

FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

and

STATE OF FLORIDA
OFFICE OF FINANCIAL REGULATION
TALLAHASSEE, FLORIDA

_____	)	
In the Matter of	)	CONSENT ORDER
	)	
LAFAYETTE STATE BANK	)	
MAYO, FLORIDA	)	FDIC-14-0309b
	)	OFR 55296-FI
(INSURED STATE NONMEMBER BANK)	)	
_____	)	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for Lafayette State Bank, Mayo, Florida, (“Bank”), under section 3(q) of the Federal Deposit Insurance Act (“Act”), 12 U.S.C. § 1813(q).

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a “STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER” (“STIPULATION”), dated October 8, 2014, that is accepted by the FDIC and the State of Florida Office of Financial Regulation (“OFR”). With the STIPULATION, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices or violations of law or regulation relating to weaknesses in capital adequacy, asset quality, management effectiveness, earnings, liquidity, sensitivity to market risk, and compliance with the Bank Secrecy Act, 31 U.S.C. § 5311 et seq., 12 U.S.C. § 1829b and 12 U.S.C. §§ 1951-1959, and its implementing regulations, 31 C.F.R. Chapter X and 12 C.F.R. Part 353, and 12 U.S.C. § 1818(s) and its implementing regulation, 12 C.F.R. § 326.8, and Section 655.50, Florida Statutes

(collectively referred to as “BSA”) to the issuance of this Consent Order (“ORDER”) by the FDIC and the OFR. The OFR may issue an ORDER pursuant to Chapter 120 and Section 655.033, Florida Statutes (2014).

Having determined that the requirements for issuance of an order under section 8(b) of the Act, 12 U.S.C. § 1818(b) and under Chapter 120 and Section 655.033, Florida Statutes, have been satisfied, the FDIC and the OFR hereby order that:

BOARD OF DIRECTORS

1. (a) As of 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. 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; adoption or modification of operating policies; individual committee reports; audit reports; internal control reviews including management's responses; high-risk deposit accounts; information technology; BSA risk rating; BSA staffing; BSA training; BSA compliance; and compliance with this ORDER. Board meeting minutes shall document these reviews and approvals, including the names of any dissenting directors.

(b) Within thirty (30) days from the effective date of this ORDER, the Board shall establish a Board committee ("Directors' Committee"), consisting of at least three (3) members, to oversee the Bank's compliance with this ORDER. At least two (2) of the members of such committee shall be directors not employed in any capacity by the Bank other than as a director.

The Directors' Committee shall formulate and review monthly reports detailing the Bank's actions with respect to compliance with this ORDER. The Directors' Committee shall present a report to the Board at each regularly scheduled Board meeting, and such report shall detail the Bank's adherence to this ORDER. Such report shall be recorded in the appropriate Board meeting minutes 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.

(c) Within sixty (60) days from the effective date of this ORDER, the Board shall develop and adopt an educational program for periodic training for each member of the Board. The educational program shall include, at a minimum:

(i) Specific training in the areas of lending, operations, and compliance with laws, rules, and regulations applicable to banks of comparable size and complexity chartered in the state of Florida; and

(ii) Specific training in the duties and responsibilities of the Board in connection with the safe and sound operation of the Bank.

(d) Upon adoption of the educational program, it shall be acceptable to the Regional Director of the FDIC's Atlanta Regional Office ("Regional Director") and the OFR (collectively, the "Supervisory Authorities") at the initial review and at subsequent examinations and/or visitations. The Board shall document the training activities in the minutes of the next Board meeting following completion of any such training.

(e) Within thirty (30) days from the effective date of this ORDER, the Board shall designate a directors' committee to review and approve loans, with such committee being

structured so that a majority of its members are directors who are not actively involved in the Bank's lending activities.

(f) Within sixty (60) days from the effective date of this ORDER, the Bank shall operate with a Board of no fewer than five (5) members, in accordance with Section 658.33 Florida Statutes. Within sixty (60) days from the effective date of this ORDER, the Bank shall add at least one (1) new, independent member to its Board. The addition of any new director may be accomplished, to the extent permissible by Section 32 of the Federal Deposit Insurance Act, Florida law, and the Bank's by-laws, by means of appointment or election at a regular or special meeting of the Bank's shareholders. The Bank shall cause its articles of incorporation, by-laws, and/or other governing corporate instruments to be amended as appropriate to reflect the addition of independent directors.

(g) For purposes of this ORDER, an individual who is "independent" with respect to the Bank shall be any individual who is not an officer of the Bank, or officer or director of any of its affiliated organizations, and who does not own or control more than five (5) percent of the outstanding shares of the Bank.

MANAGEMENT

2. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall have and retain qualified management with the qualifications and experience commensurate with assigned duties and responsibilities at the Bank, including the Bank's BSA Compliance Program, as defined below. Each member of management shall be provided appropriate written authority from the Board to implement the provisions of this ORDER. At a minimum, management shall include the following:

(i) A chief executive officer with proven ability in managing a bank of comparable size and in effectively implementing lending, investment and operating policies in accordance with safe and sound banking practices;

(ii) A senior lending officer with a significant amount of appropriate lending, collection, and loan supervision experience, and experience in upgrading a low quality loan portfolio; and

(iii) a chief financial officer with a significant amount of appropriate experience in managing the financial aspects and official reporting of a bank's operations of comparable size and complexity in accordance with sound banking practices.

(b) The qualifications of management shall be assessed on its 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, but not limited to, asset quality, capital adequacy, earnings, management effectiveness, risk management, liquidity and sensitivity to market risk.

(c) During the life of this ORDER, the Bank shall notify the Supervisory Authorities, in writing and within ten (10) business days, of the resignation or termination of any of the Bank's directors or senior executive officers and provide the reason for the resignation or termination of the individual. Prior to the addition of any individual to the Board or the employment of any individual as a senior executive officer or executive officer, as those terms are defined in 12 C.F.R. § 303.101, and in Section 655.005, Florida Statutes, the Bank shall comply with the requirements of 12 U.S.C. § 1831i, 12 C.F.R. §§ 303.100-303.104, Section

655.0385, Florida Statutes, and Rule 69U-100.03852, Florida Administrative Code. The notification 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 sixty (60) days before such addition or employment is intended to become effective. If either of the Supervisory Authorities issue a notice of disapproval pursuant to section 32 of the Act, 12 U.S.C. § 1831i, or Section 655.0385, Florida Statutes, with respect to any proposed individual, then such individual may not be added or employed by the Bank.

(d) Within thirty (30) days from the effective date of this ORDER, the Bank shall retain a bank consultant who will develop a written analysis and assessment of the Bank's management needs ("Management Report") for the purpose of providing qualified management for the Bank.

(e) Within thirty (30) days from the effective date of this ORDER, the Bank shall provide the Supervisory Authorities with a copy of the proposed engagement letter or third party contract for review before it is executed.

(f) The contract or engagement letter, at a minimum, shall include:

(i) A description of the work to be performed under the contract or engagement letter, the fees for each significant element of the engagement, and the aggregate fee;

(ii) The responsibilities of the firm or individual;

(iii) An identification of the professional standards covering the work to be performed;

(iv) Identification of the specific procedures to be used when carrying out the work to be performed;

- (v) The qualifications of the employee(s) who will perform the work;
- (vi) The time frame for completion of the work;
- (vii) Any restrictions on the use of the reported findings;
- (viii) A provision for unrestricted examiner access to work papers; and
- (ix) A certification that neither the firm, nor any individual involved in the work to be performed, is affiliated in any manner with the Bank.

(g) The Management Report shall be developed within ninety (90) days from the effective date of this ORDER and shall include, at a minimum:

- (i) Identification of both the type and number of officer positions needed to properly manage and supervise the affairs of the Bank;

- (ii) Identification and establishment of such Bank committees as are needed to provide guidance and oversight to active management;

- (iii) Written evaluation of all senior executive officers to determine whether such 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, restoration of the Bank to a safe and sound condition, and maintenance of the Bank in a safe and sound condition thereafter;

- (iv) Evaluation of all Bank officers' compensation, including salaries, director fees, and other benefits;

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

- (vi) An organizational chart.

(h) Within thirty (30) days from receipt of the Management Report, the Bank shall formulate a written plan ("Management Plan") that incorporates the findings of the Management Report, a plan of action in response to each recommendation contained in the Management Report, and a time frame for completing each action. At a minimum, the Management Plan shall:

(i) Contain a recitation of the recommendations included in the Management Report;

(ii) Incorporate a plan to provide necessary training and development for all employees;

(iii) Establish procedures to periodically review and update the Management Plan, as well as periodically review and assess the performance of each officer and staff member; and

(iv) Contain a current management succession plan.

(i) Such Management Plan and its implementation shall be satisfactory to the Supervisory Authorities at the initial review and at subsequent examinations and/or visitations.

ETHICS PROGRAM

3. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall develop, adopt, and implement a written ethics policy ("Ethics Policy") and program ("Ethics Program"). The Ethics Policy shall state the ethical standards expected of directors, officers, employees, agents, and other persons participating in the conduct of the affairs of the Bank ("Covered Individuals") in the performance of their duties and responsibilities.

(b) The Ethics Program shall establish the definitions, instructions, and format to be followed by Covered Individuals in the preparation of comprehensive conflict disclosure

statements ("Statements") to be filed for review by an ethics counselor and/or ethics committee and shall require:

- (i) Initial Statements from all existing Covered Individuals;
- (ii) Initial Statements from any person who newly becomes a Covered Individual;
- (iii) Periodic Statements from all Covered Individuals; and
- (iv) Immediate reporting of new conflicts or discovery of previously unreported conflicts.

(c) At a minimum, the Ethics Program shall address the:

- (i) Acceptance of gifts, entertainment, favors, and loans;
- (ii) Use of official information;
- (iii) Employment of relatives;
- (iv) Use of Bank property;
- (v) Reimbursement of travel expenses;
- (vi) Disclosure of indebtedness to the Bank or any other financial institution;
- (vii) Financial interests and obligations that appear to conflict with the Covered Individual's duties and responsibilities, including, but not limited to, participation of any sort in any transaction or loan in which the Covered Individual, his or her spouse, child, partner, or any organization in which the Covered Individual has a financial interest, or serves as an officer, director, trustee, or partner, is involved;
- (viii) Purchase of Bank property;
- (ix) Provision of goods or services to the Bank; and
- (x) Acceptance of outside employment and/or maintenance of other activities.

(d) The results of any deliberations by the Board regarding potential conflicts shall be reflected in the minutes of its meetings.

(e) The Ethics Policy shall be acceptable to the Supervisory Authorities at the initial review and at subsequent examinations and/or visitations.

RESTRICTIONS OF CERTAIN PAYMENTS

4. (a) While this ORDER is in effect, the Bank shall not declare or pay dividends, pay bonuses, or make any other form of payment outside the ordinary course of business resulting in a reduction of capital, without the prior written approval of the Supervisory Authorities. All requests for prior approval shall be received at least thirty (30) days prior to the proposed dividend or bonus payment declaration date (at least five (5) days with respect to any request filed within the first thirty (30) days from the date of this ORDER) and shall contain, but not be limited to, an analysis demonstrating that the proposed payment meets the criteria set forth in Section 658.37, Florida Statutes, and detailing the impact such payment would have on the Bank's capital position, cash flow, concentrations of credit, asset quality and ALLL needs. The Supervisory Authorities will not approve any payment representing a reduction of capital unless the Supervisory Authorities determine that such payment will not have an adverse or unacceptable impact on the Bank's capital position, cash flow, concentrations of credit, asset quality and ALLL needs.

(b) During the term of this ORDER, the Bank shall not make any distributions of interest, principal or other sums on subordinated debentures, if any, without the prior written approval of the Supervisory Authorities.

AUDIT PROGRAM

5. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall adopt and implement a policy for the operation of the Bank in such a manner as to provide adequate internal routines and controls within the Bank consistent with safe and sound banking practices. Such policy and its implementation shall, at a minimum, eliminate and/or correct all internal routine and control deficiencies as more fully set forth in the FDIC and OFR concurrent Reports of Examination dated April 28, 2014 (“Reports”) and shall be satisfactory to the Supervisory Authorities at the initial review and at subsequent examinations and/or visitations.

(b) Within forty-five (45) days from the effective date of this ORDER, the Board shall comply with the *Interagency Policy Statement on the Internal Audit Function and its Outsourcing*, FIL-21-2003 (Mar. 17, 2003). Changes made to the audit program as a result of complying with this paragraph shall be reviewed and adopted by the Board, recorded in the applicable Board minutes, and shall be acceptable to the Supervisory Authorities at the initial review and at subsequent examinations and/or visitations.

(c) Within forty-five (45) days from the effective date of this ORDER, the Board shall comply with the *Interagency Policy Statement on External Auditing Programs of Banks and Savings Associations*, FIL-96-1999 (Oct. 22, 1999). Changes made to the audit program as a result of complying with this paragraph shall be reviewed and adopted by the Board, recorded in the applicable Board minutes, and shall be acceptable to the Supervisory Authorities at the initial review and at subsequent examinations and/or visitations.

(d) During the life of this ORDER, the Bank shall provide the Supervisory Authorities with a copy of all external audit reports, management letters, and qualifications within ten (10) days from the Bank's receipt of such report(s). The Board shall address all

findings of the external audit reports at its next regular meeting after receipt of the reports. Any action or inaction taken as a result of addressing the reports shall be noted in the minutes of the Board meeting with each individual member's vote recorded.

(e) Within thirty (30) days from the effective date of this ORDER, the Bank shall retain a certified public accounting firm acceptable to the Supervisory Authorities to perform an agreed-upon procedures examination ("Procedures Examination"), including, but not limited to, reconciliation of the financial statements of the Bank as of June 30, 2014.

(f) Prior to the execution of the engagement letter, the Bank shall provide the Supervisory Authorities with a copy of the proposed engagement letter with the certified public accounting firm for review. At a minimum, the Procedures Examination shall determine whether the Bank has reconciled all accounts and the date of the most recent reconciliation of each account, and for all accounts of the Bank:

(i) Whether reconciliations are done in a timely manner based on the risk and volume of activity in each account;

(ii) Whether reconciliations adequately report the dollar amount and the description of any outstanding unreconciled transactions;

(iii) The adequacy of the segregation of duties of the personnel preparing the reconciliations;

(iv) The collectability of any unreconciled debits outstanding in excess of ninety (90) days, as of June 30, 2014; and

(v) Whether the Bank has reasonable written reconciliation procedures for each account.

(g) The Bank shall require, as part of its agreement with the accounting firm retained to perform the Procedures Examination, that the accounting firm accomplish full verification of all assets and liabilities on the Bank's General Ledger as of June 30, 2014, by positive, written verification of the appropriate counter-party.

(h) The Bank shall require, as part of its agreement with the accounting firm retained to perform the Procedures Examination, that the accounting firm complete the Procedures Examination within one hundred twenty (120) days from the effective date of this ORDER. The accounting firm's initial written report, whether in draft or final form, shall be submitted concurrently to the Supervisory Authorities and the Bank.

(i) Within thirty (30) days from the Bank's receipt of the accounting firm's final written report, the Bank shall carry out all recommendations made therein.

(j) Within thirty (30) days from the effective date of this ORDER, and every thirty (30) days thereafter, all outstanding debits that are unresolved for more than ninety (90) days shall be charged off from the books of the Bank.

LENDING

6. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall revise, adopt, and implement its written lending and collection policy to provide effective guidance and control over the Bank's lending function. Such policy and its implementation shall be in a form and manner acceptable to the Supervisory Authorities at the initial review and at subsequent examinations and/or visitations.

(b) The initial revisions to the Bank's loan policy and practices required by this paragraph, at a minimum, shall include the following:

- (i) Provisions, consistent with FDIC instructions for the preparation of Consolidated Reports of Condition and Income, under which the accrual of interest income is discontinued and previously accrued interest is reversed on delinquent loans;
- (ii) Provisions which prohibit the capitalization of interest or loan related expenses unless the Board supports the capitalization in writing and records in the minutes of the corresponding Board meeting the reason an exception is in the best interests of the Bank;
- (iii) Provisions which require complete loan documentation, including current financial information, profit and loss statements and/or copies of tax returns, and cash flow projections;
- (iv) Provisions which require realistic repayment terms and current credit information adequate to support the outstanding indebtedness of the borrower;
- (v) Provisions which incorporate limitations on the amount that can be loaned in relation to established collateral values;
- (vi) Provisions which specify the circumstances and conditions under which real estate appraisals must be conducted by an independent third party;
- (vii) Provisions which establish standards for the extension of unsecured credit;
- (viii) Provisions which establish officer lending limits;
- (ix) Provisions which require extensions of credit to any of the Bank's executive officers, directors, or principal shareholders, or to any related interest of such persons, to be approved in advance by a majority of the entire Board, with the interested party abstaining from participating directly or indirectly in the voting, in accordance with 12 C.F.R. § 215.4(b) and Section 658.48(2), Florida Statutes;

(x) Provisions which prohibit the issuance of standby letters of credit unless the letters of credit are fully secured by readily marketable collateral and/or are supported by current and complete financial information;

(xi) Provisions which require proper supervision of construction loans and adequate procedures to monitor actual construction completed in relation to construction loan advances;

(xii) Provisions which prohibit concentrations of credit in excess of twenty-five (25) percent of the Bank's' Tier 1 Capital to any borrower and such borrower's related interests; and

(xiii) Provisions which require the preparation of a loan "watch list" which shall include relevant information on all loans in excess of \$250,000 that are classified "Substandard" and "Doubtful" in the Reports and by the Supervisory Authorities in subsequent Reports of Examination, and all other loans in excess of \$250,000 that warrant individual review and consideration by the Board as determined by the directors' loan committee or active management of the Bank. The loan "watch list" shall be presented to the Board for review at least monthly with such review noted in the minutes.

(c) The Board shall adopt procedures whereby officer compliance with the revised loan policy is monitored and exceptions are reported to the Board. The procedures adopted shall be reflected in the minutes of a Board meeting at which all members are present and the vote of each is noted.

LOAN REVIEW

7. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall adopt an effective internal loan review and grading system to provide for the periodic review of

the Bank's loan portfolio in order to identify and categorize the Bank's 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 at the initial review of the system, and at subsequent examinations and/or visitations. At a minimum, the grading system shall provide for the following:

- (i) Specification of standards and criteria for assessing the credit quality of the Bank's loans;

- (ii) Application of loan grading standards and criteria to the Bank's loan portfolio;

- (iii) Categorization of the Bank's loans into groupings based on the varying degrees of credit and other risks that may be presented under the applicable grading standards and criteria, but in no case will a loan be assigned a rating higher than that assigned by examiners at the last examination of the Bank without prior written notification to the Supervisory Authorities;

- (iv) Assessment of the likelihood that each loan exhibiting credit and other risks will not be repaid according to its terms and conditions;

- (v) Identification of any loan that is not in conformance with the Bank's loan policy;

- (vi) Identification of any loan which presents any unsafe or unsound banking practice or condition or is otherwise in violation of any applicable state or federal law, regulation, or statement of policy;

- (vii) Requirement of a written report to be made to the Board and Audit Committee, if any, not less than quarterly after the effective date of this ORDER. The report

shall identify the status of those loans that exhibit credit and other risks under the applicable grading standards/criteria and the prospects for full collection and/or strengthening of the quality of any such loans; and

(viii) Specific policies governing Bank charge-offs of loans and underlying collateral taken to repay loans.

(b) Within ninety (90) days from the effective date of this ORDER, the Bank shall contract for an external loan review, which shall assess the accuracy of the Bank's loan grading system, the quality of credit underwriting and administrative practices, and the correction of documentation weaknesses identified in the Reports. The written findings of the external loan review shall be submitted to the Supervisory Authorities.

ASSET/LIABILITY POLICY

8. (a) Within sixty (60) days from the effective date of this ORDER, the Board shall review and revise, as necessary, the Bank's written policy and procedures for managing interest rate risk, taking into consideration examination findings. At a minimum, the policy shall include:

- (i) Establishment of appropriate systems to identify, measure, and monitor interest rate risk over various time horizons;
- (ii) Specific risk limits and parameters;
- (iii) Strategies to reduce and manage interest rate risk;
- (iv) A system for monitoring and reporting risk exposures to the Board;
- (v) Designation of the oversight responsibility and authority for managing risk; and

(vi) A system for internal controls, review, and audit to ensure the integrity of the overall risk management process.

(b) At least quarterly, the Bank shall analyze and measure its level of interest rate risk exposure. The level of exposure shall be maintained within the limits set forth in the interest rate risk policy. The Bank's interest rate risk position shall be reported to the Board at least quarterly. All exceptions to policy guidelines shall be approved by the Board, and applicable minutes shall address, in detail, the Bank's interest rate risk posture, areas of noncompliance with the policy, and strategies to be employed to bring the Bank into compliance with established policy parameters.

(c) In addition, the Bank shall ensure compliance with the *Joint Agency Policy Statement on Interest Rate Risk*, FIL-52-1996 (June 26, 1996), and *Financial Institution Management of Interest Rate Risk*, FIL-2-2010 (Jan. 20, 2010).

(d) Such policies shall be satisfactory to the Supervisory Authorities at the initial review and at subsequent examinations and/or visitations.

ALLOWANCE FOR LOAN AND LEASE LOSSES AND CALL REPORT

9. (a) Immediately upon the issuance of this ORDER, the Board shall make a provision to replenish the Allowance for Loan and Lease Losses ("ALLL"), which as of the date of the examination was underfunded as set forth in the Reports.

(b) Within forty-five (45) days from the effective date of this ORDER, the Board shall 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 shall be completed in time to properly report the

ALLL in the quarterly Consolidated Reports of Condition and Income. The review shall 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. The review should include a review of compliance with ASC 450 (Topic 450, "Contingencies") and ASC 310-10-35 (Section 35, "Subsequent Measurement General," of Subtopic 310-10). The policy shall adhere to the guidance set forth in the *Interagency Policy Statement on the Allowance for Loan and Lease Losses*, FIL-105-2006 (Dec. 13, 2006). A deficiency in the ALLL shall be remedied in the calendar quarter it is discovered, prior to submitting the next Consolidated Report of Condition and Income, by a charge to current operating earnings. The Board meeting minutes for the meeting at which such review is undertaken shall indicate the results of the review. The Bank's policy for determining the adequacy of the ALLL and its implementation shall be satisfactory to the Supervisory Authorities as determined at the initial review and at subsequent examinations and/or visitations.

(c) Within sixty (60) days from the effective date of this ORDER, the Bank shall review Consolidated Reports of Condition and Income filed with the FDIC on or after December 31, 2012, and shall file, as necessary, amended Consolidated Reports of Condition and Income, in accordance with the Federal Financial Institutions Examination Council ("FFIEC") *Instructions for Preparation of Consolidated Reports of Condition and Income (FFIEC 031 and 041)*, <http://www.ffiec.gov/>, which accurately reflect the financial condition of the Bank as of the date of each report. In particular, such reports shall contain an adequate ALLL. Amended Consolidated Reports of Condition and Income must be filed if previously submitted reports

were not filed in accordance with the Instructions for Preparation of Consolidated Reports of Condition and Income.

(d) In addition, and during the life of this ORDER, the Bank shall file Consolidated Reports of Condition and Income that accurately reflect the financial condition of the Bank as of the reporting period specified. In particular, the reports shall incorporate any adjustment in the Bank's books made as a consequence of any official Report of Examination of the Bank from the FDIC or the State Regulatory Agency during the reporting period.

CHARGE-OFF LOSS AND DOUBTFUL

10. (a) Within ten (10) days from 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" and fifty (50) percent of those assets or portions of assets classified "Doubtful" in the Reports, that have not been previously collected or charged-off. If an asset is classified "Doubtful", the Bank may, in the alternative, charge-off the amount that is considered uncollectible in accordance with the Bank's written analysis of loan or lease impairment. Such analysis shall be accomplished in accordance with generally accepted accounting principles, the Federal Financial Institutions Examination Council's ("FFIEC") *Instructions for Preparation of Consolidated Reports of Condition and Income (FFIEC 031 and 041)*, <http://www.ffiec.gov/>, Interagency Statements of Policy on the ALLL, and other applicable regulatory guidance that addresses the adequacy of the Bank's ALLL. Elimination of any of these assets through proceeds of other loans made by the Bank is not considered collection for purposes of this paragraph.

(b) Additionally, while this ORDER remains in effect, the Bank shall, within ten (10) days from the receipt of any official Report of Examination of the Bank from the FDIC or the

OFR, eliminate from its books, by collection, charge-off, or other proper entry, the remaining balance of any asset classified "Loss" and fifty (50) percent of those assets classified "Doubtful" unless otherwise approved in writing by the Supervisory Authorities. If an asset is classified "Doubtful", the Bank may, in the alternative, charge-off the amount that is considered uncollectible in accordance with the Bank's written analysis of loan or lease impairment.

CLASSIFIED ASSET REDUCTION

11. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall submit a written plan to the Supervisory Authorities to reduce the remaining assets classified "Doubtful" and "Substandard" in the Reports and sixty (60) days from receipt of any future regulatory examination report. The plan shall address each asset so classified with a balance of \$250,000 or greater and provide the following:

- (i) The name under which the asset is carried on the books of the Bank;
- (ii) Type of asset;
- (iii) Actions to be taken in order to reduce the classified asset; and
- (iv) Timeframes for accomplishing the proposed actions.

(b) The plan shall also include, at a minimum:

- (i) A review of the financial position of each such borrower, including the source of repayment, repayment ability, and alternate repayment sources; and
- (ii) An evaluation of the available collateral for each such credit, including possible actions to improve the Bank's collateral position.

(c) In addition, the Bank's plan shall contain a schedule detailing the projected reduction of total classified assets on a quarterly basis. Further, the plan shall require the submission of monthly progress reports to the Board and mandate a review by the Board.

(d) The Bank shall present the plan to the Supervisory Authorities for review. Within thirty (30) days from the Supervisory Authorities' response, the plan, including any requested modifications or amendments, shall be adopted by the Board and the approval shall be recorded in the Board minutes. The Bank shall then immediately implement the plan.

(e) For purposes of the plan, the reduction of adversely classified assets as of the Reports shall be detailed using quarterly targets expressed as a percentage of the Bank's Tier 1 Capital plus the Bank's ALLL and may be accomplished by:

- (i) Charge-off;
- (ii) Collection;
- (iii) Sufficient improvement in the quality of adversely classified assets so as to warrant removing any adverse classification, as determined by the FDIC or the State; and/or
- (iv) Increase in the Bank's Tier 1 Capital.

CONCENTRATIONS OF CREDIT

12. Within ninety (90) days from the effective date of this ORDER, the Bank shall perform a risk segmentation analysis and develop a plan with respect to the concentrations of credit listed on the Concentrations page(s) of the Reports. The analysis and plan should incorporate applicable guidance set forth in *Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices*, FIL-104-2006 (Dec. 12, 2006). 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 Tier 1 Capital and ALLL. A copy of this analysis and plan shall be provided to the Supervisory Authorities. The plan and its implementation shall be in a form and manner

acceptable to the Supervisory Authorities at the initial review and at subsequent examinations and/or visitations.

OTHER REAL ESTATE

13. Within sixty (60) days from the effective date of this ORDER, the Board shall develop a written policy for managing the Other Real Estate of the Bank. Such policy shall be consistent with all applicable laws, regulations, and other regulatory guidelines regarding appraisals, including, but not limited to, the FDIC's appraisal regulations as described in 12 C.F.R. § 323; Section 658.67(9), Florida Statutes; and *Guidance on Other Real Estate*, FIL-62-2008 (July 1, 2008). The Bank shall submit the policy to the Supervisory Authorities for review and comment. Within thirty (30) days from receipt of any comment from the Supervisory Authorities, and after due consideration of any recommended changes, the Bank shall approve the policy, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the policy.

NO ADDITIONAL CREDIT

14. (a) 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 credit already extended to a borrower after full collection, in cash, of interest due from the borrower.

(b) Additionally, during the life 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 classified, in whole or part, "Substandard."

(c) The preceding limitations on additional credit shall not apply if the Bank's failure to extend further credit to a particular borrower would be detrimental to the best interests of the Bank. Prior to the extension of any additional credit pursuant to this paragraph, either in the form of an extension or further advance of funds, such additional credit shall be approved by a majority of the Board or a designated committee thereof, who shall certify in writing that:

(i) The failure of the Bank to extend such credit would be detrimental to the best interests of the Bank, including an explanatory statement of why it would be detrimental to the Bank's best interests;

(ii) The Bank's position would be improved thereby, including an explanatory statement of how the Bank's position would be improved; and

(iii) An appropriate workout plan has been developed and will be implemented in conjunction with the additional credit to be extended.

(d) The signed certification shall be made a part of the meeting minutes of the Board or its designated committee and a copy of the signed certification shall be retained in the borrower's credit file.

(e) Any additional extensions of credit to classified borrowers made under this provision shall be reported to the Supervisory Authorities at one hundred twenty- (120-) day intervals with the other reporting requirements set forth in this ORDER. At a minimum, the one hundred twenty (120) -day reports shall include the name of the classified borrower, the amount of additional credit extended, and the total outstanding balance of credit extended to the classified borrower.

INVESTMENT POLICY

15. (a) Within sixty (60) days from the effective date of this ORDER, and annually thereafter, the Board shall review the Bank's investment policy for adequacy and shall make the necessary revisions to address the actual and contemplated condition of investments held to maturity and/or available for sale. At a minimum, the revised policy shall:

- (i) Address the exceptions noted in the Reports;
- (ii) Be consistent with generally accepted accounting principles;
- (iii) Be consistent with the Bank's loan, liquidity, and funds management policies;
- (iv) Be consistent with the *Supervisory Policy Statement on Investment Securities and End-User Derivatives Activities*, FIL-45-1998 (Apr. 28, 1998); and
- (v) Be consistent with the Federal Financial Institutions Examination Council ("FFIEC") *Instructions for Preparation of Consolidated Reports of Condition and Income (FFIEC 031 and 041)*, <http://www.ffiec.gov/>, under which the Bank shall properly segregate and account for trading account securities.

(b) The revised policy shall be acceptable to the Supervisory Authorities at the initial review and at subsequent examinations and/or visitations. The Bank shall implement and follow the policy.

(c) Within thirty (30) days from the end of the first calendar quarter following the effective date of this ORDER, and within thirty (30) days from the end of each calendar quarter thereafter, the Bank shall have an independent third party perform an impairment analysis of all noninvestment grade securities and shall reflect the results of such analysis in the Bank's

quarterly Reports of Condition and Income due contemporaneously with the completion of the analysis. The Bank shall provide a written report to the Board setting forth the findings of such analysis at the next scheduled meeting of the Board following completion of the written report. Based on the findings of the analysis set forth in the written report, the Board shall take action with respect to the noninvestment grade securities consistent with the *Supervisory Policy Statement on Investment Securities and End-User Derivatives Activities*, FIL-45-1998 (Apr. 28, 1998), generally accepted accounting principles, and the Bank's investment policy.

LIQUIDITY AND FUNDS MANAGEMENT

16. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall adopt and implement a written plan to improve liquidity, contingency funding, interest rate risk, and asset liability management.

(b) The plan shall incorporate the guidance contained in *Liquidity Risk Management*, FIL-84-2008 (Aug. 26, 2008). The plan shall provide restrictions on the use of brokered and internet deposits consistent with safe and sound banking practices.

(c) A copy of the plan shall be acceptable to the Supervisory Authorities at the initial review and at subsequent examinations and/or visitations. The Bank shall adopt, implement, and follow the plan, and its implementation shall be in a form and manner acceptable to the Supervisory Authorities at the initial review and at subsequent examinations and/or visitations.

(d) Beginning with the effective date of this ORDER, the Bank's management shall review its liquidity position to ensure that the Bank has sufficient liquid assets or sources of liquidity to meet current and anticipated liquidity needs. This review shall include an analysis of the Bank's sources and uses of funds (cash flow analysis). The results of this review shall be

presented to the Board for review each month, with the review noted in the Board meeting minutes.

ASSET GROWTH

17. While this ORDER is in effect, the Bank shall notify the Supervisory Authorities at least sixty (60) days prior to undertaking asset growth that exceeds ten (10) percent or more per annum or initiating material changes in asset or liability composition. In no event shall asset growth result in noncompliance with the capital maintenance provisions of this ORDER unless the Bank receives prior written approval from the Supervisory Authorities.

BROKERED DEPOSITS

18. Throughout the effective life of this ORDER, the Bank shall not accept, renew, or rollover any brokered deposit, as defined in 12 C.F.R. § 337.6(a)(2), unless it is in compliance with the requirements of 12 C.F.R. § 337.6(b) which governs the solicitation and acceptance of brokered deposits by insured depository institutions. The Bank shall comply with the restrictions on the effective yields on deposits as described in 12 C.F.R. § 337.6.

CAPITAL

19. (a) Within one hundred ninety (90) days from the effective date of this ORDER, the Bank shall have a Leverage Ratio of at least eight (8) percent and shall have a Total Risk-Based Capital Ratio of at least twelve (12) percent, as those capital ratios are defined in 12 C.F.R. Part 325.

(b) During the life of this ORDER, the Bank shall maintain a Leverage Ratio of at least eight (8) percent and a Total Risk-Based Capital Ratio of at least twelve (12) percent, as those capital ratios are defined in 12 C.F.R. Part 325.

(c) The level of Tier 1 Capital to be maintained during the life of this ORDER pursuant to this paragraph 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) Within forty-five (45) days from the effective date of this ORDER, the Bank shall submit to the Supervisory Authorities a written capital plan. Such capital plan shall detail the steps that the Bank shall take to achieve and maintain the capital requirements set forth in this ORDER. In developing the capital plan, the Bank shall take into consideration:

- (i) The volume of the Bank's adversely classified assets;
- (ii) The nature and level of the Bank's asset concentrations;
- (iii) The adequacy of the Bank's ALLL;
- (iv) The anticipated level of retained earnings;
- (v) Anticipated and contingent liquidity needs; and
- (vi) The source and timing of additional funds to fulfill future capital needs.

(e) In addition, the capital plan must include a contingency plan in the event that the Bank has failed to:

- (i) Maintain the minimum capital ratios required by this paragraph;
- (ii) Submit an acceptable capital plan as required by this paragraph; or
- (iii) Implement or adhere to a capital plan to which the Supervisory Authorities

has taken no written objection pursuant to this paragraph.

(f) The contingency plan shall include a plan to sell or merge the Bank. The Bank shall implement the contingency plan upon written notice from the Supervisory Authorities.

(g) Any increase in Tier 1 Capital necessary to meet the requirements of this ORDER may be accomplished by the following:

- (i) Sale of common stock;
- (ii) Sale of noncumulative perpetual preferred stock;
- (iii) Direct contribution of cash by the Board, shareholders, and/or parent holding company;
- (iv) Any combination of the above means; or
- (v) Any other means acceptable to the Supervisory Authorities.

(h) No increase in Tier 1 Capital that is necessary to meet the requirements of this ORDER may be accomplished through a deduction from the Bank's ALLL.

(i) If all or part of any necessary increase in Tier 1 Capital required by this ORDER is accomplished by the sale of new securities, the Board shall take all necessary steps to 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 applicable federal securities laws. Prior to the implementation of the plan and, in any event, not less than fifteen (15) days prior to the dissemination of such materials, the plan and any materials used in the sale of the securities shall be submitted to the FDIC, Division of Risk Management Supervision, Accounting and Securities Disclosure Section, 550 17th Street, N.W., Room MB-5073, Washington, D.C. 20429, and the

OFR, Division of Financial Institutions, 200 East Gaines Street, Tallahassee, Florida 32399-0371, for review. Any changes requested to be made in the plan or materials by the FDIC or the OFR shall be made prior to the dissemination of the plan and materials. If the increase in Tier 1 Capital is provided by the sale of noncumulative perpetual preferred stock, then all terms and conditions of the issue, including but not limited to those terms and conditions relative to interest rate and convertibility factor, shall be presented to the Supervisory Authorities for prior approval.

(j) In complying with the provisions of this paragraph, if all or part of any necessary increase in Tier 1 Capital required by this ORDER is accomplished by the sale of securities, the Bank shall provide written notice of any material events to any subscriber and/or purchaser of the Bank's securities until closing of the offering and disbursement of funds to the Bank from escrow. A material event is an occurrence that would likely be viewed by a reasonable investor as directly affecting the decision to purchase, or not to purchase, the Bank's securities through an offering. The written notice required by this paragraph shall be furnished within ten (10) days from the date a material event 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 Bank's original offering information.

STRATEGIC PLAN

20. (a) Within one hundred twenty (120) days from the effective date of this ORDER, the Bank shall prepare and submit to the Supervisory Authorities an acceptable written business/strategic plan covering the overall operation of the Bank. At a minimum the plan shall establish objectives for the Bank's earnings performance, growth, balance sheet mix, liability structure, capital adequacy, and reduction of nonperforming and underperforming assets,

together with strategies for achieving those objectives. The plan shall also identify capital, funding, managerial, and other resources needed to accomplish its objectives. Such plan shall specifically provide for the following:

- (i) Goals for the composition of the loan portfolio by loan type including strategies to diversify the type and improve the quality of loans held;

- (ii) Goals for the composition of the deposit base including strategies to reduce reliance on volatile and costly deposits; and

- (iii) Plans for effective risk management and collection practices.

- (b) The Board shall approve the business/strategic plan, which approval shall be recorded in the Board meeting minutes for the meeting at which the business/strategic plan was approved.

BUDGET

21. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall implement a written plan and a comprehensive budget for all categories of income and expense for the calendar year ending 2015. The plan and budget required by this paragraph shall include formal goals and strategies, consistent with sound banking practices, and take into account the Bank's other written policies in order to improve the Bank's net interest margin, reduce discretionary expenses, control overhead, and improve and sustain earnings of the Bank. The plan shall include a description of the operating assumptions that form the basis for, and adequately support, major projected income and expense components. Thereafter, the Bank shall formulate such a plan and budget by November 30 of each subsequent year and submit the plan and budget to the Supervisory Authorities for review and comment by December 15 of each

subsequent year. The plan and budget required by this ORDER shall be acceptable to the Supervisory Authorities at the initial review and at subsequent examinations and/or visitations.

(b) On a monthly basis, the Board shall evaluate the Bank's actual performance in relation to the plan and budget required by this ORDER and shall record the results of the evaluation, and any actions taken by the Bank, in the minutes of the Board meeting at which such evaluation is undertaken. The actual performance compared to the budget shall be submitted to the Supervisory Authorities with the quarterly progress reports required by this ORDER.

VIOLATIONS OF LAW, REGULATION, AND CONTRAVENTION OF POLICY

22. Within thirty (30) days from the effective date of this ORDER, the Bank will eliminate and/or correct all violations of laws, regulations, and/or contraventions of statements of policy in the Reports and shall adopt and implement appropriate procedures to ensure future compliance with all such applicable federal and state laws, regulations, and/or statements of policy.

SHAREHOLDER DISCLOSURE

23. Following the effective date of this ORDER, the Bank shall provide to its shareholders or otherwise furnish a description of this ORDER, in conjunction with the earlier of the Bank's next shareholder communication or the notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe this ORDER in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC, Division of Risk Management Supervision, Accounting and Securities Disclosure Section, 550 17th Street, N.W., Room MB-5073, Washington, D.C. 20429 and the OFR, Division of Financial Institutions, 200 East Gaines Street, Tallahassee, Florida 32399-0371, for non-objection or comment at least sixty (60) days prior to dissemination to shareholders. Any

changes requested by the Supervisory Authorities shall be made prior to dissemination of the description, communication, notice, or statement.

BANK SECRECY ACT

24. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall develop, adopt, and implement a written BSA Compliance Program, including policies and procedures, which fully meets all applicable requirements of section 326.8 of the FDIC's Rules and Regulations, 12 C.F.R. § 326.8, addresses the deficiencies and recommendations contained in the Reports, and which is designed to, among other things, ensure and maintain full compliance with the BSA and the rules and regulations issued pursuant thereto. The BSA Compliance Program will also ensure and maintain full compliance with all anti-money laundering ("AML") laws, regulations, and rules and those relating to the Office of Foreign Asset Control ("OFAC"). The Bank shall submit the BSA Compliance Program to the Supervisory Authorities for non-objection or comment. Thereafter, the BSA Compliance Program shall be implemented in a manner acceptable to the Supervisory Authorities, as determined at subsequent examinations or visitations of the Bank. The Compliance Plan shall be tailored to address the risk profile of the Bank identified in the Bank's BSA risk assessment required by subparagraph (b) of this provision.

(b) Within thirty (30) days from the effective date of the ORDER, the Board shall conduct an initial risk assessment and shall conduct subsequent periodic risk assessments of the Bank's operations ("Risk Assessment"), no less than annually, consistent with the guidance for risk assessments set forth in the Federal Financial Institutions Examination Council's Bank Secrecy Act/Anti-Money Laundering Examination Manual (www.ffiec.gov/bsa_aml_infobase) ("BSA Manual"), and shall establish appropriate written policies, procedures, and processes for

the Bank's Risk Assessment. The Risk Assessment shall weigh all relevant factors, including identification and measurement of the specific risk characteristics of the Bank's products, services, customers, affiliates, and geographic locations, with analysis of the major risk categories including the foreign-controlled bank ("FCB") program, foreign deposit facilitators, politically exposed persons, bearer shares, foreign nationals, non-resident aliens, private investment companies, offshore accounts, import export companies, and non-bank financial institutions. The Risk Assessment shall address all pertinent risk factors that affect the overall BSA/AML risk profile of the Bank, including the deficiencies and recommendations contained in the Reports, and ensure that risk ratings are accurate and well supported by qualitative and quantitative data. The Board shall review and approve any change to the Risk Assessment and forward it to the Supervisory Authorities with the progress report required by this ORDER that is next due following the Board's approval.

(c) Based on the results of the Risk Assessment, within sixty (60) days from the effective date of the ORDER, the Bank shall develop a revised system of internal controls designed to ensure full compliance with the BSA ("BSA Internal Controls") taking into account its size and risk profile and addressing the deficiencies and recommendations contained in the Reports.

(i) At a minimum, the BSA Internal Controls shall include policies, procedures, and processes addressing the following areas:

a. Suspicious Activity Monitoring and Reporting: Taking into account its size and risk profile, the Bank shall develop, adopt, and implement policies, procedures, processes, and systems, including automated software monitoring systems, for monitoring, detecting, and reporting suspicious activity being conducted in all areas within or

through the Bank. The Bank shall monitor all relevant areas of the Bank for suspicious activity, including, but not limited to: cash transactions, international and domestic wire transfers, ACH and ATM transactions, the FCB program, remote deposit capture accounts, foreign deposit facilitators, politically exposed persons, bearer shares, foreign nationals, non-resident aliens, private investment companies, offshore accounts, import export companies, and non-bank financial institutions accounts. The Bank shall cause the timely, accurate, and complete filing of Suspicious Activity Reports (“SARs”). The Bank shall require the appropriate level of documentation and support for management’s decision to file or not to file a SAR, as required by law.

b. Customer Due Diligence: The Bank shall review and enhance its customer due diligence (“CDD”) policies, procedures, and processes for new and existing customers (“CDD Program”). The CDD Program shall be consistent with guidance for CDD set forth in the BSA Manual. The CDD Program shall operate in conjunction with the Bank’s Customer Identification Program (“CIP”). At a minimum, the CDD Program shall include:

(1) a risk rating system to assess the Bank’s customer base to ensure that the risk level of each customer is accurately identified based on the potential for money laundering or other illicit activity posed by the customer’s activities. Each risk rating assessment shall take into account the purpose of the account, the anticipated type and volume of account activity, types of products and services offered, and locations and markets served by the customer;

(2) policies and procedures with respect to high-risk accounts and customers, including a formal visitation program for all high-risk customers, periodic update

of risk grades based on changes in risk factors, and a process for obtaining higher-level approvals for accounts and transactions where appropriate;

(3) an appropriate level of ongoing monitoring commensurate with the customer's risk level to ensure that the Bank can reasonably detect suspicious activity and accurately determine whether the customer requires enhanced due diligence ("EDD");

(4) a sufficient level of customer information at account opening and appropriate analysis of that information to assist and support the risk rating assigned;

(5) procedures for documenting and supporting the risk analysis conducted under the CDD process, including procedures for validating risk ratings assigned at account opening and resolving issues in the event insufficient or inaccurate information is obtained; and

(6) procedures to reasonably ensure the timely identification and accurate reporting of known or suspected criminal activity, as required by Part 353 of the FDIC's Rules and Regulations, 12 C.F.R. Part 353 ("Part 353"), and Section 655.50, Florida Statutes.

c. Enhanced Customer Due Diligence: The Bank shall establish EDD policies, procedures, and processes to conduct EDD necessary for those categories of customers that the Bank has reason to believe pose a heightened risk of suspicious activity ("EDD Program"), including, but not limited to, high-risk accounts:

(1) the EDD program shall be consistent with the guidance for EDD set forth in the BSA Manual; and

(2) the EDD Program shall operate in conjunction with the Bank's CIP and CDD policies, procedures and processes; and

(3) At a minimum, the EDD Program shall include:

A. Procedures to determine the frequency of ongoing reviews based on customer risk level;

B. Procedures to determine the appropriate documentation necessary to conduct and support ongoing reviews and analyses in order to reasonably understand the customer's normal and expected transactions; and

C. Procedures to reasonably ensure the timely identification and accurate reporting to law enforcement and the Supervisory Authorities of known or suspected criminal activity against or involving the Bank, as required by Part 353, and Section 655.50, Florida Statutes.

d. The policies, procedures and processes that comprise the Bank's BSA Internal Controls shall operate in conjunction with each other and shall be consistent with the guidance for account/transaction monitoring and reporting set forth in the BSA Manual, including dissemination of the a high-risk customer list to appropriate departments within the Bank.

e. Required Reporting: The Bank's BSA Internal Controls shall provide for periodic reports that include tracking data to ensure appropriate CIP information is obtained, site visitations are conducted, and monitoring and SAR reporting systems procedures

are being implemented in a timely manner. Such reports shall be provided to the Board prior to each Board meeting.

(ii) The BSA Internal Controls shall be submitted to the Supervisory Authorities for comment. Within thirty (30) days of receipt of the Supervisory Authorities' comments and after incorporation and adoption of all comments, the Board shall approve the BSA Internal Controls, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the BSA Internal Controls.

(d) The Bank shall take all steps necessary, consistent with sound banking practices, to ensure that all appropriate personnel are aware of, and can comply with, the requirements of the BSA applicable to the individual's specific responsibilities to assure the Bank's compliance with the BSA.

(i) Within sixty (60) days from the effective date of this ORDER, the Bank shall develop, adopt, and implement effective training programs designed for the Board, management, and staff and their specific compliance responsibilities on all relevant aspects of laws, regulations, and Bank policies, procedures and processes relating to the BSA ("Training Program"). The Training Program shall ensure that all appropriate personnel are aware of, and can comply with, the requirements of the BSA on an ongoing basis, including as they relate to high-risk accounts, products, and services.

(ii) The Training Program shall, at a minimum, include:

a. an overview of the BSA for new staff along with specific training designed for their specific duties and responsibilities upon hiring;

b. training on the Bank's BSA, AML, and OFAC policies, procedures and processes along with new rules and requirements as they arise for appropriate personnel designed to address their specific duties and responsibilities;

c. a requirement that the Bank fully document the training of each employee with respect to the BSA, AML, and OFAC policies, procedures, and processes; and

d. a requirement that training be conducted no less frequently than annually.

(e) Within ninety (90) days of the effective date of this ORDER, the Board will develop, adopt, and implement a system of internal controls designed to ensure full compliance with OFAC, taking into consideration the deficiencies and recommendations noted in the Reports, in a manner consistent with the guidance for OFAC compliance set forth in the BSA Manual.

(f) Within thirty (30) days from the effective date of this ORDER, the Bank shall establish independent testing programs for compliance with the BSA, AML, and OFAC rules and regulations, to be performed on no less than an annual basis. The scope of the testing to be performed shall be in writing and reviewed and approved by the Board. Testing results and recommendations for improvement shall be in writing and shall be approved by the Board within sixty (60) days of completion. Testing procedures shall be consistent with the guidance for independent testing set forth in the BSA Manual.

(g) Within thirty (30) days from the effective date of the ORDER, the Bank shall assess its BSA staffing needs to ensure adequate and appropriate BSA staffing resources are in place at all times. Within sixty (60) days from the effective of the ORDER, the Bank shall develop and implement a written plan of action to develop or recruit personnel and hire

additional or replacement personnel with the requisite ability, experience, and other qualifications necessary to ensure BSA compliance (“BSA Staffing Plan”) and the Board shall review and approve the BSA Staffing Plan. The BSA Staffing Plan shall include, at a minimum, consideration of the Bank’s size and growth plans, geographical areas served, products and services offered, and changes in the BSA/AML and OFAC practices, procedures, rules, and regulations. Periodically thereafter, but no less often than annually, the Bank shall assess its BSA staffing needs to ensure adequate and appropriate BSA staffing resources are in place at all times.

(h) Within thirty (30) days from the effective date of this ORDER, the Board shall designate a qualified individual or individuals (“BSA Officer”), acceptable to the Supervisory Authorities, with delegated authority and adequate and appropriate resources to implement and enforce BSA compliance, including training. The BSA Officer’s qualifications shall be commensurate with the complexity of the Bank’s activities and the appointment of the BSA Officer shall conform to the guidance regarding BSA officers set forth in the BSA Manual. The BSA Officer shall report directly to the Board or to the Directors’ Committee established by the Board pursuant to paragraph 1(b) of this ORDER.

(i) The Bank shall ensure that all required reports including Currency Transaction Reports (“CTRs”), SARs, Reports of International Transportation of Currency or Monetary Instruments, Reports of Foreign Bank and Financial Accounts, and any other similar or related reports required by law or regulation are completed accurately and properly filed within required timeframes.

INFORMATION TECHNOLOGY

25. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall develop, and the Board shall review, a comprehensive Information Technology Plan ("IT Plan") for the safe and sound operation of the Bank's information technology ("IT") assets including, but not limited to, software, operating procedures, facilities, and the production of accurate Bank records. The IT Plan shall include recommended modifications that are consistent with the IT Assessment pages in the Reports. The IT Plan shall be acceptable to the Supervisory Authorities at the initial review and at subsequent examinations and/or visitations.

(b) At a minimum, such IT Plan shall provide for:

(i) Acquisition and operation by the Bank of IT hardware and software that are appropriate for the safe and sound conduct of the Bank's business;

(ii) Development and implementation of an appropriate, ongoing internal and external independent audit of the operations of the Bank's IT, based on a comprehensive bank-wide information security risk assessment;

(iii) Immediate acquisition and permanent retention of access to an IT backup facility that is operationally compatible with the Bank's hardware, software, and data files;

(iv) Appropriate segregation of duties or compensating controls;

(v) Regular independent review of user access to the IT systems where sensitive data may reside, among Bank employees and applicable vendors;

(vi) Storage of backup copies of operating systems, application programs, and data files in a secure, fire-resistant environment at a remote site;

(vii) Reconciliation of all major applications to the general ledger on a daily basis and continuous review of the accuracy of loan origination dates and amounts, payment statuses, and maturities;

(viii) Development and implementation of a comprehensive written IT policy that addresses:

- a. Oversight by the Board, or designated Board committee, of the area;
- b. Documented vendor oversight reviews;
- c. Adequate physical protection of the network server;
- d. A disaster recovery plan and emergency procedures; and
- e. Periodic monitoring of security infringements;

(ix) Prompt review by the Board of all audit and regulatory report exceptions regarding the Bank's IT, and written recordation of prompt corrective responses made by the Board to such exceptions; and

(x) An annual review of the Bank's IT policy, its implementation, and the implementation of the IT Plan by the Board.

(c) Within thirty (30) days from receipt by the Bank of the Supervisory Authorities' written response to the IT Plan, and after consideration by the Board of the comments from the Supervisory Authorities, if any, the Board shall adopt, and the Bank shall implement such IT Plan. Thereafter, during the life of this ORDER, the Board shall ascertain that the Bank's IT processing is conducted in accordance with such IT Plan.

DISASTER RECOVERY AND BUSINESS CONTINUITY PLAN

26. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall develop and implement an enterprise-wide disaster recovery/business continuity plan that addresses all critical services and operations that are provided by internal and external sources. The plan shall be acceptable to the Supervisory Authorities at the initial review and at subsequent examinations and/or visitations. At a minimum, the disaster recovery/business continuity plan shall address:

- (i) Recovery priorities and procedures;
- (ii) Establishment of recovery point objectives;
- (iii) Determination of when to use alternate sites;
- (iv) Notification to employees;
- (v) Procedures and standards for performing data backup and maintaining offsite storage;
- (vi) Acquisition of backup equipment, software, and current master file backup; and
- (vii) All of the deficiencies regarding the Bank's current plan as discussed in the most recent Report of Examination.

(b) Within thirty (30) days from the Bank's receipt of any comments from the Supervisory Authorities, the Bank shall revise the disaster recovery/business continuity plan.

(c) Within sixty (60) days from the Bank's receipt of any comments from the Supervisory Authorities, and annually thereafter, the Bank shall independently test the disaster recovery/business continuity plan and report the results of the test to the Board or its designated committee. The test of the plan should include:

(i) Annual testing of all critical business units and functions; other IT functions, not included in the annual test, should be scheduled for testing based on a business impact analysis;

(ii) The use of historic activity volumes;

(iii) The use of actual backup systems and data files from offsite storage;

(iv) Participation and review by internal audit staff; and

(v) A corrective plan of action for all problems encountered.

(d) The Board shall review, revise as necessary, and approve the disaster recovery/business continuity plan annually.

PROGRESS REPORTS

27. Within thirty (30) days from the end of the first quarter following the effective date of this ORDER, and within thirty (30) days from the end of each quarter thereafter, the Bank shall furnish written progress reports to the Supervisory Authorities detailing the form and manner of any actions taken to secure compliance with this ORDER and the results thereof. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Supervisory Authorities has released the Bank in writing from making further reports. All progress reports and other written responses to this ORDER shall be reviewed by the Board and made a part of the appropriate Board meeting minutes.

OTHER ACTIONS

289. The provisions of this ORDER shall not bar, stop, or otherwise prevent the FDIC, the OFR, or any other federal or state agency or department from taking any action against the Bank, the Bank's current or former institution-affiliated parties, and/or any of their respective directors,

officers, employees, and agents, including, but not limited to, the imposition of civil money penalties.

This ORDER shall be effective on the date of issuance.

The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER shall remain effective and enforceable except to the extent that and until such time as any provision has been modified, terminated, suspended, or set aside in writing.

Issued Pursuant to Delegated Authority.

Dated: 10/10/2014

/s/

By: _____
Michael J. Dean
Acting Regional Director
Division of Risk Management Supervision
Federal Deposit Insurance Corporation

The Commissioner of the OFR, having duly approved the foregoing ORDER, and the Bank, through its Board, agree that the issuance of said ORDER by the FDIC shall be binding as between the Bank and the OFR to the same degree and to the same legal effect that such ORDER would be binding if the OFR had issued a separate ORDER that included and incorporated all of the provisions of the foregoing ORDER, pursuant to Chapters 120, 655, and 658, Florida Statutes (2014), including specifically Sections 655.033 and 655.041, Florida Statutes (2014).

Dated: October 8, 2014

/s/

By: _____
Robert D. Hayes
Director
Division of Financial Institutions
Office of Financial Regulation
By Delegated Authority for the Commissioner
Office of Financial Regulation