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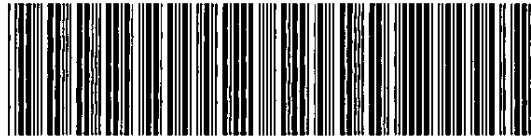
(Business Entity Name)

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TALLAHASSEE, FLORIDA

Merger
Lewis
5-29-09

**INTEROFFICE
COMMUNICATION**



**OFFICE OF FINANCIAL
REGULATION**

DATE: May 28, 2009

TO: Karon Beyer, Chief
Department of State
Division of Corporations

FROM: Bruce Ricca, Office of Financial Regulation

SUBJECT: Merger of Providence Bank with and into Florida Traditions
Bank and under the title of Florida Traditions Bank

Please file the attached "Merger Documents" for the above-referenced institutions, using 5:00 p. m., May 29, 2009, as the effective date for the merger.

Please make the following distribution of certified copies of the merger documents:

- (1) One copy to: Bruce Ricca
Office of Financial Regulation
200 East Gaines Street
Fletcher Building, Sixth Floor
Tallahassee, Florida 32399-0371
- (2) Two copies to: Mr. John P. Greeley
Smith Mackinnon, P. A.
Post Office Box 2254
Orlando, Florida 32802-2254
- (3) One copy to: Ms. Charmion Haley
(uncertified) Federal Deposit Insurance Corporation
10 Tenth Street, N. E.
Suite 800
Atlanta, Georgia 30309-3906

Also attached is a check that represents payment of the filing fees, charter tax and certified copies. If you have any questions, please call 410-9528.

SMITH MACKINNON, PA

ATTORNEYS AT LAW

SUITE 800
CITRUS CENTER
255 SOUTH ORANGE AVENUE
ORLANDO, FLORIDA 32801

POST OFFICE BOX 2254
ORLANDO, FLORIDA 32802-2254

TELEPHONE (407) 843-7300
FACSIMILE (407) 843-2448
E-MAIL: JPG7300@AOL.COM

JOHN P. GREELEY

May 26, 2009

Via Federal Express

Mr. Bruce Ricca
Florida Office of Financial Regulation
Division of Banking, Fletcher Building
200 East Gaines Street
Tallahassee, FL 32399-0371

Re: Merger of Providence Bank, Winter Haven, Polk County, Florida, with and into
Florida Traditions Bank, Dade City, Pasco County, Florida.
(Administrative File No. 0619-FI-3/09)

Dear Mr. Ricca:

In connection with the Final Order of Approval in connection with the captioned merger,
enclosed are the following:

1. Three manually signed originals of Articles of Merger, requesting a merger effectiveness as of 5:00 p.m., Dade City, Florida time on Friday, May 29, 2009.
2. A fully executed Plan of Merger and Merger Agreement with original signatures.
3. The Articles of Incorporation for Florida Traditions Bank (the current Articles of Incorporation, which will become the Articles of Incorporation for the resulting bank).
4. A check in the amount of \$96.25 payable to the Florida Secretary of State for the filing fees (and the return to us of two certified copies, and the receipt by your office of a certified copy).
5. Certification of approval by Bancorp, the sole shareholder of Providence Bank.
6. Please note that you will receive by overnight delivery on Wednesday, May 27, 2009, an original certification of approval by the shareholders of Florida Traditions

RECEIVED
DEPARTMENT OF
FINANCIAL SERVICES
2009 MAY 27 AM 10 31
CASHIER'S OFFICE

**ARTICLES OF MERGER
OF
PROVIDENCE BANK
INTO
FLORIDA TRADITIONS BANK**

FILED
09 MAY 29 AM 8:47
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

Providence Bank and Florida Traditions Bank do hereby adopt the following Articles of Merger:

FIRST: The names of the corporations which are parties to the merger (the "Merger") contemplated by these Articles of Merger are Providence Bank and Florida Traditions Bank. The surviving corporation in the Merger is Florida Traditions Bank, which shall continue to conduct its business following effectiveness of the Merger under the name "Florida Traditions Bank."

SECOND: The Plan of Merger is set forth in the Plan of Merger and Merger Agreement dated January 15, 2009, by and among Providence Bancorp, Inc., Florida Traditions Bank and Providence Bank. A copy of the Plan of Merger is attached hereto and made a part hereof by reference as if fully set forth herein.

THIRD: The Merger shall become effective at 5:00 p.m., Dade City, Florida time, on May 29, 2009.


FOURTH: The Merger Agreement was adopted by the sole shareholder of Providence Bank on January 15, 2009 and by the shareholders of Florida Traditions Bank on May 21, 2009.

FIFTH: The Articles of Incorporation of Florida Traditions Bank shall serve as the Articles of Incorporation of the surviving corporation, until amended thereafter in accordance with applicable law.

[Signature page follows]


IN WITNESS WHEREOF, the parties have caused these Articles of Merger to be executed effective as of May 22, 2009.

PROVIDENCE BANK

By: 

Gerald B. Ernst
President and Chief Executive
Officer

FLORIDA TRADITIONS BANK

By: 

James S. "Bud" Stalnaker, Jr.
President and Chief Executive
Officer

PLAN OF MERGER AND MERGER AGREEMENT

THIS PLAN OF MERGER AND MERGER AGREEMENT, is dated this 15th day of January, 2009 ("Agreement"), by and among Providence Bank, a Florida banking corporation ("Providence"), Providence Bancorp, Inc., a Florida corporation ("Providence Bancorp"), and Florida Traditions Bank, a Florida banking corporation.

RECITALS:

A. **Background.** Florida Traditions Bank, Providence Bancorp and Providence desire to enter into this Agreement, which provides for the merger of Providence with and into Florida Traditions Bank (the "Merger") pursuant to the Florida Business Corporation Act (the "FBCA") and the Florida Financial Institutions Code (the "Florida Code"). Immediately prior to the closing of the Merger, Providence Bancorp would be dissolved such that all of the outstanding shares of Providence immediately prior to the closing of the Merger will be owned by the shareholders of Providence Bancorp.

B. **Providence.** Providence is a banking corporation duly organized and existing in good standing under the laws of the State of Florida, with its principal executive offices located in Winter Haven, Florida. As of the date hereof, Providence's authorized capital stock consisted of 120,000 shares of common stock, par value \$50.00 per share (the "Providence Common Stock"), of which 75,425 shares of Providence Common Stock are outstanding, all of which shares are owned by Providence Bancorp and no shares of preferred stock.

C. **Providence Bancorp.** Providence Bancorp is a corporation duly organized and existing in good standing under the laws of the State of Florida with its principal executive offices located in Winter Haven, Florida. As of the date hereof, Providence Bancorp's authorized capital stock consisted of 120,000 shares of common stock, par value \$50.00 per share, of which 81,148 shares are outstanding, and no shares of preferred stock. Providence Bancorp owns all of the outstanding shares of Providence.

D. **Florida Traditions Bank.** Florida Traditions Bank is a banking corporation duly organized and existing and in good standing under the laws of the State of Florida, with its principal executive offices located in Dade City, Florida. As of the date hereof, Florida Traditions Bank's authorized capital stock consisted of 10,000,000 shares of common stock, par value \$5.00 per share (the "Florida Traditions Bank Common Stock"), of which 2,045,100 shares of Florida Traditions Bank Common Stock are outstanding and no shares of preferred stock.

E. **Merger.** Pursuant to this Agreement, Providence shall merge with and into Florida Traditions Bank. For purposes of this Agreement, the foregoing merger is referred to as the "Merger."

F. **Approvals.** The Boards of Directors of each of Florida Traditions Bank, Providence Bancorp and Providence, and Providence Bancorp as the sole shareholder of Providence, have each determined that this Agreement and the transactions contemplated hereby are in their respective best interests and the best interests of their respective shareholders, and have approved this Agreement.

G. **Shareholders' Agreement.** As a condition to the signing of this Agreement, Florida Traditions Bank has entered into a Shareholders' Agreement (the "Shareholders' Agreement") with certain Providence Bancorp shareholders (who also serve as directors of Providence Bancorp and/or Providence) pursuant to which each Shareholder has agreed, among other things, to vote in favor of the approval of this Agreement all shares of Providence Bancorp Common Stock beneficially owned by such Shareholder in accordance with and subject to the terms set forth in the Shareholders' Agreement or to refrain from exercising appraisal or dissenters rights.

NOW, THEREFORE, in consideration of their mutual promises and obligations, the parties hereto, intending to be legally bound, adopt and make this Agreement and prescribe the terms and conditions hereof and the manner and basis of carrying the Agreement into effect, as follows:

I. THE MERGER

1.1 **The Merger.** In the event that all of the conditions set forth in Article VI hereof have been satisfied or waived:

(A) **The Merger.** On the Merger Effective Date (as hereinafter defined), Providence shall merge with and into Florida Traditions Bank, and all of the outstanding shares of capital stock of Providence shall be converted in the manner set forth in Article II of this Agreement. The name of Florida Traditions Bank following consummation of the Merger shall continue as "Florida Traditions Bank." Florida Traditions Bank, following consummation of the Merger, is sometimes referred to in this Agreement as the "Continuing Corporation."

(B) **Rights, etc.** On the Merger Effective Date, the Continuing Corporation shall thereupon and thereafter possess all the rights, privileges, immunities and franchises of a public as well as of a private nature, of Providence and Florida Traditions Bank, and all property, real, personal and mixed and all debts due on whatever account, and all other causes of action, all and every other interest of or belonging to or due to each of the corporations so merged shall be deemed to be vested in the Continuing Corporation without further act or deed. The title to any real estate, or any interest therein, vested in any of such corporations, shall not revert or be in any way impaired by reason of the Merger, as provided by the laws of the State of Florida.

(C) **Liabilities.** On the Merger Effective Date, the Continuing Corporation shall thereupon and thereafter be responsible and liable for all the liabilities, obligations and penalties of each of the corporations so merged. All rights of creditors of Florida Traditions Bank, all liens on the property of Florida Traditions Bank, and all obligations due to Florida Traditions Bank shall be unaffected by the Merger and shall be preserved unimpaired.

(D) **Articles of Incorporation; Bylaws; Directors; Officers; Offices.**

(i) The articles of incorporation and bylaws of Florida Traditions Bank following the Merger Effective Date, shall be those in effect immediately prior to the Merger Effective Date and until such documents are changed in accordance with applicable law.

(ii) The directors of Florida Traditions Bank following the Merger Effective Date, who shall hold office until such time as their successors are elected and qualified, shall consist of those persons set forth on Exhibit 1, which also sets forth the address of each such individual.

(iii) The officers of Florida Traditions Bank following the Merger Effective Date, who shall hold office until such time as their successors are elected and qualified, shall consist of those persons who were officers of Florida Traditions Bank immediately prior to the Merger Effective Date. The name and address of each executive officer of Florida Traditions Bank is set forth on Exhibit 2.

(iv) The banking offices of Florida Traditions Bank following the Merger Effective Date shall consist of those banking offices of Florida Traditions Bank and Providence immediately prior to the Merger Effective Date. The name and location of the main office and each existing and proposed branch office of Florida Traditions Bank is set forth on Exhibit 3.

1.2 Merger Effective Date; Closing. The Merger shall become effective at the date and time set forth in the certificate of merger issued by the Florida Office of Financial Regulation (the "Florida Department") with respect to the Merger (such time is hereinafter referred to as the "Merger Effective Date"). The parties shall utilize their best efforts to cause the Merger to be effective within twenty (20) days after satisfaction of all conditions set forth in Article VI, including, without limitation, the receipt of the regulatory approvals (and the expiration of all waiting periods) referred to in Section 6.2. All documents required by the terms of this Agreement to be delivered at or prior to consummation of the Merger shall be exchanged by the parties at the closing of the Merger (the "Closing"), which shall be held on the Merger Effective Date at such location and at such time as may be mutually agreed upon.

1.3 Trust Powers. At the Merger Effective Date, no direct or indirect subsidiary bank of Florida Traditions Bank will exercise trust powers.

1.4 Dissolution of Providence Bancorp. Immediately prior to the Effective Date, Providence Bancorp shall dissolve and shall distribute to Providence Bancorp shareholders on a share for share basis all of the outstanding shares of Providence owned by Providence Bancorp immediately prior to the Effective Date (plus additional shares such that the number of outstanding shares of Providence after the dissolution and distribution is the same as the number of outstanding shares of Providence Bancorp immediately prior to such dissolution), such that on the Effective Date,

Providence will be owned by the shareholders of Providence Bancorp. Upon such dissolution, Providence Bancorp shall not have any liabilities and, accordingly, Florida Traditions Bank shall not assume or become obligated for any liabilities of Providence Bancorp as a result of the Merger.

1.5 Employment and Change in Control Agreements. At the Merger Effective Date, the outstanding Employment and Change in Control Agreements, if any, between Providence and its employees will terminate and be of no further force or effect.

1.6 Relationship Agreement. At the Merger Effective Date, Kenneth R. Lehman would enter into the Relationship Agreement in the form of that attached to this Agreement as Exhibit 4.

1.7 Stock Option. At the Merger Effective Date, Kenneth R. Lehman and George T. Bush would commence serving as directors of Florida Traditions Bank. Mr. Lehman and Mr. Bush would be entitled to receive an option exercisable for 15,245 and 555 shares, respectively, of Florida Traditions Bank Common Stock at an exercise price of \$10.00 per share (such options to be subject to the terms and conditions of Florida Traditions Bank's director stock option plan).

1.8 Possible Alternative Structures. Notwithstanding anything to the contrary contained in this Agreement and subject to the satisfaction of the conditions set forth in Article VI, prior to the Merger Effective Date, Florida Traditions Bank, with the approval of Providence, shall be entitled to revise the structure for effecting the Merger or the dissolution of Providence Bancorp described in Section 1.4 hereof in order to preserve the charter of Providence including, without limitation, by utilizing a wholly owned subsidiary in the transaction, provided that (i) any such subsidiary shall become a party to, and shall agree to be bound by, the terms of this Agreement; (ii) there are no adverse Federal or state income tax consequences to Providence Bancorp shareholders as a result of the modification; (iii) the consideration to be paid to the holders of Providence Bancorp Common Stock under this Agreement is not thereby changed in kind, value or reduced in amount; and (iv) such modification will not delay materially or jeopardize receipt of any required regulatory approvals or other consents and approvals relating to the consummation of the Merger or otherwise cause any condition to closing set forth in Article VI not to be capable of being fulfilled. The parties hereto agree to appropriately amend this Agreement and any related documents in order to reflect any such revised structure.

II. MERGER CONSIDERATION

2.1 Manner of Converting Shares. Subject to the provisions of this Article II, at the Effective Time, by virtue of the Merger and without any further action on the part of Florida Traditions Bank, Providence or the holders of any shares thereof, the shares of the constituent corporations shall be converted as follows:

(A) each share of Florida Traditions Bank Common Stock issued and outstanding immediately prior to the Merger Effective Date shall remain issued and outstanding from and after the Effective Time.

(B) Subject to the potential adjustment provided for in Section 2.1(D) below, each share of Providence Common Stock (excluding shares held by shareholders who perfect their dissenters' rights of appraisal as provided in Section 2.6 of this Agreement) issued and outstanding at the Merger Effective Date shall cease to be outstanding and shall be converted into and exchanged for the right to receive shares of Florida Traditions Bank Common Stock and/or cash as set forth in this Section 2.1.

(C) Holders of Providence Common Stock may elect to receive shares of Florida Traditions Bank Common Stock or cash in exchange for their shares of Providence Common Stock. The total number of shares of Providence Common Stock to be converted into Florida Traditions Bank Common Stock shall not be less than 75% of the total Providence common shares outstanding at the Merger Effective Date (the "Minimum Stock Amount"), which amount may be decreased at the sole discretion of Florida Traditions Bank, nor more than 80% of the total Providence common shares outstanding at the Merger Effective Date (the "Maximum Share Amount"), which amount may be increased at the sole discretion of Florida Traditions Bank. All shares of Providence Common Stock not exchanged for Florida Traditions Bank Common Stock shall be exchanged for the Cash Consideration defined below.

(D) At the election of holders of Providence Common Stock, each share of Providence Common Stock may be exchanged for such shares of Florida Traditions Bank Common Stock (the "Exchange Ratio"), subject to the election restrictions set forth above and below, as shall be equal to the quotient obtained by dividing (i) the Providence Book Value Per Share, by (ii) the Florida Traditions Book Value Per Share (the "Exchange Ratio"). For purposes of this Agreement, the Providence Book Value Per Share shall be equal to (A) the Adjusted Shareholders' Equity of Providence, divided by (B) the number of shares of Providence Common Stock outstanding at the Valuation Date (as hereinafter defined) as adjusted for the additional shares of Providence issued as contemplated by Section 1.4 of this Agreement. For purposes of this Agreement, the Florida Traditions Book Value Per Share shall be equal to (A) the Adjusted Shareholders' Equity of Florida Traditions Bank, divided by (B) the number of shares of Florida Traditions Bank Common Stock outstanding at the Valuation Date. For purposes of this Agreement, the "Adjusted Shareholders' Equity of Providence" shall mean the shareholders' equity of Providence Bancorp (or Providence, if Providence Bancorp is no longer in existence as of such date), calculated in accordance with generally accepted accounting principles ("GAAP") at the Valuation Date after (a) reduction by (i) 40% of the One-Time Merger Related Charges (as defined below) multiplied by .65 to adjust for taxation, and (ii) the Loan Amount (as defined below), and (b) any adjustment pursuant to Section 6.7. For purposes of this Agreement, the "Adjusted Shareholders' Equity of Florida Traditions Bank" shall mean the shareholders' equity of Florida Traditions Bank, calculated in accordance with GAAP at the Valuation Date after (a) reduction by 60% of the One-Time Merger Related Charges (as defined below) multiplied by .65 to adjust for taxation and (b) any adjustment pursuant to Section 6.7. For purposes of this Agreement, the "Valuation Date" shall mean the close of business on the last day of the calendar month immediately preceding the Merger Effective Date or, if the Merger Effective Date shall occur on the first through the tenth day of a calendar month, then the Valuation

Date will be the last day of the calendar month preceding the last calendar month prior to the Merger Effective Date. On or before 10 days following the Valuation Date, (i) Florida Traditions Bank shall compute and deliver to Providence the Florida Traditions Book Value Per Share, and (ii) Providence shall compute and deliver to Florida Traditions the Providence Book Value Per Share. Each Party shall deliver with such computation all accounting workpapers and other supporting documentation reasonably necessary to verify such computation. A Party's determination of its Book Value Per Share shall be binding upon the other Party, unless the other Party shall object to such computation within five business days after receiving such computation. Any notice objecting to such computation shall set forth in reasonable detail the basis for such objection. If the Parties are unable to resolve such disputed Book Value Per Share within five business days after receipt of written objection, then the dispute shall be submitted to and determined by an accounting firm (unaffiliated with either party) selected by agreement of the Parties, which firm shall within 10 days of such submission render its computation of the disputed Book Value Per Share, and its computation shall be final and binding upon the Parties (with each of Florida Traditions Bank and Providence paying one-half of the expenses of such accounting firm incurred pursuant to this Section). The Closing and the Merger Effective Date shall be extended for any length of time necessary to resolve any determination of Book Value per Share. The Exchange Ratio, including the number of shares of Florida Traditions Common Stock issuable in the Merger, shall be subject to an appropriate adjustment in the event of any stock split, reverse stock split, dividend payable in Florida Traditions Bank Common Stock, reclassification or similar distribution whereby Florida Traditions Bank issues Florida Traditions Bank Common Stock or any securities convertible into or exchangeable for Florida Traditions Bank Common Stock, provided that the record date of such transaction is a date after the Valuation Date and prior to the Merger Effective Date. Any shares of Providence Common Stock owned by Providence shall be cancelled and retired upon the Merger Effective Date and no consideration shall be issued in exchange therefor. "One-Time Merger Related Charges" shall mean expenses incurred by Providence for terminating its branch capture contract, master network service agreement, data processing contracts, ACH processing contract, severance payments (not to exceed \$103,000), officer and director "tail coverage" and other miscellaneous one-time merger related expenses incurred by Providence and agreed to by Florida Traditions Bank. "Cash Consideration" shall be a per share amount of cash equal to the Exchange Ratio multiplied by the Florida Traditions Book Value Per Share. The "Loan Amount" shall mean \$65,625, which amount may be reduced and/or reimbursed as set forth in Schedule 2.1(D).

(E) An Election Form, in such form as Florida Traditions Bank and Providence mutually agree ("Election Form"), will be sent to each Providence Bancorp shareholder (with the proxy materials in connection with the vote by Providence Bancorp shareholders for the approval of this Agreement and the transactions contemplated hereby at the Providence Bancorp Shareholders' Meeting) permitting such holder, subject to the allocation and election procedure set forth herein:

(i) to specify the number of shares of Providence Common Stock owned by such holder at the Merger Effective Date with respect to which the holder desires to receive Cash Consideration (a "Cash Election") in accordance with the provisions stated herein;

(ii) to specify the number of shares of Providence Common Stock owned by such holder at the Merger Effective Date with respect to which such holder desires to receive Stock Consideration (a "Stock Election), or;

(iii) to indicate that such record holder has no preference as to the receipt of Stock Consideration or Cash Consideration for such shares (a "Non-Election").

Holders of record of shares of Providence Common Stock who hold such shares as nominees, trustees or in other representative capacities (a "Representative") may submit multiple Election Forms, provided that each such Election Form covers all the shares of Providence Common Stock held by each representative for a particular beneficial owner.

Any shares of Providence Common Stock with respect to which the holder thereof shall not, as of the Election Deadline (defined below), have made an election by submission to Providence of an effective, properly completed Election Form shall be deemed Non-Election shares. Any Dissenting Shares shall be deemed shares subject to an all Cash Election.

Any holder of Providence Common Stock shall have the right to change his or her election to a Cash Election or Stock Election at any time prior to the Election Deadline (as defined in subparagraph 2.1(F) below) by submitting a new Election Form to Providence.

(F) The term "Election Deadline" shall mean the same deadline for return of the proxy card relating to the shareholder vote on the approval of this Agreement at the Providence Bancorp Shareholders' Meeting. An election shall have been properly made only if Providence shall have actually received a properly completed Election Form by the Election Deadline. Subject to the terms of this Definitive Agreement and of the Election Form, Florida Traditions Bank shall have discretion to determine whether any election, revocation or change has been properly or timely made and to disregard immaterial defects in the Election Forms, and any decisions of Florida Traditions Bank regarding such matters shall be binding and conclusive. Florida Traditions Bank shall not be under any obligation to notify any person of any defect in an Election Form.

(G) As soon as practicable, but in no event more than two (2) business days after the Election Deadline, Providence shall deliver to Florida Traditions Bank a schedule (the "Exchange Schedule"), certified by Providence's corporate secretary, whereby Providence has calculated the amount of cash and Florida Traditions Bank Common Stock that each Providence shareholder shall be entitled to receive, listed by Providence stock certificate number, pursuant to the provisions of this Article. Such Exchange Schedule shall be reviewed by Florida Traditions Bank within five (5) business days after receipt by Florida Traditions Bank.

(H) The "Stock Election Number" means the aggregate number of shares of Providence Common Stock with respect to which Stock Elections have been made. The "Cash

Election Number” means the aggregate number of shares of Providence Common Stock with respect to which Cash Elections have been made.

(I) If the Stock Election Number exceeds the Maximum Share Amount, then:

(i) all Cash Election shares and all Non-Election shares of each holder of Providence Common Stock shall be converted into the right to receive the Cash Consideration, and,

(ii) All Stock Election shares of each holder of Providence Common Stock will be adjusted, on a pro-rata basis, such that the aggregate number of shares of Providence Common Stock electing stock consideration equals the Maximum Share Amount. Such adjustment (the “Adjusted Stock Election”) shall be determined as follows: the number of Adjusted Stock Election shares that each holder of Providence Common Stock who properly elected Stock Consideration will be entitled to receive shall equal the product obtained by multiplying (x) the number of Stock Election shares held by such holder by (y) a fraction, the numerator of which is the Maximum Share Amount and the denominator of which is the Stock Election Number. The Adjusted Stock Election shares shall then be converted into the right to receive shares of Florida Traditions Bank Common Stock determined in accordance with Section 2.1(C). The remaining number of such holder’s Stock Election shares shall be converted into the right to receive the Cash Consideration.

(J) If the Stock Election Number is less than the Minimum Share Amount, then;

(i) all Non-Election shares of each holder of Providence Common Stock or, if less than all, such number of Non-Election shares as necessary to reduce the aggregate number of shares of Providence Common Stock receiving Cash Consideration to the Minimum Share Amount (allocated on a pro rata basis), shall be converted into the right to receive the Stock Consideration; and

(ii) to the extent that the aggregate number of shares of Providence Common Stock that are to be allocated Stock Consideration after the conversion (noted in subparagraph (j)(i) hereof) of Non-Election shares still is less than the Minimum Share Amount; then the Cash Election shares of each holder of Providence Common Stock, will be adjusted such that the aggregate number of shares of Providence Common Stock electing Stock Consideration equals the Minimum Share Amount. Such adjustment (the “Adjusted Cash Election”) shall be determined as follows: the number of Adjusted Cash Election shares that each holder of Providence Common Stock will be entitled to exercise shall equal the product obtained by multiplying (X) the number of Cash Election shares held by such holder by (Y) a fraction, the numerator of which is the Minimum Share Amount and the denominator of which is the Cash Election Number. The Adjusted Cash Election shares are then converted into the right to receive Cash Consideration in accordance with Section

2.1(C). The remaining number of such holder's Stock Election shares shall be converted into the right to receive the Stock Consideration.

(K) If the Stock Election Number is higher than the Minimum Share Amount and lower than the Maximum Share Amount, then, all holders who have submitted a proper and timely Election Form shall be converted into the right to receive Stock Consideration and/or Cash Consideration as they have properly elected. In such event, all Non-Election Shareholders shall be converted into the right to receive the Cash Consideration only.

2.2 Shareholder Rights; Stock Transfers. On the Merger Effective Date, holders of Providence Common Stock shall cease to be, and shall have no rights as shareholders of Providence other than to receive the Merger consideration provided under Section 2.1 above. After the Merger Effective Date, there shall be no transfers on the stock transfer books of Providence of the shares of Providence Common Stock which were issued and outstanding immediately prior to the Merger Effective Date.

2.3 Exchange Procedures. Promptly following the Merger Effective Date, Florida Traditions Bank shall send or cause to be sent to each former stockholder of record of Providence immediately prior to the Merger Effective Date transmittal materials for use in exchanging such stockholder's certificates formerly representing Providence Common Stock ("Old Certificates") for the Merger consideration set forth in Section 2.1 above. The certificates representing the shares of Florida Traditions Bank Common Stock ("New Certificates") and the cash payment issuable in exchange for the Old Certificates, will be delivered to such stockholder only upon delivery of Old Certificates representing all of such shares (or, if any of the Old Certificates are lost, stolen or destroyed, indemnity satisfactory to Florida Traditions Bank, and an Affidavit of Lost Certificate satisfactory to Florida Traditions Bank). Florida Traditions Bank shall issue following delivery of Old Certificates and the properly completed letter of transmittal, stock certificates and cash payments as soon as practicable but in any event within ten business days after the receipt of such completed documents. After the Merger Effective Date, to the extent required by law, former shareholders of record of Providence shall be entitled to vote at any meeting of holders of Florida Traditions Bank Common Stock the number of whole shares of Florida Traditions Bank Common Stock into which their shares of Providence Common Stock are converted, regardless of whether such holders have exchanged their Old Certificates for New Certificates in accordance with the provisions of this Agreement. Notwithstanding the foregoing, Florida Traditions Bank shall not be liable to any former holder of Providence Common Stock for any amount properly delivered to a public official pursuant to applicable abandoned property, escheat or similar laws. In each case where cash is being paid to a holder of Providence Common Stock, it shall be paid without interest, upon the surrender of such holder's shares of Providence Common Stock in the manner provided for in this Agreement, less any required withholding taxes.

2.4 Restricted Stock and Options. Providence Bancorp has awarded 2,381 shares of Restricted Stock, 826 shares of which have vested. The vesting of the remaining 1,555 shares accelerates in the event of a change in control (as defined in accordance with the terms governing

such shares). All shares of Providence Bancorp Restricted Stock will vest at the Merger Effective Date, and at the Merger Effective Date, there will not be outstanding any options exercisable for shares of Providence Common Stock or any restricted shares of Providence Common Stock. Holders of Restricted Stock will have the right to make the election contemplated by Section 2.1 of this Agreement.

2.5 Fractional Shares. Notwithstanding any other provision hereof, no fractional shares of Florida Traditions Bank Common Stock, and no certificates or scrip therefor, or other evidence of ownership thereof, will be issued in the Merger. Instead, such fractional share interest shall be converted to a cash payment determined by multiplying the fraction by Florida Traditions Bank Book Value Per Share.

2.6 Dissenters Rights. Any shareholder of Providence Bancorp who shall have perfected dissenters' rights in accordance with the provisions of the FBCA (such laws are referred to as the "Dissent Provisions") and has not effectively withdrawn or lost such holder's dissenters' rights, shall not have such holder's shares of Providence Bancorp Common Stock converted into or represent the right to receive the Florida Traditions Common Stock and/or cash issuable in the Merger, but rather such holder thereof shall be entitled to such rights as are granted by the Dissent Provisions. If, after the Merger Effective Date, a dissenting shareholder of Providence Bancorp fails to perfect, or effectively withdraws or loses, such holder's dissenters right and payment for the shares of Providence Bancorp Common Stock, Florida Traditions Bank shall issue and deliver the consideration to which such holder is entitled under Section 2.1 (without interest) upon surrender by such holder of the certificate or certificates representing the shares held by the holder.

III. ACTIONS PENDING MERGER

3.1 Conduct of Business Prior to the Merger Effective Date. Except as expressly contemplated or permitted by this Agreement, or as required by applicable Law, during the period from the date of this Agreement to the Merger Effective Date, Florida Traditions Bank shall (i) conduct its business in the usual, regular and ordinary course consistent with past practice, (ii) use reasonable best efforts to maintain and preserve intact its business organization and advantageous customer and business relationships and retain the services of its key officers and employees and (iii) take no action which would reasonably be expected to adversely affect or delay its ability to consummate the transactions contemplated hereby.

3.2 Forbearances of Providence. From the date hereof until the Merger Effective Date, except as otherwise contemplated by this Agreement, without the prior written consent of Florida Traditions Bank, Providence shall not:

(A) **Capital Stock.** Except as may be necessary to maintain shareholders' equity pursuant to its commitments to the OFR and FDIC, issue, sell, transfer, dispose of, permit to become outstanding, authorize the creation of, pledge or encumber any shares of capital stock, voting securities or other equity interest, or any options, warrants, convertible securities or other rights of

any kind to acquire or receive any shares of capital stock, voting securities or other equity interests (including stock appreciation rights, phantom stock or similar instruments).

(B) **Dividends, Etc.** Make, declare, pay or set aside for payment any dividend payable in cash, stock or property on or in respect of, or declare or make any distribution on, any shares of its capital stock, or directly or indirectly adjust, split, combine, reclassify, redeem, purchase or otherwise acquire any shares of its capital stock.

(C) **Compensation; Employment Agreements, Etc..** Enter into, adopt, establish, renew or allow to renew automatically, make any new grants of awards under, amend or otherwise modify or terminate any employment, consulting, transition, termination, severance, change in control, retention or similar agreements or arrangements, benefit, program, policy, trust, fund or other arrangement with any current or former director, officer, employee or independent contractor of Providence or grant any salary or wage increase or increase any other compensation or employee benefit (including incentive or bonus payments), except (provided that Florida Traditions Bank is given five (5) Business Days advance written notice thereof): (i) for normal individual increases in base salary or wage rates to current employees, directors and officers in the ordinary and usual course of business consistent with past practice, provided that no such increase shall result in an annual adjustment of more than 5% of the aggregate base salary and wages payable in 2008; or (ii) for other changes that are required by applicable Law or any Contract disclosed to Florida Traditions Bank prior to the date hereof.

(D) **Hiring and Promotion.** Hire any person as an employee or promote any employee, except (provided that Florida Traditions Bank is given five (5) Business Days advance written notice thereof) persons hired to fill any vacancies and whose employment is terminable at the will of Providence, as the case may be, and whose base salary or wage rate, including any guaranteed bonus or any similar bonus, does not exceed \$50,000 per annum.

(E) **Benefit Plans.** Except as expressly provided by this Agreement, enter into, terminate, establish, adopt or amend (except as may be required by applicable Law) any Benefit Plans, take any action to grant or approve the grant of, accelerate the vesting, accrual or exercisability of stock options, restricted stock or other compensation or benefits payable thereunder or increase the participant pool of any Benefit Plan (except that it may renew its health insurance policies and programs in effect as of the date of this Agreement upon terms and conditions acceptable to Providence and Florida Traditions Bank). Without limiting the generality of the foregoing, Providence shall not take any action which has the effect of increasing its obligations or liabilities pursuant to any stock option plans or any other Benefit Plan.

(F) **Dispositions.** Sell, transfer, lease, license, guarantee, mortgage, pledge, encumber or otherwise create any Lien on, dispose of or discontinue any of its assets, deposits, business or properties (other than sales of loans and loan participations made in the ordinary and usual course of business consistent with past practice and pursuant to Section 3.2(P)) except in the

ordinary and usual course of business consistent with past practice and in a transaction that, together with all other such transactions, is not material to it.

(G) **Acquisitions.** Acquire (other than by way of foreclosures or acquisitions of control of property other than real estate in a bona fide fiduciary capacity or in satisfaction of indebtedness previously contracted in good faith, in each case in the ordinary and usual course of business consistent with past practice) all or any portion of the assets, deposits, business or properties of any other person except in the ordinary and usual course of business consistent with past practice and in a transaction that, together with all other such transactions, is not material to it, as the case may be (and, in the case of purchases of loans and loan participations, in accordance with Section 3.2(P)).

(H) **Capital Expenditures.** Make any capital expenditures other than (i) capital expenditures provided for in the capital budget furnished by it to Florida Traditions Bank prior to the date of this Agreement, and (ii) other capital expenditures in the ordinary and usual course of business consistent with past practice in amounts not exceeding \$5,000 individually or \$20,000 in the aggregate.

(I) **Governing Documents.** Amend or otherwise change its Organizational Documents or any similar governing instruments.

(J) **Accounting Methods.** Implement or adopt any change in its book or tax accounting principles, practices or methods, other than as may be required by GAAP or regulatory accounting principles, and as concurred in by its independent public accountants.

(K) **Contracts.** Except with respect to Contracts relating to loans or loan participations made in the ordinary and usual course of business consistent with past practice and in accordance with Section 3.2(P), enter into, renew or allow to renew automatically, modify, amend or terminate, make any payment not then required under or waive, release or assign any material right or claims under, any Contract that calls for aggregate annual payments of \$10,000 or more and which is not terminable at will or with sixty (60) days or less notice without payment of any amount other than for products delivered or services performed through the date of termination.

(L) **Claims.** Enter into any settlement, compromise or similar agreement with respect to, or take any other significant action with respect to the conduct of, any litigation, claim, action, suit, hearing, investigation or other proceeding to which it is or becomes a party, which settlement, compromise, agreement or action involves payment by it, of an amount that exceeds \$5,000 individually or \$10,000 in the aggregate and/or would impose any material restriction on the business of Bank, or the Continuing Corporation or any of its Affiliates or create precedent for claims that are reasonably likely to be material to it or any of its subsidiaries, as the case may be.

(M) **Adverse Actions.** Take any action or omit to take any action that would result in (i) any of its representations and warranties set forth in this Agreement being or becoming untrue

in any material respect at any time at or prior to the Merger Effective Date, (ii) any of the conditions to the Merger set forth in Article VI not being satisfied on a timely basis or (iii) a material violation of any provision of this Agreement, except as may be required by applicable Law

(N) **Risk Management.** Except as set forth in Schedule 3.2(N) and as may be required by applicable Law, (i) implement or adopt any material change in its interest rate and other risk management policies, procedures or practices, (ii) fail to follow in any material respect any of its existing policies or practices with respect to managing its exposure to interest rate and other risks or (iii) fail to use commercially reasonable efforts to avoid any material increase in its aggregate exposure to interest rate risk.

(O) **Indebtedness.** Incur or modify any indebtedness for borrowed money or other liability (other than deposits, federal funds borrowings and borrowings from the Federal Home Loan Bank) or assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligations of any other person (other than in connection with payments, processing and similar matters in the ordinary course of business consistent with past practices).

(P) **Loans.** (i) Make any loan or loan commitment or renewal or extension thereof to any person which would, when aggregated with all outstanding loans or loan commitments thereof made to such person and any Affiliate or immediate family member of such person, exceed \$300,000 (on a secured basis) and \$50,000 (on an unsecured basis) with respect to any new loan or loan commitment or any renewal or extension of any outstanding loan or loan commitment; (ii) take any action that would result in any discretionary releases of collateral or guarantees or otherwise restructure any loan or commitment for any loan with a principal balance in excess of \$300,000 (on a secured basis) and \$50,000 (on an unsecured basis) or (iii) purchase or sell any loan or loan participation exceeding \$300,000 (on a secured basis) and \$50,000 (on an unsecured basis).

(Q) **Investments.** (i) Other than in the ordinary and usual course of business consistent with past practice in amounts not to exceed \$100,000 individually and \$250,000 in the aggregate or sales of overnight federal funds (limited to 25% of its shareholders' equity) or in securities transactions as provided in (ii) below, make any investment either by contributions to capital, property transfers or purchases of any property or assets of any person and (ii) other than purchases of direct obligations of the United States of America or obligations of U.S. government agencies which are entitled to the full faith and credit of the United States of America, in any case with a remaining maturity at the time of purchase of one year or less, purchase or acquire securities of any type; *provided, however*, that in the case of investment securities, it may purchase investment securities if, within five (5) Business Days after Providence requests in writing (which request shall describe in detail the investment securities to be purchased and the price thereof) that Florida Traditions Bank consent to making of any such purchase, Florida Traditions Bank has approved such request in writing or has not responded in writing to such request.

(R) **Taxes.** Commence, compromise or settle any litigation or proceeding with respect to any liability for Taxes, make or change any Tax election, file any amended Tax Return,

enter into any closing agreement, surrender any right to claim a refund of Taxes, consent to any extension or waiver of the limitation period applicable to any Tax claim or assessment relating to it, take any action which is reasonably likely to have an adverse effect on any Tax position of it or, after the Merger, the Continuing Corporation or any of its Affiliates, change any of its methods of reporting income or deductions for Tax purposes or take any other action with respect to Taxes that is outside the ordinary and usual course of business or inconsistent with past practice.

(S) **Operations.** Introduce any material new products or services; begin any material marketing campaigns; enter into any material new line of business; change its lending, underwriting, credit-grading or other material banking or operating policies in any material respects, except as may be required by legal or regulatory authorities; or make or file any applications with any Regulatory Authority for the opening, relocation or closing of any, or open, relocate or close any, branch, servicing center or other office or facility.

(T) **Commitments.** Agree or commit to do any of the foregoing.

3.3 Forbearances of Florida Traditions Bank From the date hereof until the Merger Effective Date, except as expressly contemplated by this Agreement, without the prior written consent of Providence, Florida Traditions Bank will not take, or omit to take, or agree or commit to take or omit to take, any action that would result in (i) any of Florida Traditions Bank's representations and warranties set forth in this Agreement being or becoming untrue in any material respect at any time at or prior to the Merger Effective Date, (ii) any of the conditions to the Merger set forth in Article VI not being satisfied or (iii) a material violation of any provision of this Agreement, except as may be required by applicable Law.

IV. REPRESENTATIONS AND WARRANTIES.

No representation or warranty of the parties to this Agreement contained in this Article IV shall be deemed untrue or incorrect, and neither Providence Bancorp and Providence, on the one hand, or Florida Traditions Bank, on the other hand, shall be deemed to have breached a representation or warranty, as a consequence of the existence of any fact, circumstance or event unless such fact, circumstance or event, individually or taken together with all other facts, circumstances or events inconsistent with any paragraph of Article IV, has had or is reasonably expected to have a Material Adverse Effect as defined herein; *provided, however*, that the foregoing standard shall not apply to representations and warranties contained in Sections 4.1 (A) and 4.1(B), which shall be deemed untrue, incorrect and breached if they are not true and correct in all material respects.

The parties to this Agreement have made a good faith effort to ensure that the disclosure on each schedule to this Agreement corresponds to the section referenced herein. However, for purposes of the schedules hereto, any item disclosed on any schedule is deemed to be fully disclosed with respect to all schedules under which such item may be relevant as and to the extent that it is reasonably clear on the face of such schedule that such item applies to such other schedule.

4.1 Providence Bancorp and Providence hereby represent and warrant to Florida Traditions Bank, and Florida Traditions Bank hereby represents and warrants to Providence Bancorp and Providence as follows:

(A) **Recitals.** The facts set forth in the Recitals of this Agreement with respect to it are true and correct.

(B) **Organization.** It is a corporation (or banking corporation) duly organized, validly existing, and in good standing under the laws of the State of Florida.

(C) **Qualification.** It is duly qualified to do business and is in good standing in the State of Florida and in any other states of the United States and foreign jurisdictions where it ownership, use or leasing of property or the conduct or nature of its business requires it to be so qualified, licensed or admitted and in which the failure to be so qualified, licensed or admitted and in good standing could reasonably be expected to have a Material Adverse Effect (as such term is defined in Section 8.3(F)). It has the corporate power and authority to carry on its business as it is now being conducted and to own all its material properties and assets. It has in effect all material federal, state and local authorizations, licenses and approvals necessary for it to own or lease its properties and assets and to carry on its business as it is now conducted.

(D) **Authority.** Subject to the regulatory approvals referred to in Section 6.2 and, in the case of Florida Traditions Bank and Providence Bancorp, the approval by its shareholders, it has the corporate power and authority to execute, deliver and perform its obligations under this Agreement, this Agreement has been authorized by all necessary corporate action by it, and is a valid and binding agreement of it enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, receivership, conservatorship and other laws of general applicability relating to or affecting creditors rights and to general equity principles.

(E) **No Conflict.** Subject to the receipt of all required regulatory and shareholder approvals, the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby by it will not constitute (i) a breach or violation of, or a default under, any law, rule or regulation (collectively "Laws") or any judgment, decree or order (collectively "Orders"), governmental permit or license (collectively "Licenses"), or contract, agreement, indenture or instrument (collectively "Contracts") of it or to which it or any of its properties is subject or by which any of them are bound, which breach, violation or default is reasonably likely to have, either by itself or in the aggregate with one or more other events, occurrences or circumstances, a Material Adverse Effect on it; (ii) a breach or violation of, or a default under, its articles of incorporation, charter or bylaws (or other comparable corporate charter documents); (iii) except as set forth in Schedule 4.1(E), result in or give any person any right of termination, cancellation, acceleration or modification in or with respect to any Orders, Licenses or Contracts, (iv) except as set forth in Schedule 4.1(E), result in or give to any person any additional rights or entitlement to increased, accelerated or guaranteed payments under any Orders, Licenses

or Contracts, or (v) result in the creation or imposition of any lien or encumbrance on the assets or properties of it; and the consummation of the transactions contemplated by this Agreement will not require any consent or approval under any Laws, Orders, Licenses or Contracts or, except as set forth in Schedule 4.1(E), the consent or approval of any other party to any Orders, Licenses or Contracts other than the required approvals of applicable regulatory authorities referred to in Section 6.2.

(F) **No Regulatory Impediment.** As of the date hereof, it knows of no reason why the regulatory approvals referred to in Section 6.2 should not be obtained.

(G) **Absence of Changes.** Except for the execution and delivery of this Agreement and the transactions to take place pursuant hereto on the Merger Effective Date, since December 31, 2007 there has not been any change, development or event which, individually or together with other such changes, developments or events, could reasonably be expected to have a Material Adverse Effect on its business, financial condition or results of operations. Without limiting the foregoing, except as disclosed in Schedule 4.1(G) or in the Unaudited Financial Statements, there has not occurred between December 31, 2007 and the date hereof:

(i) any declaration, setting aside or payment of any dividend or other distribution in respect of its capital stock, or any direct or indirect redemption, purchase or other acquisition by it of any such capital stock of or any Option with respect to it;

(ii) any authorization, issuance, sale or other disposition by it of any shares of capital stock of or Option or any modification or amendment of any right of any holder of any outstanding shares of capital stock of or Option (except for the issuance of shares upon the exercise of Options);

(iii) (x) any increase in the salary, wages or other compensation of any officer, employee or consultant of it whose annual salary is, or after giving effect to such change would be, \$100,000 or more; (y) any establishment or modification of (A) targets, goals, pools or similar provisions in respect of any fiscal year under any benefit Agreement, employment contract or other employee compensation arrangement or (B) salary ranges, increase guidelines or similar provisions in respect of any benefit Agreement, employment contract or other employee compensation arrangement; or (z) any adoption, entering into, amendment, modification or termination (partial or complete) of any benefit Agreement except to the extent required by applicable Laws and, in the event compliance with legal requirements presented options, only to the extent the option which it reasonably believed to be the least costly was chosen;

(iv) any borrowing by it except in the ordinary course of business;

(v) with respect to any property securing any loan or other credit arrangement made by it, and to its knowledge, any physical damage, destruction or other casualty loss (whether or not covered by insurance) in an aggregate amount exceeding \$100,000;

(vi) except for changes in the ordinary course of business and as required by changes in law or GAAP, any material change in (w) any pricing, investment, accounting, financial reporting, credit, allowance or tax practice or policy, (x) any method of calculating any bad debt, contingency or other reserve for accounting, financial reporting or tax purposes, (y) its fiscal year of it or (z) any credit policy or standard, including, without limitation, criteria relating to placement of a debtor on any credit watch or other similar list maintained by it;

(vii) with respect to any loan or other credit arrangement made by it, any write off or write down of or any determination to write off or write down any such loan or other credit arrangement in an aggregate amount exceeding \$50,000 per month;

(viii) except for the sale of foreclosed properties, or properties received in lieu of foreclosure in the ordinary course of business consistent with past practice, any acquisition or disposition of, or incurrence of a lien or other encumbrance on, any of its assets and properties;

(ix) any (x) amendment of its articles of incorporation, articles of association, or bylaws (or other comparable corporate charter documents), (y) reorganization, liquidation or dissolution of it (z) Merger, consolidation or business combination involving it and any other person;

(x) any capital expenditures or commitments for additions to property, Agreement or equipment of it constituting capital assets in an aggregate amount exceeding \$100,000;

(xi) any commencement or termination by it of any line of business;

(xii) any transaction by it with any officer, director, affiliate or associate of it or any affiliate or associate of any such officer, director or affiliate (A) outside the ordinary course of business consistent with past practice or (B) other than on an arm's-length basis, other than pursuant to any Contract in effect on December 31, 2007 and disclosed in Schedule 4.1(E);

(xiii) any agreement to do or engage in any of the foregoing;

(xiv) any other transaction involving, or development affecting it outside the ordinary course of business consistent with past practice.

(H) **Material Contracts.** Except as set forth in Schedule 4.1(H) or in its Financial Statements, and except for this Agreement, it is not bound by any material contract, agreement or other arrangement to be performed after the date hereof. For purposes of this Section 4.1(H), "material" shall mean any contract, agreement or arrangement that calls for aggregate annual payments of \$20,000 or more and which is not terminable at will or with 60 days or less notice without payment of any amount other than for products delivered or services performed through the date of termination.

(I) **Real Property.** Except as set forth in Schedule 4.1(I), it does not own any real property. Schedule 4.1(I) also contains a true and correct list of each parcel of real property leased by it (as lessor or lessee).

(i) It has a valid and subsisting leasehold estate in and the right to quiet enjoyment of the real properties leased by it as lessee for the full term of the lease thereof. Each lease referred to in this paragraph (i) is a legal, valid and binding agreement, enforceable in accordance with its terms (except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, receivership, conservatorship, moratorium, or similar laws affecting the enforcement of creditors' rights generally and except that the availability of the equitable remedy of specific performance or injunctive relief is subject to the discretion of the court before which any proceeding may be brought), and there is no, and it has received no notice of any, default, or any condition or event which, after notice or lapse of time or both, would constitute a default thereunder. It does not owe any brokerage commissions with respect to any such leased space.

(ii) Except as disclosed in Schedule 4.1(I), the improvements on the real property identified therein are in good operating condition and in a state of good maintenance and repair, ordinary wear and tear excepted, are adequate and suitable for the purposes for which they are presently being used and, to its knowledge, there are no condemnation or appropriation proceedings pending or threatened against any of such real property or the improvements thereon.

(J) **Tangible Personal Property.** It is in possession of and has good title to, or have valid leasehold interests in or valid rights under contract to use, all tangible personal property used in the conduct of its business, including all tangible personal property reflected on its Financial Statements and tangible personal property acquired subsequent to December 31, 2007, other than property disposed of since such date in the ordinary course of business consistent with past practice. All such tangible personal property is free and clear of all liens, other than liens disclosed in Schedule 4.1(J), and is in good working order and condition, ordinary wear and tear excepted, and its use complies in all material respects with all applicable laws.

(K) **Intellectual Property Rights.** Schedule 4.1(K) lists all Intellectual Property (as such term is hereinafter defined) owned by it or used in its business and operations as currently conducted. Except as set forth in Schedule 4.1(K), it has such ownership and use (free and clear of all liens) of, or rights by license, lease or other agreement to use (free and clear of all liens), such Intellectual Property as is necessary to permit it to conduct its business and operations as currently conducted, except where the failure to have any such right would not have a material adverse effect on its business, financial condition or results of operations. Except as disclosed in Schedule 4.1(K), (i) all registrations with and applications to Regulatory Authorities in respect of such Intellectual Property are valid and in full force and effect and are not subject to the payment of any taxes or maintenance fees or the taking of any other actions to maintain their validity or effectiveness, (ii) there are no restrictions on the direct or indirect transfer of any license, or any interest therein in respect of such Intellectual Property, (iii) it has taken reasonable security measures to protect the secrecy, confidentiality and value of their trade secrets, (iv) it has not received any notice that it is,

in default (or with the giving of notice or lapse of time or both, would be in default) under any license to use such Intellectual Property and (v) it has no knowledge that such Intellectual Property is being infringed by any other person. It has not received notice that it is infringing any Intellectual Property of any other person, no claim is pending or, to its knowledge (after having made due inquiry), has been made to such effect that has not been resolved and, to its knowledge (after having made due inquiry), it is not infringing any Intellectual Property rights of any other person. For purposes of this Agreement "Intellectual Property" means all patents and patent rights, trademarks and trademark rights, trade names and trade name rights, service marks and service mark rights, service names and service name rights, brand names, inventions, processes, formulae, copyrights and copyright rights, trade dress, business and product names, logos, slogans, trade secrets, industrial models, processes, designs, methodologies, computer programs (including all source codes) and related documentation, software license and sub-license agreements, end-user license agreements for software, software maintenance agreements, technical information, manufacturing, engineering and technical drawings, know-how and all pending applications for and registrations of patents, trademarks, service marks and copyrights.

(L) Employee Benefit Plans.

(i) Schedule 4.1(L) contains a true and complete list of each "employee benefit plan" (within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), including, without limitation, "multiemployer plans" within the meaning of Section 4001(a)(3) of ERISA), and all stock purchase, stock option, severance, employment, change-in-control, fringe benefit, vacation, perquisite, collective bargaining, bonus, incentive, deferred compensation, employee loan and all other employee benefit plans, agreements, programs, policies or other arrangements, whether or not subject to ERISA (including any funding mechanism therefore now in effect or required in the future as a result of the transaction contemplated by this Agreement or otherwise), whether formal or informal, oral or written, legally binding or not, under which (i) any current or former employee, director or independent contractor of it (the "Employees") has any present or future right to benefits and which are contributed to, sponsored by or maintained by it or (ii) it has had or has any present or future liability. All such plans, agreements, programs, policies and arrangements shall be collectively referred to as the "Benefit Plans".

(ii) With respect to each Benefit Plan, it has provided to the other party a current, accurate and complete copy (or, to the extent no such copy exists, an accurate description) thereof and, to the extent applicable: (i) any related adoption agreement, trust agreement or other funding instrument; (ii) the most recent determination letter, if applicable; (iii) any summary plan description and other written communications (or a description of any oral communications) by it to its Employees concerning the extent of the benefits provided under a Benefit Plan; (iv) a summary of any proposed amendments or changes anticipated to be made to the Benefit Plans at any time within the twelve months immediately following the date hereof, (v) for the three most recent years and as applicable, (A) the Form 5500 and attached schedules, (B) audited financial statements and (C) actuarial valuation reports; and (vi) all filings made by it with any governmental authority

including but not limited to any filings under the Voluntary Compliance Resolution or Closing Agreement Program or the Department of Labor Delinquent Filer Program.

(iii) (i) Each Benefit Plan has been established, operated and administered in all material respects in accordance with its terms and in compliance with the applicable provisions of ERISA, the Code and other applicable laws, rules and regulations; (ii) each Benefit Plan which is intended to be qualified within the meaning of Section 401(a) of the Code is so qualified and has received a favorable determination or opinion letter as to its qualification, and each trust established in connection with any Benefit Plan which is intended to be exempt from federal taxation under Section 501(a) of the Code is so exempt, and nothing has occurred, whether by action or failure to act, that could reasonably be expected to cause the loss of such qualification or exempt status; (iii) no event has occurred and no condition exists that would reasonably be expected to subject it, either directly or by reason of its affiliation with any member of its "Controlled Group" (defined as any organization which is a member of a controlled group of organizations within the meaning of Sections 414(b), (c), (m) or (o) of the Code), to any material tax, fine, lien, penalty or other liability imposed by ERISA, the Code or other applicable Laws, rules and regulations; (iv) for each Benefit Plan with respect to which a Form 5500 has been filed, no material change has occurred with respect to the matters covered by the most recent Form since the date thereof; (v) no "reportable event" (as such term is defined in Section 4043 of ERISA) that could reasonably be expected to result in material liability, no nonexempt "prohibited transaction" (as such term is defined in Section 406 of ERISA and Section 4975 of the Code) or "accumulated funding deficiency" (as such term is defined in Section 302 of ERISA and Section 412 of the Code (whether or not waived)) has occurred with respect to any Benefit Plan; (vi) all prior employer (including pre-tax employee) contributions and payments or benefits provided pursuant to such Benefit Plans and all other compensatory payments made to any current or former director, officer, employee or consultant of it have been deductible under the Code, including under Sections 162 and 404, as applicable; (vii) there is no present intention that any Benefit Plan be materially amended, suspended or terminated, or otherwise modified to change benefits (or the levels thereof) under any Benefit Plan at any time within the twelve months immediately following the date hereof; (viii) it has not incurred any current or projected liability in respect of post-employment or post-retirement health, medical or life insurance benefits for its current, former or retired employees or any of its subsidiaries, except as required to avoid an excise tax under Section 4980B of the Code or otherwise except as may be required pursuant to any other applicable Law, and it does not have any liability under Part 6 of Subtitle B of Title I of ERISA with respect to unsatisfied continuation coverage obligations under a healthcare plan maintained or formerly maintained by any member of their "Controlled Group"; and (x) neither it nor to its knowledge, any other Person has any express or implied commitment, whether legally enforceable or not, to modify, change or terminate any Benefit Plan, other than with respect to a modification, change or termination required by ERISA, the Code or other applicable Law.

(iv) No Benefit Plan is: (i) a "multiemployer plan" (as defined in Section 4001(a)(3) of ERISA) and neither it, nor any member of its Controlled Group has at any time sponsored or contributed to, or has or had any liability or obligation in respect of, any multiemployer plan; (ii) a pension plan (within the meaning of Section 3(2) of ERISA) subject to Section 412 of the

Code or Title IV of ERISA; (iii) a multiple employer plan for which it could incur liability under Sections 4063 or 4064 of ERISA; or (vi) a voluntary employee benefit association under 501(c)(9) of the Code.

(v) With respect to any Benefit Plan, (i) no actions, suits or claims (other than routine claims for benefits in the ordinary course) are pending or, to its knowledge, threatened; (ii) no facts or circumstances exist that could give rise to any such actions, suits or claims; (iii) no written or oral communication has been received from the Pension Benefit Guaranty Corporation (the "PBGC") in respect of any Benefit Plan subject to Title IV of ERISA concerning the funded status of any such plan or any transfer of assets and liabilities from any such plan in connection with the transactions contemplated herein; (iv) no administrative investigation, audit or other administrative proceeding by the Department of Labor, the PBGC, the Internal Revenue Service or other governmental agencies are pending, threatened or in progress (including, without limitation, any routine requests for information from the PBGC); and (v) all tax, annual reporting and other governmental filings required by ERISA, the Code or other applicable Law with respect to the Benefit Plans have been timely filed with the appropriate Regulatory Authority and all notices and disclosures have been timely provided to participants.

(vi) There has been no amendment to, announcement by it relating to, or change in Employee participation or coverage under, any Benefit Plan which would increase the expense of maintaining such plan above the level of the expense incurred therefore for the most recent fiscal year.

(vii) Except as set forth on Schedule 4.1(L), neither the execution of this Agreement, shareholder approval of the Merger nor the consummation of the transactions (either alone or in combination with any subsequent event) contemplated hereby will (i) entitle any of its Employees to severance pay or any increase in severance pay upon any termination of employment after the date hereof, (ii) accelerate the time of payment or vesting or result in any payment or funding (through a grantor trust or otherwise) of compensation or benefits under, increase the amount payable or result in any other obligation pursuant to, any of the Benefit Plans, (iii) limit or restrict the right of it or, after the consummation of the transactions contemplated hereby, Florida Traditions Bank or the Continuing Corporation to merge, amend or terminate any of the Benefit Plans or result in any liability on account of such Merger, amendment or termination (other than liability for ordinary administrative expenses typically incurred under such Benefit Plan), (iv) cause it or, after the consummation of the transactions contemplated hereby, Florida Traditions Bank or the Continuing Corporation to record additional compensation expense on its income statement with respect to any outstanding stock option or other equity-based award or (v) result in payments under any of the Benefit Plans or otherwise which would not be deductible under section 280G of the Code.

(M) **Labor Matters.** It is not a party to, or bound by any collective bargaining agreement, contract or other agreement or understanding with a labor union or labor organization, nor is it the subject of a proceeding asserting that it has committed an unfair labor practice (within

the meaning of the State Labor Relations Act) or seeking to compel it to bargain with any labor organization as to wages and conditions of employment, nor is there any strike or other labor dispute involving it, pending or, to the best of its knowledge, threatened, nor is it aware of any activity involving its employees seeking to certify a collective bargaining unit or engaging in any other organization activity.

(N) **Insurance.** Schedule 4.1(N) contains a true and complete list (including the names and addresses of the insurers, the expiration dates thereof, the annual premiums and payment thereof and a brief description of the interests insured thereby) of all liability, property, workers' compensation, directors' and officers' liability and other insurance policies currently in effect that insure the business, operations or employees of it or affect or relate to the ownership, use or operation of any of its assets and properties and that (i) have been issued to it or (ii) have been issued to any person for their benefit. The insurance coverage provided by the policies described in clause (i) above will not terminate or lapse by reason of the transactions contemplated by this Agreement. Each policy listed in Schedule 4.1(N) is valid and binding and in full force and effect, no premiums due thereunder have not been paid and neither it nor the person to whom such policy has been issued has received any notice of cancellation or termination in respect of any such policy or is in default thereunder. The insurance policies listed in Schedule 4.1(N), in light of its business, operations and assets and properties, are in amounts and have coverages that are reasonable and customary for persons engaged in such businesses and operations and having such assets and properties. It has not received notice that any insurer under any insurance policy (x) is denying liability with respect to a claim thereunder or defending under a reservation of rights clause or (y) has filed for protection under applicable bankruptcy or insolvency laws or is otherwise in the process of liquidating or has been liquidate. Schedule 4.1(N) sets forth a complete and accurate list of all claims in excess of \$25,000 made under the policies and binders described in clause (i) above since December 31, 2006. It does not have or maintain any self-insurance arrangement.

(O) **Affiliate Transactions.** Except as disclosed in Schedule 4.1(O), in any other Schedule to this Agreement or in the Financial Statements, as of the date of this Agreement there are no intercompany liabilities between Providence, on one hand, and Florida Traditions Bank and Florida Traditions Bank and/or any of their director or indirect subsidiaries, on the other hand. No officer, director, affiliate or associate of it, nor any associate of any such officer, director or affiliate, provides or causes to be provided any assets, services or facilities to it; it does not provide or cause to be provided any assets, services or facilities to any such officer, director, affiliate or associate; and it does not beneficially own, directly or indirectly, any assets of any such officer, director, affiliate or associate. Except as disclosed in Schedule 4.1(O), in any other Schedule to this Agreement or in the Financial Statements, each of the liabilities and transactions referred to in the previous sentence was incurred or engaged in, as the case may be, on an arm's length basis. Except as disclosed in Schedule 4.1(O), since December 31, 2007, all such payments between it and its respective officers, directors, affiliates and associates, have been made, and all allocations of intercompany expenses have been applied, in the ordinary course of business consistent with past practice.

(P) **Asset Classification.** Set forth on Schedule 4.1(P) is a list, accurate and complete in all material respects, of all loans, extensions of credit or other assets that are classified as of December 31, 2008 by it (the "Asset Classification"); and no amounts of loans, extensions of credit or other assets that are classified by it as of December 31, 2008 as "Other Assets Especially Mentioned", "Substandard", "Doubtful," "Loss," or words of similar import are excluded from the amounts disclosed in the Asset Classification, other than amounts of loans, extensions of credit or other assets that were charged off by it prior to December 31, 2008. The allowances for loan losses disclosed in the Financial Statements were, and the allowances for loan losses for periods ending after the date of this Agreement will be, adequate as of the date thereof, under generally accepted accounting principles consistently applied to banks and bank holding companies and under all other regulatory requirements, for all losses reasonably anticipated in the ordinary course of business as of the date thereof based on information available as of such date, and the assets comprising other real estate owned and in-substance foreclosures included in any of their non-performing assets are carried net of reserves at the lower of cost or market value based on current independent appraisals or current management appraisals.

(Q) **Environmental Matters.** Except as set forth in Schedule 4.1(Q):

(i) neither it, nor any properties owned or operated by it, has been or is in violation of or liable under any Environmental Law (as such term is defined in subsection (iii) below), except for such violations or liabilities that, either by themselves or in the aggregate with one or more other events, occurrences or circumstances, would not have a Material Adverse Effect on its assets, business, financial condition or results of operations taken as a whole. There are no (and to its knowledge there is no reasonable basis for any) actions, suits or proceedings, or demands, claims, notices or investigations including, without limitation, notices, demand letters or requests for information from any environmental agency or other person, instituted, pending or to its knowledge threatened relating to the liability of any property owned or operated by it under any Environmental Law.

(ii) it has not received any notice, citation, summons or order, complaint or penalty assessment by any governmental or other entity or person with respect to a property in which it holds a security interest or other lien for (i) any alleged violation of Environmental Law, (ii) any failure to have any environmental permit, certificate, license, approval, registration, and (iii) any use, possession, generation, treatment, storage, recycling, transportation or disposal of any Hazardous Material (as such term is defined in subsection (iii), below).

(iii) The following definitions apply for purposes of this Agreement: "Environmental Law" means (i) any federal, state or local law, statute, ordinance, rule, regulation, code, license, permit, authorization, approval, consent, legal doctrine, order, judgment, decree, injunction, requirement or agreement with any governmental entity, relating to (a) the protection, preservation or restoration of the environment, (including, without limitation, air, water vapor, surface water, groundwater, drinking water supply, surface land, subsurface land, Agreement and animal life or any other natural resource), or to human health or safety, or (b) the exposure to, or the

use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production, release or disposal of Hazardous Material, in each case as amended and as in effect on or prior to the date of this Agreement and includes, without limitation, the Federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980, the Superfund Amendments and Reauthorization Act, the Federal Water Pollution Control Act of 1972, the Federal Clean Air Act, the Federal Clean Water Act, the Federal Resource Conservation and Recovery Act of 1976 (including the Hazardous and Solid Waste Amendments thereto), the Federal Solid Waste Disposal and the Federal Toxic Substances Control Act, and the Federal Insecticide, Fungicide and Rodenticide Act, the Federal Occupational Safety and Health Act of 1970, each as amended and as now in effect, and (ii) any common law or equitable doctrine (including, without limitation, injunctive relief and tort doctrines such as negligence, nuisance, trespass and strict liability) that may impose liability or obligations for injuries or damages due to, or threatened as a result of, the presence of or exposure to any Hazardous Material; "Hazardous Material" means any substance presently listed, defined, designated or classified as hazardous, toxic, radioactive or dangerous, or otherwise regulated, under any Environmental Law, whether by type or quantity, and includes, without limitation, any oil or other petroleum product, toxic waste, pollutant, contaminant, hazardous substance, toxic substance, hazardous waste, special waste or petroleum or any derivative or by-product thereof, radon, radioactive material, asbestos, asbestos containing material, urea formaldehyde foam insulation, lead and polychlorinated biphenyl;

(R) **Tax Matters.** Except as set forth in Schedule 4.1(R), (i) all reports and returns with respect to Taxes (as defined below) that are required to be filed by or with respect to it (collectively, the "Tax Returns"), have been duly filed, or requests for extensions have been timely filed and have not expired except to the extent any such filing is not yet due or all such failures to file, taken together, are not reasonably likely to have either by themselves or in the aggregate with one or more other events, occurrences or circumstances, a Material Adverse Effect on it, and such Tax Returns were true, complete, accurate and correct in all material respects, (ii) all taxes (which shall mean federal, state, local or foreign income, gross receipts, windfall profits, severance, property, production, sales, use, occupancy, license, excise, franchise, employment, withholding or similar taxes imposed on the income, properties, operations or activities of it, together with any interest, additions, or penalties with respect thereto and any interest in respect of such additions or penalties, collectively the "Taxes") shown to be due on the Tax Returns have been paid in full on or before the due date or are being contested in good faith and adequately reserved for on its consolidated balance sheet, (iii) the Tax Returns have never been examined by the Internal Revenue Service, (iv) no notice of deficiency, pending audit or assessment with respect to the Tax Returns has been received from the appropriate state, local or foreign taxing authority, or the period for assessment of the Taxes in respect of which such Tax Returns were required to be filed has expired, (v) all Taxes due with respect to completed and settled examinations have been paid in full, (vi) no issues have been raised by the relevant taxing authority in connection with the examination of any of the Tax Returns which are reasonably likely to result in a determination that would have, either by themselves or in the aggregate with one or more other events, occurrences or circumstances, a Material Adverse Effect on it, except as reserved against in its Financial Statements, and (vii) no waivers of statutes of limitations have been given by or requested with respect to any Taxes of it.

(S) **Subsidiaries.** It does not own any shares of another corporation, except that Providence Bancorp owns all of the outstanding shares of Providence.

(T) **Financial Statements.** Prior to the execution of this Agreement, It has delivered to the other party hereto true and complete copies of the following financial statements (which are attached as Schedule 4.1(T)):

(i) as to Providence and Providence Bancorp, the audited balance sheets of it as of December 31, 2007 and 2006 and the related audited statements of operations, shareholders' equity and cash flows for the fiscal year then ended (the "Audited Financial Statements"), together with a true and correct copy of the report on such audited information by its independent accountants, and all letters from such accountants with respect to the results of such audits;

(ii) as to Florida Traditions Bank, the unaudited balance sheet as of December 31, 2007 and the related unaudited statement of operations, shareholders' equity and cash flows for the fiscal year then ended (the "FTB Financial Statements"); and

(iii) as to Providence, Providence Bancorp and Florida Traditions Bank, the unaudited balance sheets of it as of December 31, 2008 and the related unaudited statement of operations for the year then ended (the "Unaudited Financial Statements") (the Audited Financial Statements, the FTB Financial Statements, and the Unaudited Financial Statements are sometimes hereinafter collectively referred to as the "Financial Statements"). All such Financial Statements were prepared in accordance with generally accepted accounting principles ("GAAP") consistently applied and fairly present its financial condition and results of operations as of the respective dates thereof and for the respective periods covered thereby.

(U) **No Undisclosed Liabilities.** Except as referred to or reserved against in its Financial Statements, there are no liabilities against, relating to or affecting it or any of its assets and properties, other than liabilities incurred in the ordinary course of business consistent with past practice which in the aggregate are not material to its business, financial condition or results of operations.

(V) **Litigation; Regulatory Action.** Except as set forth in Schedule 4.1(V) or in its Financial Statements, no litigation, proceeding, or controversy before any court or governmental agency is pending which, either by itself or in the aggregate with one or more other events, occurrences or circumstances, is reasonably likely to have a Material Adverse Effect on it and, to the best of its knowledge, no such litigation, proceedings or controversy has been threatened; and except as set forth in Schedule 4.1(V), it is not a party to, or subject to any order, decree, agreement, memorandum of understanding or similar arrangement with, or a commitment letter or similar submission to, or has adopted any board resolution at the request of, any federal, state or other government, governmental agency or authority charged with the supervision or regulation of

financial institutions or their holding companies or the issuance of securities or engaged in the insurance of deposits (including, without limitation, the Florida Office of Financial Regulation, the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation) or the supervision or regulation of it or its properties (collectively, the "Regulatory Authorities"); and it has not been advised by any Regulatory Authority that such authority is contemplating issuing or requesting (or is considering the appropriateness of issuing or requesting) any such order, decree, agreement, memorandum of understanding, commitment letter or similar submission or any such resolutions.

(W) **Compliance with Laws.** Except as set forth in Schedule 4.1(W), it is in material compliance, in the conduct of its business, with all applicable federal, state and local statutes, laws, regulations, ordinances, rules, judgments, orders or decrees applicable thereto or to the employees conducting such businesses, including, without limitation, the Equal Credit Opportunity Act, the Fair Housing Act, the Community Reinvestment Act, the Home Mortgage Disclosure Act, all other applicable fair lending laws relating to discriminatory business practices, the Currency and Foreign Transaction Reporting Act, as amended ("Bank Secrecy Act"), Title III of the USA Patriot Act and all other applicable secrecy laws; and it has all permits, licenses, authorizations, orders and approvals of, and has made all filings, applications and registrations with, all Regulatory Authorities that are required in order to permit it to conduct its business substantially as presently conducted; all such permits, licenses, certificates of authority, orders and approvals are in full force and effect and, to the best of its knowledge, no suspension or cancellation of any of them is threatened; and it has not received notification or communication from any Regulatory Authority (i) asserting that it is not in material compliance with any of the statutes, regulations, or ordinances which such Regulatory Authority enforces or (ii) threatening to revoke any license, franchise, permit, or governmental authorization or (iii) threatening or contemplating revocation or limitation of, or which would have the effect of revoking or limiting, federal deposit insurance (nor, to its knowledge, do any grounds for any of the foregoing exist).

(X) **Defaults.** It is not in default under any material contract, agreement, commitment, arrangement, lease, insurance policy or other instrument to which it is a party, by which its assets, business, or operations may be bound or affected, or under which it or its assets, business, or operations receives benefits, and there has not occurred any event that, with the lapse of time or the giving of notice or both, would constitute such a default. It is not subject to, or bound by, any Contract containing covenants which (i) limit its ability to compete in any material line of business or with any person, or (ii) involve any material restriction of geographical area in which, or method by which, it may carry on its business (other than as may be required by law or any applicable Regulatory Authority).

(Y) **Brokers; Advisors.** All negotiations relative to this Agreement and the transactions contemplated hereby have been carried on by it and its agents directly with the other parties hereto and their agents and no action has been taken by it that would give rise to any valid claim against any party hereto for a brokerage commission, finder's fee or other like payment.

(Z) **Takeover Laws; Dissenters' Rights.** It has taken all necessary action to exempt the transactions contemplated by this Agreement from, or the transactions contemplated by this Agreement are otherwise exempt from, the requirements of any "moratorium," "control share," "fair price," "affiliate transaction," "control transaction," "business combination" or other anti-takeover laws and regulations (collectively, the "Takeover Laws") of the State of Florida.

(AA) **Articles and Bylaws.** It has previously delivered to the other party hereto its articles of incorporation and bylaws (or other comparable corporate charter documents) which are true, correct and complete copies of such documents as in effect on the date of this Agreement.

(BB) **Capital Shares.** The outstanding shares of Providence Common Stock and Florida Traditions Bank's Common Stock are duly authorized, validly issued and outstanding, fully paid and nonassessable, and subject to no preemptive rights. Other than the Restricted Stock Plan, there are no outstanding options, warrants, securities, subscriptions, rights or other contractual agreements or arrangements that give any person the right to purchase or otherwise receive or be issued any capital stock of Providence or any security of any kind convertible into or exercisable or exchangeable for any shares of capital stock of Providence or to receive any benefits or rights similar to any rights enjoyed by or accruing to a holder of shares of capital stock (including any rights to participate in the equity, income or election of directors of Providence).

(CC) **Shareholder Approval.** This Agreement has been, or prior to Closing will be, approved by Providence Bancorp as the sole shareholder of Providence.

(DD) **Disclosure.** No representation or warranty of Providence in this Agreement, and no statement contained in the Schedules hereto or in any certificate, list or other writing furnished by Providence pursuant to any provision of this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements herein or therein, in the light of the circumstances under which they were made, not misleading.

4.2 **Florida Traditions Bank Common Stock.** Florida Traditions Bank also represents and warrants to Providence that the shares of Florida Traditions Bank Common Stock to be issued pursuant to this Agreement, will be duly authorized, validly issued, fully paid and non-assessable and subject to no preemptive rights.

V. COVENANTS.

5.1 **Reasonable Best Efforts.** Subject to the terms and conditions of this Agreement, each party hereto agrees to cooperate with the other and use its reasonable best efforts in good faith to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or desirable, or advisable on its part under this Agreement or under applicable Laws to consummate and make effective the Merger and the other transactions contemplated hereby as promptly as practicable, including the satisfaction of the conditions set forth in Article VI hereof.

5.2 Shareholder Approval.

(A) At such time as the parties shall mutually agree upon, each of Providence Bancorp and Florida Traditions Bank, acting through its Board of Directors, shall take all action necessary to duly call and give notice of, a meeting of its shareholders (including any adjournment or postponement, the "Shareholders Meeting"), to be held within thirty (30) calendar days after the Proxy Statement (as defined in Section 5.3) is first sent or mailed to its shareholders, for the purpose of adopting this Agreement and considering and voting upon any other matters required to be approved by its shareholders for consummation of the Merger. Providence Bancorp and Florida Traditions Bank shall solicit from its shareholders proxies in favor of the adoption and approval of this Agreement and the Merger and shall take all other action necessary or advisable to secure the vote or consent of its shareholders to adopt and approve this Agreement and the Merger.

(B) The Board of Directors of Providence Bancorp and Florida Traditions Bank shall recommend adoption of this Agreement by its shareholders and shall not (x) withdraw, modify or qualify in any manner adverse to the other such recommendation or (y) take any other action or make any other public statement in connection with its Shareholders Meeting inconsistent with such recommendation.

5.3 Proxy Statement.

(A) The parties shall in accordance with such timetable as shall be mutually agreed upon and in conjunction with the other prepare and mail to its shareholders at its own expense a notice of meeting, proxy statement and form of proxy in accordance with applicable Law (the "Proxy Statement"). Florida Traditions Bank shall provide an initial draft of the Proxy Statement for the parties to mutually work upon, review and finalize. Each party shall have the opportunity to review and comment on the Proxy Statement and neither party shall mail the Proxy Statement without the other's prior written consent (such consent not to be unreasonably withheld or delayed). The Proxy Statement shall include the recommendation of each party's Board of Directors in favor of adoption and approval of this Agreement and the transactions contemplated hereby.

(B) Each party agrees that the Proxy Statement and any amendment or supplement thereto shall, at the date of mailing to shareholders and at the time of the Shareholders Meeting, as to information furnished by such party, not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Each of Providence and Florida Traditions Bank agrees that if it shall become aware prior to the time of the Shareholders Meeting of any information furnished by such party that would cause any of the statements in the Proxy Statement to be false or misleading with respect to any material fact, or to omit to state any material fact necessary to make the statements therein not false or misleading, to promptly inform the other party thereof and to take the necessary steps to correct the Proxy Statement.

5.4 Press Release. Except as otherwise required by Law, the parties hereto shall consult with each other before issuing any press release with respect to the Merger or this Agreement and shall not issue any such press release or make any such public statements without the prior consent of the other parties, which consent shall not be unreasonably withheld or delayed. The parties hereto shall cooperate to develop all public announcement materials and make appropriate management available at presentations related to the transactions contemplated by this Agreement as reasonably requested by the other party.

5.5 Access; Information.

(A) Each party agrees that upon reasonable notice and subject to applicable Laws relating to the exchange of information, it shall afford the other party and its officers, employees, counsel, accountants and other authorized representatives reasonable access during normal business hours throughout the period prior to the Merger Effective Date to its books, records (including Tax Returns and work papers of independent auditors), contracts, properties and personnel and to such other information as the other party may reasonably request and, during such period, it shall furnish promptly to the other party all information concerning its business, properties and personnel as the other party may reasonably request.

(B) Without limiting the generality of Section 5.5(A), prior to the Merger Effective Date, upon reasonable prior notice and subject to applicable Laws relating to the exchange of information, each party's representatives shall have the right to conduct a review to determine the accuracy of the representations and warranties of the other party and the satisfaction of the conditions to closing as provided hereunder.

(C) Each party agrees that any information obtained pursuant to this Section 5.5 (as well as any other information obtained prior to the date hereof in connection with the entering into of this Agreement) shall be subject to and governed by the letter agreement, dated September 29, 2008, between Providence and Florida Traditions Bank (the "Confidentiality Agreement").

(D) No investigation by either party of the business and affairs of the other party shall affect or be deemed to modify or waive any representation, warranty, covenant or agreement in this Agreement, or the conditions to such party's obligation to consummate the transactions contemplated by this Agreement.

5.6 Acquisition Proposals. Neither Providence Bancorp or Providence, or any of their respective officers, directors, employees, agents, representatives and Affiliates (collectively, "Representatives") shall, directly or indirectly, initiate, solicit, encourage or knowingly facilitate any inquiries or proposals with respect to, or, except as required by the fiduciary duties of its Board of Directors (after consultation with its counsel) furnish any nonpublic information relating to or participate in any negotiations or discussions concerning, any tender offer or exchange offer for, or any proposal for the acquisition or purchase of all or a substantial portion of its assets, or a substantial equity interest in it, or any merger or other business combination other than as

contemplated by this Agreement, and it shall instruct its Representatives to refrain from doing any of the foregoing; provided that, notwithstanding the foregoing, it may communicate information about any such proposal to its shareholders if and to the extent it is legally required to do so (after consultation with its counsel); and it shall notify Florida Traditions Bank immediately if any such inquiries or proposals are received by it or if any person seeks to initiate such negotiations or discussions.

5.7 Regulatory Applications.

(A) Florida Traditions Bank, Providence Bancorp and Providence shall each use its reasonable best efforts to prepare and deliver for filing, all documentation to effect all necessary notices, reports and other filings and to obtain all permits, consents, approvals and authorizations necessary or advisable to be obtained from any third parties and/or Regulatory Authorities in order to consummate the Merger and the other transactions contemplated hereby; and any initial filings forwarded to the Regulatory Authorities shall be made by Florida Traditions Bank and Providence Bancorp within forty-five (45) days after the execution hereof, and Providence Bancorp and Providence shall cooperate in such preparation and filing. Subject to applicable laws relating to the exchange of information, each of Florida Traditions Bank, Providence Bancorp and Providence shall have the right to review in advance, and to the extent practicable each shall consult with the other on, all material nonconfidential written information submitted to any third party and/or any Regulatory Authority in connection with the approval of the Merger. In exercising the foregoing right, each of such parties agrees to act reasonably and as promptly as practicable. Each party hereto agrees that it shall consult with the other parties hereto with respect to the obtaining of all material permits, consents, approvals and authorizations of all third parties and/or Regulatory Authorities necessary or advisable to consummate the transactions contemplated by this Agreement and each party shall keep the other parties apprised of the status of material matters relating to completion of the transactions contemplated hereby (including promptly furnishing the other with copies of applications filed with, and notices or other communications received by Florida Traditions Bank, Providence Bancorp or Providence, as the case may be, from any third party and/or Regulatory Authority with respect to the Merger and the other transactions contemplated by this Agreement).

(B) Each party agrees, upon request, to furnish the other party with all information concerning itself, its directors, officers and shareholders and such other matters as may be reasonably necessary or advisable in connection with any filing, notice or application made by or on behalf of such other party to any third party and/or Regulatory Authority.

5.8 Indemnification; Directors' and Officers' Insurance.

(A) From and after the Merger Effective Date, Florida Traditions Bank agrees that it will cause the Continuing Corporation to indemnify, defend and hold harmless each present and

former director and officer of Providence and Providence Bancorp (each, an “Indemnified Party” and, collectively, the “Indemnified Parties”) against all costs or expenses (including reasonable attorneys’ fees), judgments, fines, losses, claims, damages or liabilities or amounts paid in settlement (with Florida Tradition Bank’s prior approval), incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of actions or omissions occurring at or prior to the Merger Effective Date (including the transactions contemplated by this Agreement), whether asserted or claimed prior to, at or after the Merger Effective Date, to the fullest extent that Providence and Providence Bancorp would have been permitted under applicable law and the Organizational Documents of Providence and Providence Bancorp as in effect on the date hereof to indemnify such Person (and Florida Traditions Bank shall also cause the Continuing Corporation to advance expenses as incurred to the fullest extent permitted under applicable law, *provided* that the person to whom expenses are advanced provides an undertaking to repay such advances if it is ultimately determined that such Person is not entitled to indemnification). Florida Traditions Bank’s obligations under this Section 5.8(A) shall continue in full force and effect for a period of three (3) years from the Merger Effective Date; *provided, however*, that all rights to indemnification in respect of any claim asserted or made within such period shall continue until the final disposition of such claim.

(B) Any Indemnified Party wishing to claim indemnification under paragraph (A) of this Section 5.8, upon learning of any such claim, action, suit, proceeding or investigation, shall promptly notify Florida Traditions Bank thereof, but the failure to so notify shall not relieve Florida Traditions Bank of any liability it may have to such Indemnified Party if such failure does not materially prejudice Florida Traditions Bank. In the event of any such claim, action, suit, proceeding or investigation (whether arising before or after the Merger Effective Date), (i) Florida Traditions Bank shall have the right to assume, or cause the Continuing Corporation to assume, the defense thereof and Florida Traditions Bank shall not be liable to such Indemnified Party for any legal expenses or other counsel or any other expenses subsequently incurred by such Indemnified Party in connection with the defense thereof, except that if Florida Traditions Bank elects not to assume such defense, or counsel for the Indemnified Party advises that there are issues which raise conflicts of interest between Florida Traditions Bank and the Indemnified Party, the Indemnified Party may retain counsel which is reasonably satisfactory to Florida Traditions Bank, and Florida Traditions Bank shall pay, promptly as statements therefor are received, the reasonable fees and expenses of such counsel for the Indemnified Party (which may not exceed one firm in any jurisdiction unless the use of one counsel for all Indemnified Parties would present such counsel with a conflict of interest) (ii) the Indemnified Party will cooperate in the defense of any such matter and (iii) Florida Traditions Bank shall not be liable for any settlement effected without its prior written consent, which consent shall not be unreasonably withheld; *provided* that Florida Traditions Bank shall not have any obligation hereunder to any Indemnified Party if and when a court of competent jurisdiction shall ultimately determine, and such determination shall have become final, that the indemnification of such Indemnified Party in the manner contemplated hereby is prohibited by applicable Law.

(C) For a period of three (3) years from the Merger Effective Date, Florida Traditions Bank shall use its commercially reasonable efforts to provide or cause Providence to

provide that portion of director's and officer's liability insurance ("D&O Insurance") that serves to reimburse the present and former officers and directors (determined as of the Merger Effective Date) of Providence and Providence Bancorp (as opposed to the portion that serves to reimburse Providence) with respect to claims against such directors and officers arising from facts or events which occurred at or before the Merger Effective Date, which D&O Insurance shall contain at least the same coverage and amounts, and contain terms and conditions not materially less advantageous, as that coverage provided by Providence and Providence Bancorp as of the date hereof; *provided, however*, that in no event shall Florida Traditions Bank be required to expend or cause Providence to expend on an annual basis more than 150% of the last annual premium paid prior to the date hereof (the "Insurance Cap") to maintain or procure such D&O Insurance; *provided further*, however, that if Florida Traditions Bank is unable to maintain or obtain the D&O Insurance called for by this Section 5.8, Florida Traditions Bank shall use its commercially reasonable efforts to obtain as much comparable insurance as is available for the Insurance Cap; *provided further* that officers and directors of Providence may be required to make application and provide customary representations and warranties to Florida Traditions Bank's insurance carrier for the purpose of obtaining such D&O Insurance. With the prior written consent of Florida Traditions Bank, such insurance policy may be acquired by Providence prior to the Merger Effective Date.

(D) If Florida Traditions Bank or any of its successors or assigns shall (i) consolidate with or merge into any other person and shall not be the continuing or surviving person of such consolidation or Merger or (ii) transfer all or substantially all of its properties and assets to any other person, then, and in each case, proper provision shall be made so that the successors and assigns of Florida Traditions Bank shall assume the obligations set forth in this Section 5.8

(E) Notwithstanding any provisions to the contrary, the indemnification obligations of this Section 5.8 are limited by federal banking law and those obligations that violate federal banking law will be invalid and unenforceable.

5.9 Benefit Plans.

(A) Florida Traditions Bank will cause the Florida Traditions Bank employee benefit plans that employees of Providence who continue employment with Florida Traditions Bank following the Merger Effective Date are or become eligible to participate in, to take into account for purposes of eligibility and vesting thereunder service by such employees with Providence as if such service were with Florida Traditions Bank, as the case may be, to the same extent that such service was credited under any analogous Benefit Plan of Providence immediately prior to the Merger Effective Date. Following the Merger Effective Date, employees of Providence will retain credit for unused vacation and sick days which were accrued with Providence as of the Merger Effective Date. In addition, if the Merger Effective Date falls within an annual period of coverage under any group health plan of the Florida Traditions Bank, each employee of Providence shall be given credit for covered expenses paid by that employee under comparable employee benefit plans of Providence during the applicable coverage period through the Merger Effective Date toward satisfaction of any annual deductible limitation and out-of-pocket maximum that may apply under that group health

plan of the Florida Traditions Bank. Nothing herein shall limit the ability of Florida Traditions Bank to amend or terminate any of the Benefit Plans in accordance with their terms at any time. If, within six (6) months of the Merger Effective Date, any employee of Providence is terminated by Florida Traditions Bank solely as a result of the Merger (*i.e.*, elimination of duplicative jobs, etc.), and not as a result of inadequate performance or other good cause, Florida Traditions Bank shall pay severance to each such employee in an amount equal to one week's pay for each year of such employee's prior employment with Providence; *provided, however*, that in no event will the total amount of severance for any single employee be less than two weeks or greater than eight weeks, and such severance pay will be payable by lump sum within thirty (30) days of such termination..

(B) Florida Traditions Bank and Providence agree to cooperate in good faith to mitigate the effects of Section 280G of the Code on Providence and its employees, in order to ensure that payments under any of the benefit plans will be deductible under Section 280G of the Code.

(C) The provisions of this Section 5.9 are for the sole benefit of the parties to this Agreement and nothing herein, expressed or implied, is intended or shall be construed to confer upon or give to any person (including for the avoidance of doubt any current or former employees, directors, officers, consultants or independent contractors of any of Providence or its beneficiaries), other than the parties hereto and its respective permitted successors and assigns, any legal or equitable or other rights or remedies (with respect to the matters provided for in this Section 5.9) under or by reason of any provision of this Agreement.

5.10 Notification of Certain Matters. Each of Providence, Providence Bancorp and Florida Traditions Bank shall give prompt notice to the other (i) of the occurrence, or non-occurrence, of any event that, individually or in the aggregate, would make the timely satisfaction of any of the conditions set forth in Article VI impossible or unlikely or otherwise prevent, materially delay or materially impair the ability of Providence, Providence Bancorp or Florida Traditions Bank, as the case may be, to consummate the transactions contemplated by this Agreement, or (ii) of any fact, event or circumstance known to it that would cause or constitute a material breach of any of its representations, warranties, covenants or agreements contained herein.

5.11 Human Resources Issues. Providence will consult in good faith with Florida Traditions Bank regarding the nature and content of any formal presentation of the transactions contemplated by this Agreement to employees of Providence and will include a Florida Traditions Bank representative in any such presentation or any formal group meeting at which the transaction is explained or discussed, under an arrangement that is mutually satisfactory to both parties. Providence agrees to work in good faith with Florida Traditions Bank to facilitate the timely and accurate dissemination of information to employees regarding matters related to the transactions contemplated by this Agreement in such a manner as to cause minimal disruption of the business of Providence and its relationships with its and their employees and to facilitate the transition of such relationships to Florida Traditions Bank

5.12 Third-Party Agreements, Etc.

(A) Providence shall use its best efforts to obtain (i) within forty-five (45) calendar days after the date hereof, all consents or waivers required to be obtained from any third parties in connection with the Merger and the other transactions contemplated hereby (in such form and content as is approved in writing by Florida Traditions Bank) and (ii) the cooperation of such third parties to effect a smooth transition in accordance with Florida Traditions Bank's timetable at or after the Merger Effective Date. Providence shall cooperate with Florida Traditions Bank in minimizing the extent to which any Contracts will continue in effect following the Merger Effective Date, in addition to complying with the prohibitions in Section 3.2(K)

(B) Florida Traditions Bank agrees that all actions taken pursuant to this Section 5.12 shall be taken in a manner intended to minimize disruption to the customary business activities of Providence.

5.13 Additional Agreements. In case at any time after the Merger Effective Date of the Merger any further action is necessary or desirable to carry out the purposes of this Agreement or to vest Florida Traditions Bank with full title to all properties, assets, rights, powers, approvals, privileges, immunities and franchises of Providence, the proper officers and directors of each party to this Agreement shall take all necessary or appropriate action.

5.14 Pre-Closing Adjustments. On or before the Closing Date, Providence shall make such accounting entries or adjustments, including additions to its ALL and charge-offs of loans, as Florida Traditions Bank shall reasonably and customarily direct as a result of its ongoing review of Providence and each of its subsidiaries (including its review of the information provided to it pursuant to Sections 5.5 and 5.10) or in order to implement its plans following the Merger Effective Date or to reflect expenses and costs related to the Merger; (collectively, the "Conforming Adjustments"), *provided, however*, that unless the adjustment would otherwise be required by applicable Law or by regulatory accounting principles or GAAP applied on a basis consistent with the financial statements of Providence, (a) Providence shall not be required to take such actions more than one day prior to the Merger Effective Date and only if Florida Traditions Bank agrees in writing that all of the conditions to its obligation to close as set forth in Section 6.6 have been satisfied or waived and each of the approvals in Section 6.2 have been received, and (b) no such adjustment shall (i) require any filing with any Regulatory Authority, (ii) violate any Law applicable to Providence, (iii) constitute or be deemed to be a breach, violation of or failure to satisfy any representation, warranty, covenant, condition or other provision of this Agreement or otherwise be considered in determining whether any such breach, violation or failure to satisfy shall have occurred, or (iv) affect the Exchange Ratio.

5.15 Subsequent Interim and Financial Statements. As soon as reasonably practicable and as soon as they are available, but in no event more than 15 days, after the end of each calendar month ending after the date of this Agreement, each party shall furnish to the other (i) financial statements (including balance sheet, income statement and statement of changes in shareholders' equity) as of and for such month then ended and (ii) copies of any internal management reports relating to the foregoing. All information furnished pursuant to this Section 5.15 shall be held in

confidence to the extent required by, and in accordance with, the provisions of the Confidentiality Agreement.

5.16 Stock and Cash Reserves. Florida Traditions Bank agrees at all times from the date of this Agreement until the merger consideration has been paid in full to reserve a sufficient number of shares of Florida Traditions Bank Common Stock and to maintain sufficient liquid accounts or borrowing capacity to fulfill its obligations under this Agreement.

5.17 Shareholders' Agreements. Providence Bancorp shall use its reasonable best efforts, on behalf of Florida Traditions Bank and pursuant to the request of Florida Traditions Bank, to cause each Shareholder who is a party to the Shareholders' Agreement to comply with such Shareholders' Agreement. Providence Bancorp acknowledges and agrees to be bound by and comply with the provisions of the Shareholders' Agreement with respect to transfers of record ownership of shares of Providence Bancorp Common Stock, and agrees to notify the transfer agent for any Providence Bancorp Common Stock and provide such documentation and do such other things as may be necessary to effectuate the provisions of such Shareholders' Agreement.

VI. CONDITIONS TO CONSUMMATION OF THE MERGER

Consummation of the Merger is conditioned upon:

6.1 Stockholder Vote. Approval of the Merger and the other transactions contemplated hereby by the required vote of the shareholders of Providence Bancorp and Florida Traditions Bank as and to the extent required by law and the number of dissenting Providence Bancorp shares shall not exceed 2% of the number of Providence Bancorp Common Stock issued and outstanding as of the Providence Bancorp Shareholders' Meeting date.

6.2 Regulatory Approvals. Procurement by Florida Traditions Bank, Providence Bancorp and Providence of all requisite approvals and consents of Regulatory Authorities, and the expiration of applicable statutory waiting periods relating thereto, *provided, however*, that no such approval or consent shall have imposed any condition or requirement (other than conditions or requirements set forth in any Schedule hereto) which would so materially and adversely impact the economic or business benefits to Florida Traditions Bank or Providence, of the transactions contemplated by this Agreement that, had such condition or required been known, it would not, in its reasonable judgment, have entered into this Agreement.

6.3 Third Party Consents. All consents or approvals of all persons (other than Regulatory Authorities) required for the consummation of the Merger shall have been obtained and shall be in full force and effect, unless the failure to obtain any such consent or approval is not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on Providence or Florida Traditions Bank

6.4 No Prohibition. There not being in effect any law, order, decree or injunction of any court or agency of competent jurisdiction that restrains, enjoins or otherwise prohibits or makes illegal consummation of the Merger or which could be reasonably expected to result in a material diminution of the benefits of the transaction to Florida Traditions Bank, Providence Bancorp or

Providence, and there shall not be pending or threatened on the Merger Effective Date any action or proceeding which could reasonably be expected to result in the enactment or issuance of any such law, order, decree or injunction.

6.5 Litigation. No action, suit, or proceeding shall be pending or threatened before any court or administrative agency of any federal, state, local or foreign jurisdiction wherein an unfavorable judgment, order, decree, stipulation, injunction or charge could (a) prevent consummation of any of the transactions contemplated by the Agreement, (b) cause any of the transactions contemplated by this Agreement to be rescinded following consummation, or (c) materially affect adversely the right after the Merger Effective Date of Florida Traditions Bank to own, operate, or control substantially all of the assets and operations of Providence and Florida Traditions Bank.

6.6 Representations, Warranties and Covenants. (i) Each of the representations and warranties contained herein of any party being true and correct as of the date of this Agreement and upon the Merger Effective Date with the same effect as though all such representations and warranties had been made on the Merger Effective Date, except (x) for any such representations and warranties made as of a specified date, which shall be true and correct as of such date, (y) as expressly contemplated by this Agreement, in any case subject to the standard set forth in the beginning of Article IV; (ii) each and all of the agreements and covenants contained herein of any party to be performed and complied with pursuant to this Agreement and the other agreements contemplated hereby prior to the Merger Effective Date shall have been duly performed and complied with in all material respects, and (iii) each of Providence, Providence Bancorp and Florida Traditions Bank shall have received a certificate signed by the Chief Executive Officer and the Chief Financial Officer of the other party dated the Merger Effective Date, to such effect.

6.7 Allowance for Loan Losses. Each party's allowance for loan losses on the Valuation Date, as determined in accordance with GAAP, shall not be less than the sum of (i) 1.15% of its total loans, plus (ii) specific reserves for identified losses. If a party's allowance for loan losses on the Valuation Date (excluding specific reserves for identified losses) is greater than 1.15% of its total loans, then such excess shall be added to the party's computation of Adjusted Shareholders Equity for purposes of Section 2.1(D) and if such allowance is less than 1.15% of its total loans, (excluding specific reserves for identified losses) then such difference will be subtracted from such party's determination of Adjusted Shareholders Equity for purposes of Section 2.1(D).

6.8 Additional Florida Traditions Bank Conditions. In addition, the obligation of Florida Traditions Bank to consummate the Merger is subject to the fulfillment or written waiver by Florida Traditions Bank prior to the Merger Effective Date of each of the following conditions:

(A) Employment Agreements and Change in Control Agreements. Concurrently with the Merger Effective Date, the existing employment agreements and change in control agreements between Providence and any of its employees, if any, shall be terminated, and Mr. Lehman and Florida Traditions Bank shall have entered into the Relationship Agreement.

6.9 **Tax Opinion.** The parties shall have received a written opinion from Hacker, Johnson & Smith, CPAs in form reasonably satisfactory to them with respect to certain federal income tax consequences in connection with the consummation of the transactions contemplated by this Agreement.

VII. TERMINATION.

7.1 **Termination.** This Agreement may be terminated and the Merger may be abandoned at any time prior to the Merger Effective Date, notwithstanding adoption thereof by the shareholders of Providence, Providence Bancorp or Florida Traditions Bank:

(A) by the mutual written consent of Providence, Providence Bancorp and Florida Traditions Bank;

(B) by Florida Traditions Bank or Providence Bancorp if the Merger is not consummated by the 240th day subsequent to the date of this Agreement, except to the extent that the failure of the Merger then to be consummated arises out of or results from the knowing action or inaction of the (i) party seeking to terminate pursuant to this Section 7.1(B) or (ii) any of the Shareholders (if Providence Bancorp is the party seeking to terminate), which action or inaction is in violation of its obligations under this Agreement or, in the case of the Shareholders, such Shareholders' obligations under the Shareholders' Agreement; *provided, however*, that the foregoing date shall be extended if by the 240th day subsequent to the date of this Agreement all of such regulatory approvals have not been received or applicable waiting periods for consummation of the Merger have not expired and, *provided further*, that the extension shall be for a period following such 240th day equal to the lesser of (x) 90 days, or (y) 30 days after satisfaction of all conditions set forth in Article VI, including, without limitation, the receipt of the regulatory approvals (and the expiration of all waiting periods) referred to in Section 6.2;

(C) by Florida Traditions Bank or Providence Bancorp if the approval of any Regulatory Authority required for consummation of the Merger and the other transactions contemplated by this Agreement shall have been denied by final and nonappealable action of such Regulatory Authority or an application therefore shall have been permanently withdrawn at the invitation, request or suggestion of a Regulatory Authority;

(D) by Florida Traditions Bank or Providence Bancorp if the approval of the shareholders of Florida Traditions Bank contemplated by this Agreement shall not have been obtained by reason of the failure to obtain the required vote at the Shareholders Meeting or at any adjournment or postponement thereof;

(E) by Florida Traditions Bank or Providence Bancorp (so long as, in the case of Providence Bancorp, the Shareholders have complied in all respects with the Shareholders' Agreement) if the approval of the shareholders of Providence Bancorp contemplated by this

Agreement shall not have been obtained by reason of the failure to obtain the required vote at the Shareholders Meeting or at any adjournment or postponement thereof;

(F) by Providence Bancorp if there shall have been a breach of any representation, warranty, covenant or agreement on the part of Florida Traditions Bank contained in this Agreement such that the conditions set forth in Section 6.6 would not be satisfied and, in either such case, such breach is not capable of being cured or, if capable of being cured, is not cured within thirty (30) days after written notice thereof is given by Providence Bancorp to Florida Traditions Bank;

(G) by Florida Traditions Bank if there shall have been a breach of any representation, warranty, covenant or agreement on the part of Providence Bancorp or Providence contained in this Agreement such that the conditions set forth in Section 6.6 would not be satisfied and, in either such case, such breach is not capable of being cured or, if capable of being cured, is not cured within thirty (30) days after written notice thereof is given by Florida Traditions Bank to Providence Bancorp and Providence;

(H) by Florida Traditions Bank, at any time prior to Providence Bancorp's Shareholders Meeting, if the Board of Directors of Providence Bancorp shall have failed to recommend the Merger, withdrawn such recommendation or modified or changed such recommendation in a manner adverse to the interests of Florida Traditions Bank;

(I) by Providence, at any time prior to Florida Traditions Bank's Shareholders Meeting, if the Board of Directors of Florida Traditions Bank shall have failed to recommend the Merger, withdrawn such recommendation or modified or changed such recommendation in a manner adverse to the interests of Providence;

(J) by Florida Traditions Bank if there is a breach by one or more Shareholders of any of the representations, warranties, covenants or agreements contained in the Shareholders' Agreement, and, in any such case, such breach is not capable of being cured or, if capable of being cured, is not cured within thirty (30) days after written notice thereof is given by Florida Traditions Bank to the breaching party; or

(K) by Providence Bancorp if its Board of Directors so determines by a vote of a majority of the members of its entire Board, in the event that, notwithstanding the covenants set forth in Section 5.6, Providence Bancorp has accepted an alternative acquisition proposal by a third party prior to the Merger Effective Date. Upon such termination pursuant to this Subsection (K), Providence Bancorp shall immediately pay to Florida Traditions Bank by wire transfer, \$250,000 in full satisfaction of the losses and damages incurred by Florida Traditions Bank resulting from Providence Bancorp's acceptance of the alternative acquisition proposal.

(L) by Florida Traditions Bank if following December 31, 2008, a Material Adverse Effect shall have occurred as to Providence.

(M) by Providence Bancorp if following December 31, 2008, a Material Adverse Effect shall have occurred as to Florida Traditions Bank.

7.2 Effect of Termination. In the event of the termination of this Agreement pursuant to Section 7.1, this Agreement (other than as set forth in Section 8.1) shall forthwith become void and there shall be no liability or obligation on the part of any party hereto except no such termination shall relieve any party hereto or any Shareholder party to the Shareholders' Agreement, of any liability or damages resulting from any breach of this Agreement or the Shareholders' Agreement. The termination by Florida Traditions Bank pursuant to Section 7.1(L) or Providence Bancorp pursuant to Section 7.1(M) shall not be deemed a breach of this Agreement by the party which has incurred the Material Adverse Effect provided that such party has complied with the covenants required of it as set forth in this Agreement.

7.3 Amendment. This Agreement may be amended by the parties hereto by action taken by or on behalf of their respective Boards of Directors at any time prior to the Merger Effective Date, whether before or after adoption of this Agreement by the shareholders of Providence, Providence Bancorp or Florida Traditions Bank; *provided, however*, that, after adoption of this Agreement by the shareholders of Providence Bancorp, no amendment may be made which would reduce the amount or alter or change the kind of consideration to be received by holders of Private Bancorp common stock or if any Law requires the further approval of the shareholders of Providence Bancorp without such further approval. This Agreement may not be amended except by an instrument in writing signed by the parties hereto.

VIII. MISCELLANEOUS.

8.1 Survival. Article II, this Article VIII and the agreements of Providence and Florida Traditions Bank contained in Sections 5.8 and 5.9 shall survive the consummation of the Merger. This Article VIII and the agreements of Providence and Florida Traditions Bank contained in the Confidentiality Agreement and Section 7.2 shall survive the termination of this Agreement. All other representations, warranties, covenants and agreements in this Agreement shall not survive the consummation of the Merger.

8.2 Expenses.

(A) Whether or not the Merger is consummated, all costs and expenses incurred in connection with this Agreement, the Merger and other transactions contemplated by this Agreement shall be paid by the party incurring such expense.

(B) Notwithstanding Section 8.2(A) hereof, in the event of any Action arising out of or resulting from this Agreement, the prevailing party shall be entitled to recover its costs and expenses (including reasonable attorneys fees and expenses) incurred in connection therewith.

8.3 Certain Definitions. For purposes of this Agreement, the term:

(A) “Affiliate” means, as to any person, any other person which, directly or indirectly, is in control of, is controlled by or is under common control with such person. For purposes of this definition, “control” of a person shall mean the power, directly or indirectly, either to (i) vote 10% or more of the securities having ordinary voting power for the election of directors or other management of such person or (ii) direct or cause the direction of the management and policies of such person, whether by contract or otherwise.

(B) “Business Day” means Monday through Friday of each week, except a legal holiday recognized as such by the United States federal government or any day on which banking institutions in the State of Florida are authorized or obligated by Law to close.

(C) “Code” means the Internal Revenue Code of 1986, as amended

(D) “GAAP” means generally accepted accounting principles in the United States, consistently applied over the period involved.

(E) “Knowledge” when used with respect to a party shall mean the knowledge, after due inquiry, of any “Executive Officer” of such party as such term is defined in Regulation O of the Federal Reserve Board.

(F) Subject to the provisions of Schedule 8.3(F), “Material Adverse Effect” shall mean (a) an event, occurrence or circumstance, which individually or in the aggregate, results, or is reasonably likely to result, in a decrease in the shareholders’ equity account, or results of operations, of a party, as determined in accordance with GAAP and as measured from its Unaudited Financial Statements in an amount equal to or greater than \$250,000, including, without limitation, (i) the making of any provisions for possible loan and lease losses, write-downs of other real estate and taxes, (ii) operating losses and (iii) a breach of a representation or warranty, or (b) a breach of a representation or warranty which would materially impair the party’s ability to perform its obligations under this Agreement or the consummation of the Merger and the other transactions contemplated by this Agreement; *provided, however*, that the term Material Adverse Effect shall not be deemed to include the impact of (a) changes in banking and similar laws of general applicability or interpretations thereof by courts or governmental authorities; and (b) changes in generally accepted accounting principles or regulatory accounting requirements applicable to banks and bank holding companies generally.

(G) “Organizational Documents” means, with respect to any person, such person’s charter, by-laws, articles or certificate of incorporation, limited liability agreement, partnership agreement or other similar organizational or constituent documents.

(H) “Person” means an individual, corporation, partnership, limited liability company, association, trust, unincorporated organization, other entity or group (as defined in Section 13(d)(3) of the Exchange Act).

8.4 Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person, by facsimile or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(A) if to Providence: Providence Bancorp, Inc.
Providence Bank
1501 1st Street South
Winter Haven, Florida 33880
Attention: Gerald B. Ernst
President and Chief Executive Officer
Facsimile: (863) 297-9032

With a copy to: Luse Gorman Pomerenk & Schick, P.C.
5335 Wisconsin Avenue, NW, Suite 400
Washington, D.C. 20015
Attention: Robert Lipsher, Esquire
Facsimile: (202) 362-2902

(B) if to Florida Traditions Bank:
Florida Traditions Bank, Inc.
14033 8th Street
Dade City, Florida 33525
Attention: James S. "Bud" Stalnaker
President and Chief Executive Officer
Facsimile: (352) 523-1800

With a copy to: Smith Mackinnon, PA
255 South Orange Avenue, Suite 800
Orlando, Florida 32801
Attention: John P. Greeley, Esquire
Facsimile: (407) 843-2448

8.5 Counterparts. This Agreement may be executed in one or more counterparts (including by facsimile), each of which shall be deemed to constitute an original, but all of which together shall constitute one and the same instrument.

8.6 Governing Law; Waiver of Jury Trial.

(A) This Agreement shall be deemed to be made in and in all respects shall be interpreted, construed and governed by and in accordance with the laws of the State of Florida, without regard to the conflict of law principles thereof.

(B) (b) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (i) NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (ii) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (iii) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (iv) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 8.06.

8.7 Entire Understanding; No Third Party Beneficiaries. This Agreement (including the Disclosure Schedule attached hereto and incorporated herein), the Confidentiality Agreement, the Shareholders Agreements and the Non-Competition Agreements constitute the entire agreement of the parties hereto and thereto with reference to the transactions contemplated hereby and thereby and supersede all other prior agreements, understandings, representations and warranties, both written and oral, between the parties or their officers, directors, agents, employees or representatives, with respect to the subject matter hereof. Except for Section 5.8, nothing in this Agreement, expressed or implied, is intended to confer upon any Person, other than the parties hereto or their respective successors, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

8.8 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of Law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

8.9 Enforcement of the Agreement. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in

EXHIBIT 1 TO PLAN OF MERGER AND MERGER AGREEMENT

Name and address of Directors of Florida Traditions Bank following the Merger Effective Date: *

H. Allen Altman, Jr.
George T. Bush
Leonard H. Johnson
Kenneth R. Lehman
Dale E. Maggard
Pamela L. Mattox
William F. Nye
Ronald E. Oakley
Randall L. Phillips
Walter M. Rowland, Jr.
Kevin L. Ryman
Wilton E. Simpson
James S. "Bud" Stalnaker, Jr.
Charles D. Waller
Earl H. Young

* The address for each of the directors is 14033 8th Street, Dade City, Florida 33525

EXHIBIT 2 TO PLAN OF MERGER AND MERGER AGREEMENT

Name and Address of Executive Officers of Florida Traditions Bank

<u>Name of Individual *</u>	<u>Position with Florida Traditions Bank</u>
James S. "Bud" Stalnaker, Jr.	President and Chief Executive Officer
Thomas M. Ward	Chief Financial Officer
Earl H. Young	Executive Vice President and Chief Credit Officer
Melissa Wade	Senior Vice President and Operations Officer

* The address of each individual is 14033 8th Street, Dade City, Florida 33525

EXHIBIT 3 TO PLAN OF MERGER AND MERGER AGREEMENT

Banking Offices of Florida Traditions Bank Following the Merger Effective Date

Main Office:

14033 8th Street
Dade City, Florida 33525

Branch Offices:

1501 1st Street South
Winter Haven, Florida 33880

37741 Eiland Boulevard
Zephyrhills, Florida 33542

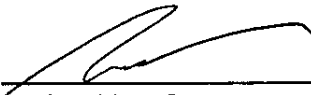
4301 Barclay Avenue
Spring Hill, Florida 34609

accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity.


- a. **Interpretation.** When reference is made in this Agreement to a Section, such reference shall be to a Section of this Agreement unless otherwise indicated. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." The words "hereof," "herein," "hereby" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The word "or" shall not be exclusive. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting or causing any instrument to be drafted.
- b. **Assignment.** This Agreement shall not be assignable by operation of law or otherwise without the prior written consent of each of the other parties; *provided, however,* that Florida Traditions Bank may assign all or any of its rights and obligations hereunder to any direct or indirect wholly-owned Subsidiary of Florida Traditions Bank.
- c. **Effect.** No provision of this Agreement shall be construed to require Providence or Florida Traditions Bank, Florida Traditions Bank, or any Affiliates or directors of any of them to take any action or omit to take any action which action or omission would violate applicable Law.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in counterparts by their duly authorized officers, all as of the day and year first above written.

PROVIDENCE BANCORP, INC.
PROVIDENCE BANK

By: 
Gerald B. Ernst
As Its: President and Chief Executive Officer

FLORIDA TRADITIONS BANK

By: 
James S. "Bud" Stalnaker, Jr.
As Its: President and Chief Executive Officer

OFFICER'S CERTIFICATE

The undersigned does hereby certify that he is the President and Chief Executive Officer of Florida Traditions Bank (the "Bank"), and that on May 21, 2009, at a meeting called to consider the approval of the Plan of Merger and Merger Agreement (the "Agreement") dated January 15, 2009 by and among the Bank, Providence Bank and Providence Bancorp, Inc., the holders of a majority of the outstanding shares of Bank common stock consented to the adoption of the Agreement, and there were no dissenting shareholders.

In witness of my signature, this 26th day of May, 2009.

FLORIDA TRADITIONS BANK

By: 

James S. "Bud" Stalnaker, Jr.
President and Chief Executive Officer


**WRITTEN CONSENT OF THE SOLE SHAREHOLDER
OF PROVIDENCE BANK**

THE UNDERSIGNED, as the sole shareholder of Providence Bank (the "Bank"), hereby waives all required notices and does hereby adopt the following resolution by written consent pursuant to the Bank's Bylaws.

RESOLVED, that the Plan of Merger and Merger Agreement, dated January 15, 2009 (the "Agreement"), by and among the Bank, Providence Bancorp, Inc. (the "Company"), and Florida Traditions Bank (the "Purchaser"), pursuant to which, among other things, (i) the Bank will merge with and into Purchaser (the "Merger"); (ii) immediately prior to the closing of the Merger, the Company will be dissolved such that all of the outstanding shares of the Bank immediately prior to the closing of the Merger will be owned by the shareholders of the Company; and (iii) each share of the common stock, par value \$50.00 per share, of the Bank ("Bank Common Stock") issued and outstanding immediately prior to the effective time of the Merger (except for shares of Bank Common Stock as to which dissenter's rights have been perfected), shall be converted into and exchanged for shares of Purchaser common stock and/or cash as set forth in the Agreement, and the transactions contemplated by the Agreement, are hereby adopted and approved.

PROVIDENCE BANCORP, INC.

By:



Gerald B. Ernst
President and Chief Executive Officer

Dated: January 15, 2009

OFFICE OF FINANCIAL REGULATION



Having been approved by the Acting Commissioner of the Office of Financial Regulation on April 17, 2009, to merge Providence Bank, Winter Haven, Polk County, Florida, with and into Florida Traditions Bank, Dade City, Polk County, Florida, and being satisfied that the conditions of approval have been met, I hereby approve for filing with the Department of State, the attached "Plan of Merger and Merger Agreement" which contains the Articles of Incorporation of Florida Traditions Bank (the resulting bank), so that effective at 5:00 p.m., May 29, 2009, they shall read as stated herein.

Signed on this 28TH day of
May 2009.



Director, Division of Financial Institutions