

OFFICE OF THRIFT SUPERVISION

**APPROVAL OF APPLICATIONS FOR PERMISSION TO
ORGANIZE A FEDERAL SAVINGS BANK AND
HOLDING COMPANY ACQUISITION**

Order No.: 99-82

Date: December 10, 1999

Horizon Bancorp, Inc., Bel Air, Maryland (the "Holding Company"), has applied for approval of the Office of Thrift Supervision (the "OTS") pursuant to 12 U.S.C. §§ 1464(e) and 1467a(e), and 12 C.F.R. §§ 552.2-1 and 574.3 for permission to organize and acquire Bay.Net Bank, Bel Air, Maryland (the "Savings Bank") (collectively, "the Applications").

The OTS has considered the Applications under the factors set forth in 12 U.S.C. §§ 1464(e) and 1467a(e); 12 C.F.R. §§ 543.3, 552.2-1 and 574.7; and other applicable statutes and regulations. The OTS also has considered the Applications under the Community Reinvestment Act (the "CRA"), 12 U.S.C. § 2901 *et seq.*, and the OTS regulations thereunder, 12 C.F.R. Part 563e.

In addition, the OTS has considered a digest from the Southeast Regional Office, an analysis prepared by the Office of Examination & Supervision, and a legal opinion from the Business Transactions Division (collectively, the "Staff Memoranda"). For the reasons set forth in the Staff Memoranda, the OTS finds that the Applications satisfy the applicable approval standards, provided that the following conditions are complied with in a manner satisfactory to the Southeast Regional Director, or his designee ("Regional Director"). Accordingly, the Applications are hereby approved, subject to the following conditions:

1. The proposed transaction must be consummated no later than 120 calendar days after the date of this approval order;
2. On the business day prior to the date of consummation of the proposed transaction, the organizers of the Savings Bank and the Holding Company must certify to the Regional Director, in writing, that no material adverse events or material changes have occurred with respect to the information submitted to the OTS in connection with the Applications, including, but not limited to, directors, major shareholders, or the business plan; and provided further, that no additional information having an adverse bearing on any feature of the Applications has been brought to the attention of the Savings Bank, the Holding Company or the OTS;
3. The Savings Bank and the Holding Company must obtain all required regulatory and shareholder approvals prior to consummation, must supply copies of those approvals to the Regional Director, and must act to satisfy all requirements and conditions imposed by the OTS, and comply with all applicable laws, rules, and regulations;

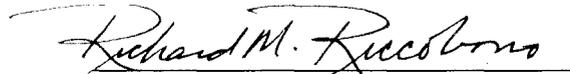
4. No later than 5 calendar days from the date of consummation of the proposed transaction, the Savings Bank must file with the Regional Director, a certification by legal counsel stating the effective date of the proposed transaction and of the Savings Bank's insurance of accounts, and that the transaction has been consummated in accordance with the provisions of all applicable laws and regulations, the Applications and this Order. The Savings Bank's initial capitalization shall be no less than \$4.8 million. No later than 5 days following the date the Savings Bank opens for business, the Chief Financial Officer must provide a reconciliation of capital for both the Savings Bank and the Holding Company;
5. The Savings Bank must submit independent audit reports to the Regional Office for its first three fiscal years. These reports must be in compliance with the audit rules set forth in 12 C.F.R. § 562.4;
6. The Savings Bank must operate within the parameters of its business plan. The Holding Company and the Savings Bank must submit any proposed major deviations or material changes from the plan (including changes resulting from decisions made by the Holding Company), and in particular, those pertaining to the level of capital and Internet operations, for the prior, written non-objection of the Regional Director. The request for any change must be submitted a minimum of 30 calendar days before the proposed change is implemented;
7. At least 30 days prior to commencing operations, the Savings Bank must establish detailed policies and procedures for all operations and shall provide copies of such policies and procedures and a resolution of its board of directors that indicates the directorate has reviewed, approved, and implemented such policies and procedures, to the Regional Director;
8. At least 30 days prior to opening for business, the Savings Bank must submit to the Regional Director for his prior written non-objection a tax sharing agreement between the Holding Company and the Savings Bank;
9. At least 30 days prior to commencing operations, the Savings Bank shall hire a chief lending officer and chief financial officer, and the Savings Bank and the Holding Company shall each appoint an additional director so that the boards of directors number five. The Holding Company and the Savings Bank must submit background information and receive the written non-objection of the Regional Director for such officers and the director;
10. For a period of three years following the date of consummation, the Savings Bank must receive the prior non-objection of the Regional Director for any proposed new senior executive officer or director or change in responsibilities of any senior executive officer;
11. Any stock benefit plans not previously submitted in connection with the formation of the Savings Bank and its acquisition by the Holding Company, must receive the prior written approval of the Regional Director; prior to their execution, all stock option and incentive plans that are to be implemented within the Savings Bank's first year of operations shall be

submitted to the Regional Director for his written non-objection and shall receive the prior written approval of the Savings Bank's shareholders;

12. At least 30 calendar days prior to consummation, the Holding Company must provide to the Regional Office a list of the Holding Company's stockholders including names, addresses, number of shares, and percentage of total shares. Any individuals or entities presumed to be acting in concert pursuant to 12 C.F.R. Section 574.4 must be listed and the relationships disclosed; and
13. At least 30 calendar days before beginning operations, the Savings Bank must submit written evidence, acceptable to the Regional Director, that its data systems, programs, software and business applications will operate properly on and after January 1, 2000. The submission must include a copy of the business resumption contingency plan and evidence of successful Year 2000 testing.

Any time specified herein may be extended by the Regional Director, for good cause, for up to 120 calendar days.

By order of the Director of the Office of Thrift Supervision, or her designee, effective
DECEMBER 10, 1999.


Richard M. Riccobono
Deputy Director