

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

Written Agreement by and between

BSA FINANCIAL SERVICES, INC.
Saint Augustine, Florida

and

FEDERAL RESERVE BANK OF
ATLANTA
Atlanta, Georgia

Docket No. 12-071-WA/RB-HC

WHEREAS, BSA Financial Services, Inc., Saint Augustine, Florida (“BSA”), a registered thrift holding company, owns and controls Bank of Saint Augustine, Saint Augustine, Florida (the “Bank”), a federal savings association;

WHEREAS, it is the common goal of BSA and the Federal Reserve Bank of Atlanta (the “Reserve Bank”) to maintain the financial soundness of BSA so that BSA may serve as a source of strength to the Bank;

WHEREAS, BSA and the Reserve Bank have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on November 28, 2012, the board of directors of BSA, at a duly constituted meeting, adopted a resolution authorizing and directing Harry Jeff Bell to enter into this Agreement on behalf of BSA, and consenting to compliance with each and every provision of this Agreement by BSA and its institution-affiliated parties, as defined in

sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. §§ 1813(u) and 1818(b)(3)).

NOW, THEREFORE, BSA and the Reserve Bank agree as follows:

Source of Strength

1. The board of directors of BSA shall take appropriate steps to fully utilize BSA’s financial and managerial resources, pursuant to section 38A of the FDI Act (12 U.S.C. § 1831o-1) and section 238.8(a) of Regulation LL of the Board of Governors of the Federal Reserve System (the “Board of Governors”) (12 C.F.R. § 238.8(a)), to serve as a source of strength to the Bank, including, but not limited to, taking steps to ensure that the Bank complies with the Formal Agreement entered into with the Office of the Comptroller of the Currency on March 22, 2012, and any other supervisory action taken by the Bank’s federal regulator.

Dividends and Distributions

2. (a) BSA shall not declare or pay any dividends without the prior written approval of the Reserve Bank and the Director of the Division of Banking Supervision and Regulation (the “Director”) of the Board of Governors.

(b) BSA shall not directly or indirectly take dividends or any other form of payment representing a reduction in capital from the Bank without the prior written approval of the Reserve Bank.

(c) BSA and its nonbank subsidiaries shall not make any distributions of interest, principal, or other sums on subordinated debentures or trust preferred securities without the prior written approval of the Reserve Bank and the Director.

(d) All requests for prior approval shall be received by the Reserve Bank at least 30 days prior to the proposed dividend declaration date, proposed distribution on subordinated debentures, and required notice of deferral on trust preferred securities. All requests shall contain, at a minimum, current and projected information on BSA's capital, earnings, and cash flow; the Bank's capital, asset quality, earnings, and allowance for loan and lease losses; and identification of the sources of funds for the proposed payment or distribution. For requests to declare or pay dividends, BSA must also demonstrate that the requested declaration or payment of dividends is consistent with the Board of Governors' Policy Statement on the Payment of Cash Dividends by State Member Banks and Bank Holding Companies, dated November 14, 1985 (Federal Reserve Regulatory Service, 4-877 at page 4-323).

Debt and Stock Redemption

3. (a) BSA shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank. All requests for prior written approval shall contain, but not be limited to, a statement regarding the purpose of the debt, the terms of the debt, and the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

(b) BSA shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank.

Compliance with Laws and Regulations

4. (a) In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, BSA shall comply with the notice provisions of section 32 of the FDI Act (12 U.S.C. § 1831i) and Subpart H of Regulation LL of the Board of Governors

(12 C.F.R. §§ 238.71 *et seq.*).

(b) BSA shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the Federal Deposit Insurance Corporation's regulations (12 C.F.R. Part 359).

Progress Reports

5. Within 45 days after the end of each calendar quarter following the date of this Agreement, the board of directors shall submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with the provisions of this Agreement and the results thereof, and a parent company only balance sheet, income statement, and, as applicable, report of changes in stockholders' equity.

Communications

6. All communications regarding this Agreement shall be sent to:

- (a) Mr. Allen Stanley
Assistant Vice President
Federal Reserve Bank of Atlanta
1000 Peachtree Street, N.E.
Atlanta, Georgia 30309
- (b) Mr. Harry Jeff Bell
President and Chief Executive Officer
BSA Financial Services, Inc.
120 State Road 312 West
Saint Augustine, Florida 32086

Miscellaneous

7. Notwithstanding any provision of this Agreement, the Reserve Bank may, in its sole discretion, grant written extensions of time to BSA to comply with any provision of this Agreement.

8. The provisions of this Agreement shall be binding upon BSA and its institution-affiliated parties, in their capacities as such, and their successors and assigns.

9. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank.

10. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, or any other federal or state agency from taking any other action affecting BSA, the Bank, any nonbank subsidiary of BSA, or any of their current or former institution-affiliated parties and their successors and assigns.

11. Pursuant to section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under section 8 of the FDI Act (12 U.S.C. § 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 4th day of December, 2012.

BSA FINANCIAL SERVICES,
INC.

FEDERAL RESERVE BANK
OF ATLANTA

By: /s/ Harry Jeff Bell
Harry Jeff Bell
President and Chief Executive Officer

By: /s/ Allen Stanley
Allen Stanley
Assistant Vice President