

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

STATE OF FLORIDA
OFFICE OF FINANCIAL REGULATION
DIVISION OF FINANCIAL INSTITUTIONS
TALLAHASSEE, FLORIDA

Written Agreement by and among

ORION BANCORP, INC.
Naples, Florida

ORION BANK
Naples, Florida

FEDERAL RESERVE BANK
OF ATLANTA
Atlanta, Georgia

and

STATE OF FLORIDA
OFFICE OF FINANCIAL REGULATION
Tallahassee, Florida

Docket No. 08-015-WA/RB-HC
08-015-WA/RB-SM

WHEREAS, in recognition of their common goal to maintain the financial soundness of Orion Bancorp, Inc., Naples, Florida (“Orion”), a registered bank holding company, and its subsidiary bank, Orion Bank, Naples, Florida (the “Bank”), a state chartered bank that is a member of the Federal Reserve System, Orion, the Bank, the Federal Reserve Bank of Atlanta (the “Reserve Bank”), and the State of Florida Office of Financial Regulation, Division of Financial Institutions, Tallahassee, Florida (the “Division”) have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on August 20, 2008, the boards of directors of Orion and the Bank, at a duly constituted joint meeting, adopted a resolution authorizing and directing Mr. Jerry J. Williams, Chairman, President and Chief Executive Officer to enter into this Agreement on behalf of Orion and the Bank, and consenting to compliance by Orion, the Bank, and its institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. §§ 1813(u) and 1818(b)(3)), with each and every applicable provision of this Agreement.

NOW, THEREFORE, Orion, the Bank, the Reserve Bank, and the Division agree as follows:

Board Oversight

1. Within 90 days of this Agreement, the board of directors of the Bank shall submit to the Reserve Bank and the Division a written plan to strengthen board oversight of the management and operations of the Bank. The plan shall, at a minimum, address, consider, and include:

(a) The actions that the board of directors will take to improve the Bank’s condition and maintain effective control over, and supervision of, the Bank’s senior management and major operations and activities, including but not limited to, the Bank’s lending and credit administration functions and the management of credit concentrations;

(b) a description of the information and reports that will be regularly reviewed by the board of directors in its oversight of the operations and management of the Bank, including information on the Bank’s adversely classified assets, concentrations of credits, allowance for loan and lease losses, capital, liquidity, and earnings;

- (c) steps to strengthen the Bank's audit function and effectiveness of the board of directors' Audit Committee in carrying out its oversight responsibilities;
- (d) development of a formal management succession plan;
- (e) designation of executive officers consistent with section 215.2(e)(1) of Regulation O of the Board of Governors (12 C.F.R. § 215.2(e)(1));
- (f) separation of duties and reporting lines between credit administration and loan production functions; and
- (g) an evaluation of staffing needs and qualifications, particularly in the areas of the appraisal, evaluations, impairment analysis, and problem loan workout functions.

Concentrations of Credit

2. Within 90 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division an acceptable written plan to strengthen the Bank's management of commercial real estate ("CRE") concentrations, including steps to reduce or mitigate the risk of concentrations in light of current market conditions. The plan shall be consistent with the Interagency Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices, dated December 12, 2006 (SR 07- 1), and, at a minimum, address, consider, and include:

- (a) Establishment of concentration of credit risk tolerances or limits by types of loan products, geographic locations, and other common risk characteristics or sensitivities;
- (b) ongoing risk assessments;
- (c) improved market and project analysis;
- (d) enhanced periodic reporting to management and the board of directors;
- (e) strategic planning regarding risks associated with CRE concentrations, including steps to control and mitigate such risks;

- (f) enhanced stress testing of loans and portfolio segments; and
- (g) measures to address the criticisms regarding concentrations of credit noted

in the report of the examination of the Bank that was conducted by the Reserve Bank and conveyed to Orion and the Bank on July 2, 2008 (“Report of Examination”).

Lending and Credit Administration

Loan Policies and Procedures

3. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division acceptable revised written loan policies and procedures that shall, at a minimum, address, consider, and include:

- (a) Standards for renewing, extending, or modifying existing loans and maintenance of documentation of the reasons for each renewal, extension, or modification;
- (b) loan-to-value limits by property type consistent with the supervisory limits set forth in the Interagency Guidelines for Real Estate Lending Policies, Appendix C of Regulation H of the Board of Governors (12 C.F.R. Part 208, App. C); and
- (c) the appropriate use of interest reserves.

Appraisal and Appraisal Review Program

4. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division an acceptable written program for real estate appraisals and appraisal reviews that is 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 shall, at a minimum, provide for:

- (a) The review of appraisals by qualified individuals who are independent of the loan production process;
- (b) preparation of collateral evaluations by qualified individuals who are independent of the loan production process;
- (c) written standards for when reappraisals and reevaluations must be conducted, including, but not limited to, when loans are renewed or when there are changes in the market conditions or the condition of the collateral;
- (d) enhanced appraisal review procedures that verify that appraisals have used appropriate methods, assumptions, and conclusions and are reasonable, appropriate, and comply with the Uniform Standards of Professional Appraisal Practice; and
- (e) measures to address the criticisms regarding appraisals and evaluations noted in the Report of Examination.

Credit Administration

5. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division 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) monitoring the overall financial condition of the borrower and any guarantor; and

(c) monitoring the status and condition of underlying collateral, considering, but not limited to, market conditions and project status.

Loan Review

6. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division an acceptable written plan to strengthen the Bank's independent loan review program and identification of problem credits that shall, at a minimum, address, consider, and include:

- (a) The scope and frequency of the loan review;
- (b) loan grading standards and criteria for assessing the credit quality of the loans;
- (c) loan grading descriptions and a scale that adequately identifies the degree of risk of the loans;
- (d) application of loan grading standards and criteria to the loan portfolio;
- (e) identification of any loan that is not in conformance with the Bank's loan policy; and
- (f) quarterly written reports to the Bank's board of directors that identify loans that are not in conformance with the Bank's loan policy, the status of loans that are adversely graded, and the prospects for full collection or strengthening of the quality of adversely graded loans.

Asset Improvement

7. 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 charged off by the Bank, classified, in whole or in part, "loss," "substandard" or

“doubtful” in the Report of Examination or in any subsequent report of examination, and is uncollected, without the prior approval of the board of directors, which 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 signed by the secretary of the board of directors and made a part of the minutes of the board of directors’ meeting, 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 (12 C.F.R. § 215.2(n)).

8. Within 60 days of this Agreement, the Bank shall obtain current appraisals on those adversely classified loans that the Report of Examination identifies as needing new appraisals.

9. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division an acceptable written plan, approved by the Bank’s loan committee, 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 \$1 million, including other real estate owned (“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.

(b) Within 30 days of the date that any additional loan or other asset in excess of \$1 million, including OREO, becomes past due as to principal or interest for more than 90 days, is on the Bank's problem loan list, or is adversely classified in any subsequent report of examination of the Bank, the Bank shall submit to the Reserve Bank and the Division an acceptable written plan, approved by the Bank's loan committee, 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 Division 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, a listing of loans in excess of \$1 million that have been modified, extended, or renewed ("extension report"), and past due/non-accrual report.

Allowance for Loan and Lease Losses

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

(b) Within 60 days of this Agreement, the Bank shall review and revise its ALLL methodology consistent with relevant supervisory guidance, including the Interagency Policy Statements on the Allowance for Loan and Lease Losses, dated July 2, 2001 and December 13, 2006, 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 Division. 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 collectibility.

(c) Within 60 days of this Agreement, the Bank shall adopt a 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 Division, 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

11. Within 60 days of this Agreement, Orion and the Bank shall submit to the Reserve Bank an acceptable joint written plan to maintain at Orion, on a consolidated basis, and the Bank, as a separate legal entity on a stand-alone basis, sufficient total risk-based capital, Tier 1 risk-based capital, and leverage ratios and the Bank shall submit an acceptable capital plan to the Division. The plan shall, at a minimum, address, consider, and include:

(a) The Bank's current and future capital requirements, including 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 the Bank's adversely classified assets;

(c) the nature and level of the Bank's asset concentrations;

(d) current market and economic conditions;

(e) the adequacy of the Bank's allowance for loan and lease losses;

(f) the risk profile of the Bank's asset and liability structure;

(g) anticipated level of retained earnings;

(h) anticipated and contingent liquidity needs;

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

(j) the requirements of section 225.4(a) of Regulation Y of the Board of Governors that Orion shall serve as a source of strength to the Bank (12 C.F.R. § 225.4(a)).

Liquidity/Funds Management

12. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division an acceptable revised 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 and reporting of the Bank's liquidity position and funding mismatches;
- (b) additional tools to measure and estimate liquidity needs on an ongoing basis;
- (c) specific liquidity targets and parameters and the maintenance of sufficient liquidity to meet contractual obligations and unanticipated demands; and
- (d) reduced reliance on short-term wholesale funding.

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

Business Plan and Budget

14. The Bank shall submit to the Reserve Bank and the Division a written business plan and budget for each calendar year subsequent to 2008 at least one month prior to the beginning of the calendar year. The plan, at a minimum, shall provide for or describe the major areas in, and means by, which the Bank's board of directors will seek to improve the Bank's operating performance and overall condition, and provide a realistic and comprehensive budget.

Dividends

15. (a) Orion and the Bank shall not declare or pay any dividends unless such declaration or payment is 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). During the term of this Agreement, Orion and the Bank shall also not declare or pay any dividends without the prior written approval of the Reserve Bank and the Director of the Division of Banking Supervision and Regulation of the Board of Governors ("Director"). During the term of this Agreement, the Bank shall also not declare or pay any dividends without prior written approval of the Division.

(b) Orion shall not take dividends or any other form of payment representing a reduction in capital from the Bank without the prior written approval of the Reserve Bank.

(c) During the term of this Agreement, Orion and its nonbank subsidiaries shall not make any distributions of interest, principal or other sums on subordinated debentures or trust preferred securities without the prior written approval of the Reserve Bank and the Director.

(d) All requests for prior approval shall be received at least 30 days prior to the proposed dividend declaration date, proposed distribution on subordinated debentures, and required notice of deferral on trust preferred securities. All requests shall contain, but not be limited to, current and projected information on consolidated capital and earnings, parent company cash flow, and capital, asset quality, earnings and ALLL needs of the Bank. The Reserve Bank and the Director will determine whether to approve a request to pay dividends or distributions pursuant to Federal Reserve policy.

Compliance with Laws and Regulations

16. The boards of directors of Orion and the Bank shall take all necessary steps to ensure future compliance with all the applicable laws and regulations.

17. (a) 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 (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, Florida Statutes.

(b) 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).

Approval and Implementation of Plans, Policies, Procedures, and Program

18. (a) The Bank and Orion shall submit written plans, policies, procedures, and a program that are acceptable to the Reserve Bank, and as applicable, the Division, within the time periods set forth in paragraphs 2, 3, 4, 5, 6, 9, 11, 12, and 13 of this Agreement.

(b) Within 10 days of approval by the Reserve Bank and the Division, the Bank and Orion, as applicable, shall adopt the approved plans, policies, procedures, and program. Upon adoption, the Bank shall implement the approved plans, policies, procedures, and program and thereafter fully comply with them.

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

Communications

19. All communications regarding this Agreement shall be sent to:
- (a) Andre Anderson
Vice President
Federal Reserve Bank of Atlanta
1000 Peachtree Street, N.E.
Atlanta, Georgia 30309-4470
 - (b) Linda B. Charity
Director
State of Florida
Office of Financial Regulation
Division of Financial Institutions
200 E. Gaines Street
Tallahassee, Florida 32399-0371
 - (c) Jerry J. Williams
Chairman, President and Chief Executive Officer
Orion Bancorp, Inc.
Orion Bank
2150 Goodlette Road North
Naples, Florida 34102

Progress Reports

20. Within 30 days after the end of each calendar quarter following the date of this Agreement, the board of directors of the Bank shall furnish to the Reserve Bank and the Division written progress reports detailing the form and manner of all actions taken to secure compliance with the provisions of this Agreement and the results thereof. The Reserve Bank and the Division may, in writing, modify the reporting schedule or discontinue the requirement for progress reports.

Miscellaneous

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

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

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

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

25. 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) and by the Division pursuant to Sections 655.033 and 655.041, Florida Statutes.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 25th day of August, 2008.

ORION BANCORP, INC.
ORION BANK

By: /s/ Jerry J. Williams
Jerry J. Williams
Chairman, President and
Chief Executive Officer

FEDERAL RESERVE BANK
OF ATLANTA

By: /s/ Andre Anderson
Andre Anderson
Vice President

THE STATE OF FLORIDA
Office of Financial Regulation
Division of Financial Institutions

By: /s/ Linda B. Charity
Linda B. Charity
Director