

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

Written Agreement by and among

FIRSTFED BANCORP, INC. EMPLOYEE
STOCK OWNERSHIP PLAN
Bessemer, Alabama

FIRSTFED BANCORP, INC.
Bessemer, Alabama

and

FEDERAL RESERVE BANK OF ATLANTA
Atlanta, Georgia

Docket Nos. 11-070-WA/RB-HC1
11-070-WA/RB-HC2

WHEREAS, FirstFed Bancorp, Inc. Employee Stock Ownership Plan, Bessemer, Alabama (“ESOP”), a registered bank holding company, owns and controls FirstFed Bancorp, Inc., Bessemer, Alabama (“FirstFed”), a registered bank holding company that directly owns and controls First Financial Bank, Bessemer, Alabama (the “Bank”), a state-chartered nonmember bank, and a nonbank subsidiary;

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

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

WHEREAS, on June 21, 2011, ESOP’s administrator and FirstFed’s board of directors, at duly constituted meetings, adopted resolutions authorizing and directing

B. K. Goodwin, III to consent to this Agreement on behalf of ESOP and FirstFed, respectively, and consenting to compliance with each and every applicable provision of this Agreement by ESOP, FirstFed, and their 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, ESOP, FirstFed, and the Reserve Bank, agree as follows:

Source of Strength

1. The administrator of ESOP and the board of directors of FirstFed shall take appropriate steps to fully utilize ESOP’s and FirstFed’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 Consent Order entered into with the Federal Deposit Insurance Corporation on February 15, 2011 and any other supervisory action taken by the Bank’s federal or state regulators.

Dividends and Distributions

2. (a) FirstFed 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 of the Board of Governors (the “Director”).

(b) ESOP and FirstFed shall not take any other form of payment representing a reduction in capital from the Bank without the prior written approval of the Reserve Bank.

(c) FirstFed 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, receipt of any payment representing a reduction in the Bank's capital, 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 FirstFed'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, FirstFed 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) ESOP, FirstFed, and FirstFed's 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) FirstFed shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank.

Cash Flow Projections

4. Within 60 days of this Agreement, FirstFed shall submit to the Reserve Bank a written statement of its planned sources and uses of cash for debt service, operating expenses,

and other purposes (“Cash Flow Projection”) for 2011. FirstFed shall submit to the Reserve Bank a Cash Flow Projection for each calendar year subsequent to 2011 at least one month prior to the beginning of that calendar year.

Compliance with Laws and Regulations

5. (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, FirstFed 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) FirstFed 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

6. Within 30 days after the end of each calendar quarter following the date of this Agreement, the board of directors of FirstFed 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

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

(a) Mr. Allen D. Stanley
Assistant Vice President
Federal Reserve Bank of Atlanta
1000 Peachtree Street, NW
Atlanta, Georgia 30309

- (b) Mr. B.K. Goodwin, III
Chairman of the Board of Directors
President, and Chief Executive Officer
FirstFed Bancorp, Inc.
1630 4th Avenue North
Bessemer, Alabama 35021

- (c) Administrator
FirstFed Bancorp, Inc. Employee Stock Ownership Plan
1630 4th Avenue North
Bessemer, Alabama 35021

Miscellaneous

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

9. The provisions of this Agreement shall be binding upon ESOP, FirstFed, and their institution-affiliated parties, in their capacities as such, and their successors and assigns.

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

11. 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 ESOP, FirstFed, the Bank, any nonbank subsidiary of FirstFed, or any of their current or former institution-affiliated parties and their successors and assigns.

12. 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 27th of June, 2011.

FIRSTFED BANCORP, INC. EMPLOYEE
STOCK OWNERSHIP PLAN

FEDERAL RESERVE BANK
OF ATLANTA

By: /s/ B. K. Goodwin, III
B. K. Goodwin, III
Chairman of the Board, President,
and Chief Executive Officer

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

FIRSTFED BANCORP, INC.

By: /s/ B. K. Goodwin, III
B. K. Goodwin, III
Chairman of the Board, President,
and Chief Executive Officer