

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

In the Matter of

ORION BANK  
Naples, Florida

Docket No. 09-185-PCA-SM

Prompt Corrective Action  
Directive Issued Pursuant to  
Section 38 of the Federal Deposit  
Insurance Act, as Amended

The Board of Governors of the Federal Reserve System (the “Board of Governors”) is of the opinion that:

(A) Orion Bank, Naples, Florida (the “Bank”), a state chartered bank that is a member of the Federal Reserve System, is critically undercapitalized, as defined in section 208.43(b)(5) of Regulation H of the Board of Governors (12 C.F.R. § 208.43(b)(5)), for purposes of section 38 of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. § 1831o), as of October 21, 2009, based on an examination conducted by the Federal Reserve Bank of Atlanta and the Florida Office of Financial Regulation;

(B) the Bank has filed an administrative appeal of certain of the examination findings pursuant to 12 U.S.C. § 4806. Under 12 U.S.C. § 4806(f)(1)(B), the decision by the Board of Governors to issue this directive is not subject to the procedures under section 4806. In addition, even if the Bank eventually prevails on all of the examination findings it has appealed, its capital category would be no higher than “significantly undercapitalized,” as defined in section 208.43(b)(4) of Regulation H (12 C.F.R. § 208.43(b)(4)). The Board of Governors has

determined that the actions required under Paragraphs 1 – 6 and 8 of this directive are appropriate whether the Bank’s capital category is significantly undercapitalized or critically undercapitalized;

(C) Pursuant to sections 38(f)(2) and (3) of the FDI Act (12 U.S.C. § 1831o(f)(2) and (3)), section 208.45(b) of Regulation H of the Board of Governors (12 C.F.R. § 208.45(b)), and section 263.202(a)(2) of the Rules of Practice for Hearings of the Board of Governors (the “Rules of Practice”) (12 C.F.R. § 263.202(a)(2)), the Bank must immediately take certain actions in order to carry out the purposes of section 38 of the FDI Act, due to the Bank’s weakened capital position; and

(D) In order to improve its management, the Bank must dismiss Jerry Williams (“Williams”), its current chief executive officer, president, and chairman of its board of directors, from office and as a member of the board of directors, based on the following:

(a) Prior to June 2009, the Bank reached its legal lending limit under Florida law with respect to the aggregate loans outstanding to a borrower and his related interests. In June 2009, Williams permitted the Bank to make loans of an additional approximately \$60 million to straw borrowers who were related interests of the borrower referred to above in continuing violation of the Florida legal lending limit statute (the “June 2009 loans”);

(b) the June 2009 loans referred to above, which were made to enable the borrowers to purchase certain low quality assets from the Bank, were underwritten in an unsafe and unsound manner. The loans were made without adequate analysis of the borrowers’ creditworthiness, capacity for repayment, and valuation of collateral offered in support of the

loans. Further, the loans were structured in a manner to make it appear that the Bank was reducing its level of classified assets;

(c) the Bank needed additional capital as of June 30, 2009, to avoid being less than well-capitalized. Williams had knowledge that \$15 million of loan proceeds from the June 2009 loans referred to above were to be used to purchase common and preferred stock issued by Orion Bancorp, Inc., Naples, Florida (“Bancorp”), the parent holding company for the Bank, and Williams took steps to ensure that the \$15 million was promptly used to purchase the holding company stock;

(d) in early July 2009, in response to inquiries from the Federal Reserve Bank of Atlanta (the “Reserve Bank”), Williams stated orally and in writing that the \$15 million in capital referred to above was raised “without any financing” provided by the Bank. This statement was false because Williams had information available to him to demonstrate that the Bank intended that the loan proceeds be used as the source of the stock purchase;

(e) as a result of the actions set forth in (a) through (d), above, the Bank, with Williams’ active participation, filed materially inaccurate regulatory reports, made false statements to the Federal Reserve, has suffered additional loan losses, and has failed to comply with provisions of an outstanding Written Agreement designed to require that the Bank properly address its asset quality problems. These actions show that the management of the Bank would be improved without Williams’ service as a senior executive officer or director of the Bank.

Accordingly, pursuant to section 208.45(b) of Regulation H of the Board of Governors and section 263.202(a)(2) of the Rules of Practice, the Board of Governors issues this Directive

and immediately directs the Bank and its institution-affiliated parties, as defined in section 3(u) of the FDI Act (12 U.S.C. § 1813(u)), to comply fully with the following:

1. The Bank shall no later than November 20, 2009 (or such additional time as the Board of Governors may permit), in conjunction with the Bank's parent bank holding company, Bancorp:

(a) Increase its equity through the sale of shares or contributions to surplus in an amount sufficient to make the Bank adequately capitalized as defined in section 208.43(b)(2) of Regulation H of the Board of Governors (12 C.F.R. § 208.43(b)(2));

(b) enter into and close a contract to be acquired by a depository institution holding company or combine with another insured depository institution, closing under which contract is conditioned only on the receipt of necessary regulatory approvals, the continued accuracy of customary representations and warranties, and the performance of customary pre-closing covenants; or

(c) take other necessary measures to make the Bank adequately capitalized.

2. The Bank shall comply fully with the provisions of section 38(d)(1) of the FDI Act (12 U.S.C. § 1831o(d)(1)) restricting the making of any capital distributions, including, but not limited to, the payment of dividends.

3. The Bank shall not, without the prior written approval of the Reserve Bank and the fulfillment of one of the requirements set forth in paragraph 1, accept, renew, or rollover deposits bearing an interest rate that exceeds the prevailing effective rates on insured deposits of comparable amounts and maturities in the Bank's market area.

4. The Bank shall immediately dismiss Jerry Williams from the board of directors and from all senior executive officer positions that he holds at the Bank, including, but not limited to, president and chief executive officer, and prevent him from assuming the duties of any such office, pursuant to section 38(f)(2)(F)(ii) of the FDI Act (12 U.S.C. § 1831o(f)(2)(F)(ii)).

5. The Bank shall comply fully with the provisions of sections 38(f)(4)(A)(i) and (ii) of the FDI Act (12 U.S.C. §§ 1831o(f)(4)(A)(i) and (ii)) restricting the payment of bonuses to senior executive officers and increases in compensation of such officers.

6. The Bank shall comply fully with the provisions of sections 38(e)(3) and (4) of the FDI Act (12 U.S.C. §§ 1831o(e)(3) and (4)) restricting asset growth, acquisitions, branching, and new lines of business.

7. The Bank shall comply fully with the provisions of section 38(i) of the FDI Act (12 U.S.C. §§ 1831o(i)) and sections 325.101(c) and 325.105(a)(4) of the Federal Deposit Insurance Corporation's regulations (12 C.F.R. §§ 325.101(c) and 325.105(a)(4)) restricting certain activities, including, but not limited, to making any material change in accounting methods and engaging in any covered transaction, as defined in section 23A of the Federal Reserve Act (12 U.S.C. § 371c) without the prior written approval of the Federal Deposit Insurance Corporation. (the "FDIC").

8. The Bank shall cooperate fully with the FDIC's efforts to avoid a loss or otherwise minimize exposure to the Deposit Insurance Fund. Such cooperation includes, but is not limited to, responding to requests for information, providing full access to personnel, agents and service providers, accommodating on-site visits, and permitting the FDIC to provide

otherwise confidential information to third parties to facilitate the liquidation or other resolution of the Bank in anticipation of the possible appointment of the FDIC as conservator, receiver, or other legal custodian.

9. Thirty days after the date of this Directive and monthly thereafter, the Bank shall submit to the Reserve Bank written progress reports detailing the steps taken to comply with this Directive.

10. All communications regarding this Directive shall be sent to:

(a) Andre Anderson  
Vice President  
Federal Reserve Bank of Atlanta  
1000 Peachtree Street, N.E.  
Atlanta, Georgia 30309-4470

(b) Board of Directors  
Orion Bank  
2150 Goodlette Road North  
Naples, Florida 34102

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

12. Each provision of this Directive shall remain effective and enforceable until stayed, modified, terminated or suspended in writing by the Board of Governors.

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

14. (a) This Directive does not supersede the Written Agreement by and among Bancorp, the Bank, the Reserve Bank, and the State of Florida Office of Financial Regulation, Division of Financial Institutions (the “OFR”), dated August 25, 2008.

(b) This Directive does not supersede the consent Cease and Desist Order issued by the Board of Governors and the OFR against Bancorp and the Bank, dated September 18, 2009.

(c) Notwithstanding any provision of this Directive, the Bank shall comply with any other supervisory action issued by the Board of Governors, the Reserve Bank, or the OFR.

15. The Bank may, pursuant to section 263.202(a)(2) of the Rules of Practice, submit to the Board of Governors a written appeal of this Directive. Any written appeal of this Directive must be received within 14 calendar days of service of this Directive by Jennifer J. Johnson, Secretary of the Board, Board of Governors of the Federal Reserve System, 20th & C Streets, N.W., Washington, D.C. 20551. Failure to file a written appeal within the time specified herein shall constitute a waiver by the Bank of the opportunity to file a written appeal of this Directive.

16. The individual described in paragraph 4 of this Directive may, pursuant to the procedures under section 263.204 of the Board of Governors’ Rules of Practice for Hearings (12 C.F.R. § 263.204), submit to the Board of Governors a written request for reinstatement. Any written request for reinstatement must be received within 10 calendar days of service of this Directive by Jennifer J. Johnson, Secretary of the Board, Board of Governors of the Federal Reserve System, 20th & C Streets, N.W., Washington, D.C. 20551, with a copy to

brad.fleetwood@frb.gov. Failure to file a written request for reinstatement within the time specified herein shall constitute a waiver by the individual of the opportunity to file a written request for reinstatement.

By order of the Board of Governors of the Federal Reserve System, effective this 9th day of November, 2009.

BOARD OF GOVERNORS OF THE  
FEDERAL RESERVE SYSTEM

By: /s/ Robert de V. Frierson  
Robert deV. Frierson  
Secretary of the Board