

SUPERVISORY AGREEMENT

This Supervisory Agreement (Agreement) is made and is effective this 28th day of February, 2002 (Effective Date), by and between The Gordon Bank, Gordon, Georgia, OTS Docket No. 11984 (Gordon or Bank), a federally chartered stock savings association, and the Office of Thrift Supervision (OTS), a bureau of the United States Department of the Treasury, acting through its Southeast Regional Director or his designee (Regional Director).

WHEREAS, the OTS is the primary federal regulator of the Bank;

WHEREAS, based upon the September 24, 2001 Report of Examination (2001 Exam), the OTS is of the opinion that the Bank has engaged in acts and practices that: (i) have resulted in violations of certain of the laws or regulations to which the Bank is subject; and (ii) are considered to be unsafe and unsound;

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

WHEREAS, the OTS is of the view that it is appropriate to take measures intended to ensure that the Bank will: (i) comply with all applicable laws and regulations; and (ii) engage in safe and sound practices; and

WHEREAS, the Bank, acting through its Board of Directors (Board), without admitting or denying that such grounds exist except those as to jurisdiction, which are admitted, wishes to cooperate with the OTS and to evidence the intent to: (i) comply with all applicable laws and regulations; and (ii) engage in safe and sound practices.

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

Compliance With Laws, Regulations & Safe and Sound Practices

1. The Bank, its directors, officers, employees, agents, and subordinate organizations shall take all necessary and appropriate actions to comply with the following laws, regulations, and safe and sound business practices:
 - a. 12 U.S.C. §1468, 12 U.S.C. §371c and 12 U.S.C. §371c-1 (Transactions with Affiliates);
 - b. 12 C.F.R. §563.41 and 12 C.F.R. §563.42 (Transactions with Affiliates);
 - c. 12 U.S.C. §1464(u) (Loans to One Borrower);
 - d. 12 C.F.R. §560.93 (Loans to One Borrower);
 - e. 12 C.F.R. Part 215; (Loans to Executive Officers, Directors and Shareholders);

- f. 12 C.F.R. §§ 563.550, 563.555, and 563.560 (Notice of Change of Director or Senior Executive Officer); and
- g. Regulatory Bulletin (RB) 3b (Asset growth), as its requirements may be modified by the Regional Director.

Board of Directors, Management and Oversight

- 2. Within 60 days after the Effective Date of this Agreement, the Board shall retain a qualified President with banking experience. The Board shall ensure that the retention of a President is undertaken in compliance with the notification requirements in 12 C.F.R. § 563.550 through 563.590. This individual's duties and responsibilities shall be dedicated solely to the Bank. The minutes of the meetings of the Board shall fully document the Board's efforts to retain a qualified President. A copy of the minutes of each meeting shall be provided to the Regional Director within 10 days of each meeting.
- 3. Within 60 days after the Effective Date of this Agreement, the Board shall develop, adopt, implement and submit to the Regional Director, a plan to address and improve staffing weaknesses in the area of lending, collections and internal audit. Such plan shall address the Bank's current staffing weaknesses and future needs in light of the operational strategies contained in the business plans adopted pursuant to Paragraph 5 of this Agreement.
- 4. The Board shall ensure the coordination and oversight of all activities and operations of the Bank's Gordon, Georgia and Jacksonville, Florida offices. The activities and operations of both offices shall be consistent with the business plan required by Paragraph 5 of this Agreement. The Board shall ensure that both offices are under the direction of the Bank's senior executive officer in charge of the Bank's day to day operations and shall require the preparation of a quarterly report to the Board on the activities and operations of each office. Such quarterly report shall (i) identify all new loans originated in amount great than \$200,000; (ii) include a review of all activities and operations for consistency with the Bank's business plan, and (iii) identify any problems, issues or deviations from the Bank's business plan and the corrective action(s) being undertaken.

Business Plan

- 5. Within 60 days of the Effective Date of this Agreement, the Board shall develop, adopt, implement and submit to the Regional Director, the first of a series of three one year business plans that cover the fiscal years 2002, 2003, and 2004. The 2003 and 2004 business plans shall be developed and adopted at least 60 days prior to the first day of the respective fiscal year to which they apply. Each business plan shall, for the fiscal year it covers, detail the Bank's overall operating strategy (including pro forma financial statements and relevant assumptions for the period covered in the plan), as well as individual operating strategies (consistent with the overall operating strategy and including pro forma financial statements for each office and relevant assumptions for the period covered in the plan) for its Gordon,

Georgia and Jacksonville, Florida offices. Each plan shall include specific details about the Bank's strategies to reduce operating expenses and improve earnings. Each business plan shall specifically consider and address the restrictions imposed by this Agreement, and the Bank's current and future capital needs (including plans and strategies for improving and maintaining the level, strength, and integrity of the Bank's capital in light of the strategies contained in each business plan). The Board shall review and document the Bank's compliance with the plan at least once each calendar quarter. A copy of the Board's documentation of this review shall be submitted to the Regional Director within 30 days following each review.

Classified Assets

6. Within 60 days after the Effective Date of this Agreement, the Board shall establish a written plan for the resolution of each classified asset, including any real estate owned, where the Institution's total investment or total exposure to the borrower exceeds \$200,000 (Asset Resolution Plan). Within 30 days of classifying an asset pursuant to 12 C.F.R. § 560.160 and the Institution's Classification Policy, and if the Institution's total investment or total exposure to the borrower exceeds \$200,000, the Board shall continue its practice of developing, adopting, and directing management to implement a written plan for the resolution of each such asset. Each plan shall, at a minimum, discuss the problems and weaknesses of each asset, establish reasonable targets and time frames for resolution, assign specific responsibilities, and require quarterly reports to the Board on compliance with established targets and time frames. The Board shall, on a quarterly basis, review each Asset Resolution Plan and document the level of compliance with each such Plan. A copy of the Board's documentation of this review shall be submitted to the Regional Director within 30 days following each review.

Allowances for Loan and Lease Losses

7. Within 60 days of the Effective Date of this Agreement, the Board shall develop, adopt, and implement policies and procedures for the establishment and maintenance of valuation allowances in accordance with the provisions of 12 C.F.R. § 560.160(b); the guidelines set forth in Section 261 of the OTS's Regulatory Thrift Activities Handbook (TAH); and the December 21, 1993 Interagency Policy Statement on Allowance for Loan and Lease Losses. A copy of the adopted policies and procedures shall be submitted to the Regional Director within 30 days of their adoption by the Board.

Lending and Growth Restrictions

8. The Bank may not make any new non-residential mortgage loans, non-mortgage commercial loans or construction loans without the prior written approval of the Regional Director. Such restriction includes new loans made to current or future borrowers and modifications of existing loans that would result in an extension of additional funds.

9. The Bank shall comply with the requirements and provisions of RB 3b. Without the prior written approval of the Regional Director, the Institution may not increase its total assets during any quarter in excess of an amount equal to net interest credited on deposit liabilities during the quarter. The growth restrictions imposed by this Paragraph 9 shall be expressly incorporated in and addressed by the Business Plan required in Paragraph 5.

Loans to One Borrower

10. Gordon shall comply with the lending limitations and restrictions applicable to loans to one borrower (LTOB). Within 60 days after the Effective Date of this Agreement, the Board shall adopt such policies and procedures as necessary to ensure that the Bank complies with its LTOB limits. These policies and procedures shall require certifications to be obtained from all borrowers to whom loans are made in an amount more than the greater of \$500,000 or 5% of the Institution's capital and surplus, identifying the persons, entities and interests of such borrower. A copy of the adopted policies and procedures shall be submitted to the Regional Director within 30 days of their adoption by the Board.

Transactions with Affiliates and Insiders

11. The Board shall ensure that all loans to Affiliates fully comply with 12 C.F.R. §§ 563.41 and 563.42. The Board also shall ensure that all loans to directors, officers, principal shareholders and their related interests (collectively, Insiders) fully comply with Regulation O, 12 C.F.R. Part 215, and 12 C.F.R. 563.43. The Institution shall maintain documentation sufficient to evidence that all loans to Affiliates and Insiders were made in compliance with applicable statutory and regulatory requirements.

Director Responsibility

12. Notwithstanding the requirements of this Agreement that the Board submit various matters to the Regional Director for the purpose of receiving his approval, non-objection or notice of acceptability, such regulatory oversight does not derogate or supplant each individual director's continuing fiduciary duty. The Board shall have the ultimate responsibility for overseeing the safe and sound operation of the Bank at all times, including compliance with the determinations of the Regional Director as required by this Agreement.

Compliance with Agreement

13. The Board and officers of the Bank shall take immediate action to cause the Bank to comply with the terms of this Agreement and shall take all actions necessary or appropriate thereafter to cause the Bank to continue to carry out the provisions of this Agreement.
14. The Board, on a quarterly basis, shall adopt a board resolution (the Compliance Resolution) formally resolving that, following a diligent inquiry of relevant information (including reports of management), to the best of its knowledge and belief, during the immediately

preceding calendar quarter, the Bank has complied with each provision of this Agreement currently in effect, except as otherwise stated. The Compliance Resolution shall: (i) specify in detail how, if at all, full compliance was found not to exist, and (ii) identify all notices of exemption or non-objection issued by the Regional Director that were outstanding as of the date of its adoption.

15. The minutes of the meeting of the Board shall set forth the following information with respect to the adoption of each Compliance Resolution: (i) the identity of each director voting in favor of its adoption, and (ii) the identity of each director voting in opposition to its adoption or abstaining from voting thereon, setting forth each such director's reasoning for opposing or abstaining.
16. Within 30 calendar days after the end of each calendar quarter, beginning with the end of the first calendar quarter following the Effective Date of this Agreement, the Bank shall provide to the Regional Director a certified true copy of the Compliance Resolution[s] adopted at the Board meeting. The Board, by virtue of the Bank's submission of a certified true copy of such Compliance Resolution to the Regional Director, shall be deemed to have certified to the accuracy of the statements set forth in each Compliance Resolution, except that in the event that one or more directors do not agree with the representations set forth in a Compliance Resolution, such disagreement shall be noted in the minutes of the Bank.
17. The Board shall promptly respond to any request from the OTS for documents to demonstrate compliance with this Agreement.

Definitions

18. 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

19. 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

20. 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:
- a. The OTS by the Bank, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid or sent via overnight delivery service or physically delivered, in each case addressed to the Regional Director, Office of Thrift Supervision, Department of the Treasury, 1475 Peachtree Street, N.E., Atlanta, Georgia, 30309, or telecopied to (404) 897-1861 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.
 - b. The Bank by the OTS, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid or sent via overnight delivery service or physically delivered, in each case addressed to the Bank at 280 Milledgeville Hwy., Gordon, Georgia 31031, or telecopied to (478) 628-3420 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.

Duration, Termination or Suspension of Agreement

21. 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).
22. The Regional Director in his sole discretion, may, by written notice, suspend any or all provisions of this Agreement.

Time Limits

23. Time limitations for compliance with the terms of this Agreement run from the Effective Date, unless otherwise noted.

Effect of Headings

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

Separability Clause

25. 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

26. Nothing in this Agreement shall be construed as: (i) allowing the Bank to violate any law, rule, regulation, or policy statement to which it is subject, or (ii) restricting the OTS from taking such action(s) as 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

27. 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 and the Federal Deposit Insurance Corporation and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

Signature of Directors

28. Each Director signing the Agreement attests, by such act, that she or he voted in favor of a Board resolution authorizing the execution of this Agreement by the Bank.

Integration Clause

29. 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. However, upon approval by the Regional Director, all policies required by this Agreement shall become part of this Agreement and any deviation from these policies shall be deemed a violation of this Agreement.

Enforceability of Agreement

30. The Bank represents and warrants that this Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Bank. The Bank acknowledges that this Agreement, is a "written agreement" entered into with the OTS within the meaning of Section 8 of the FDIA, 12 U.S.C. §1818.

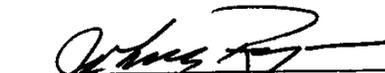
Counterparts

31. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and each of which shall be deemed an original.

IN WITNESS WHEREOF, the OTS, acting by and through the Regional Director and the Bank, in accordance with a duly adopted resolution of its Board, hereby execute this Agreement as of the Effective Date.

OFFICE OF THRIFT SUPERVISION

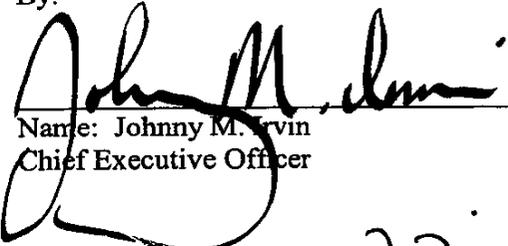
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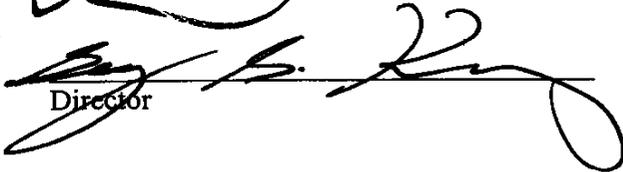
John E. Ryan
Regional Director

THE BANK

By:



Name: Johnny M. Arvin
Chief Executive Officer



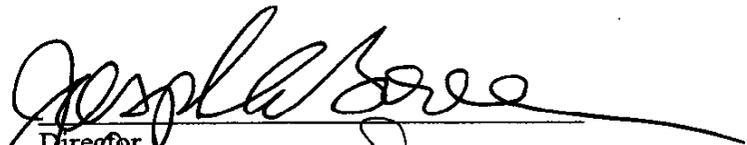
Director



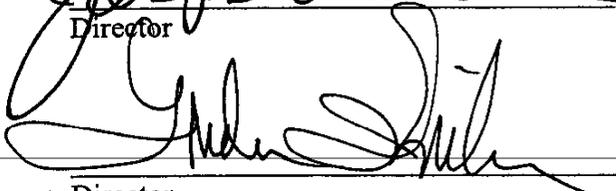
Director



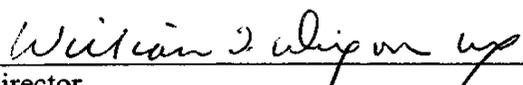
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