

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

Written Agreement by and between

GULF STATE BANCORP
Carrabelle, Florida

and

FEDERAL RESERVE BANK OF ATLANTA
Atlanta, Georgia

Docket No. 10-086- -WA/RB-HC

WHEREAS, Gulf State Bancorp, Carrabelle, Florida (“Gulf State”), a registered bank holding company, owns and controls Gulf State Community Bank, Carrabelle, Florida, (the “Bank”), a state chartered nonmember bank and a nonbank subsidiary;

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

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

WHEREAS, on April 30, 2010, the board of directors of Gulf State, at a duly constituted meeting, adopted a resolution authorizing and directing Cliff Butler to enter into this Agreement on behalf of Gulf State, and consenting to compliance with each and every provision of this Agreement by Gulf State 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, Gulf State and the Reserve Bank agree as follows:

Source of Strength

1. The board of directors of Gulf State shall take appropriate steps to fully utilize Gulf State's financial and managerial resources, pursuant to section 225.4(a) of Regulation Y of the Board of Governors of the Federal Reserve System (the "Board of Governors") (12 C.F.R. § 225.4(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 Order to Cease and Desist entered into with the Federal Deposit Insurance Corporation (the "FDIC") and the Division of financial Institutions of the Florida Office of Financial Regulation ("OFR") on November 20, 2009 and any other supervisory action taken by the Bank's federal or state regulator.

Dividends and Distributions

2. (a) Gulf State 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) Gulf State 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) Gulf State and its nonbank subsidiary 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 Gulf State'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, Gulf State 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) Gulf State and its nonbank subsidiary 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) Gulf State 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, Gulf State shall comply with the notice provisions of section 32 of the FDI Act (12 U.S.C. § 1831i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*).

(b) Gulf State 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 30 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. Robert D. Hawkins
Assistant Vice President
Federal Reserve Bank of Atlanta
1000 Peachtree Street, N.E.
Atlanta, Georgia 30309-4470
- (b) Mr. John C. Butler, II
President and Chairman of the Board
Gulf State Bancorp.
206 St. James Avenue
Carrabelle, Florida 32322

Miscellaneous

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

8. The provisions of this Agreement shall be binding upon Gulf State 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 Gulf State, the Bank, any nonbank subsidiaries of Gulf State, 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 6th day of May, 2010.

GULF STATE BANCORP

FEDERAL RESERVE BANK
OF ATLANTA

By: /s/ Cliff Butler
Cliff Butler
President and CEO

By: /s/ Robert D. Hawkins
Robert D. Hawkins
Assistant Vice President