

## SUPERVISORY AGREEMENT

This Supervisory Agreement (Agreement) is made and is effective this 26th day of April, 2004 (Effective Date), by and between Georgia Community Bank, Docket No. 17928 (GCB or Bank), a federally chartered stock savings bank, 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 Bank's March 10, 2003 Report of Examination (2003 Examination) and additional information derived by the OTS in the course of its ongoing supervision and regulation of the Bank, the OTS is of the opinion that GCB 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/or (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 and Regulations

1. The Bank shall provide the OTS with prior written notice of any addition or change in its directors and senior executive officers in compliance with the requirements of 12 C.F.R. §§ 563.550 through 563.590.
2. The Bank shall provide the OTS with copies of all proposed employment contracts or compensation and benefit arrangements at least thirty (30) days prior to the execution or implementation of such contracts or arrangements.
3. The Bank shall provide the OTS with written notice of all third party contracts in accordance with Section 310 of the OTS Thrift Activities Handbook (TAH).

### Growth

4. The Bank shall comply with the growth restrictions set forth in OTS Regulatory Bulletin (RB) 3b and shall not increase its assets during any calendar quarter in excess of an amount equal to net interest credited on deposit liabilities (or earnings credited on share accounts), until a revised three (3) year business plan is submitted to and approved by the Regional Director pursuant to Paragraph 5 of this Agreement.

### Business Plan

5. Within 60 days after the Effective Date of this Agreement, the Board shall prepare and submit to the Regional Director for review and approval a new three (3) year business plan (Business Plan) that addresses calendar years 2004, 2005, and 2006. The Business Plan will discuss the Bank's existing operations, current market conditions, local demographics, available resources, and existing capital levels. Based upon these factors, the Business Plan will: (a) include a description of the assumptions utilized in the formation of the plan; (b) contain balance sheet and income projections for the period covered by the Business Plan; (c) identify and discuss the Bank's future operations and business strategies, including the continuation of current activities and operations, as well as any new activities and operations; and (d) specifically consider and address the limitations and restrictions imposed by this Agreement, as well as 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 operating strategies and projections contained in the Business Plan).
6. The Board shall ensure that the Bank adheres to the Business Plan approved by the Board and the Regional Director. The Board shall require Management to prepare quarterly variance reports (Variance Report) detailing the Bank's compliance with the Business Plan. The Variance Report shall be provided to and reviewed by the Board within 30 days after the close of each calendar quarter. The Variance Report shall detail actual operating results versus projected results, including compliance with Board established limitations. The Variance Report shall fully discuss any deviations from the Business Plan and include a detailed description of the measures that have been implemented, proposed or are under current consideration to correct any such deviation. The Board shall fully document its review of the Variance Reports in the Board meeting minutes. A copy of the Variance Reports prepared by Management and the Board meeting minutes shall be provided to the OTS within 10 days after the meeting at which the Board reviewed the Variance Reports.

### Loan Reviews

7. The Board shall require all delinquent or problem loans (including those subject to a workout plan) to related borrowers to be grouped together as a single lending relationship. The term "related borrowers" shall mean a borrower, whether a natural person, corporation or business entity or organization, and all entities owned or controlled, in whole or in part, by such

borrower. Each single lending relationship shall be assigned to and be the responsibility of an individual loan officer. The Board will establish a credit committee to review and approve recommended workout strategies and timelines for dealing with borrowers, including all related borrowers, with delinquent or problem loans in excess of \$100,000 or where the identified 'single lending relationship' exceeds \$100,000 (Credit Committee). Management shall develop and implement a tracking system to monitor the progress of all such loan workouts. Management shall prepare a monthly report to the Board regarding the progress of all loan workouts and shall make every effort to obtain sufficient collateral to adequately secure all loans in workout.

### Lending

8. Within thirty (30) days after the Effective Date of this Agreement, the Board shall prepare and submit to the Regional Director for review and approval revised loan origination, underwriting, documentation, and credit administration policies and procedures (Loan Policy). At a minimum, the Loan Policy will address all aspects of the lending function, including (i) identification of the types of loans to be made and the limitations and parameters to be applied to each, (ii) the circumstances under which any existing loan, whether collateralized or unsecured, may be renewed or extended; (iii) compliance with applicable laws and regulations, and (iv) periodic reporting by Management to the Credit Committee and the Board detailing loan volume and compliance with the Loan Policy. In drafting the Loan Policy, the Board shall address the lending-related issues discussed in the 2003 Examination and OTS correspondence to the Board dated July 2, 2003, July 9, 2003, July 24, 2003, and August 1, 2003.

### Loans to Bank Shareholders

9. The Bank may not renew or extend any loan made to any shareholder of the Bank's holding company, Georgia Community Bancshares, Inc., Dalton, Georgia, collateralized or unsecured, where the Bank's loan proceeds were originally utilized to repay the shareholder's stock acquisition loan obligation(s) to any financial institution, individual, or other entity, that financed the shareholder's purchase of GCB stock.

### Director Responsibility

10. 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

11. All policies, procedures, corrective actions, plans, programs, reviews and systems required by this Agreement (collectively, Policies and Procedures) shall conform to all applicable statutes, regulations, OTS policy and guidance. The Board shall submit copies of all Policies and Procedures required by this Agreement to the Regional Director within thirty (30) days after adoption by the Board. The Board shall revise such Policies and Procedures as required by the Regional Director within thirty (30) days of receipt of written direction from the Regional Director. The Policies and Procedures, as modified consistent with the written direction of the Regional Director, shall be incorporated into this Agreement and any deviation from such Policies and Procedures shall be a violation of this Agreement.
12. The Board shall, on a quarterly basis, adopt a board resolution (the Compliance Resolution) formally resolving that, following a diligent inquiry of relevant information (including a report from Management regarding the Bank's compliance with each numbered paragraph of this Agreement and detailing any variances), 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:
  - (a) specify in detail how, if at all, full compliance was found not to exist; and
  - (b) identify all notices of exemption or non-objection issued by the Regional Director that were outstanding as of the date of its adoption.
  - (c) Further, the minutes of each 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.
13. Within forty (40) 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 pursuant to Paragraph 12 of this Agreement, including a copy of the report prepared by Management and reviewed by the Board. 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 Board meeting minutes.

14. The Board shall promptly respond to any request from the OTS for documents to demonstrate compliance with this Agreement, including making Bank records and documents available for OTS examiner review upon request.

#### Definitions

15. 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

16. 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

17. 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 2217 Chattanooga St., Dalton, Georgia 30720, or telecopied to (706) 271-0112 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

18. This Agreement shall:

- (a) become effective upon its execution by the OTS, through its authorized representative whose signature appears below; and
- (b) 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).

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

#### Time Limits

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

#### Effect of Headings

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

#### Separability Clause

22. 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

23. Nothing in this Agreement shall be construed as:

- (a) allowing the Bank to violate any law, rule, regulation, or policy statement to which it is subject; or
- (b) 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

24. 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

25. 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

26. 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, as noted herein, all Policies and Procedures required by this Agreement shall, upon modification consistent with the direction of the Regional Director, become part of this Agreement and any deviation from these policies shall be deemed a violation of this Agreement.

Enforceability of Agreement

27. 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

28. 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.

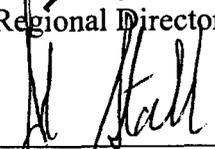
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IN WITNESS WHEREOF, the OTS, acting by and through the Regional Director and the Bank, in accordance with a duly adopted resolution of its Board, hereby execute this Agreement as of the Effective Date.

OFFICE OF THRIFT SUPERVISION

By:

  
\_\_\_\_\_  
John E. Ryan  
Regional Director

  
\_\_\_\_\_  
Director

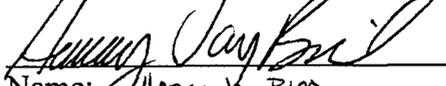
  
\_\_\_\_\_  
Director Ted Ravenholt  
EVP/CEO

\_\_\_\_\_  
Director

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Director

THE BANK

By:

  
\_\_\_\_\_  
Name: Henry Jay Bird  
Title: Chairman of the Board

  
\_\_\_\_\_  
Director R. Wayne Russell  
President/CEO

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Director

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Director

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Director