

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

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

_____	)	
In the Matter of	)	
	)	ORDER TO
COASTAL COMMUNITY BANK	)	CEASE AND DESIST
PANAMA CITY BEACH, FLORIDA	)	
	)	FDIC-09-062b
(INSURED STATE NONMEMBER BANK)	)	OFR 0618-FI-03/09
_____	)	

Coastal Community Bank, Panama City Beach, Florida (“Bank”), having been advised of its right to a Notice of Charges and of Hearing detailing the unsafe or unsound banking practices and violations of law and/or regulations alleged to have been committed by the Bank and of its right to a hearing on the alleged charges under section 8(b)(1) of the Federal Deposit Insurance Act (“Act”), 12 U.S.C. § 1818(b)(1), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST (“CONSENT AGREEMENT”) with a representative of the Legal Division for the Federal Deposit Insurance Corporation (“FDIC”) and the Director of the Division of Financial Institutions (“Director”) for the Florida Office of Financial Regulation (“OFR”), dated April 21, 2009, whereby solely for the purpose of this proceeding and without admitting or denying the alleged charges of unsafe or unsound banking practices and violations of law and/or regulations, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST (“ORDER”) by the FDIC and the OFR.

The FDIC and the OFR considered the matter and determined that they had reason to believe that the Bank has engaged in unsafe or unsound banking practices and has committed violations of law and/or regulations. The FDIC and the OFR, therefore, accepted the CONSENT AGREEMENT and issued the following:

**ORDER TO CEASE AND DESIST**

IT IS HEREBY ORDERED, that the Bank, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns cease and desist from the following unsafe or unsound banking practices and violations of law and/or regulations:

(a) Operating with less than satisfactory management and board of directors (“Board”) oversight, whose policies and procedures and strategic plan are not adequate for the Bank and jeopardize the safety and soundness of the Bank;

(b) Operating with inadequate equity capital and reserves that need to be increased in relation to the volume and quality of assets held by the Bank;

(c) Operating with a large volume of poor quality loans;

(d) Operating with an insufficient allowance for loan and lease losses (“ALLL”);

(e) Operating with lax underwriting and weak loan administration practices;

(f) Operating with inadequate provisions for liquidity and funds management that need to be enhanced;

(g) Operating in apparent violation of laws, regulations, and/or Statements of Policy as more fully discussed in the FDIC Report of Examination dated November 24, 2008 (“ROE”) on pages 14 through 19 ;

(h) Operating with inadequate routine and control policies that need to be enhanced; and

(i) Operating in such a manner as to produce operating losses.

IT IS FURTHER ORDERED, that the Bank, its institution-affiliated parties, and its successors and assigns, take affirmative action as follows:

### **BOARD OF DIRECTORS**

1. Within 30 days from the effective date of this ORDER, the Board shall increase its participation in the affairs of the Bank, assuming full responsibility for the approval of sound policies and objectives and for the supervision of all of the Bank's activities, consistent with the role and expertise commonly expected for directors of banks of comparable size. The Board shall prepare in advance and follow a detailed written agenda for each meeting, including consideration of the actions of any committee. Nothing in this paragraph shall preclude the Board from considering matters other than those contained in the agenda. This participation shall include meetings to be held no less frequently than monthly at which, at a minimum, the following areas shall be reviewed and approved: reports of income and expenses; new, overdue, renewal, insider, charged-off, and recovered loans; investment activity; operating policies; and individual committee actions. Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

### **MANAGEMENT**

2. Within 90 days from the effective date of this ORDER, the Bank shall have and retain qualified management.

(a) Each member of management shall have qualifications and experience commensurate with his or her duties and responsibilities at the Bank. Management shall include the chief executive officer, senior lending officer, and chief financial officer. All management officials shall have an appropriate level of experience and expertise that is needed to perform his or her duties. Each member of management shall be provided appropriate written authority from the Bank's Board to implement the provisions of this ORDER.

(b) The qualification of management shall be assessed on their ability to:

- (i) comply with the requirements of this ORDER;
- (ii) operate the Bank in a safe and sound manner;
- (iii) comply with applicable laws and regulations; and
- (iv) restore all aspects of the Bank to a safe and sound condition, including asset quality, capital adequacy, earnings, management effectiveness, risk management, sensitivity to market risk, and liquidity.

(c) Within 90 days of the effective date of this ORDER, the Bank shall develop and approve a written analysis and assessment of the Bank's management and staffing needs ("Management Plan") for the purpose of providing qualified management for the Bank. The Management Plan shall include, at a minimum:

- (i) identification of both the type and number of officer positions needed to properly manage and supervise affairs of the Bank;
- (ii) identification and establishment of such Bank committees as are needed to provide guidance and oversight to active management, including but not limited to, re-establishment of audit, investment and executive committees ;

(iii) annual written evaluations of all Bank officers, and in particular, the chief executive officer, chief lending officer, and the chief financial officer, and staff members to determine whether these individuals possess the ability, experience and other qualifications required to perform present and anticipated duties, including, but not limited to, adherence to the Bank's established policies and practices, and restoration and maintenance of the Bank in a safe and sound condition;

(iv) a plan to recruit and hire any additional or replacement personnel with the requisite ability, experience and other qualification to fill those officer or staff member positions consistent with the needs identified in the Management Plan; and

(v) an organizational chart;

(d) Such Management Plan and its implementation shall be satisfactory to the Supervisory Authorities as defined in subparagraph 2(f), below.

(e) During the life of this ORDER, the Bank shall provide written notice to the Regional Director ("Regional Director") of the FDIC and the Director (collectively, the "Supervisory Authorities") when it proposes to add any individual to the Bank's Board or employ any individual as a senior executive officer as that term is defined in Part 303 of the FDIC's Rules and Regulations, 12 C.F.R. § 303.101, or executive officer as that term is defined and applied in Chapter 655 and Section 655.0385, Florida Statutes, and Rule 69U-100.03852, Florida Administrative Code. The notification to the Supervisory Authorities shall comply with the requirements set forth in 12 C.F.R. Part 303, Subpart F, and Rule 69U-100.03852, Florida Administrative Code. The notification shall include a completed INTERAGENCY BIOGRAPHICAL AND FINANCIAL REPORT, which shall include a description of the background and experience of the

individual or individuals to be added or employed and must be received at least 60 days before such addition or employment is intended to become effective. If the Regional Director or Director issues a notice of disapproval pursuant to section 32 of the Act, 12 U.S.C. § 1831i, or Section 655.0385(2) or (3), Florida Statutes, with respect to any proposed individual, then such individual shall not be added or employed by the Bank.

(f) The written Management Plan and any subsequent modification thereto shall be submitted to the Supervisory Authorities for review and comment within 90 days from the effective date of this ORDER. No more than 30 days from the receipt of any comment from the Supervisory Authorities, after consideration of such comments, the Board shall approve the written management plan and any subsequent modification of such plan. The approval shall be recorded in the minutes of the Board.

### **COMPLIANCE WITH ORDER**

3. Within 30 days from the effective date of this ORDER, the Board shall establish a Board committee (“Directors’ Committee”), consisting of at least four members, to oversee the Bank’s compliance with the ORDER. Two (2) of the members of the Directors’ Committee shall not be officers of the Bank. The Directors’ Committee shall receive from Bank management monthly reports detailing the Bank’s actions with respect to compliance with the ORDER. The Directors’ Committee shall present a report detailing the Bank’s adherence to the ORDER to the Board at each regularly scheduled Board meeting. Such report shall be recorded in the appropriate minutes of the Board’s meeting and shall be retained in the Bank’s records. Establishment of this committee does not in any way diminish the responsibility of the entire Board to ensure compliance with the provisions of this ORDER.

## CAPITAL

4. (a) Within sixty (60) days of the effective date of this ORDER, the Bank shall have Tier 1 capital in such an amount as to equal or exceed eight (8%) percent of the Bank's total assets. Thereafter, during the life of this ORDER, the Bank shall maintain Tier 1 capital in such an amount as to equal or exceed eight (8%) percent of the Bank's total assets. As defined in this ORDER, the terms "Tier 1 capital" and "total assets" shall have the meanings ascribed to them in Part 325 of the FDIC Rules and Regulations, 12 C.F.R. Part 325.

(b) On or before June 30, 2009, the Bank shall have Total Risk Based capital in such an amount as to equal or exceed eleven (11%) percent of total risk weighted assets. On or before September 30, 2009, the Bank shall have Total Risk Based capital in such an amount as to equal or exceed twelve (12%) percent of total risk weighted assets. Thereafter, during the life of this ORDER, the Bank shall maintain Total Risk Based capital in such an amount as to equal or exceed twelve (12%) percent of total risk weighted assets. In addition, the Bank shall comply with the FDIC Statement of Policy on Risk-Based Capital contained in Appendix A to Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325, Appendix A.

(c) The level of capital to be maintained during the life of this ORDER shall be in addition to a fully funded ALLL, the adequacy of which shall be satisfactory to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

(d) Any increase in capital necessary to meet the requirements of this ORDER may not be accomplished through a reduction from the Bank's ALLL.

(e) Any increase in capital necessary to meet the requirements of this ORDER may be accomplished by the following:

(i) the sale of common stock;

(ii) the direct contribution of cash by the Board, shareholders, and/or parent holding company; or

(iii) any other means acceptable to the Supervisory Authorities.

(f) If all or part of any necessary increase in capital required by paragraph 4 of this ORDER is accomplished by the sale of new securities, the Board shall forthwith take all necessary steps to adopt and implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held or controlled by them in favor of the plan. Should the implementation of the plan involve a public distribution of the Bank's securities (including a distribution limited only to the Bank's existing shareholders), the Bank shall prepare offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and any other material disclosures necessary to comply with any applicable securities laws. Prior to the implementation of the plan and, in any event, not less than 15 days prior to the dissemination of such materials, the plan and any materials to be used in the sale of the securities shall be submitted to the FDIC, Division of Supervision and Consumer Protection, Accounting and Securities Disclosure Section, 550 17th Street, N.W., Room F-6043, Washington, D.C. 20429, and the Office of Financial Regulation, 200 East Gaines Street, Tallahassee, Florida 32399-0371, for review. Any changes requested to be made in the plan or materials shall be made prior to their dissemination.



(g) In complying with the provisions of paragraph 4 of this ORDER, the Bank shall provide to any subscriber and/or purchaser of the Bank's securities, a written notice of any planned or existing development or other changes that are materially different from the information reflected in any offering materials used in connection with the sale of Bank securities. The written notice required by this paragraph shall be furnished within 10 days from the date such material development or change was planned or occurred, whichever is earlier, and shall be furnished to every subscriber and/or purchaser of the Bank's securities who received or was tendered the information contained in the Bank's original offering materials.

**CHARGE-OFF AND REDUCTION OF CLASSIFIED ITEMS**

5. (a) Immediately upon the effective date of this ORDER, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" in the ROE that have not been previously collected or charged off.

(b) Additionally, while this ORDER remains in effect, the Bank shall, within 30 days of the receipt of any official Report of Examination of the Bank from the Supervisory Authorities, eliminate from its books, by collection, charge-off, or other proper entries, the remaining balance of any assets classified "Loss" and 50 percent of those classified "Doubtful," unless otherwise approved in writing by the Supervisory Authorities.

(c) Within sixty (60) days from the effective date of this ORDER, the Bank shall formulate a written plan to reduce the Bank's risk exposure in each asset, or relationship in excess of \$500,000 classified "Substandard" in the ROE. For purposes of this provision, "reduce" shall mean to collect, charge off, or improve the quality of an

asset so as to warrant its removal from adverse classification by the Supervisory Authorities. In developing the plan mandated by this paragraph, the Bank shall, at a minimum, with respect to each adversely classified loan or lease, 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.

(d) In addition, the plan mandated by subparagraph 5(c) shall include, but not be limited to, the following:

(i) a schedule for reducing the outstanding dollar amount of each adversely classified asset, including timeframes for achieving the reduced dollar amounts (at a minimum, the schedule for each adversely classified asset must show its expected dollar balance on a quarterly basis);

(ii) specific action plans intended to reduce the Bank's risk exposure in each classified asset;

(iii) a schedule showing, on a quarterly basis, the expected consolidated balance of all adversely classified assets, and the ratio of the consolidated balance to the bank's projected Tier 1 capital plus the ALLL;

(iv) a provision mandating Board review of the progress reports, with a notation of the review recorded in the minutes of the meeting of the Board.

(e) The plan mandated by subparagraph 5(c) shall further require a reduction in the aggregate balance of assets classified "Substandard" in the ROE in accordance

with the following schedule For purposes of this subparagraph 5(e), “number of days” means number of days from the effective date of this ORDER.

(i) Within 90 days to not more than 175 percent of Tier 1 capital plus the ALLL as determined at the end of the 90 day period;

(ii) Within 180 days to not more than 150 percent of Tier 1 capital plus the ALLL as determined at the end of the 180 day period;

(iii) Within 270 days to not more than 125 percent of Tier 1 capital plus the ALLL as determined at the end of the 270 day period;

(iv) Within 360 days to not more than 100 percent of Tier 1 capital plus the ALLL as determined at the end of the 360 day period; and

(v) Within 540 days to not more than 50 percent of Tier 1 capital plus the ALLL as determined at the end of the 540 day period.

(f) The requirements of subparagraph 5(e) do not represent standards for future operations of the Bank. Following compliance with the above reduction schedule, the Bank shall continue to reduce the total volume of adversely classified assets. The plan may include a provision for increasing Tier 1 capital when necessary to achieve the prescribed ratio.

#### **NO ADDITIONAL CREDIT**

6. Beginning with the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit from the Bank that has been charged off or classified, in whole or in part, “Loss” or “Doubtful” and is uncollected. The requirements of this

paragraph shall not prohibit the Bank from renewing (after collection in cash of interest due from the borrower) any credit already extended to any borrower.

### **EXTERNAL LOAN REVIEW**

7. (a) Within 30 days from the effective date of this ORDER, the Bank will engage a qualified external loan review analyst who shall review all loans exceeding \$500,000 and adopt an effective loan review grading system to provide for periodic review of the Bank's loan portfolio in order to identify and categorize the Banks loans, and other extensions of credit which are carried on the Bank's books as loans, on the basis of credit quality. Such system and its implementation shall be satisfactory to the Supervisory Authorities as determined at their initial review and subsequent examinations and/or visitations.

(b) The external loan review shall include a thorough analysis of current borrower/guarantor global debt service abilities, including;

- (i) Contingent liability debt service requirements;
- (ii) Appropriate collateral protection analyses, using current acceptable appraisals or evaluations;
- (iii) Appropriate credit grades, given the information available; and
- (iv) Recommendations for impairment allocations to the ALLL

### **EARNINGS**

8. Within thirty (30) days from the effective date of this ORDER, and within the first thirty (30) days of each calendar year thereafter, the Board shall develop and fully implement a written profit plan consisting of goals and strategies, consistent with sound banking practices, and taking into account the Bank's other written plans, policies, or

other actions as required by this ORDER. The profit plan and any subsequent modification thereto shall be submitted to the Supervisory Authorities for review and comment. No more than 30 days after the receipt of any comment from the Supervisory Authorities, the Board shall approve the profit plan which approval shall be recorded in the minutes of the meeting of the Board. Thereafter, the Bank, its directors, officers, and employees shall fully implement the profit plan and any subsequently approved modification. The written profit plan shall include, at a minimum:

- (i) A detailed expense structure review to ensure that unnecessary expenses are curtailed;
- (ii) The major areas and timetables the Board will seek to improve the Bank's operating performance and reverse operational losses;
- (iii) A budget which incorporates realistic and comprehensive assumptions;
- (iv) A budget review process which compares actual income and expenses with projections on a percentage basis: and
- (v) A description of the assumptions that support projected income and expense components.

**ESTABLISH/MAINTAIN ALLOWANCE FOR LOAN AND LEASE LOSSES**

9. (a) On the effective date of this ORDER, the Board shall review the adequacy of the ALLL and establish a comprehensive policy for determining the adequacy of the ALLL. For the purpose of this determination, the adequacy of the ALLL shall be determined after the charge-off of all loans or other items classified "Loss." The policy shall provide for a review of the ALLL at least once each calendar quarter. Said review

should be completed at least ten (10) days prior to the end of each quarter, in order that the findings of the Board with respect to the ALLL may be properly reported in the quarterly Reports of Condition and Income. The review should focus on the results of the Bank's internal loan review, loan and lease loss experience, trends of delinquent and non-accrual loans, an estimate of potential loss exposure of significant credits, concentrations of credit, and present and prospective economic conditions. A deficiency in the ALLL shall be remedied in the calendar quarter it is discovered, prior to submitting the Report of Condition, by a charge to current operating earnings. The minutes of the Board meeting at which such review is undertaken shall indicate the results of the review. The Bank's policy for determining the adequacy of the Bank's ALLL and its implementation shall be satisfactory to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

(b) The Board shall designate a bank executive officer, who is involved in the Bank's day-to-day lending functions, to be responsible for determining that the Bank is maintaining an adequate ALLL. At least monthly, the designated officer shall provide a written report of his/her analysis to the Board. The written report, along with any comments and discussions on report findings shall be recorded in each Board minutes.

(c) All reviews of ALLL adequacy shall consider the Federal Financial Institutions Examination Council's Instructions for the Reports of Condition and Income, the Interagency Statement of Policy on the ALLL and shall focus at a minimum on:

- (i) delinquent and non-accrual loans;
- (ii) an estimate of potential loss exposure of significant credits;
- (iii) concentration of credits; and

(iv) present and prospective economic conditions affecting potential exposures.

### **LIQUIDITY AND FUNDS MANAGEMENT**

10. (a) Within 30 days from the effective date of this ORDER, the Bank shall review, revise and adopt its written liquidity, contingency funding and funds management policy to provide effective guidance and control over the Bank's funds management activities, which policy shall include, at a minimum, revisions to address all items referenced on pages 4 and 5 of the ROE. Such policy and its implementation shall be in a form and manner acceptable to the Supervisory Authorities as determined at subsequent examinations and/or visitations. The revised policy shall provide for a periodic review of the Bank's deposit structure. Such review shall include the volume and trend of total deposits and the volume and trend of the various types of deposits offered, the maturity distribution of time deposits, rates being paid on each type of deposit, rates being paid by trade area competition, caps on large time deposits, public funds, out-of-area deposits, and any other information needed.

(b) Within 60 days from the effective date of this ORDER, the Bank shall implement adequate model plans for managing liquidity. Such plan shall include at a minimum:

- (i) reasonable minimum liquidity risk levels for various stages of potential institution-specific, regional and systemic events;
- (ii) reasonable maximum limits for net non-core funding dependence;
- (iii) daily liquidity level reports in a form to be prescribed by the Supervisory Authorities;

(iv) sources and uses cash flow projections for the next 90, 120 and 180 days; and

(v) methods used for stress testing potential liquidity needs prior to significant liquidity needs.

(c) The Bank shall calculate monthly the liquidity and dependency ratios, following the format utilized internally, and provide the calculations to the Board for review with such review documented in the Board minutes.

(d) If after implementation of the approved liquidity management program, actual liquidity measurements fall outside Board approved risk limits, the Board shall require Management to device corrective measures and timetables to incorporate those measures to bring the Bank within Board approved risk limits. Such discussions shall be comprehensively documented in the Board minutes.

### **BROKERED DEPOSITS**

11. Beginning with the effective date of this Order, and so long as this Order is in effect, the Bank shall not accept, renew, or rollover brokered deposits without obtaining a brokered deposit waiver approved by the FDIC pursuant to section 29 of the Act, 12 U.S.C. § 1831f. For purposes of this ORDER, brokered deposits are defined as described in section 337.6, of the FDIC's Rules and Regulations, 12 C.F.R. § 337.6.

### **ELIMINATE/CORRECT ALL VIOLATIONS OF LAW**

12. Within thirty (30) days from the effective date of this ORDER, the Bank shall take steps necessary, consistent with sound banking practices, to eliminate and/or correct all violations of laws, rules and regulations and contraventions of policy cited by the FDIC, on pages 14 through 19 in the ROE. In addition, within thirty (30) days from the



effective date of this ORDER, the Bank shall adopt and implement appropriate procedures to ensure future compliance with all applicable laws, rules and regulations and policies.

### **LOAN UNDERWRITING**

13. Within sixty (60) days of the effective date of this ORDER, management shall prepare a written report to the Supervisory Authorities regarding how it plans to correct loan administration and underwriting deficiencies and weaknesses noted on pages 8 through 10 of the ROE, including but not limited to the following;

(i) acquisition of current appraised values for collateral previously appraised prior to June 30, 2007, prior to disbursing new funds or renewing existing funds;

(ii) documentation to the extent required to determine that a borrower's reported financial condition is accurate

(iii) documentation that each borrower's liquid assets were verified by Bank personnel and evidence of each borrower's cash equity position;

(iv) acquisition and analysis of complete and current global cash flow information for all related borrowing entities, prior to disbursing or renewing funds;

(v) implementation of procedures to ensure all credit memorandums are dated, contain all relevant known facts, and are accurate, prior to the appropriate level of approval required; and

(vi) revision of amortization terms and maturities for each type of lending the Bank engages in.

## **LOAN ADMINISTRATION**

14. Within thirty (30) days of the effective date of this ORDER, the Board shall assess the staffing requirements for lending, specifically considering the continued employment of current personnel in their current positions and the employment of additional personnel to assist in servicing the loan portfolio and working on problem assets. Complete details of such consideration shall be recorded in the Board minutes and provided to the Supervisory Authorities for review.

## **REDUCE CONCENTRATIONS OF CREDIT**

15. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall perform a risk segmentation analysis with respect to the Concentrations of Credit listed on the Concentrations page of the ROE and any other concentration deemed important by the Bank. Concentrations should be identified by product type, geographic distribution, underlying collateral or other asset groups which are considered economically related and in the aggregate represent a large portion of the Bank's capital account. A copy of this analysis will be provided to the Supervisory Authorities and the Board agrees to develop a plan to reduce any segment of the portfolio which the Supervisory Authorities deem to be an undue concentration of credit in relation to the Bank's capital account. The plan and its implementation shall be in a form and manner acceptable to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

(b) The plan shall establish appropriate commercial real estate ("CRE") lending risk limits and monitor concentrations of risk in relation to Tier 1 Capital.

(c) The plan shall specifically establish limits and identify the risks associated with the concentration of CRE loans noted on page 35 of the ROE.

(d) Management shall provide monthly reports to the Board regarding the level and composition of concentrations and managements efforts to reduce any unnecessary exposure.

(e) All discussions by the Board, or its designated committees, which are related to concentrations of risk, shall be recorded in the official monthly Board minutes.

(f) Management and the Board shall review, and incorporate, as appropriate in the Bank's policies and procedures, the Joint Interagency Guidance CRE concentrations that is set forth in the FDIC's Financial Institution Letter, FIL-104-2006 (December 12, 2006), "Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices," in complying with the requirements of this ORDER.

#### **INTERNAL AUDIT**

16. Within sixty (60) days from the effective date of this ORDER, the Bank shall develop a comprehensive written internal audit program that establishes procedures to protect the integrity of the Bank's operational and accounting systems and that addresses the deficiencies and recommendations detailed in the ROE. The program shall be in a form and manner acceptable to the Supervisory Authorities and, at a minimum, shall conform to the Interagency Policy Statement on the Internal Audit Function and its Outsourcing and provide procedures to test the validity and reliability of operating systems, procedural controls, and resulting records. In addition, the program shall provide for monthly reports of audit findings from the internal auditor directly to the Bank's Board. The minutes of the meetings of the Board shall reflect consideration of these

reports and describe any discussion or action taken as a result thereof. The Bank shall submit the program to the Supervisory Authorities for review and comment. Within thirty (30) days from the receipt of any such comments from the Supervisory Authorities and after due consideration of any recommended changes, the Bank shall approve the program, which approval shall be recorded in the minutes of the meeting of the Board. The Bank shall thereafter implement and enforce the program.

### **CASH DIVIDENDS**

17. The Bank shall not pay cash dividends without the prior written consent of the Supervisory Authorities.

### **PROGRESS REPORTS**

18. (a) Within thirty (30) days of the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish written progress reports to the Supervisory Authorities detailing the form, manner, and results of any actions taken to secure compliance with this ORDER. Such written progress reports shall provide cumulative detail of the Bank's progress toward achieving compliance with each provision of the ORDER, including at a minimum:

- (i) Description of the identified weaknesses and deficiencies;
- (ii) Provision(s) of the ORDER pertaining to each weakness or deficiency;
- (iii) Actions taken or in-process for addressing each deficiency;
- (iv) Results of the corrective actions taken;

(b) The progress report requirements shall continue for the life of this ORDER unless modified or terminated in writing by the Supervisory Authorities.

(c) All progress reports and other written responses to this ORDER shall be reviewed by the Board and be made a part of the minutes of the appropriate Board meeting.

**DISCLOSURE**

19. Following the effective date of this ORDER, the Bank shall send to its shareholders or otherwise furnish a description of this ORDER in conjunction with the Bank's next shareholder communication and also in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the ORDER in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC, Division of Supervision and Consumer Protection, Accounting and Securities Registration Disclosure Section, 550 17<sup>th</sup> Street, N.W., Room F-6066, Washington, D.C. 20429, and to the Director, Division of Financial Institutions, State of Florida Office of Financial Regulation, 200 East Gaines Street, Tallahassee, Florida 32399-0371, to review at least twenty (20) days prior to dissemination to shareholders. Any changes requested to be made by the Supervisory Authorities shall be made prior to dissemination of the description, communication, notice, or statement. This ORDER shall become effective immediately upon the date of its issuance. The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provisions of this ORDER shall have been modified, terminated, suspended, or set aside in writing by the Supervisory Authorities.

Pursuant to delegated authority.

Dated this 22nd day of April, 2009.

/s/

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Mark S. Schmidt  
Regional Director  
Division of Supervision and Consumer Protection  
Atlanta Region  
Federal Deposit Insurance Corporation

The Director of the Florida Office of Financial Regulation having duly approved the foregoing ORDER, and the Bank, through its Board, having agreed that the issuance of said ORDER by the FDIC shall be binding as between the Bank and the OFR to the same degree and legal effect that such ORDER would be binding upon the Bank if the OFR had issued a separate order that included and incorporated all of the provisions of the foregoing ORDER pursuant to Sections 655.033 and 655.041, Florida Statutes (2008).

Dated this 21st day of April, 2009.

/s/

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Linda B. Charity  
Director  
Division of Financial Institutions  
Office of Financial Regulation  
By Delegated Authority for the  
Commissioner, Office of Financial Regulation