

SUPERVISORY AGREEMENT

This Supervisory Agreement (Agreement) is made and is effective this 31st day of December, 2009 (Effective Date), by and between Coastal Bancorporation, Inc., Merritt Island, Florida, OTS Docket No. H-3154 (Holding Company), a savings and loan holding company of its wholly-owned savings association subsidiary Coastal Bank, Merritt Island, Florida OTS Docket No. 15445 (Association), acting by and through the Holding Company's Board of Directors (Board), and the Office of Thrift Supervision (OTS), a bureau of the United States Department of the Treasury, acting by and through its Regional Director for the Southeast Region or his designee (Regional Director).

WHEREAS, the OTS is the primary Federal regulator of the Holding Company pursuant to the Home Owners' Loan Act (HOLA), 12 U.S.C. §§ 1461 *et seq.*, and is the Holding Company's appropriate Federal banking agency for purposes of the Federal Deposit Insurance Act (FDIA), 12 U.S.C. §§ 1811 *et seq.*; and

WHEREAS, based on its April 27, 2009 Report of Examination of the Holding Company (2009 ROE), the OTS finds that the Holding Company has failed to comply with the requirements of laws or regulations to which the Holding Company is subject and/or engaged in unsafe or unsound acts or practices; and

WHEREAS, the Holding Company, which is subject to examination, regulation, and supervision by the OTS, is taking steps to address the unsafe or unsound practices and other weaknesses and deficiencies identified by the OTS; and

WHEREAS, in furtherance of their common goal to ensure that the Holding Company continues to address the unsafe or unsound practices and weaknesses and deficiencies identified

by the OTS, the Holding Company and the OTS have mutually agreed to enter into this Agreement; and

NOW THEREFORE, in consideration of the above premises, it is agreed as follows:

Dividends.

1. Effective immediately, the Holding Company shall neither accept nor request that the Association make or pay any dividends or other capital distributions, as that term is defined in 12 C.F.R. § 563.141, or commit to make or pay dividends or any other capital distributions, without receiving the prior written approval of the Regional Director.
2. Effective immediately, the Holding Company shall not declare or pay any dividends or other capital distributions without the prior written approval of the Regional Director.
3. The Holding Company's written request for approval under Paragraphs 1 or 2 of this Agreement shall be submitted to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed dividend payment or distribution of capital.

Debt Limitations.

4. Effective immediately, the Holding Company shall not: (a) incur, issue, renew, or rollover any debt or debt securities, increase any current lines of credit, guarantee the debt of any entity, or otherwise incur any additional debt without receiving the prior written approval of the Regional Director; or (b) authorize or permit any subsidiary of the Holding Company from incurring, issuing, renewing, or rolling over any debt or debt securities, increasing any current lines of credit, guaranteeing the debt of any entity, or otherwise incurring any additional debt without receiving the prior written approval of the Regional Director. All written requests to the Regional Director shall include, at a minimum, a statement regarding the purpose of the debt, the terms of the debt, the planned source(s) for debt repayment, and an analysis of the cash flow

resources available to meet such debt repayment. The Holding Company's written request for such approval shall be submitted to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed debt issuance, renewal, or rollover.

5. Effective immediately, the Holding Company shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Regional Director. The Holding Company's written request for such approval shall be submitted to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed stock purchase or redemption.

Thrift Oversight.

6. Effective immediately, the Holding Company shall ensure the Association's compliance with applicable laws, rules, regulations, and agency guidance and all the terms of the Association December ____, 2009 Supervisory Agreement.

Management Changes.

7. Effective immediately, the Holding Company shall comply with the prior notification requirements for changes in directors and Senior Executive Officers set forth in 12 C.F.R. Part 563, Subpart H.

Employment Contracts and Compensation Arrangements.

8. Effective immediately, the Holding Company shall not enter into, renew, extend, or revise any contractual arrangement relating to compensation or benefits for any Senior Executive Officer or director of the Holding Company, unless it first provides the OTS with not less than thirty (30) days prior written notice of the proposed transaction. The notice to the OTS shall include a copy of the proposed employment contract or compensation arrangement, or a detailed, written description of the compensation arrangement to be offered to such officer or director,

including all benefits and perquisites. The Board shall ensure that any contract, agreement, or arrangement submitted to the OTS fully complies with the requirements of 12 C.F.R. Part 359, 12 C.F.R. §§ 563.39 and 563.161(b), and 12 C.F.R. Part 570 – Appendix A.

Severance and Indemnification Payments.

9. Effective immediately, the Holding Company shall not make any golden parachute payment¹ or prohibited indemnification payment² unless, with respect to each such payment, the Holding Company has complied with the requirements of 12 C.F.R. Part 359 and, as to indemnification payments, 12 C.F.R. § 545.121.

Third Party Arrangements.

10. Effective immediately, the Holding Company shall not enter into any arrangement or contract with a third party service provider that is significant³ to the overall operation or financial condition of the Holding Company or outside the Holding Company's normal course of business unless, with respect to each such contract, the Holding Company has: (a) provided the OTS with a minimum of thirty (30) days prior written notice of such arrangement or contract; (b) determined that the arrangement or contract complies with the standards and guidelines set forth in Thrift Bulletin 82a (TB 82a); and (c) received written notice of non-objection from the Regional Director.

11. Effective immediately, the Holding Company shall provide the OTS with written notice of all new arrangements or contracts with third party service providers consistent with the requirements of 12 U.S.C. § 1464(d)(7)(D)(ii). Such notice shall be provided to the Regional Director not later than thirty (30) days after the earlier of: (a) the date on which the Holding

¹ The term "golden parachute payment" is defined at 12 C.F.R. § 359.1(f).

² The term "prohibited indemnification payment" is defined at 12 C.F.R. § 359.1(l).

³ A contract shall be considered significant to the overall operation or financial condition of the Holding Company where the annual contract amount equals or exceeds two (2) percent of the Holding Company's total capital.

Company enters into the contract; or (b) the date on which the performance of the service is initiated. The Board shall review all arrangements or contracts with third party service providers covered by this Paragraph to ensure compliance with the standards and guidelines set forth in TB 82a.

Effective Date.

12. This Agreement is effective on the Effective Date as shown on the first page.

Duration.

13. This Agreement shall remain in effect until terminated, modified or suspended, by written notice of such action, by the OTS, acting by and through its authorized representatives.

Time Calculations.

14. Calculation of time limitations for compliance with the terms of this Agreement run from the Effective Date and shall be based on calendar days, unless otherwise noted.

15. The Regional Director may extend any of the deadlines set forth in the provisions of this Agreement upon written request by the Holding Company that includes reasons in support for any extension. Any OTS extension shall be made in writing.

Submissions and Notices.

16. All submissions, including progress reports, to the OTS that are required by or contemplated by the Agreement shall be submitted within the specified timeframes.

17. Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Agreement shall be in writing and sent by first class U.S. mail (or by reputable overnight carrier, electronic facsimile transmission or hand delivery

by messenger) addressed as follows:

- a. To the OTS:
James G. Price, Regional Director
Office of Thrift Supervision
1475 Peachtree St., NE
Atlanta, Georgia 30309
404.897.1861 (Fax)

- b. To the Holding Company:
Board of Directors
c/o P. Douglas Freedle, Chairman
Coastal Bancorporation, Inc.
2105 North Courtenay Parkway
Merritt Island, FL 32953
321.453.5894 (Fax)

No Violations Authorized.

18. Nothing in this Agreement shall be construed as allowing the Holding Company, its Board, officers or employees to violate any law, rule, or regulation.

OTS Authority Not Affected.

19. Nothing in this Agreement shall inhibit, estop, bar or otherwise prevent OTS from taking any other action affecting the Holding Company if at any time OTS deems it appropriate to do so to fulfill the responsibilities placed upon OTS by law.

Other Governmental Actions Not Affected.

20. The Holding Company acknowledges and agrees that its execution of the Agreement is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 19 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Holding Company that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than OTS.

Miscellaneous.

21. The laws of the United States of America shall govern the construction and validity of this Agreement.

22. If 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 or her sole discretion determines otherwise.

23. All references to OTS in this Agreement shall also mean any of the OTS's predecessors, successors, and assigns.

24. The section and paragraph headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

25. The terms of this Agreement represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters.

Enforceability of Agreement.

26. This Agreement is a "written agreement" entered into with an agency within the meaning and for the purposes of 12 USC §§ 1818(b)(1), 1818(e)(1), 1818(i)(2), and 1818(u)(1)(A).

Signature of Directors/Board Resolution.

27. Each Director signing this Agreement attests that he or she voted in favor of a Board Resolution authorizing the consent of the Holding Company to the issuance and execution of the Agreement.

