenced January 20, 2009 by the Reserve Bank (“Report of Examination”) or in any subsequent report of examination, as long as such credit remains uncollected.

(b) The Bank shall not, directly or indirectly, extend or renew any credit to or for the benefit of any borrower, including any related interest of the borrower, whose extension of credit has been classified “doubtful” or “substandard” in the Report of Examination or in any subsequent report of examination, without the prior approval of the Bank’s board of directors.

The board of directors shall document in writing the reasons for the extension of credit or renewal, specifically certifying that: (i) the extension of credit is necessary to protect the Bank’s

interest in the ultimate collection of the credit already granted or (ii) the extension of credit is in full compliance with the Bank's written loan policy, is adequately secured, and a thorough credit analysis has been performed indicating that the extension or renewal is reasonable and justified, all necessary loan documentation has been properly and accurately prepared and filed, the extension of credit will not impair the Bank's interest in obtaining repayment of the already outstanding credit, and the board of directors reasonably believes that the extension of credit or renewal will be repaid according to its terms. The written certification shall be made a part of the minutes of the board of directors meetings, and a copy of the signed certification, together with the credit analysis and related information that was used in the determination, shall be retained by the Bank in the borrower's credit file for subsequent supervisory review. For purposes of this Agreement, the term "related interest" is defined as set forth in Section 215.2(n) of Regulation O of the Board of Governors of the Federal Reserve System (the "Board of Governors") (12 C.F.R. § 215.2(n)) and Section 658.48(4), Florida Statutes.

8. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the OFR an acceptable written plan designed to improve the Bank's position through repayment, amortization, liquidation, additional collateral, or other means on each loan or other asset in excess of \$500,000, including OREO, that: (i) is past due as to principal or interest more than 90 days as of the date of this Agreement; (ii) is on the Bank's problem loan list; or (iii) was adversely classified in the Report of Examination. In developing the plan for each loan, the Bank shall, at a minimum, review, analyze, and document the financial position of the borrower, including source of repayment, repayment ability, and alternative repayment sources, as well as the value and accessibility of any pledged or assigned collateral, and any possible actions to improve the Bank's collateral position.

(b) Within 30 days of the date that any additional loan or other asset in excess of \$500,000, including OREO, that: (i) becomes past due as to principal or interest for more than 90 days; (ii) is on the Bank's problem loan list; or (iii) is adversely classified in any subsequent report of examination of the Bank, the Bank shall submit to the Reserve Bank and the OFR an acceptable written plan to improve the Bank's position on such loan or asset.

(c) Within 30 days after the end of each calendar quarter thereafter, the Bank shall submit a written progress report to the Reserve Bank and the OFR to update each asset improvement plan, which shall include, at a minimum, the carrying value of the loan or other asset and changes in the nature and value of supporting collateral, along with a copy of the Bank's current problem loan list, extension report, and past due/non-accrual report. The board of directors shall review the progress reports before submission to the Reserve Bank and the OFR and shall document the review in the minutes of the board of directors' meetings.

#### **Allowance for Loan and Lease Losses**

9. (a) The Bank shall, within 30 days from the receipt of any federal or state report of examination, charge off all assets classified "loss" unless otherwise approved in writing by the Reserve Bank and the OFR.

(b) Within 60 days of this Agreement, the Bank shall review and revise its allowance for loan and lease losses ("ALLL") methodology consistent with relevant supervisory guidance, including the Interagency Policy Statements on the Allowance for Loan and Lease Losses, dated July 2, 2001 (SR 01-17 (Sup)) and December 13, 2006 (SR 06-17), and the findings and recommendations regarding the ALLL set forth in the Report of Examination, and submit a description of the revised methodology to the Reserve Bank and the OFR. The revised ALLL methodology shall be designed to maintain an adequate ALLL and shall address, consider, and

include, at a minimum, the reliability of the Bank's loan grading system, the volume of criticized loans, concentrations of credit, the current level of past due and nonperforming loans, past loan loss experience, evaluation of probable losses in the Bank's loan portfolio, including adversely classified loans, and the impact of market conditions on loan and collateral valuations and collectability.

(c) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the OFR an acceptable written program for the maintenance of an adequate ALLL. The program shall include policies and procedures to ensure adherence to the revised ALLL methodology and provide for periodic reviews and updates to the ALLL methodology, as appropriate. The program shall also provide for a review of the ALLL by the board of directors on at least a quarterly calendar basis. Any deficiency found in the ALLL shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions. The board of directors shall maintain written documentation of its review, including the factors considered and conclusions reached by the Bank in determining the adequacy of the ALLL. During the term of this Agreement, the Bank shall submit to the Reserve Bank and the OFR within 30 days after the end of each calendar quarter, a written report regarding the board of directors' quarterly review of the ALLL and a description of any changes to the methodology used in determining the amount of ALLL for that quarter.

### **Capital Plan**

10. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the OFR an acceptable written plan to maintain sufficient capital at the Bank. The plan shall, at a minimum, address, consider, and include the Bank's current and future capital requirements, including:



(a) Compliance with the Capital Adequacy Guidelines for State Member Banks: Risk-Based Measure and Tier 1 Leverage Measure, Appendices A and B of Regulation H of the Board of Governors (12 C.F.R. Part 208, App. A and B);

(b) the volume of adversely classified assets;

(c) the adequacy of the loan loss reserve;

(d) any planned asset growth;

(e) the anticipated level of retained earnings;

(f) anticipated and contingent liquidity needs; and

(g) the source and timing of additional funds to fulfill the future capital and loan loss reserve needs of the Bank.

11. The Bank shall notify the Reserve Bank and the OFR, in writing, no more than 30 days after the end of any quarter in which any of the Bank's capital ratios (total risk-based, Tier 1, or leverage) fall below the plan's minimum ratios. Together with the notification, the Bank shall submit an acceptable capital plan that details the steps the Bank will take to increase the Bank's capital ratios to or above the plan's minimums.

### **Strategic Plan and Budget**

12. (a) Within 90 days of this Agreement, the Bank shall submit to the Reserve Bank and the OFR a strategic business plan to improve the Bank's earnings and a budget for the remainder of 2009. The written plan and budget shall include, but not be limited to:

(i) identification of the major areas where, and means by which, the board of directors will seek to improve the Bank's operating performance including the desired loan mix;

(ii) a description of the operating assumptions that form the basis for, and adequately support, major projected income, expense, and balance sheet components;

(iii) adequate staffing to address current and future business needs;

(iv) an earnings improvement plan; and

(v) a realistic and comprehensive budget for the remainder of calendar year 2009, including income statement and balance sheet projections..

(b) A strategic plan and budget for each calendar year subsequent to 2009 shall be submitted to the Reserve Bank and the OFR at least 30 days prior to the beginning of that calendar year.

### **Liquidity/Funds Management**

13. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the OFR an acceptable written plan designed to improve management of the Bank's liquidity position and funds management practices. The plan shall, at a minimum, address, consider, and include:

- (a) Measures to enhance the monitoring, measurement, and reporting of the Bank's liquidity to the board of directors;
- (b) a timetable to reduce reliance on short-term wholesale funding, including brokered deposits;
- (c) specific liquidity targets and parameters and the maintenance of sufficient liquidity to meet contractual obligations and unanticipated demands; and
- (d) controls to ensure compliance with liquidity ratios adopted by the board of directors.

14. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the OFR an acceptable revised written contingency funding plan that, at a minimum, identifies available sources of liquidity and includes adverse scenario planning.

### **Interest Rate Risk Management**

15. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the OFR an acceptable written plan to improve interest rate risk management plan. The plan shall, at a minimum, address the following:

- (a) Enhanced modeling practices that include income simulation, EVE analyses, and GAP analysis;
- (b) appropriate parameters governing the economic risk to the Bank's capital due to changes in interest rates; and
- (c) frequency of meetings of the Bank's Asset/Liability Committee to review asset/liability decisions and management's adherence to approved limits.

### **Dividends**

16. (a) The Bank shall not declare or pay any dividends without the prior written approval of the Reserve Bank, the Director of the Division of Banking Supervision and Regulation of the Board of Governors, and the OFR.

(b) Any request to declare or pay dividends must be consistent with the Board of Governors' Policy Statement on the Payment of Cash Dividends by State Member Banks and Bank Holding Companies, dated November 14, 1985 (Federal Reserve Regulatory Service, 4-877 at page 4-323) and Section 658.37, Florida Statutes. All requests for prior approval shall be received by the Reserve Bank and the OFR at least 30 days prior to the proposed dividend

declaration date and shall contain, at a minimum, current and projected information on earnings, capital, asset quality, and loan loss reserve needs of the Bank.

### **Compliance with Laws and Regulations**

17. In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, the Bank shall comply with the notice provisions of Section 32 of the FDI Act (12 U.S.C. § 1831i) and Subpart H of Regulation Y of the Board of Governors of the Federal Reserve System (the “Board of Governors”) (12 C.F.R. §§ 225.71 *et seq.*) and the notice provisions of Section 655.0385, Florida Statutes, for directors and executive officers as defined in Section 655.005(1)(f), Florida Statutes, and Rule 69U-100.03582, Florida Administrative Code.

18. The Bank shall comply with the restrictions on indemnification and severance payments of Section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the Federal Deposit Insurance Corporation’s regulations (12 C.F.R. Part 359).

### **Compliance with the Agreement**

19. (a) Within 10 days of this Agreement, the board of directors of the Bank shall appoint a committee (the “Compliance Committee”) to monitor and coordinate the Bank’s compliance with the provisions of this Agreement. The Compliance Committee shall include a majority of outside directors who are not executive officers or principal shareholders of the Bank, as defined in Sections 215.2(e)(1) and 215.2 (m)(1) of Regulation O of the Board of Governors (12 C.F.R. §§ 215.2(e)(1) and 215.2(m)(1)). At a minimum, the Compliance Committee shall meet at least monthly, keep detailed minutes of each meeting, and report its findings to the board of directors of the Bank.

(b) Within 30 days after the end of each calendar quarter following the date of this Agreement, the Bank shall submit to the Reserve Bank and the OFR written progress reports detailing the form and manner of all actions taken to secure compliance with this Agreement and the results thereof.

### **Approval and Implementation of Plans, Policies, Procedures, and Programs**

20. (a) The Bank shall submit written plans, policies, procedures, and programs, that are acceptable to the Reserve Bank and the OFR within the applicable time periods set forth in paragraphs 3, 4, 5, 6, 7, 9(c), 10, 13, 14, and 15 of this Agreement.

(b) Within 10 days of approval by the Reserve Bank and the OFR, the Bank shall adopt the approved plans, policies, procedures, and programs. Upon adoption, the Bank shall promptly implement the approved plans and programs, and thereafter fully comply with them.

(c) During the term of this Agreement, the approved plans, policies, procedures, and programs shall not be amended or rescinded without the prior written approval of the Reserve Bank and the OFR.

### **Communications**

21. All communications regarding this Agreement shall be sent to:

- (a) Steve Wise  
Assistant Vice President  
Federal Reserve Bank of Atlanta  
1000 Peachtree Street, N.E.  
Atlanta, Georgia 30309-4470
  
- (b) Linda R. Townsend  
Chief, Bureau of Bank Regulation  
State of Florida  
Office of Financial Regulation  
200 E. Gaines Street  
Tallahassee, Florida 32399-0371

- (c) Lawrence A. Roselle, Jr.  
President and Chief Executive Officer  
Sunrise Bank  
5604 North Atlantic Avenue  
Cocoa Beach, Florida 32931

### **Miscellaneous**

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

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

24. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank and the OFR.

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

26. Pursuant to Section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under Section 8 of the FDI Act (12 U.S.C. § 1818).

27. Pursuant to Chapters 120, 655, and 658, Florida Statutes, this Agreement is enforceable by the OFR under Sections 655.033, 655.034, and 655.041, Florida Statutes.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 22<sup>nd</sup> day of July, 2009.

SUNRISE BANK

By: /s/ Lawrence A. Roselle, Jr.  
Lawrence A. Roselle, Jr.  
President and CEO

FEDERAL RESERVE BANK OF  
ATLANTA

By: /s/ Steve Wise  
Steve Wise  
Assistant Vice President

THE STATE OF FLORIDA  
OFFICE OF FINANCIAL REGULATION

By: /s/ John G. Alcorn for  
Linda R. Townsend  
Chief, Bureau of Bank Regulation,  
By Delegated Authority