

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this ~~31st~~^{5th} day of ~~August~~^{September}, 1995 (the "Effective Date"), by and among Cecil G. Costin, Sr., Marie Costin, Robert Costin, Margaret Costin, W. H. Carr, Sr., Melvin C. Magidson, Dorothy C. Magidson, Charles A. Costin, Tanya Costin, Stuart Shoaf, Renee Shoaf, Andy Shoaf, Jason Shoaf, W. H. Carr, Jr., W. H. Carr, III, Melvin C. Magidson, Jr., and Carolyn Phinizy (the "Costin Group"), and the Office of Thrift Supervision ("OTS"), an office within the United States Department of the Treasury, acting through its Regional Director for the Southeast Region or his designee ("Regional Director"). For purposes of this Agreement, the Costin Group shall include any corporate or partnership entities that own shares of stock in Citizens Federal Savings Bank, Port St. Joe, Florida, OTS No. 06115 ("Citizens" or the "Institution"), and that are themselves owned or controlled by one or more members of the Costin Group.

WHEREAS, based on information available to it in its capacity as primary federal regulator of Citizens, the OTS is of the opinion that the Costin Group has engaged in acts and practices that have resulted in violations of certain of the laws or regulations to which the Costin Group and the Institution are subject; and

WHEREAS, on the basis of the violations, the OTS is of the opinion that grounds exist for the initiation of administrative proceedings against the Costin Group pursuant to 12 U.S.C. § 1818(b)¹; and

WHEREAS, the Costin Group is willing to enter into this Agreement, without admitting or denying any violations of laws or regulations, in order to cooperate with the OTS and to evidence their intent to comply with all applicable laws and regulations.

NOW THEREFORE, in consideration of the premises stated above, the parties hereto agree as follows:

1. All references to the U.S.C. are as amended.

COMPLIANCE WITH LAWS AND REGULATIONS

COMPLIANCE

1. The Costin Group shall comply with the provisions of Section 7(j) of the FDIA, 12 U.S.C. §1817(j) and 12 C.F.R. Parts 563b and 574 (1993).

INCREASE IN OWNERSHIP

2. The Costin Group shall not, as of the Effective Date of this Agreement, increase their ownership in any class of voting securities of Citizens, unless and until the OTS has issued its notice of intent not to disapprove their Notice of Change in Control. All shares of Citizens' stock that are owned or controlled by the Costin Group, directly or indirectly, in excess of 9.9 percent of the total outstanding shares of stock of Citizens are considered to be excess shares (and are hereafter referred to as "Excess Shares").

TRANSFER OF VOTING CONTROL

3. Within 30 days after the Effective Date of this Agreement, the Costin Group shall provide a proxy to management of the Institution permitting management to vote all of the Excess Shares held by the Costin Group on a pro-rata basis, in accordance with the votes of the other stockholders, at any duly called meeting of the shareholders of Citizens, until such time as the Costin Group has received notice that OTS will not object to its Notice of Change in Control.

FILING OF NOTICE; DIVESTITURE

4. Within six months of the effective date of this Agreement, the Costin Group shall either:
 - a. File with the OTS such Notice of Change in Control or other appropriate application or notice, as required by 12 C.F.R. Part 574, and receive all necessary OTS approvals to permit the Costin Group to own or control total aggregate shares of the Institution in excess of 9.9 percent of the total outstanding shares of stock of the Institution; or,

- b. arrange for and consummate a sale and transfer of the Excess Shares, or otherwise divest of the Excess Shares to parties who are neither deemed to be acting in concert with any member of the Costin Group pursuant to 12 C.F.R. §574.4(d), nor with whom any member of the Costin Group is "acting in concert" as that term is defined in 12 C.F.R. Part 574.2(c).

PROHIBITION ON ACTIVITY

5. For so long as any Excess Shares are subject to the proxy called for in Paragraph 3 of this Agreement, the Costin Group shall not engage in any of the following activities:
 - a. Seek or accept representation by more than two directors on the board of directors of the Institution;
 - b. Have or seek to have more than two representatives serve on an executive or similar committee of the board of directors of the Institution;
 - c. Engage in any transactions with the Institution; provided, however, that the Institution may continue to engage in the specific transactions with members of the Costin Group that were engaged in prior to the Effective Date of this Agreement;
 - d. Influence or attempt to influence in any respect the lending or credit decisions or policies of the Institution, except that representatives of the Costin Group who are serving as directors of Citizens as of the Effective Date of this Agreement may continue to influence such decisions in a manner consistent with their fiduciary duty to the Institution;
 - e. Influence or attempt to influence the dividend policies and practices of the Institution or any decision or policies of the Institution as to the offering or exchange of any shares of stock, except

that representatives of the Costin Group who are serving as directors of Citizens as of the Effective Date of this Agreement may continue to influence such decisions in a manner consistent with their fiduciary duty to the Institution;

- f. Have or seek to have any representative serve as an officer, agent, or employee of the Institution, except that Charles A. Costin may continue to serve as an attorney for the Institution;
- g. Propose a director or slate of directors in opposition to a nominee or slate of nominees proposed by the management or board of directors of the Institution;
- h. Solicit proxies or participate in any solicitation of proxies with respect to any matter presented to the stockholders of the Institution, except that members of the Costin Group who are serving as directors of Citizens as of the Effective Date of this Agreement may participate in any solicitations conducted by management of Citizens; or
- i. Seek to amend, or otherwise take action to change, the bylaws, articles of incorporation, or charter of the Institution, except that members of the Costin Group who are serving as directors of Citizens as of the Effective Date of this Agreement may participate in any amendment or change sought by management of Citizens, consistent with their fiduciary duty to the Institution.

TRANSFER TO TRUST

- 6. If the Costin Group elects to file a Notice of Change in Control with the OTS pursuant to Paragraph 4 of this Agreement, and the OTS notifies the Costin Group that it takes objection to said Notice, the Costin Group shall, within 30 days after receipt of the OTS notice of objection, transfer all of the Excess Shares to a trust properly endorsed for transfer or accompanied by fully endorsed stock powers, after revoking the proxy granted to management of the Institution pursuant to Paragraph 3 of this Agreement. The trust terms and the trustee must

be approved in advance by the Regional Director. Such approval shall be made in the sole discretion of the Regional Director. During the period the trustee has possession of the Excess Shares, the Costin Group shall not exercise any control, directly or indirectly, over the Excess Shares and shall not exercise any control, directly or indirectly, over said trust or trustee, except that the Costin Group may direct the trustee to sell all or a portion of the Excess Shares, as their interests may appear.

ACTION OF THE TRUSTEE

7. The trustee shall vote the Excess Shares on a pro-rata basis in accordance with the votes of the Institution's other common stockholders. To effect this requirement, the trustee shall provide written instructions to the Institution's Secretary that the Excess Shares shall be voted on this basis and shall furnish a copy of such instructions to the Regional Director. The Costin Group shall promptly take all steps necessary to enable the trustee to take such actions.

CONTROL BY THE TRUSTEE

8. The trustee shall not exercise or attempt to exercise, directly or indirectly, control or a controlling influence over the management or policies of the Institution. While the trustee has possession of the Excess Shares, he shall not directly or indirectly engage in any of the prohibited activities listed in subparagraphs (a) through (i) of Paragraph 5 of this Agreement.

DISSOLUTION OF THE TRUST

9. If, for any reason, the stock ownership of the Costin Group, or any other person or entity acting in concert with the Costin Group shall, in the aggregate, fall below ten (10) percent of the outstanding shares of the Institution, or upon the approval by the OTS of a Notice of Change in Control filed by the Costin Group, the trust may be dissolved, the voting instructions to the Secretary of the Institution may be rescinded and the Excess Shares still held by the trust returned to the Costin Group, as appropriate.

SUCCESSOR STATUTES, REGULATIONS, GUIDANCE, AMENDMENTS

10. Reference in this Agreement to provisions of statutes, regulations, and OTS Memoranda, bulletins and publications shall include references to all amendments to such provisions as have been made as of the Effective Date of this Agreement and references to successor provisions as they become applicable.

NOTICES

11. a. Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by the Agreement to be made upon, given or furnished to, delivered to, or filed with:
- (i) the OTS by the Costin Group, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid or sent via overnight delivery service or physically delivered, in each case addressed to the Regional Director for the Southeast Region, Office of Thrift Supervision, Department of the Treasury, 1475 Peachtree Street, N.E., Atlanta, Georgia 30309 or telecopied to (404)888-5634 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.
 - (ii) the Costin Group by the OTS, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid, or sent via overnight delivery service or physically delivered, in each case addressed in care of Greg Johnson, Citizens Federal Savings Bank, 401 5th St., Port St. Joe, Florida 32456, with a copy to George Iglar, Iglar & Dougherty, P.A., 1501 Park Avenue East, Tallahassee, Florida 32301, and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above addresses.

- b. Notices hereunder shall be effective upon receipt, if by mail, overnight delivery service or telecopy, and upon delivery if by physical delivery. If there is a dispute about the date on which a written notice has been received by a party to this Agreement, there shall be a presumption that the notice was received two Business Days after the date of the postmark on the envelope in which the notice was enclosed.

DURATION, TERMINATION OR SUSPENSION OF AGREEMENT

12. The provisions of this Agreement shall remain in effect until terminated, modified or suspended in writing by the OTS, acting through the Regional Director. The Regional Director in his sole discretion may, by written notice, terminate and/or suspend any or all provisions of this Agreement.

EFFECT OF HEADINGS

13. The section headings used in this Agreement are for convenience of reference only and are not to affect the construction of or be taken into consideration in the interpretation of this Agreement.

SEPARABILITY CLAUSE

14. In the event that any provision of this Agreement is ruled to be invalid, illegal or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his sole discretion determines otherwise.

NO VIOLATIONS OF LAW, RULE, REGULATION OR
POLICY STATEMENT AUTHORIZED; OTS NOT RESTRICTED

15. Nothing in this Agreement shall be construed as:
- a. allowing the Costin Group to violate any law, rule, regulation, or policy statement to which its members are subject, or

- b. restricting, in any way, the OTS from taking any action that it believes is appropriate in fulfilling the responsibilities placed upon it by law.

SUCCESSORS IN INTEREST/BENEFIT

16. The terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest. Nothing in this Agreement, express or implied, shall give to any person or entity, other than the parties hereto, the Resolution Trust Corporation, and the Federal Deposit Insurance Corporation and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

TIME LIMITS

17. Any time limitations imposed by this Agreement shall begin to run from the Effective Date of the Agreement, unless otherwise provided for in the Agreement. Such time limitations may be extended by the Regional Director in his sole discretion upon written application by the Costin Group.

DEFINITIONS

18. All technical words or terms used in this Agreement for which meanings are not specified or otherwise provided by the provisions of the Agreement shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations. Any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations shall have meanings that accord with the best custom and usage in the savings and loan industry.

INTEGRATION CLAUSE; MODIFICATION

19. This Agreement represents the final written agreement of the parties with respect to the subject matter hereof and constitutes the sole agreement of the parties, as of the Effective Date, with respect to such subject matter. This Agreement may not be amended except by a written modification agreement duly executed by the parties hereto.

COUNTERPARTS

20. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which shall constitute one and the same instrument, and any party may execute this Agreement by signing any such counterpart.

WRITTEN AGREEMENT WITH THE AGENCY

20. This Agreement has been duly authorized, executed and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Costin Group. It is understood and agreed that this Agreement is a "written agreement entered into with the agency" as that phrase is used in Section 8(b) of the FDIA, 12 U.S.C. §1818(b).

IN WITNESS WHEREOF, the OTS, acting through the Regional Director, and the Costin Group have executed this Agreement on the date first above written.

Cecil G. Costin, Sr., Trustee,
C. G. Costin, Sr. Revocable Trust

Marie Costin

Robert Costin

Margaret Costin

W. H. Carr, Sr.

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JS/
Cecil G. Costin, Sr., Trustee, of The
C. G. Costin, ~~SxxxxRxxxxabkexTxxxx~~
and Lola Costin Living Trust.

JS/
Marie Costin

Robert Costin

JS/
Margaret Costin

JS/
W. H. Carr, Sr.

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Margaret Costin

W. H. Carr, Sr.

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Dorothy C. Magidson

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Charles A. Costin

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Tanya Costin

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Stuart Shoaf

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Renee Shoaf

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Andy Shoaf, a minor,
by Stuart Shoaf, his Guardian

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Jason Shoaf, a minor,
by Renee Shoaf, his Guardian

W. H. Carr, Jr.

W. H. Carr, III, by W. H. Carr, Jr.

Melvin C. Magidson, Jr.

Melvin C. Magidson

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15/
Melvin C. Magidson, Jr.

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Carolyn Phinizy 00

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Amanda Phinizy, a minor T / ~
by Carolyn Phinizy, her Guardian

Frederick Crosby

Betty Crosby

OFFICE OF THRIFT SUPERVISION

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Richard M. Riccobono
Acting Regional Director

Carolyn Phinizy

Amanda Phinizy, a minor
by Carolyn Phinizy, her Guardian

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