

## **SUPERVISORY AGREEMENT**

This Supervisory Agreement (Agreement) is made and is effective this 9th day of October, 2009 (Effective Date), by and between First Glades Corporation, Clewiston, Florida, OTS Docket No. H-2157 (Holding Company), a savings and loan holding company of its wholly-owned savings association subsidiary Olde Cypress Community Bank, Clewiston, Florida, OTS Docket No. 02517 (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 March 30, 2009 examination of the Holding Company (2009 ROE), the OTS finds that the Holding Company has failed to comply with the requirements of laws and regulations to which the Holding Company is subject, failed to adopt and implement appropriate and comprehensive operational and risk management practices and strategies, and failed to identify and correct other deficiencies and weaknesses in its operations; 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

**WHEREAS**, the Holding Company's Board, at a duly constituted meeting, adopted a resolution (Board Resolution) that authorizes the Holding Company to enter into this Agreement and directs compliance by the Holding Company and its directors, officers, employees, and other institution-affiliated parties with each provision of this Agreement.

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

**Capital**

1. By November 30, 2009, the Board shall prepare and submit for Regional Director review and comment a written plan to preserve and enhance the capital of the Holding Company and the Association and ensure that the Association complies with the capital requirements imposed by the Supervisory Agreement issued by the OTS against the Association on October 9, 2009 (Capital Augmentation Plan). At a minimum, the Capital Augmentation Plan shall:

- (a) address the requirements and restrictions imposed by this Agreement and the Supervisory Agreement issued by the OTS against the Association on October 9, 2009;
- (b) detail the Holding Company's capital preservation and enhancement strategies with specific narrative goals; and
- (c) identify the specific sources of additional capital and the timeframes and methods by which additional capital will be raised, including specific target dates and capital levels.
- (d) establish an alternative strategy, including but not limited to, seeking a merger or acquisition partner for the Holding Company and/or the Association, to be implemented

immediately if the Board's primary strategy to raise additional capital is unsuccessful;  
and

(e) require the Senior Executive Officers (Management)<sup>1</sup> to prepare and submit for Board review at each regular monthly Board meeting, a written report on the Holding Company's compliance with the Capital Augmentation Plan and the Association's compliance with its Capital Plan (Capital Status Report).

2. Within fifteen (15) days after receipt of any comments from the Regional Director, the Board will revise the Capital Augmentation Plan to incorporate any recommended changes by the Regional Director and adopt the Capital Augmentation Plan as revised. The Board shall ensure that the Holding Company implements and adheres to the Capital Augmentation Plan. A copy of the Capital Augmentation Plan and the Board meeting minutes reflecting the Board's adoption thereof shall be provided to the Regional Director within ten (10) days after the Board meeting.

3. Within fifteen (15) days after (i) the Association fails to meet the with the capital requirements imposed by the Supervisory Agreement issued by the OTS against the Association on October 9, 2009, (ii) the Holding Company fails to comply with the Capital Augmentation Plan prescribed in Paragraph 3, or (iii) request from the Regional Director, the Board shall prepare and submit a written Contingency Plan that is acceptable to the Regional Director. The Contingency Plan shall detail the actions to be taken, with specific time frames, to achieve one of the following results by the later of the date of receipt of all required regulatory approvals or sixty (60) days after the implementation of the Contingency Plan: (a) merger of the Holding Company or Association with, or acquisition of the Holding Company or Association by another federally insured depository institution or holding company thereof; or (b) voluntary liquidation

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<sup>1</sup> The term Senior Executive Officer is defined at 12 C.F.R. § 563.555.

of the Association by filing an appropriate application with OTS in conformity with federal laws and regulations.

4. Upon receipt of notification from the Regional Director, the Holding Company shall implement the Contingency Plan immediately. The Board shall provide the Regional Director with written status reports detailing the Holding Company's progress in implementing the Contingency Plan by no later than the 1<sup>st</sup> and 15<sup>th</sup> of each calendar month following implementation of the Contingency Plan (Contingency Status Reports).

**Business Plan.**

5. By November 30, 2009, the Board shall prepare and submit to the Regional Director for review and comment a comprehensive business plan for calendar years 2010, 2011 and 2012 (Business Plan) that is acceptable to the Regional Director. The Business Plan shall at a minimum:

- (a) address the requirements contained within this Agreement and the comments contained within the OTS Report of Examination of the Holding Company dated 2009 ROE;
- (b) include defined strategies for capital enhancement commensurate with the capital maintenance requirements in Paragraph 1;
- (c) include a detailed narrative of the Board's plans and strategies to strengthen and improve the Holding Company's, as well as the consolidated enterprise's operations, earnings and profitability, including plans for reducing operating expenses;
- (d) include a detailed discussion of the Holding Company's current financial position and resources and the Board's strategies for preserving and enhancing the Holding Company's financial resources to meet the needs of the consolidated enterprise under the

Business Plan, adequately support the Association's risk profile, maintain compliance with applicable regulatory capital requirements, and satisfy the Association's liquidity needs;

(e) require quarterly pro forma financial projections (balance sheet, income statement, and budget) for each quarter covered by the Business Plan; and

(f) identify all relevant assumptions and projections, including documentation supporting such assumptions and projections.

6. Within twenty (20) days after receipt of any comments from the Regional Director, the Board will revise the Capital Plan to incorporate any recommended changes by the Regional Director and adopt the Capital Plan as revised. The Board shall send a copy of the final Business Plan to the Regional Director within ten (10) days of the Board's adoption.

7. The Board shall ensure that the Holding Company implements and adheres to the Business Plan. Any material modifications<sup>2</sup> to the Business Plan must receive the prior written non-objection of the Regional Director. The Holding Company shall submit proposed modifications to the Regional Director at least forty-five (45) days prior to implementation.

8. Within thirty (30) days after the close of each calendar quarter, beginning with the calendar quarter ending March 31, 2010, the Board shall review quarterly variance reports on the Holding Company's compliance with the revised Business Plan (Quarterly Business Plan Variance Reports). The Quarterly Business Plan Variance Reports shall:

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<sup>2</sup> A modification shall be considered material under this section of the Agreement if the Association plans to: (a) engage in any activity that is inconsistent with the revised Business Plan; or (b) exceed the level of any activity contemplated in the revised Business Plan or fail to meet target amounts established in the revised Business Plan by more than ten percent (10%), unless the activity involves assets risk-weighted fifty percent (50%) or less, in which case a modification of more than twenty-five percent (25%) shall be deemed to be a material modification.

- (a) identify material variances<sup>3</sup> in the Holding Company's actual performance during the preceding quarter as compared to the projections set forth in the revised Business Plan;
- (b) contain an analysis and explanation of identified variances; and
- (c) discuss the specific measures taken or to be taken to address identified variances.

9. The Board's review of the Quarterly Business Plan Variance Reports, including any corrective actions adopted by the Board, shall be fully documented in the Board meeting minutes. A copy of the Quarterly Business Plan Variance Report and the Board meeting minutes detailing the Board's review shall be provided to the Regional Director within ten (10) days after the Board meeting.

**Dividends.**

10. 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. § 563.134, or commit to make or pay dividends or any other capital distributions, without receiving 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 dividend payment or distribution of capital.

11. 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. The Holding Company's written request for such approval shall be submitted to the Regional

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<sup>3</sup> A variance shall be considered material under this section of the Agreement if the Association plans to: (a) engage in any activity that is inconsistent with the revised Business Plan; or (b) exceed the level of any activity contemplated in the revised Business Plan or fail to meet target amounts established in the revised Business Plan by more than ten percent (10%), unless the activity involves assets risk-weighted fifty percent (50%) or less, in which case a variance of more than twenty-five percent (25%) shall be deemed to be a material variance.

Director at least forty-five (45) days prior to the anticipated date of the proposed dividend payment or distribution of capital.

**Debt Limitations.**

12. Effective immediately, the Holding Company shall not 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. 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.

13. 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.**

14. 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 Agreement.

**Management Changes.**

15. 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, 12 C.F.R. §§ 563.550 through 563.590.

**Employment Contracts and Compensation Arrangements.**

16. 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.**

17. Effective immediately, the Holding Company shall not make any golden parachute payment<sup>4</sup> or prohibited indemnification payment<sup>5</sup> 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.

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<sup>4</sup> The term “golden parachute payment” is defined at 12 C.F.R. § 359.1(f).

<sup>5</sup> The term “prohibited indemnification payment” is defined at 12 C.F.R. § 359.1(l).

**Third Party Contracts.**

18. Effective immediately, the Holding Company shall not enter into any arrangement or contract with a third party service provider that is significant<sup>6</sup> 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.

19. Effective immediately, the Holding Company shall provide the OTS with written notice of all 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 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.**

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

**Duration.**

21. 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.

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<sup>6</sup> 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.

**Time Calculations.**

22. 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.

23. 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.**

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

25. 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:  
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  
First Glades Corporation  
c/o John C. Perry, Chairman  
205 S W.C. Owens Avenue  
Clewiston, FL 33440-3630

**No Violations Authorized.**

26. 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.**

27. 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.**

28. 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 28 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.**

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

30. 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.

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

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

33. The terms of this Agreement represent the final agreement of the parties with respect to

