

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 25th day of June, 1997 (the "Effective Date"), by and between [REDACTED] Joanna Christopher, Duckworth-Morris Realty, [REDACTED] Bobby G. Mullins, Barry Mullins, Neil Mullins, Robert A. Mullins, G. Roland Pugh, and Ellen Taylor (the "Tuscaloosa Group"), stockholders of Southeastern Financial Corporation ("Southeastern" or the "Holding Company"), OTS No. H-1259, the parent holding company of First Federal Savings Bank of Tuscaloosa, Tuscaloosa, Alabama ("First Federal" or the "Institution"), OTS No. 6432, a federally chartered stock savings association, and the Office of Thrift Supervision ("OTS"), an office within the United States Department of the Treasury, having its principal executive offices located at 1700 G Street, N.W., Washington, D.C., acting through its Southeastern Regional Director or his designee ("Regional Director"). For purposes of this Agreement, all references to the Tuscaloosa Group's stock shall include any corporate or partnership entities that own shares of stock in First Federal and that are themselves owned or controlled by one or more members of the Tuscaloosa Group.

WHEREAS, the OTS is the primary federal regulator of the Institution; and

WHEREAS, based upon information available to the OTS in its capacity as the primary federal regulator of Southeastern and First Federal, the OTS is of the opinion that the Tuscaloosa Group has engaged in acts and practices that have resulted in violations of certain of the laws or regulations to which the Tuscaloosa Group and the Institution are subject; and

WHEREAS, the OTS is of the opinion that grounds exist for the initiation of an administrative proceeding against the Tuscaloosa Group; and

WHEREAS, the OTS is of the view that it is appropriate to take measures to ensure that the Tuscaloosa Group will comply with all applicable laws and regulations; and

WHEREAS, the Tuscaloosa Group, without admitting or denying that such grounds exist except those as to jurisdiction, which are admitted, wish to cooperate with the OTS and to evidence their intent to comply with all applicable laws and regulations.

NOW THEREFORE, in consideration of the above premises, the mutual undertakings set forth herein, the Parties hereto agree as follows:

Compliance With Laws And Regulations

1. The Tuscaloosa Group shall comply with the provisions of 12 U.S.C. § 1817(j)<sup>1</sup> and 12 C.F.R. Part 574 (1996).

Increase in Ownership

2. The Tuscaloosa Group shall not, as of the Effective Date of this Agreement, increase their ownership in any class of voting securities of Southeastern, unless and until the OTS has issued its notice of intent not to disapprove their Notice of Change in Control or approval of its Holding Company Application (collectively referred to hereinafter as the "Application"). However, individual members of the Tuscaloosa Group may purchase shares from other members of the Tuscaloosa Group, so long as the total percentage ownership of the Tuscaloosa Group does not increase beyond the level in existence as of the Effective Date. All shares of Southeastern's stock that are owned or controlled by the Tuscaloosa Group, directly or indirectly, in excess of 9.9 percent of the total outstanding shares of stock of Southeastern are considered to be Excess Shares (and are hereafter referred to as "Excess Shares")

Transfer of Voting Control

3. Until such time as the Tuscaloosa Group has received notice that the OTS has approved its Application:
  - a. The Tuscaloosa Group shall attend all duly called meetings of shareholders of Southeastern. All shares of stock of Southeastern controlled by the Tuscaloosa Group may only be voted as "abstention votes" for any vote taken at any such meeting. All shares of Southeastern stock held by the Tuscaloosa Group must be represented and recorded as present at any duly called meeting for the purpose of determining that a quorum is present to conduct business. In lieu of attending a duly called meeting, any member of the Tuscaloosa Group may provide a proxy to management of Southeastern directing management to vote the shares held by the member as

---

1. All references to the United States Code ("U.S.C.") are as amended, unless otherwise indicated.

abstentions on all matters to be voted on at such meeting. A copy of all such proxies given to management shall be sent to the Regional Director not later than five (5) business days prior to such meeting.

- b. No member of the Tuscaloosa Group may take any action at any duly called meeting of the shareholders of Southeastern other than to vote shares as permitted by this Paragraph 3. Any activity beyond the silent voting of shares that is engaged in by any member of the Tuscaloosa Group may be interpreted as a further attempt to exercise control, as that term is defined in 12 C.F.R. §574.4(a) and (b) over a savings association without the prior approval of the OTS, a violation of the Change in Bank Control Act, 12 U.S.C. §1817(j), and this Agreement.

Filing of Notice; Divestiture

4. Within 30 days of the Effective Date of this Agreement, the Tuscaloosa Group shall file with the OTS such Application as is required by 12 C.F.R. Part 574. The Tuscaloosa Group shall diligently pursue the Application and receive all necessary OTS approvals to permit the Tuscaloosa Group to own or control total aggregate shares of Southeastern in excess of 9.9 percent of the total outstanding shares of stock of Southeastern. If the Tuscaloosa Group receives notice that the OTS has disapproved the Application, or the OTS deems the Application withdrawn, the Excess Shares shall be transferred to a trust in accordance with Paragraph 7 below.
5. If, within 30 days of the Effective Date of this Agreement, the Tuscaloosa Group has not filed an Application as required in Paragraph 4 above, the Tuscaloosa Group shall arrange for a sale and transfer of the Excess Shares, or otherwise divest of the Excess Shares to parties who are neither (i) deemed to be acting concert with any member of the Tuscaloosa Group, pursuant to 12 C.F.R. §574.4(d), nor (ii) with whom any member of the Tuscaloosa Group is "acting in concert" as that term is defined in 12 C.F.R. §574.2(c). Such sale or divestiture shall take place no later than 180 days after the Effective Date of this Agreement and shall be undertaken on a pro rata basis by all members of the Tuscaloosa Group. This time may be extended by the Regional Director, in his sole discretion, upon application in writing by the Tuscaloosa

Group and for good cause shown. If the Excess Shares have not been divested within 180 days of the Effective Date of this Agreement, or such longer period as the Regional Director may, in his sole discretion, permit, then the Excess Shares shall be transferred to a trust in accordance with Paragraph 7 below.

Control By The Tuscaloosa Group

6. For so long as any Excess Shares are subject to the provisions of Paragraph 3 of this Agreement, the Tuscaloosa Group shall not, directly or indirectly:
  - a. Seek or accept representation by more than two directors on the Board of Directors of Southeastern;
  - b. Have or seek to have more than two representatives serve on an executive or similar committee of the Board of Directors of Southeastern;
  - c. Engage in any transactions with Southeastern or First Federal, provided, however, that members of the Tuscaloosa Group may continue to engage in pre-existing deposit or lending arrangements on terms and conditions no more favorable than those provided to the general public;
  - d. Influence or attempt to influence in any respect the lending or credit decisions or policies of the Institution, except that a representative of the Tuscaloosa Group who is serving as a director of Southeastern as of the Effective Date of this Agreement may continue to influence such decisions in a manner consistent with their fiduciary duty to the Institution;
  - e. Influence or attempt to influence the dividend policies and practices of the Institution or any decision or policy of the Institution as to the offering or exchange of any shares of stock, except that a representative of the Tuscaloosa Group who is serving as a director of Southeastern as of the Effective Date of this Agreement may continue to influence such decisions in a manner consistent with their fiduciary duty to the Institution;

- f. Have or seek to have any representative serve as an officer, agent, or employee of Southeastern or the Institution;
- g. Propose a director or slate of directors in opposition to a nominee or slate of nominees proposed by the management or Board of Directors of Southeastern;
- h. Solicit proxies or participate in any solicitation of proxies with respect to any matter presented to the stockholders of the Institution, except that a member of the Tuscaloosa Group who is serving as a director of Southeastern as of the Effective Date of this Agreement may participate in any solicitations conducted by management of Southeastern; or
- i. Seek to amend, or otherwise take action to change, the bylaws, articles of incorporation, or charter of the Institution, except that a member of the Tuscaloosa Group who is serving as a director of Southeastern as of the Effective Date of this Agreement may participate in any amendment or change sought by management of Southeastern, consistent with his or her fiduciary duty to Southeastern.

Transfer to Trust

- 7. If the Tuscaloosa Group elects to file an Application with the OTS pursuant to Paragraph 4 of this Agreement, and (i) the OTS notifies the Tuscaloosa Group that it has disapproved said Application, or (ii) if said Application is withdrawn by the OTS, or (iii) if the Tuscaloosa Group fails to divest the Excess Shares in accordance with Paragraph 5 of this Agreement, then the Tuscaloosa Group shall, within 30 days after receipt of the OTS notice of disapproval or withdrawal, or at the end of the 180 day period provided for in Paragraph 5, transfer all of the Excess Shares to a trust properly endorsed for transfer or accompanied by fully endorsed stock powers, after revoking the proxy granted to management of Southeastern pursuant to Paragraph 3(a) of this Agreement. The trust terms and the trustee must be approved in advance by the Regional Director. Such approval shall be made in the sole discretion of the Regional Director. During the period the trustee has possession of the Excess Shares, the Tuscaloosa Group shall not exercise any control, directly or

indirectly, over the Excess Shares and shall not exercise any control, directly or indirectly, over said trust or trustee, except that the Tuscaloosa Group may direct the trustee to sell all or a portion of the Excess Shares, as their interests may appear. The trustee shall sell or otherwise dispose of the Excess Shares no later than one year (365 days) after transfer of the Excess Shares to the Trust.

#### Action of the Trustee

8. The trustee shall vote the Excess Shares on a pro-rata basis in accordance with the votes of Southeastern's other common stockholders. To effect this requirement, the trustee shall provide written instructions to Southeastern's Secretary that the Excess Shares shall be voted on this basis and shall furnish a copy of such instructions to the Regional Director. The Tuscaloosa Group shall promptly take all steps necessary to enable the trustee to take such actions.

#### Control by the Trustee

9. The trustee shall not exercise or attempt to exercise, directly or indirectly, control or a controlling influence over the management or policies of Southeastern. While the trustee has possession of the Excess Shares, he or she shall not directly or indirectly engage in any of the prohibited activities listed in subparagraphs (a) through (i) of Paragraph 6 of this Agreement.

#### Dissolution of the Trust

10. If, for any reason, the stock ownership of the Tuscaloosa Group in Southeastern, or any other person or entity acting in concert with the Tuscaloosa Group with respect to Southeastern shall, in the aggregate, fall below ten (10) percent of the outstanding shares of Southeastern, or upon the approval by the OTS of an Application filed by the Tuscaloosa Group, the trust may be dissolved, the voting instruction to the Secretary of Southeastern may be rescinded and the Excess Shares still held by the trust returned to the Tuscaloosa Group, as appropriate.

#### Definitions

11. All technical words or terms used in this Agreement for which meanings are not specified or otherwise provided by the

provisions of this Agreement shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, HOLA, FDIA or OTS Memoranda. Any such technical words or terms used in this Directive and undefined in said Code of Federal Regulations, HOLA, FDIA, or OTS Memoranda shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

Successor Statutes, Regulations, Guidance, Amendments

12. Reference in this Agreement to provisions of statutes, regulations, and OTS Memoranda shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date and references to successor provisions as they become applicable.

Notices

13. Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by the Agreement to be made upon, given or furnished to, delivered to, or filed with the OTS or the Tuscaloosa Group shall be in writing and mailed, first class or overnight courier, or by means of electronic transmission, or physically delivered, and addressed as follows:

OTS:

David G. Hughey, Review Examiner  
Office of Thrift Supervision - Southeast Region  
1475 Peachtree Street, N.E.  
Atlanta, Georgia 30309

Tuscaloosa Group:

Joe Brown Duckworth  
c/o Duckworth-Morris Realty  
P. O. Box 1999  
Tuscaloosa, Alabama 35403-1999

Barry Mullins  
Mullins & Spence  
2600 Sixth St.  
Tuscaloosa, Alabama, 35401

with a copy provided to:

Kurt Miller  
Balch and Bingham  
1901 6th Ave., North  
Birmingham, Alabama 35203

Duration, Termination or Suspension of Agreement

14. This Agreement shall: (i) become effective upon its execution by the OTS, through its authorized representative whose signature appears below and (ii) remain in effect until terminated, modified or suspended in writing by the OTS, acting through its Director or the Regional Director (including any authorized designee thereof).
15. The Regional Director in his or her sole discretion, may, by written notice, suspend any or all provisions of this Agreement.

Time Limits

16. Time limitations for compliance with the terms of this Agreement run from the Effective Date, unless otherwise noted. Such time limitations may be extended by the Regional Director, in his sole discretion, upon written application by the Tuscaloosa Group.

Effect of Headings

17. The Section headings herein are for convenience only and shall not affect the construction hereof.

Separability Clause

18. In case any provision in 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 sole discretion determines otherwise.

No Violations of Law, Rule, Regulation or Policy Statement Authorized; OTS Not Restricted; Relation To State Law

19. Nothing in this Agreement shall be construed as: (i) allowing the Tuscaloosa Group to violate any law, rule, regulation, or policy statement to which they are subject or (ii) restricting the OTS from taking such action(s) that are appropriate in fulfilling the responsibilities placed upon it by law, including, without limitation, any type of supervisory, enforcement or resolution action that the OTS determines to be appropriate.

Successors in Interest/Benefit

20. The terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest. Nothing in this Agreement, express or implied, shall give to any person or entity, other than the parties hereto, the Federal Deposit Insurance Corporation and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

Integration Clause

21. This Agreement represents the final written agreement of the Parties with respect to the subject matter hereof and constitutes the sole agreement of the parties, as of the Effective Date, with respect to such subject matter.

Enforceability of Agreement

22. This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Tuscaloosa Group. The Tuscaloosa Group acknowledge that this Agreement is a "written agreement" entered into with the OTS within the meaning of 12 U.S.C. §1818.

[REMAINDER OF THIS SPACE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the OTS, acting by and through the  
Regional Director, and the Tuscaloosa Group hereby execute this  
Agreement as of the Effective Date.

\_\_\_\_\_  
Duckworth-Morris Realty,

\_\_\_\_\_

Its: \_\_\_\_\_

\_\_\_\_\_  
G. Roland Pugh

\_\_\_\_\_

*15/*  
\_\_\_\_\_  
Bobby G. Mullins

*15/*  
\_\_\_\_\_  
Barry Mullins

*15/*  
\_\_\_\_\_  
Neil Mullins

\_\_\_\_\_  
R. A. Mullins

*15/*  
\_\_\_\_\_  
Joanna Christopher

*15/*  
\_\_\_\_\_  
Ellen Taylor

OFFICE OF THRIFT SUPERVISION

By:

*15/*  
\_\_\_\_\_  
John E. Ryan  
Regional Director

Southeastern Financial, Inc. (OTS No. H-1259)

Tuscaloosa, Alabama

Supervisory Agreement (6/25/97)

Page 10 of 10

IN WITNESS WHEREOF, the OTS, acting by and through the Regional Director, and the Tuscaloosa Group hereby execute this Agreement as of the Effective Date.

151  
Duckworth-Morris Realty,  
Its: PRESIDENT

[REDACTED]

151  
G. Roland Pugh

[REDACTED]

Bobby G. Mullins

Barry Mullins

Neil Mullins

R. A. Mullins

Joanna Christopher

Ellen Taylor

OFFICE OF THRIFT SUPERVISION

By:

151  
John E. Ryan  
Regional Director