



100 East Water Street,
Sandusky, Ohio 44870-2514
419-625-4121
www.fcza.com

March 9, 2009

Neil M. Barofsky
Special Inspector General
Office of the Special Inspector General
Troubled Asset Relief Program
1500 Pennsylvania Avenue, N.W., Suite 1064
Washington, D.C. 20220

Dear Mr. Barofsky:

I am writing to supply the information requested of First Citizens Banc Corp. (referred to herein as "First Citizens," "we," "our" and "us") in your letter of February 6, 2009. Provided below is a brief overview of our participation in the U.S. Treasury's Capital Purchase Program (the "Capital Purchase Program") implemented under the Troubled Asset Relief Program ("TARP") established by the Emergency Economic Stabilization Act of 2008 ("EESA"), followed by our responses to your specific information requests.

First Citizens' Participation in the Capital Purchase Program

On January 23, 2009, First Citizens completed the sale to the U.S. Treasury of \$23,184,000 of non-voting preferred shares of First Citizens as part of the Capital Purchase Program. To finalize First Citizens' participation in the Capital Purchase Program, First Citizens and the U.S. Treasury entered into a Letter Agreement, dated January 23, 2009, including the Securities Purchase Agreement — Standard Terms which is attached thereto (collectively, the "Securities Purchase Agreement"). Pursuant to the Securities Purchase Agreement, First Citizens issued and sold to the U.S. Treasury (i) 23,184,000 of First Citizens' Fixed Rate Cumulative Perpetual Preferred Shares, Series A, each without par value and having a liquidation preference of \$1,000 per share (the "Series A Preferred Shares"), and (ii) a warrant (the "Warrant") to purchase 469,312 common shares of First Citizens, at an exercise price of \$7.41 per share, for an aggregate purchase price of \$23,184,000 in cash.

Information Requests

1(a). Anticipated Use of TARP Funds.

We elected to participate in the Capital Purchase Program to provide an additional capital cushion (i.e., increase our Tier 1 capital ratios) to ensure that, during these uncertain economic times, we would be well-positioned to support our existing operations as well as anticipated future growth. The additional cash liquidity provided by these funds for our subsidiary bank, The Citizens Banking Company ("Citizens Bank"), was also a significant factor in our decision to participate in the Capital Purchase Program.

As we contemplated an application to participate in the Capital Purchase Program, we were considering several uses for the funds, both short-term and longer term, possibly in combination with one another. Short-term we wanted to find a use for the funds quickly to offset the expense of the preferred dividend on the Series A Preferred Shares. The purchase of bonds to generate income was one short-term alternative considered. Another was the pay-down of existing loans to use the cash that we would hold to save interest expenses.

We felt that, over the longer term, our participation in the Capital Purchase Program would allow us to increase our lending within our market areas. We believed that we could generate additional requests for loans that we could make without lowering credit standards, but we expected that, unless we lowered credit standards, it would take an extended period of time to make the additional loans.

We also considered that the availability of the additional capital from participation in the Capital Purchase Program might make it possible for us to take advantage of opportunities

(b) (4)

1(b). Segregation of TARP Funds.

Upon the closing of our sale of the Series A Preferred Shares and the Warrant to the U.S. Treasury on January 23, 2009, the funds received from the U.S. Treasury were deposited into First Citizens' checking account at Citizens Bank, our bank subsidiary. After some of the funds were used (as described below), a separate checking account at Citizens Bank was established, and the balance was transferred to that account.

1(c). Actual Use of TARP Funds to Date.

On February 10, 2009, First Citizens wired \$20,641,535.46 to KeyBank to repay corporate debt, but a total of \$9,111.11 was returned by KeyBank as a reimbursement of some interest paid. In addition, consistent with a desire to use the TARP proceeds to pay principal, rather

than interest, on the loans, First Citizens deposited an additional \$132,424.35 into the separate checking account established for the remaining proceeds. The balance remains on deposit in that account.

1(d). Expected Use of Unspent TARP Funds.

At this point, we expect to retain the balance of the proceeds on deposit at Citizens Bank, providing liquidity to that bank.

2. Plans for Addressing Executive Compensation Requirements.

Under the terms of the Securities Purchase Agreement, First Citizens is required to comply with various executive compensation standards applicable to First Citizens' senior executive officers ("Senior Executive Officers") for the period during which the U.S. Treasury holds a debt or equity position in First Citizens acquired under the Capital Purchase Program. First Citizens' Senior Executive Officers are James O. Miller, President and Chief Executive Officer; Todd A. Michel, Senior Vice President and Controller; James E. McGookey, Senior Vice President and General Counsel; Richard J. Dutton, Senior Vice President; and Charles C. Riesterer, Senior Vice President. The Securities Purchase Agreement requires First Citizens to comply with the executive compensation standards under Section 111(b) of EESA, as implemented by any guidance or regulation issued under Section 111(b) of EESA and in effect as of the date of the closing of our participation in the Capital Purchase Program (January 23, 2009). These standards include: (1) ensuring that incentive compensation for senior executives does not encourage unnecessary and excessive risks that threaten the value of the financial institution; (2) requiring a clawback of any bonus or incentive compensation paid to a senior executive based on statements of earnings, gains or other criteria that are later proven to be materially inaccurate; (3) prohibiting certain severance payments to a senior executive, generally referred to as "golden parachute" payments, above specified limits set forth in the U.S. Internal Revenue Code; and (4) agreeing not to deduct for tax purposes executive compensation in excess of \$500,000 for each senior executive.

In connection with our participation in the Capital Purchase Program, we performed an initial review of our executive compensation plans and programs relative to our Senior Executive Officers to determine what, if any, amendments to those plans and programs would be required to comply with the executive compensation standards described above. We determined that no material amendments were required to comply with the executive compensation standards given that (a) First Citizens does not have any plans or programs which provide for the payment of bonus or incentive compensation to its Senior Executive Officers (and First Citizens does not presently pay any such bonus or incentive compensation to its Senior Executive Officers); (b) there are no current plans, agreements or other arrangements with any of the Senior Executive Officers which provide severance payments that would constitute "golden parachute" payments under the U.S. Internal Revenue Code; and (c) the aggregate compensation paid to each of the Senior Executive Officers is well below

the \$500,000 limit for tax deduction purposes under the executive compensation standards. Prior to the closing of First Citizens' participation in the Capital Purchase Program, First Citizens and each Senior Executive Officer entered into a separate Letter Agreement, dated January 20, 2009, pursuant to which each Senior Executive Officer agreed to amend the compensation and benefit plans in which the Senior Executive Officer participates to the extent necessary to give effect to the executive compensation standards under Section 111(b) of EESA, including the requirement that First Citizens' benefit plans not encourage Senior Executive Officers to take unnecessary and excessive risks that threaten the value of the financial institutions. Copies of the Letter Agreements are enclosed with this letter.

The Securities Purchase Agreement also requires that First Citizens' Compensation Committee, within 90 days following the January 23, 2009 closing of First Citizens' participation in the Capital Purchase Program, perform a review of First Citizens' incentive compensation programs with senior risk officers to ensure that the programs do not encourage Senior Executive Officers to take unnecessary or excessive risk that threaten the value of the Corporation. Although First Citizens' Compensation Committee has not yet completed this review as of the date of this letter, it will do so within the required period, and we do not anticipate that this review will require any material changes to our existing benefit plans. As indicated above, we do not presently have any plans or programs which provide for the payment of bonus or incentive compensation to our Senior Executive Officers (and we do not presently pay any such bonus or incentive compensation to our Senior Executive Officers).

The foregoing response regarding executive compensation relates only to the Capital Purchase Program executive compensation guidelines that are currently available on the U.S. Treasury's website.¹ On February 17, 2009, Congress passed and the President signed the American Recovery and Reinvestment Act of 2009 (the "ARRA"), which retroactively amends the executive compensation provisions applicable to participants in the Capital Purchase Program.

While the U.S. Treasury is directed to issue regulations to implement the ARRA's executive compensation standards, no such regulations have been issued as of the date of this letter. As a result, it is presently unclear the extent to which the various substantive provisions of the ARRA will apply to First Citizens.² We intend to carefully review the ARRA executive

¹ As of the date of your letter (February 6, 2009), the Capital Purchase Program executive compensation guidelines available on the U.S. Treasury's website included a set of October 2008 Interim Final Rules promulgated under 31 C.F.R. Part 30, and a supplemental set of January 2009 Interim Final Rules promulgated under 31 C.F.R. Part 30. However, as of the date hereof, the January Rules are no longer available on the U.S. Treasury's website.

² In accordance with guidance issued by the U.S. Treasury and the SEC, First Citizens has included in its preliminary proxy materials for its 2009 Annual Meeting of Shareholders a proposal for a non-binding "Say on Pay" shareholder vote on executive compensation. A copy of First Citizens' preliminary proxy materials, as filed with the SEC on March 3, 2009, is enclosed with this letter.

compensation standards, as well as any U.S. Treasury regulations once they are issued. To the extent that First Citizens determines that these standards apply to it, First Citizens will work with its Senior Executive Officers and other affected employees to take such steps as it deems necessary to comply with the standards and adopt policies and procedures consistent with the foregoing.

Supporting Documentation/Confidential Treatment Request

I am mailing copies of the documents listed below as support for our responses. We consider certain information contained in the documents to be commercial or financial information that is confidential and proprietary to First Citizens. I have noted the documents that we feel contain such information, and we hereby request confidential treatment of those documents, including pursuant to The Freedom of Information Act, 5 U.S.C. §552(b)(4).

I am sending by mail:

1. Proxy Statement for Special Meeting of Shareholders held on January 5, 2009
2. Preliminary Proxy Statement and form of Proxy Card for Annual Meeting of Shareholders to be held on April 21, 2009 (as filed with the SEC on March 3, 2009)
3. Letter to Shareholders- Nov. 1, 2008
4. Letter to Shareholders- Dec. 22, 2008
5. Letter to Shareholders- Feb. 1, 2009
6. Memo to Employees- Jan. 27, 2009
7. Advertisement- Open Letter
8. Deposit Inquiry for First Citizens Banc Corp account showing deposit of TARP proceeds, withdrawal for loan payment, and withdrawal for transfers to separate account (Confidential)
9. Deposit Inquiry for separate account established for remaining proceeds (Confidential)
10. Letter from KeyBank- Feb. 10, 2009 payoff of Loan # (b) (4) (Confidential)
11. Letter from KeyBank- Feb. 10, 2009 payoff of Loan # (b) (4) (Confidential)
12. Outgoing Wire Transfer Request- Feb. 10, 2009 (Confidential)
13. E-mail from (b) (6) regarding reimbursement of interest (Confidential)
14. Letter Agreement dated January 20, 2009 – James O. Miller
15. Letter Agreement dated January 20, 2009 – Todd A. Michel
16. Letter Agreement dated January 20, 2009 – James E. McGookey
17. Letter Agreement dated January 20, 2009 – Richard J. Dutton
18. Letter Agreement dated January 20, 2009 – Charles C. Riesterer

I certify that I have reviewed this response and the supporting documents, and, based upon my knowledge, this response and the supporting documents do not contain any statement of a material fact that was untrue at the time it was made or omit to state a material fact

Mr. Neil M. Barofsky

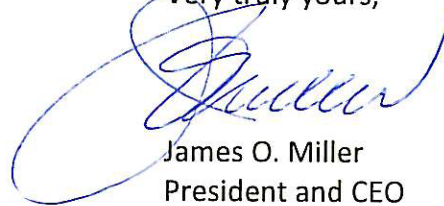
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necessary to make the statements made, in light of the circumstance under which such statements were made, not misleading.

If you have any questions regarding the responses provided in this letter, please contact me at

(b) (6)

Very truly yours,



James O. Miller
President and CEO

FIRST CITIZENS BANC CORP
100 East Water Street
P. O. Box 5016
Sandusky, Ohio 44870
(419) 625-4121
www.fcza.com

December 2, 2008

To the Shareholders of First Citizens Banc Corp:

A Special Meeting of Shareholders (the "Special Meeting") of First Citizens Banc Corp., an Ohio corporation (the "Corporation"), will be held on Monday, January 5, 2009, at 10:00 a.m., Eastern Standard Time, at the Cedar Point Center Facility, BGSU Firelands College, One University Drive, Huron, Ohio 44839.

The attached Notice of Special Meeting of Shareholders and Proxy Statement describe the business to be transacted at the Special Meeting. At the Special Meeting, Shareholders will be asked:

- To consider and vote upon a proposal to adopt an amendment to Article FOURTH of the Corporation's Articles of Incorporation to authorize the Corporation to issue up to 200,000 preferred shares.
- To consider and vote upon a proposal to approve the adjournment of the Special Meeting, if necessary, to solicit additional proxies, in the event there are not sufficient votes at the time of the Special Meeting to adopt the proposed amendment to Article FOURTH of the Corporation's Articles of Incorporation.
- To consider and act upon any other matter which may properly come before the Special Meeting or any adjournment thereof. The Corporation's Board of Directors is not aware of any other business to come before the Special Meeting.

If adopted, the proposed amendment to Article FOURTH of the Corporation's Articles of Incorporation may allow the Corporation to take advantage of low-cost capital-raising opportunities provided through the recently announced TARP Capital Purchase Program instituted under the Emergency Economic Stabilization Act of 2008.

Your vote is very important, regardless of the number of common shares of the Corporation you own. An abstention or a broker non-vote will have the same effect as a vote "AGAINST" the proposed amendment to the Corporation's Articles of Incorporation. To adopt the proposed amendment, a majority of the Corporation's outstanding common shares must vote "FOR" the proposed amendment. Whether or not you plan to attend the Special Meeting in person, it is important that you vote your common shares as soon as possible.

If you attend the Special Meeting, you may revoke your proxy and vote in person, even if you have previously voted.

Sincerely,



James O. Miller
President and CEO

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under § 240.14a-12

First Citizens Banc Corp.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:



100 East Water Street,
Sandusky, Ohio 44870-2514
419-625-4121
www.fcza.com

November 1, 2008

To our Shareholders

Enclosed is your November 1, 2008 dividend of \$.15 per common share. This brings a total dividend of \$.91 per common share for 2008. This compares to \$1.12 in 2007.

Since my letter of October 8 the Federal Government has announced several new programs affecting banks. We are evaluating participation in these programs.

The first provides expanded FDIC coverage on non-interest bearing checking accounts. This will provide additional assurance to businesses and large depositors. To be competitive we expect to implement this program.

The second program provides guarantees to interbank lending. This has little impact on us now, but could provide assurance if we sell excess funds in the overnight Fed Funds market.

The third item will have an impact. The United States Treasury is offering to purchase preferred stock from banks. This action will put both additional liquidity and capital into the banking system. If you recall from previous letters, liquidity and capital are a major focus of ours for the year. Depending on the level of our participation, we could add approximately \$5,000,000 to \$30,000,000 in additional capital and liquidity to the company. In normal times, this program would not have much interest to us. However, in these turbulent times and with no indication of how protracted the economic downturn may be, the additional capital and liquidity would add a nice cushion to the capital and liquidity levels we currently enjoy. Should we pursue participation in this program, we will come to you asking for the authority to issue the preferred stock. This could happen quickly because of deadlines set by the US Treasury.

As I stated in the October 8 letter, we are pleased with the core operation of the company. We are experiencing increases in the number of deposit accounts opened (although customers are keeping less in their accounts) and we continue to see loan opportunities.

Again, if you have any questions, please feel free to call me at 419-627-4555 or email me at jomiller@citizensbankco.com.

Very truly yours,

James O. Miller
President & CEO



100 East Water Street,
Sandusky, Ohio 44870-2514
419-625-4121
www.fcza.com

December 22, 2008

To our Shareholders:

You should have recently received proxy materials for the Special Meeting to be held on January 5, 2009, at which you will be asked to consider and vote upon the adoption of a proposed amendment to our articles of incorporation that would authorize us to issue preferred shares. If adopted, the proposed amendment to our articles would permit us to participate in the US Treasury's TARP Capital Purchase Program. With the encouragement of our banking regulators, we have applied and received preliminary approval to sell up to \$23,184,000 of senior preferred shares to the Treasury under this program.

The Treasury's program is being used to strengthen healthy institutions, and they are the only ones who have been offered the opportunity to participate. Since we cannot know how long the current economic problems will last or how serious they will get, we believe that it is prudent to consider the option. The availability of the additional capital may also make it possible to take advantage of opportunities that may arise due to the weakness of others. Our plan would be to quickly put the money received from the Treasury to work to make it self-sustaining.

I have received several questions about the effect that participation in the program will have on dividends. **Acceptance of the Treasury investment does not prohibit the payment of dividends on our common shares but will limit our maximum per share dividend to \$.15 per quarter for three years. Increases in our quarterly dividend above this amount would require the approval of the Treasury.** Like debt payments, the dividends payable on the senior preferred shares issued to the Treasury would need to be paid before the payment of common share dividends. Again, we believe the benefits of additional capital and liquidity outweigh the short term restrictions.

To preserve the possibility of accepting the Treasury funding, we need your vote in favor of the amendment to the articles. As indicated in the proxy materials previously mailed to you, your Board of Directors recommends that you vote "FOR" the adoption of the proposed amendment to the articles.

I also want to inform you that we are presently reviewing the value of the goodwill on our books. Over several years, as we made acquisitions, accounting rules have required that we record as goodwill the difference between the market value of the stock issued to make the acquisition and the book value of the assets acquired. In those better times in the market, market values were substantially higher than book values, which provided greater purchasing power in the transactions. The result has been the recording of over \$65,000,000 in goodwill on our books.


Accounting rules require that we review the value of this goodwill periodically, and we are in the process of completing such a review. Since the value of everything is down, we anticipate that this review may lead to a significant write-down in the value of the goodwill on our books. It is important to remember that writing down goodwill:

- **Does not affect the cash of the corporation**
- **Does not affect cash earnings of the corporation**
- **Does not affect your dividends**
- **Does not affect the regulatory capital of the corporation**

The goodwill adjustment will be considered for the fourth quarter 2008. I will provide additional information regarding our goodwill after the current review is completed. We have seen and expect to see more companies making such adjustments.

If you have any questions, please call. If you have any proxy questions, feel free to call Jim McGookey our corporate secretary and counsel.

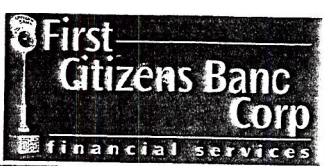
Very truly yours,



James O. Miller
President and CEO

Cautionary Statement Regarding Forward-Looking Information

This letter contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to numerous assumptions, risks and uncertainties. Although management believes that the expectations reflected in such forward-looking statements are reasonable, actual results or future events could differ, possibly materially, from those anticipated in these forward-looking statements. The forward-looking statements in this letter speak only as of the date of the letter, and First Citizens Banc Corp assumes no duty, and does not undertake, to update any such forward-looking statements to reflect events or circumstances after the date of this letter, except to the extent required by law.



FINAL

100 East Water Street,
Sandusky, Ohio 44870-2514
419-625-4121
www.fcza.com

February 1, 2009

Dear Shareholder:

Enclosed is your February 1 dividend of \$.15 per common share. This is equal to our November 1, 2008 dividend.

The preliminary estimate of our fourth quarter earnings, before any non-cash goodwill adjustment, will be approximately \$.22 per common share. With these results, our preliminary estimate of the total earnings for 2008 would have been approximately \$.56 per common share. However, a non-cash adjustment to the goodwill on our books will affect our results.

I wrote previously that we were completing an annual review of the goodwill on the corporation's books as a result of acquisitions over the years. As we made acquisitions, accounting rules required that we record as goodwill the difference between the purchase price of the acquisition and the adjusted book value of the assets acquired. In those better times, bank stock prices were substantially higher than their book values. By using the strong purchasing power of our stock in place of cash to pay for the bulk of our acquisitions, we recorded goodwill. The annual review of the value of the goodwill is influenced by the current sale prices of comparable acquired banks and other factors. Since the value of practically everything that is sold in this economic climate has diminished, so too has the value of our goodwill. My earlier letter indicated that the review could lead to a significant write-down. The review has now been completed and, as a result, we will book a goodwill write-down of approximately \$43,000,000 as part of the fourth quarter results.

Although this is a technical accounting entry, it remains a very large amount. But, as an accounting issue, we must remember that **it does not affect cash or cash earnings, it does not affect our liquidity, it does not affect regulatory capital, and it will not affect dividends.** Because this does not affect regulatory capital, we remain "well capitalized" based upon the Federal Reserve's regulatory requirements. You will see many banks reporting goodwill write-downs in their 2008 results.

At the January 5, 2009, shareholder's meeting approximately 90% of our voting shareholders approved the recommendation to authorize preferred stock so that we could participate in the United States Treasury's Capital Purchase Program. On January 23, 2009, the Treasury completed its purchase of preferred stock for \$23,184,000. This Treasury program is being offered to strengthen healthy institutions, and they are the only ones who have been provided the opportunity to participate. While we meet the requirements for being well capitalized without this investment, we still firmly believe that, absent knowing the breadth and depth of this economic recession, it is prudent to have the additional capital and liquidity the program offers. We will attempt to put this money to work as quickly as possible to make the investment self-sustaining. If our economy improves quickly, we can repurchase this preferred stock in three to five years. If the economy does not turn around quickly, we will be glad to have the extra capital.

continued on reverse side

Loss reserves and goodwill aside, our core business remains solid. Based on comparisons recently received (from September 30 reports) regarding publicly traded banks, we outperformed both the Ohio and National averages for return on assets, return on equity, margin, and efficiency ratio. This performance has provided the flexibility for us to handle the financial impact of loan losses. In spite of the substantial dollars placed in the loss reserve and the added expenses of loan workouts, for 2008 we **did** have cash earnings and we **did** pay dividends. Many banks in Ohio and across the nation will be unable to say this.

I have talked with many of you and know that our stock price and dividend, as well as the prices and dividends of most stocks in your portfolios, are a concern. I know that the bombardment by the news media with reports on economic problems is becoming wearisome – we understand this - we also receive these reports every day from news and banking publications and from our customers who are experiencing the impact of layoffs and slowdowns. As troubling and unrelenting as all this may appear to be, we must keep in mind that economic ups and downs are temporary.

Our pledge going into 2009 remains consistent. We are going to continue to focus on strengthening our asset quality (by working with consumers and businesses that face economic challenges), maintaining a strong capital position, and maintaining a strong liquidity position. This focus, endorsed by our regulators, will get us through this recession with the least negative impact to the corporation and in a position to take advantage of opportunities as the economy turns around.

By mid-March you will receive the annual report. It will contain more detailed financial information, our recap of 2008, and information about what we envision going forward. If you have any questions, a call is always welcomed.

Sincerely,

James O. Miller
President & CEO

Cautionary Statement Regarding Forward-Looking Information

Comments made in this letter include “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to numerous assumptions, risks and uncertainties. Although management believes that the expectations reflected in the forward-looking statements are reasonable, actual results or future events could differ, possibly materially, from those anticipated in these forward-looking statements. The forward-looking statements speak only as of the date of this letter, and First Citizens Banc Corp assumes no duty to update any forward-looking statements to reflect events or circumstances after the date of this letter, except to the extent required by law.

 Team Site

Team Site > Announcements > Memo From Jim Miller Re: Capital Purchase Program

Announcements: Memo From Jim Miller Re: Capital Purchase Program

Title Memo From Jim Miller Re: Capital Purchase Program

Body To All Employees:

We have received preliminary approval that the US Treasury will purchase \$23,184,000 in preferred stock from First Citizens Banc Corp. The program is the Capital Purchase Program (CPP). While this is part of the Treasury's TARP program it is neither a bailout nor is it free.

The CPP program is being offered to strengthen healthy banks, and they are the only ones who have been provided the opportunity to participate. I am pleased that we are in this classification.

This potential investment by the US Treasury in our company bears an interest rate of 5%. After three years we can repurchase the Treasury's investment if we wish.

When a bank receives a CPP investment, the debit side of the transaction will be to cash. The credit will be to capital.

The cash increases our liquidity and gives additional dollars we can put to work in our communities. The increased capital will provide additional capacity to examine any potential growth opportunities. While we are rated as "well capitalized" with or without the program, the program adds a capital cushion.

The primary reason we have sought the approval is the fact that no one can tell us with any reasonable certainty what the breadth and depth of this economic recession is going to be. While this program does come with a cost, we believe the additional cash liquidity and capital is a positive thing in these uncertain times.

If you have any questions, please feel free to call me.

Expires 1/27/2009

Created at 1/16/2009 2:42 PM by (b) (6)

Last modified at 1/16/2009 2:42 PM by (b) (6)

An Open Letter to Our Customers, Shareholders, and Community

With more than 38,000 customers, 360 employees, and approximately 2,700 local shareholders, First Citizens Banc Corp is very much a part of our communities. Operating as Citizens Bank in Northern Ohio and Champaign Bank in Central Ohio, we reflect the strong mid-western values of the communities we serve. As a result, we have avoided many of the issues plaguing the financial world. We did not participate in the exotic lending products or the exotic investment products which appear to have triggered the financial downturn. Because of the widespread concerns over the banking industry, we want to tell you about us and our approach to the current economic problems.

Our Results

In spite of the impact of this recession, in 2008 we did have cash earnings and we did pay dividends. Many banks in Ohio and across the nation will be unable to say this. Our fourth quarter earnings before a non-cash goodwill adjustment were approximately \$.22 per share. Our 2008 earnings were approximately \$.56 per share before a non-cash goodwill adjustment. First Citizens Banc Corp paid a dividend for each quarter of 2008 and, on February 1, 2009, will pay a dividend on its common stock of \$.15 per share.

US Treasury Program

We were approved for and received \$23,184,000 from the Treasury as part of their Capital Purchase Program. Contrary to popular belief, this was neither a bailout nor free. This Treasury program is being offered to strengthen healthy institutions. While we meet the regulatory requirements for being "well capitalized" without this program, we firmly believe that it is prudent to have the additional capital and liquidity that the program offers during this recession. **An objective of the CPP program is to put this money to work in our communities.**

Goodwill Accounting

Since 1990 First Citizens Banc Corp has acquired five community bank partners which generated goodwill on our books. Accounting rules require an annual analysis of this goodwill. Since the value of practically everything that is sold in this economic climate has diminished, so too has the value of our goodwill. We



will book a goodwill write-down of approximately \$43,000,000 as part of the fourth quarter results. **It is important to understand that a goodwill write-down does not affect cash, cash earnings, dividends, liquidity, or regulatory capital. This is just a paper entry on our books.** You will find many corporations making goodwill adjustments in their fourth quarter reports.

Deposit Insurance

We are a member of the FDIC which currently insures deposits that we hold up to \$250,000. We are also a participant in the FDIC's Transaction Account Guarantee Program which provides unlimited insurance coverage on non-interest bearing checking accounts. The bank recently joined the CDARS program which can provide up to \$55,000,000 in deposit coverage for customers who have multiple deposit accounts that may exceed the base FDIC coverage of \$250,000.

2009

We are all seeing the impact of the recession descending on our communities. Layoffs and slowdowns are becoming a daily occurrence. Because this affects you, it affects us. We also believe this is not going to turn around quickly. Unless a customer has abandoned their business or home, our goal is to work with the customer to avoid a foreclosure or repossession. Since our founding in the 19th Century, our bank and our customers have worked together through the Panic of 1907, The Great Depression, the recession of the early 1980's and several recessions in between. As troubling as this recession may appear, we will again work together through it. We must keep in mind that economic ups and downs are always temporary.

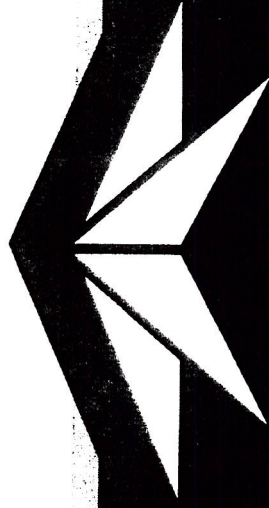
Sincerely,

James O. Miller
President and C.E.O.

First Citizens Banc Corp
www.FCZA.com • 888-645-4121



Funds may be withdrawn or placed in an auto-deposit or enters into the CDARS Deposit Placement Agreement with Citizens Bank. The agreement contains important information and conditions related to the placement of funds. CDARS is a registered service mark of Promerity International Network, LLC. With notice, Citizens may place all deposits with member banks through the CDARS, TimeWay, program instead of exchanging funds on a dollar-for-dollar basis. All funds are still considered under management by Citizens Bank.



(b) (4)

431 East ParkCenter Blvd.
Boise, ID 83706

4910 Tiedeman Rd.
Brooklyn, OH 44144



February 10, 2009

(b) (4)

Citizens Banking Co - Outgoing Wire Transfer Request

(b) (4)

(b) (6)

From: (b) (6) @KeyBank.com
Sent: Thursday, February 12, 2009 12:57 PM
To: Richard J. Dutton
Cc: (b) (6)
Subject: RE: Payoff Request

b(4), b(6)

FIRST CITIZENS BANC CORP
100 East Water Street
P.O. Box 5016
Sandusky, Ohio 44870
(419) 625-4121
www.fcza.com

James O. Miller
President and Chief Executive Officer
First Citizens Banc Corp
P.O. Box 5016
Sandusky, Ohio 44870

Dear Jim:

First Citizens Banc Corp (the "Company") anticipates entering into a Letter Agreement and Securities Purchase Agreement – Standard Terms incorporated into the Letter Agreement, attached hereto as Appendix A (collectively, the "Participation Agreement"), with the United States Department of the Treasury (the "Treasury") that provides for the Company's participation in the Capital Purchase Program (the "CPP") of the Treasury's Troubled Assets Relief Program.

In order for the Company to participate in the CPP, and as a condition to the closing of the investment by the Treasury in the Company contemplated by the Participation Agreement, the Company is required to establish specified standards for executive compensation payable to Senior Executive Officers and to make certain changes to its compensation arrangements as described below:

- (1) No Golden Parachute Payments. The Company is prohibited from making any Golden Parachute Payment to you during any CPP Covered Period.
- (2) Recovery of Bonus and Incentive Compensation. Any bonus and/or incentive compensation paid to you during a CPP Covered Period (including any bonus and/or incentive compensation considered to have been paid to you during a CPP Covered Period pursuant to 31 C.F.R. § 30.6 (as in effect on the Closing Date)) is subject to recovery by the Company if the payments were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria.
- (3) No Unnecessary or Excessive Risk. The Company is required to review its Benefit Plans to ensure that they do not encourage Senior Executive Officers to take unnecessary and excessive risks that threaten the value of the Company.

This letter is intended to comply with the requirements imposed by the CPP. In consideration of the benefits that you will receive as a result of the Company's participation in the CPP, by signing this letter, you agree that each of the Company's compensation, bonus, incentive and other benefit plans, arrangements and agreements (including golden parachute, severance and

employment agreements) (collectively, “Benefit Plans”) with respect to you is hereby amended to the extent necessary to give effect to provisions (1) and (2), above. In addition, you and the Company agree to negotiate revisions to any Benefit Plan required to give effect to provision (3), above, promptly and in good faith.

Provisions (1), (2) and (3) of this letter are intended to, and will be interpreted, administered and construed to, comply with Section 111 of EESA (and, to the maximum extent consistent with the foregoing, to permit operation of the Benefit Plans in accordance with their terms before giving effect to this letter).

The following capitalized terms shall have the meanings set forth below:

- (a) “Company” includes First Citizens Banc Corp and any entity treated as a single employer with First Citizens Banc Corp under 31 C.F.R. § 30.1(b) (as in effect on the Closing Date).
- (b) “CPP Covered Period” is any period during which: (a) you are a Senior Executive Officer; and (b) the Treasury holds an equity or debt position acquired from the Company under the CPP. The term “CPP Covered Period” shall be limited by, and interpreted in a manner consistent with, 31 C.F.R. § 30.11 (as in effect on the Closing Date).
- (c) “Closing Date” shall have the meaning given to it in the Participation Agreement.
- (d) “EESA” means the Emergency Economic Stabilization Act of 2008 as implemented by guidance or regulation issued by the Treasury and as published in the Federal Register on October 20, 2008.
- (e) “Golden Parachute Payment” is used with same meaning as in Section 111(b)(2)(C) of EESA as supplemented by 31 C.F.R. § 30.9 (as in effect on the Closing Date).
- (f) “Senior Executive Officer” means the Company’s “senior executive officers” as defined in Section 111(b)(3) of EESA as supplemented by 31 C.F.R. § 30.2 (as in effect on the Closing Date).

To the extent not subject to federal law, this letter will be governed by and construed in accordance with the laws of Ohio. This letter may be executed in two or more counterparts, each of which will be deemed to be an original. A signature transmitted by facsimile will be deemed an original signature.

If the Company does not participate or ceases at any time to participate in the CPP, this letter shall be of no further force and effect.

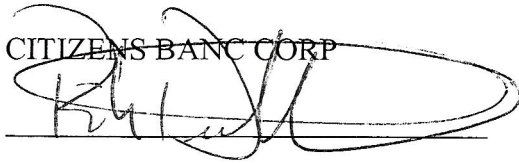
The Board appreciates the concessions you are making and looks forward to your continued leadership during these financially turbulent times.

[signature page follows]

Yours sincerely,

FIRST CITIZENS BANC CORP

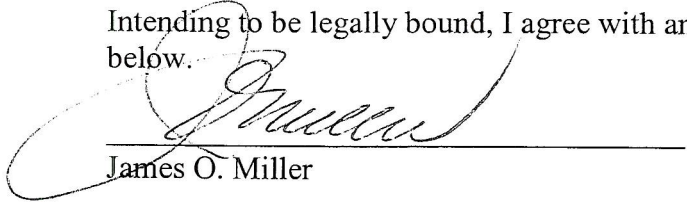
By:



Title: Sr. Vice President

Date: January 20, 2009

Intending to be legally bound, I agree with and accept the foregoing terms on the date set forth below.


James O. Miller

Date: January 20, 2009

APPENDIX A

**Letter Agreement, and Securities
Purchase Agreement – Standard Terms
incorporated into Letter Agreement, with
United States Department of the Treasury**

FIRST CITIZENS BANC CORP
100 East Water Street
P.O. Box 5016
Sandusky, Ohio 44870
(419) 625-4121
www.fcza.com

Todd A. Michel
Senior Vice President and Controller
First Citizens Banc Corp
P.O. Box 5016
Sandusky, Ohio 44870

Dear Todd:

First Citizens Banc Corp (the “Company”) anticipates entering into a Letter Agreement and Securities Purchase Agreement – Standard Terms incorporated into the Letter Agreement, attached hereto as Appendix A (collectively, the “Participation Agreement”), with the United States Department of the Treasury (the “Treasury”) that provides for the Company’s participation in the Capital Purchase Program (the “CPP”) of the Treasury’s Troubled Assets Relief Program.

In order for the Company to participate in the CPP, and as a condition to the closing of the investment by the Treasury in the Company contemplated by the Participation Agreement, the Company is required to establish specified standards for executive compensation payable to Senior Executive Officers and to make certain changes to its compensation arrangements as described below:

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- (3) No Unnecessary or Excessive Risk. The Company is required to review its Benefit Plans to ensure that they do not encourage Senior Executive Officers to take unnecessary and excessive risks that threaten the value of the Company.

This letter is intended to comply with the requirements imposed by the CPP. In consideration of the benefits that you will receive as a result of the Company’s participation in the CPP, by signing this letter, you agree that each of the Company’s compensation, bonus, incentive and other benefit plans, arrangements and agreements (including golden parachute, severance and

employment agreements) (collectively, “Benefit Plans”) with respect to you is hereby amended to the extent necessary to give effect to provisions (1) and (2), above. In addition, you and the Company agree to negotiate revisions to any Benefit Plan required to give effect to provision (3), above, promptly and in good faith.

Provisions (1), (2) and (3) of this letter are intended to, and will be interpreted, administered and construed to, comply with Section 111 of EESA (and, to the maximum extent consistent with the foregoing, to permit operation of the Benefit Plans in accordance with their terms before giving effect to this letter).

The following capitalized terms shall have the meanings set forth below:

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- (b) “CPP Covered Period” is any period during which: (a) you are a Senior Executive Officer; and (b) the Treasury holds an equity or debt position acquired from the Company under the CPP. The term “CPP Covered Period” shall be limited by, and interpreted in a manner consistent with, 31 C.F.R. § 30.11 (as in effect on the Closing Date).
- (c) “Closing Date” shall have the meaning given to it in the Participation Agreement.
- (d) “EESA” means the Emergency Economic Stabilization Act of 2008 as implemented by guidance or regulation issued by the Treasury and as published in the Federal Register on October 20, 2008.
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- (f) “Senior Executive Officer” means the Company’s “senior executive officers” as defined in Section 111(b)(3) of EESA as supplemented by 31 C.F.R. § 30.2 (as in effect on the Closing Date).

To the extent not subject to federal law, this letter will be governed by and construed in accordance with the laws of Ohio. This letter may be executed in two or more counterparts, each of which will be deemed to be an original. A signature transmitted by facsimile will be deemed an original signature.

If the Company does not participate or ceases at any time to participate in the CPP, this letter shall be of no further force and effect.

The Board appreciates the concessions you are making and looks forward to your continued leadership during these financially turbulent times.

[signature page follows]

Yours sincerely,


FIRST CITIZENS BANC CORP

By: 

Title: Sr. Vice President

Date: January 20, 2009

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Todd A. Michel

Date: January 20, 2009

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FIRST CITIZENS BANC CORP
100 East Water Street
P.O. Box 5016
Sandusky, Ohio 44870
(419) 625-4121
www.fcza.com

James E. McGookey
Senior Vice President and General Counsel
First Citizens Banc Corp
P.O. Box 5016
Sandusky, Ohio 44870

Dear Jim:

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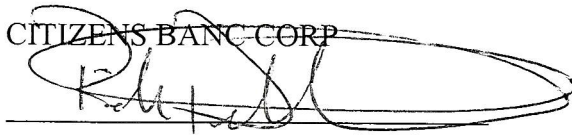
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[signature page follows]

Yours sincerely,

FIRST CITIZENS BANK CORP

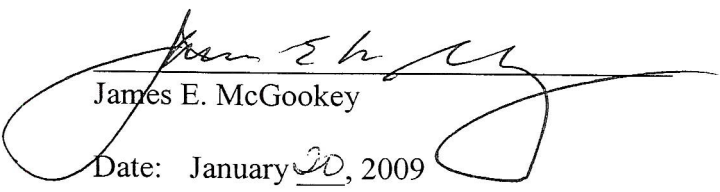
By:



Title: Sr. Vice President

Date: January 10, 2009

Intending to be legally bound, I agree with and accept the foregoing terms on the date set forth below.



James E. McGookey

Date: January 10, 2009

APPENDIX A

**Letter Agreement, and Securities
Purchase Agreement – Standard Terms
incorporated into Letter Agreement, with
United States Department of the Treasury**

FIRST CITIZENS BANC CORP
100 East Water Street
P.O. Box 5016
Sandusky, Ohio 44870
(419) 625-4121
www.fcza.com

Richard J. Dutton
Senior Vice President
First Citizens Banc Corp
P.O. Box 5016
Sandusky, Ohio 44870

Dear Rich:

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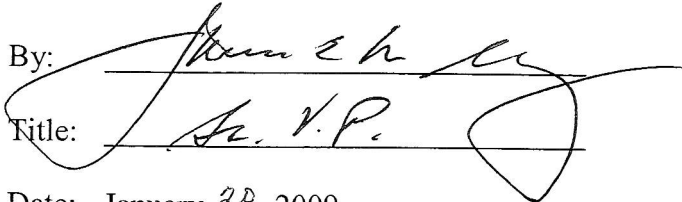
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The Board appreciates the concessions you are making and looks forward to your continued leadership during these financially turbulent times.

[signature page follows]

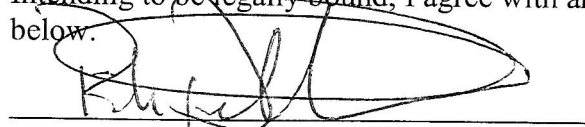
Yours sincerely,

FIRST CITIZENS BANC CORP

By: 
Title: Sec. V.P.

Date: January 20, 2009

Intending to be legally bound, I agree with and accept the foregoing terms on the date set forth below.


Richard J. Dutton

Date: January 20, 2009

APPENDIX A

**Letter Agreement, and Securities
Purchase Agreement – Standard Terms
incorporated into Letter Agreement, with
United States Department of the Treasury**

FIRST CITIZENS BANC CORP
100 East Water Street
P.O. Box 5016
Sandusky, Ohio 44870
(419) 625-4121
www.fcza.com

Charles C. Riesterer
Senior Vice President
First Citizens Banc Corp
P.O. Box 5016
Sandusky, Ohio 44870

Dear Charles:

First Citizens Banc Corp (the “Company”) anticipates entering into a Letter Agreement and Securities Purchase Agreement – Standard Terms incorporated into the Letter Agreement, attached hereto as Appendix A (collectively, the “Participation Agreement”), with the United States Department of the Treasury (the “Treasury”) that provides for the Company’s participation in the Capital Purchase Program (the “CPP”) of the Treasury’s Troubled Assets Relief Program.

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Yours sincerely,

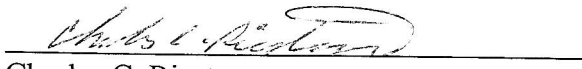
FIRST CITIZENS BANK CORP

By: 

Title: Sr. Vice President

Date: January 20, 2009

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Charles C. Riesterer

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