

SUPERVISORY AGREEMENT

This Supervisory Agreement (Agreement) is made and is effective this 1st day of May, 2009 (Effective Date), by and between Heritage First Bank, Rome, Georgia, OTS Docket No. 17927 (Association), acting by and through the Association's Board of Directors (Board), and the Office of Thrift Supervision (OTS), a bureau of the United States Department of the Treasury, acting by and through its Regional Director for the Southeast Region or his designee (Regional Director).

WHEREAS, the OTS is the primary Federal regulator of the Association pursuant to the Home Owners' Loan Act (HOLA), 12 U.S.C. §§ 1461 *et seq.*, and is the Association's appropriate Federal banking agency for purposes of the Federal Deposit Insurance Act (FDIA), 12 U.S.C. §§ 1811 *et seq.*; and

WHEREAS, based on its August 25, 2008 examination of the Association (2008 Examination), the OTS finds that the Association has failed to comply with the requirements of laws and regulations to which the Association is subject, failed adopt and implement appropriate and comprehensive risk management practices and strategies, and failed to identify and correct other deficiencies and weaknesses in its operations; and

WHEREAS, the Association, which is subject to examination, regulation and supervision by the OTS, is taking steps to address the violations of law and regulation, strengthen risk management programs, and correct weaknesses and deficiencies identified by the OTS; and

WHEREAS, in furtherance of their common goal to ensure that the Association

continues to address the violations of law and regulation, inadequate risk management programs, and weaknesses and deficiencies identified by the OTS, the Association and the OTS have mutually agreed to enter into this Agreement; and

WHEREAS, on April 30, 2009, the Association's Board, at a duly constituted meeting adopted a resolution (Board Resolution) that authorizes the Association to enter into this Agreement and directs compliance by the Association and its directors, officers, employees, and other institution-affiliated parties with each provision of this Agreement.

NOW THEREFORE, in consideration of the above premises, it is agreed as follows:

Compliance with Laws, Regulations and Regulatory Guidance.

1. The Association shall comply with all applicable laws, regulations, and regulatory guidelines including, but not limited to, the following:
 - a. 12 C.F.R. § 560.101 (Real Estate Lending Standards);
 - b. 12 C.F.R. Part 570 - Appendix A (Interagency Guidelines Establishing Standards for Safety and Soundness);
 - c. 12 C.F.R. § 560.160 (Asset Classification);
 - d. 12 C.F.R. § 564.8 (Appraisal Policies and Practices of Savings Associations and Subsidiaries);
 - e. 12 C.F.R. § 215.4 (General Prohibitions on Loans to Executive Officers, Directors and Principal Shareholders);
 - f. the Interagency Policy Statement on the Allowance for Loan and Lease Losses (ALLL) and Questions and Answers on Accounting for Loan and Lease Losses dated December 13, 2006, and contained in Chief Executive Officer (CEO) Memorandum # 250 (December 13, 2006); and

g. the Interagency Uniform Retail Credit Classification and Account Management Policy dated February 10, 1999, and contained in CEO Memorandum # 103 (March 4, 1999), and the Revised Uniform Retail Credit and Account Management Policy contained in CEO # 128 (June 27, 2000).

Business Plan.

2. Within ninety (90) days, the Board shall prepare and submit to the Regional Director for review and comment a comprehensive business plan that covers the second half of calendar year 2009, calendar year 2010 and 2011, and the first half of calendar year 2012 (Business Plan). At a minimum, the Business Plan shall include:

a. a detailed and specific discussion of the Board's plans and strategies to strengthen and improve the Association's operations, earnings, and liquidity;

b. a discussion of the Association's current financial position and resources and specific Board strategies for ensuring that the Association has the financial and personnel resources necessary to implement and adhere to the Business Plan, adequately support the Association's risk profile, maintain compliance with applicable regulatory capital requirements, and maintain appropriate levels of liquidity;

c. a discussion of the Association's current capital position and future capital needs necessary to implement the strategies and business operations contained in the Business Plan;

d. a discussion of the effect of recent asset quality trends and current and projected real estate market conditions;

e. a discussion of the requirements and restrictions imposed by this Agreement;

f. quarterly pro forma financial projections (balance sheet, capital forecasts, and income statement) and a detailed budget for each period covered by the Business Plan; and

g. identification of all relevant assumptions made in formulating the Business Plan, as well as documentation supporting such assumptions.

3. The Board shall make any changes to the Business Plan required by the Regional Director within twenty (20) days after being notified of such changes and provide a copy of the revised Business Plan to the Regional Director for review. Upon receipt of approval of or non-objection to the revised Business Plan from the Regional Director, the Board shall adopt the revised Business Plan and the revised Business Plan shall be incorporated herein by reference and become a part of this Agreement and any violation of the revised Business Plan shall be a violation of this Agreement. A copy of the revised Business Plan and the Board meeting minutes reflecting the Board's adoption thereof shall be provided to the Regional Director within ten (10) days after the Board meeting.

4. The Board shall ensure that the Association adheres to and implements the revised Business Plan. Any material modifications to the revised Business Plan shall be submitted to the Regional Director for review and written non-objection at least forty-five (45) days prior to implementation. A modification shall be considered material under this section of the Agreement if the Association plans to: (a) engage in any activity that is inconsistent with the revised Business Plan; or (b) exceed the level of any activity contemplated in the revised Business Plan or fail to meet target amounts established in the revised Business Plan by more than 10%, unless the activity involves assets risk-weighted 50% or less, in which case a variance of more than 25% shall be deemed to be a material modification.

5. The Board shall require the Association's Senior Executive Officers¹ (Management) to prepare and submit to the Board quarterly variance reports on the Association's compliance with the revised Business Plan within thirty (30) days after the close of each calendar quarter

¹ The term Senior Executive Officer is defined at 12 C.F.R. § 563.555.

(Quarterly Business Plan Variance Reports) beginning with the calendar quarter ending September 30, 2009. The Quarterly Business Plan Variance Reports shall: (a) identify material variances in the Association's actual performance during the preceding quarter as compared to the projections set forth in the revised Business Plan; (b) contain an analysis and explanation of the identified variances; and (c) detail the specific measures to be taken to address such variances, including adjustments to the underlying assumptions.

6. The Board shall review the Quarterly Business Plan Variance Reports and conduct a thorough review and assessment of the Association's compliance with the revised Business Plan and take corrective actions if necessary to ensure adherence to the revised Business Plan. The Board's review of the Quarterly Business Plan Variance Reports and assessment of the Association's compliance with the revised Business Plan shall be fully documented in the appropriate Board meeting minutes. A copy of the Quarterly Business Plan Variance Report, any supporting documents, reports, or other information reviewed by the Board, and the Board meeting minutes detailing the Board's review and corrective actions, if any, shall be provided to the Regional Director within ten (10) days after the Board meeting.

Construction Loans.

7. Effective immediately, the Association shall not originate or purchase, commit to originate or purchase, or extend additional funds (except as discussed in Paragraph 10 of this Agreement) to existing borrowers on or relating to construction loans without the prior written approval or non-objection of the Regional Director. Prior to requesting Regional Director approval or non-objection to resume origination activity on construction loans, the Association shall have corrected all construction loan underwriting, administration, and disbursement deficiencies discussed in the 2008 Examination and addressed in this Agreement. A list of all

identified deficiencies and corrective measures, including process or policy changes, internal/external audit changes and the date such changes were made, shall be included with the Association's request to the Regional Director to resume construction loan origination activity.

8. The Association may only renew, extend, modify, or restructure existing construction loans to facilitate a workout pursuant to a written loan modification program (Loan Modification Program) that requires: (a) documentation of the Association's efforts to obtain a principal reduction from the borrower; (b) compliance with the Association's loan underwriting and documentation policies and procedures; and (c) adherence to safe and sound banking practices.

9. Beginning with the month ending May 31, 2009, Management shall prepare and submit a monthly report to the Board with detailed information on all renewals, extensions, modifications, or restructurings undertaken pursuant to the Loan Modification Program (Loan Modification Report). The Loan Modification Report shall include updated collateral value estimates and a discussion of the borrower's current creditworthiness and financial resources. The Board's review of the Loan Modification Report, including any corrective actions adopted by the Board, shall be fully documented in the meeting minutes.

10. The Association may fund legally binding commitments that were executed prior to the Effective Date of this Agreement. Prior to funding any commitment under this Paragraph, the Board shall ensure that the Association has and maintains the following: (a) a statement or opinion from legal counsel that the commitment in question is a legally binding commitment under applicable state law; and (b) documentation of the status and outcome of any negotiations between the Association and the requestor to limit or eliminate the Association's funding exposure.

11. Within thirty (30) days, Management shall prepare and submit to the Board for review a

written monthly schedule of all outstanding loans with interest reserves, regardless of the funding source for such reserves (Interest Reserve Schedule). At a minimum, the Interest Reserve Schedule shall include the following for each loan with interest reserves:

- a. the total amount of interest reserves established, which shall include all prior interest reserve amounts;
- b. the total amount of interest reserves available and remaining;
- c. the loan maturity date and all renewal or extension dates; and
- d. the projected date that the interest reserves will be depleted; and
- e. the funding source for the interest reserves.

The Board shall review the Interest Reserve Schedule at each Board meeting and the Board's review, including any corrective actions adopted, shall be fully documented in the Board meeting minutes. A copy of the Interest Reserve Schedule and the Board meeting minutes detailing the Board's review shall be provided to the Regional Director within ten (10) days after the Board meeting.

High Loan to Value Loans.

12. Effective immediately, the Association shall not originate or purchase or commit to originate or purchase any loan that exceeds the supervisory loan to value (LTV) ratios or extend additional funds to existing borrowers that would, upon extension, cause a loan to exceed applicable supervisory LTV ratios.

13. Within sixty (60) days, the Board shall prepare and adopt a detailed written plan to reduce the balances of outstanding loans in excess of supervisory LTV ratios (LTV Plan). The Board shall require Management to implement and adhere to the LTV Plan and provide monthly

reports to the Board, beginning with the month ending June 30, 2009, on the Association's compliance with the LTV Plan.

Concentrations of Credit.

14. Within sixty (60) days, the Board shall revise the Association's written program for identifying, monitoring, and managing the risks associated with concentrations of credit to address the deficiencies and weaknesses discussed in the 2008 Examination and ensure compliance with the requirements and guidelines contained in 12 C.F.R. § 560.101 and CEO Memorandum # 252 (Credit Concentration Program). At a minimum, the revised Credit Concentration Program shall:

- a. establish specific limitations on concentrations of credit for all major loan categories (expressed as a percentage of the Association's total assets and total capital) to be implemented and adhered to by the Association;
- b. provide for additional stratification of each major loan category into subcategories and the establishment of concentration sub-limits within each subcategory (such as per development, subdivision, geographic location, and builder);
- c. provide for enhanced monitoring and risk analysis of all concentrations of credit;
- d. require quarterly reviews of the Association's balance sheet to identify any new concentrations of credit requiring enhanced analysis and review consistent with the Credit Concentration Program;
- e. require a written analysis and quarterly reports to the Board of identified concentrations of credit assessing credit, liquidity, interest rate, or other risks associated with such concentrations of credit; and

f. establish a written action plan, including specific time frames, for reducing the level of concentrations and reducing the risks associated with the Association's concentrations of credit described in the 2008 Examination.

The Board shall adopt the Credit Concentration Program and ensure that the Association adheres to and implements the Credit Concentration Program.

15. The Board shall require Management to prepare and submit for Board review a written report assessing the Association's compliance with the revised Credit Concentration Program within thirty (30) days after the close of each calendar quarter, beginning with the quarter ending June 30, 2009 (Concentration Report). The Board's review of the Concentration Report, including any corrective actions adopted by the Board, shall be fully documented in the appropriate Board meeting minutes. A copy of the Concentration Report and any supporting documents, reports, or other information reviewed by the Board, and the Board meeting minutes detailing the Board's review shall be provided to the Regional Director within ten (10) days after the Board meeting.

Loan Underwriting.

16. Within sixty (60) days, the Board shall strengthen and enhance the Association's loan underwriting and credit administration policies, practices, and controls to address all deficiencies and weaknesses discussed in the 2008 Examination. At a minimum, the Board shall establish additional policies, practices, and controls to:

a. improve the Association's loan grading system and specify parameters for the identification of "problem loans" for each category of loans offered by the Association (prepared in conjunction with the Loan Review and Classification Program required by Paragraph 19 below);

- b. restrict multiple loan renewals without principal reductions;
- c. restrict the capitalization of interest, loan fees, late fees, loan costs, and collection costs of problem loans;
- d. establish funding controls over hard and soft costs on construction projects and ensure that inspections are performed on construction projects to prevent over-disbursements of loan funds;
- e. formalize and document the appraisal review process and ensure that annual reviews are conducted on all approved appraisers;
- f. restrict additional advances to borrowers with problem loans;
- g. require Loan Committee approval of all renewals and extensions of problem loans;
- h. establish credit qualification standards including, but not limited to, debt service to income ratios, and documentation requirements for all borrowers that demonstrate and support the borrower's ability to meet all contractual debt service obligations from current, verified net income and cash flow;
- i. establish policies, procedures, and systems to obtain and analyze, on an annual basis, updated borrower financial information on all loans (other than those secured by owner occupied single family dwellings and consumer loans) with an outstanding or committed balance greater than \$250,000;
- j. provide for the classification of loans, including designation as special mention, or placement of loans on a watch list, if there is a significant decline in a borrower's financial standing whereby the borrower would no longer qualify for the existing loan under the

Association's loan underwriting standards or no longer demonstrates the ability to meet global debt service obligations;

k. provide for an effective system for the retention, review, renewal, and updating by the Association of all required records, filings, and other credit related documents;

l. establish prudent underwriting standards and an internal review and approval process for all loans granted as exceptions to the Association's general lending policies and require such loans to be reported to the Board for review on a monthly basis;

m. include adversely classified and Special Mention ratios and delinquency ratios in reports to the Association's Board; and

n. address all other underwriting and credit administration recommendations discussed in the 2008 Examination.

Classified Assets.

17. Within sixty (60) days, the Board shall prepare detailed written asset resolution plans for each classified asset² and delinquent loan of Five Hundred Thousand Dollars (\$500,000) or greater (Asset Resolution Plans). At the first regularly scheduled Board meeting following the end of each calendar quarter, beginning with the quarter ending June 30, 2009, Management shall prepare and submit to the Board for review a quarterly written asset status report (Quarterly Asset Report). The Quarterly Asset Report shall provide a summary of and update on the current status of all Asset Resolution Plans and a discussion of any other actions taken by Management during the preceding quarter to reduce the Association's level of classified assets and delinquent loans.

18. The Board's review of the Quarterly Asset Reports, and any corrective actions adopted

² The term "classified asset" shall mean any asset classified as Special Mention, Substandard, Doubtful or Loss in the 2008 Examination or by the Association's internal or external loan review and classification processes.

by the Board, shall be fully documented in the appropriate Board meeting minutes. A copy of the Quarterly Asset Reports and supporting documents, reports, or other information reviewed by the Board, and the Board meeting minutes detailing the Board's review shall be provided to the Regional Director within ten (10) days after the Board meeting.

Loan Review and Classification.

19. Within seventy-five (75) days, the Board shall revise the Association's policies and procedures for identifying and classifying problem assets (Loan Review and Classification Program). The Loan Review and Classification Program shall address the deficiencies and incorporate the changes discussed in the 2008 Examination and effectively identify the risks in the Association's loan portfolio to ensure the appropriate classification and reporting of the Association's assets and maintenance of adequate ALLL levels. The Loan Review and Classification Program shall comply with 12 C.F.R. Part 560, Section II G of Appendix A to the Safety and Soundness Standards of 12 C.F.R. Part 570, Generally Accepted Accounting Principles and Statements of Financial Accounting Standards. The Board shall adopt the Loan Review and Classification Program and ensure that Management adheres to and implements the Loan Review and Classification Program.

Allowance for Loan and Lease Losses.

20. Within forty-five (45) days, the Board shall revise the Association's policies, procedures, and methodology to ensure the timely establishment and maintenance of adequate ALLL levels in accordance with applicable laws, regulations, and regulatory guidance (ALLL Policy). The ALLL Policy shall, at a minimum: (a) address the deficiencies and weaknesses discussed, and adopt the recommendations contained, in the 2008 Examination; and (b) conform to the regulatory requirements and guidance contained in 12 C.F.R. § 560.160(b), Section 261 of the

OTS Examination Handbook, the December 13, 2006 Interagency Policy Statement on ALLL (CEO Memorandum # 250), and Generally Accepted Accounting Principles and Statements of Financial Accounting Standards.

21. Not less than annually, beginning with the fiscal year ending 2009, the Board shall retain a qualified and experienced third party consultant to conduct a review of the Association's ALLL methodology to verify and validate the accuracy, thoroughness, and effectiveness of the methodology for establishing appropriate levels of ALLL. A written report (ALLL Report) shall be prepared and submitted to the Board for review within forty-five (45) days following the end of each fiscal year end detailing the consultant's review and findings. The Board's review of the ALLL Report, including any corrective actions adopted by the Board, shall be fully documented in the Board meeting minutes. A copy of the ALLL Report and the Board meeting minutes detailing the Board's review shall be provided to the Regional Director within ten (10) days after the date of the Board meeting.

Appraisals.

22. Within ninety (90) days, the Board shall review and revise, as necessary, the Association's appraisal policies and procedures to ensure that they comply with 12 C.F.R. Part 564 (Appraisal Policy). The Board shall fully document its review and any revisions to the Association's Appraisal Policy in the Board meeting minutes.

Regulation O.

23. Within sixty (60) days, the Board shall review and revise the Association's policies, procedures, and systems governing transactions between the Association and Insiders³ to ensure that all Insider transactions comply with the requirements set forth in 12 C.F.R. Part 215 (Insider Policy). At a minimum, the Insider Policy shall:

³ The term "Insider" is defined at 12 C.F.R. § 215.2(h).

- a. define conflicts of interest, breaches of fiduciary duty, and situations creating an appearance of a conflict of interest and the Board's expectations with respect to each;
- b. establish procedures for ensuring that transactions between the Association and Insiders are fully documented, including, but not limited to: independent appraisals of property securing Insider loans, information demonstrating that an Insider loan is made on terms and conditions that are no more favorable than those for loans made by the Association to non-Insiders;
- c. require documentation in the Board minutes reflecting the Board's deliberations regarding Insider loans and Board actions approving or denying Insider loans;
- d. require disclosure of actual and potential conflicts of interest to the Board, and periodic disclosure of related interests as defined by 12 C.F.R. Part 215; and
- e. require disclosure of any Insider's material interest in the business of a borrower, an applicant, or other customer of the Association.

Staffing Review.

24. Within ninety (90) days, the Board shall conduct an analysis of the Association's staff including, but not limited to, all individuals involved in the lending and credit administration functions (Staff Review). The Staff Review will, at a minimum: (a) assess whether the Association's staff has the expertise, skills, and qualifications necessary to properly perform their duties, including underwriting and monitoring assigned loans, particularly construction loans; and (b) assess current staffing levels and determine whether additional staff is necessary for safe and prudent lending and conduct of the Association's business and operations. The Staff Review, and any corrective actions adopted by the Board to address identified staffing deficiencies, shall be fully documented in the Board meeting minutes. A copy of the Board

meeting minutes, including any supporting documents, reports, or other information prepared or reviewed by the Board in conducting the Staff Review, shall be provided to the Regional Director within ten (10) days after the date of the Board meeting.

Brokered Deposits.

25. Effective immediately, the Association is prohibited from increasing the dollar amount of brokered deposits⁴ at the Association without receiving the prior written approval or non-objection of the Regional Director. The Association's written request for such approval or non-objection should be submitted to the Regional Director at least forty-five (45) days prior to the anticipated date of acceptance of additional brokered deposits.

26. Within forty-five (45) days, the Board shall prepare and submit to the Regional Director for review and comment a plan to reduce the Association's reliance on brokered deposits (Brokered Deposit Reduction Plan). The Brokered Deposit Reduction Plan shall, at a minimum, include: (a) a detailed description of the current composition of the Association's brokered deposits, including the source of each deposit and its maturity date; and (b) an explanation of the means by which such deposits will be paid. The Board shall make any changes to the Brokered Deposit Reduction Plan required by the Regional Director within thirty (30) days after being notified of such changes and provide a copy of the revised Brokered Deposit Reduction Plan to the Regional Director for review. Upon receipt of approval of or non-objection to the revised Brokered Deposit Reduction Plan from the Regional Director, the Board shall adopt the revised Brokered Deposit Reduction Plan and ensure that Management and the Bank adhere to and implement the revised Brokered Deposit Reduction Plan. Any material modification to the revised Brokered Deposit Reduction Plan shall be submitted to the Regional Director for review and written approval of or non-objection at least forty-five (45) days prior to implementation.

⁴ The term "brokered deposit" is defined at 12 C.F.R. § 337.6(a)(2).

27. The Board shall require Management to prepare and submit to the Board quarterly variance reports on the Bank's compliance with the revised Brokered Deposit Reduction Plan within thirty (30) days after the close of each calendar quarter (Quarterly Brokered Deposit Variance Reports), beginning with the calendar quarter ending June 30, 2009. The Board shall review the Quarterly Brokered Deposit Variance Reports each quarter and take corrective actions if necessary to ensure adherence to the revised Brokered Deposit Plan. The Board's review of the Quarterly Brokered Deposit Variance Reports shall be fully documented in the appropriate Board meeting minutes. A copy of the Quarterly Brokered Deposit Variance Report, any supporting documents, reports, or other information reviewed by the Board, and the Board meeting minutes detailing the Board's review and corrective actions, if any shall be provided to the Regional Director within ten (10) days after the Board meeting.

Violations of Law.

28. Within sixty (60) days, the Board shall ensure that all violations of law, rule, and/or regulation cited in the Association's 2008 Examination are corrected. Within ninety (90) days, the Board shall prepare, adopt, and thereafter ensure that the Association adheres to specific procedures to prevent future violations.

29. Within thirty (30) days of receipt of any subsequent Report of Examination, internal audit report, independent external audit report, or other report prepared by the Association's employees, agents, or independent contractors, which cites or discusses any weakness, deficiency, or violation of law, rule, or regulation, the Board shall prepare, adopt, and thereafter ensure the Association adheres to specific procedures to correct such weaknesses, deficiencies, and violations and prevent future weaknesses, deficiencies, and violations.

Growth.

30. Effective immediately, the Association is subject to and shall comply with the requirements and provisions of OTS Regulatory Bulletin (RB) 3b. Without the prior written approval of the Regional Director, the Association shall not increase its total assets during any quarter, beginning with the quarter ending June 30, 2009, in excess of an amount equal to net interest credited on deposit liabilities during the quarter. The growth restrictions imposed by this Paragraph shall remain in effect until the OTS review and approval of the Association's Business Plan under Paragraph 2 of this Order.

Management Changes.

31. Effective immediately, the Association shall comply with the prior notification requirements for changes in directors and Senior Executive Officers set forth in 12 C.F.R. Part 563, Subpart H, 12 C.F.R. §§ 563.550 through 563.590.

Employment Contracts and Compensation Arrangements.

32. Effective immediately, the Association shall not enter into, renew, extend, or revise any contractual arrangement relating to compensation or benefits for any Senior Executive Officer or director of the Association, unless it first provides the OTS with not less than thirty (30) days prior written notice of the proposed transaction. The notice to the OTS shall include a copy of the proposed employment contract or compensation arrangement or a detailed, written description of the compensation arrangement to be offered to such officer or director, including all benefits and perquisites. The Board shall ensure that any contract, agreement, or arrangement submitted to the OTS fully complies with the requirements of 12 C.F.R. Part 359, 12 C.F.R. §§ 563.39 and 563.161(b), and 12 C.F.R. Part 570 – Appendix A.

Severance and Indemnification Payments.

33. Effective immediately, the Association shall not make any golden parachute payment⁵ or prohibited indemnification payment⁶ unless, with respect to each such payment, the Association has complied with the requirements of 12 C.F.R. Part 359 and, as to indemnification payments, 12 C.F.R. § 545.121.

Third Party Contracts.

34. Effective immediately, the Association shall not enter into any arrangement or contract with a third party service provider that is significant⁷ to the overall operation or financial condition of the Association or outside the Association's normal course of business unless, with respect to each such contract, the Association has: (a) provided the OTS with a minimum of thirty (30) days prior written notice of such arrangement or contract; (b) determined that the arrangement or contract complies with the standards and guidelines set forth in Thrift Bulletin 82a (TB 82a); and (c) received written notice of non-objection from the Regional Director.

35. Effective immediately, the Association shall provide the OTS with written notice of all arrangements or contracts with third party service providers consistent with the requirements of 12 U.S.C. § 1464(d)(7)(D)(ii). Such notice shall be provided to the Regional Director not later than thirty (30) days after the earlier of: (a) the date on which the Association enters into the contract; or (b) the date on which the performance of the service is initiated. The Board shall review all arrangements or contracts with third party service providers covered by this Paragraph to ensure compliance with the standards and guidelines set forth in TB 82a.

⁵ The term "golden parachute payment" is defined at 12 C.F.R. § 359.1(f).

⁶ The term "prohibited indemnification payment" is defined at 12 C.F.R. § 359.1(l).

⁷ A contract shall be considered significant to the overall operation or financial condition of the Association where the annual contract amount equals or exceeds two (2) percent of the Association's total capital.

Dividends.

36. Effective immediately, the Association shall pay no dividends or make any other capital distributions, as that term is defined in 12 C.F.R. § 563.141, without receiving the prior written approval of the Regional Director. The Association's written request for written approval shall be submitted to the Regional Director at least thirty (30) days prior to the anticipated date of the proposed dividend payment or distribution of capital.

Affiliate and Insider Transactions.

37. Effective immediately, the Association shall not engage in any transaction with an Affiliate⁸ unless, with respect to each such transaction, the Association has complied with the notice requirements set forth in 12 C.F.R. § 563.41(c)(4), which notice also shall include the information set forth in 12 C.F.R. § 563.41(c)(3). The Board shall ensure that any transaction with an affiliate complies with the requirements of 12 C.F.R. § 563.41, 12 C.F.R. Part 223 (Regulation W), and the guidance contained in Section 310 of the OTS Examination Handbook. The Board shall ensure that documentation demonstrating such compliance is maintained in the Association's files and records.

38. Effective immediately, the Association shall not make any loans to or enter into any contracts or agreements with any Insiders except in compliance with Paragraph 23 above and all applicable laws, rules, and regulations including, but not limited to, 12 C.F.R. Part 215 and 12 C.F.R. § 564.43, and Section 310 of the OTS Examination Handbook. The Board shall ensure that the Association complies with the requirements of this Paragraph and that documentation demonstrating such compliance is maintained in the Association's files and records.

⁸ 12 C.F.R. § 223.2

Board Compliance Committee.

39. Within thirty (30) days, the Board shall appoint a committee (Regulatory Compliance Committee) comprising three or more non-employee directors to monitor and coordinate the Association's compliance with the provisions of this Agreement and the completion of all corrective action required in the 2008 Examination.

40. Within thirty (30) days after the end of each calendar quarter, beginning with the quarter ending June 30, 2009, the Regulatory Compliance Committee shall submit a written progress report to the Board detailing the actions taken to comply with each provision of this Agreement, the corrective actions required by the 2008 Examination, and the results of all such actions. The Board shall review the Regulatory Compliance Committee's progress report and adopt a resolution: (a) certifying that each director has reviewed the progress report; (b) detailing the Association's compliance with the provisions of this Agreement and the corrective actions contained in the 2008 Examination; (c) identifying each instance of noncompliance; and (d) setting forth in detail additional corrective actions or steps adopted or required by the Board to address each instance of noncompliance.

41. Within forty-five (45) days after the end of each calendar quarter, the Board shall submit to the Regional Director: (a) a copy of the Regulatory Compliance Committee's quarterly progress report required by Paragraph 40 of this Agreement; and (b) a copy of the Board resolution required by Paragraph 40 of this Agreement, including the Board meeting minutes. Nothing contained herein shall diminish the responsibility of the entire Board to ensure the Association's compliance with the provisions of this Agreement.

Effective Date.

42. This Agreement is effective on the Effective Date as shown on the first page.

Duration.

43. This Agreement shall remain in effect until terminated, modified, or suspended, by written notice of such action by the OTS, acting by and through its authorized representatives.

Time Calculations.

44. Calculation of time limitations for compliance with the terms of this Agreement run from the Effective Date and shall be based on calendar days, unless otherwise noted.

45. The Regional Director may extend any of the deadlines set forth in the provisions of this Agreement upon written request by the Association that includes reasons in support for any extension. Any OTS extension shall be made in writing.

Submissions and Notices.

46. All submissions, including progress reports, to the OTS that are required by or contemplated by the Agreement shall be submitted within the specified timeframes.

47. Except as otherwise provided herein, all submissions, requests, communications, consents, or other documents relating to this Agreement shall be in writing and sent by first class U.S. mail (or by reputable overnight carrier, electronic facsimile transmission, or hand delivery by messenger) addressed as follows:

- a. To the OTS:
Arthur W. Goodhand, Acting Regional Director
Office of Thrift Supervision
1475 Peachtree St., NE
Atlanta, Georgia 30309
404.897.1861 (Fax)

- b. To the Association:
Heritage First Bank
1700 Turner McCall Boulevard
Rome, GA 30161
706.291.9084

No Violations Authorized.

48. Nothing in this Agreement shall be construed as allowing the Association, its Board, officers, or employees to violate any law, rule, or regulation.

OTS Authority Not Affected.

49. Nothing in this Agreement shall inhibit, estop, bar, or otherwise prevent the OTS from taking any other action affecting the Association if at any time the OTS deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by law.

Other Governmental Actions Not Affected.

50. The Association acknowledges and agrees that its execution of the Agreement is solely for the purpose of resolving the matters addressed herein and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Association that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

Miscellaneous.

51. The laws of the United States of America shall govern the construction and validity of this Agreement.

52. If any provision of 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 or her sole discretion determines otherwise.

53. All references to the OTS in this Agreement shall also mean any of the OTS's predecessors, successors, and assigns.

54. The section and paragraph headings in this Agreement are for convenience only and shall

not affect the interpretation of this Agreement.

55. The terms of this Agreement represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters.

Enforceability of Agreement.

56. This Agreement is a “written agreement” entered into with an agency within the meaning and for the purposes of 12 U.S.C. §§ 1818(b)(1), 1818(e)(1), 1818(i)(2), and 1818(u)(1)(A).

Signature of Directors/Board Resolution.

57. Each Director signing this Agreement attests that he or she voted in favor of a Board Resolution authorizing the consent of the Association to the issuance and execution of the Agreement.

WHEREFORE, the OTS, acting by and through its Regional Director, and the Board of the Association, hereby execute this Agreement.

HERITAGE FIRST BANK
Rome, Georgia

OFFICE OF THRIFT SUPERVISION

By: Resigned
William B. Hurley, Chairman

By: /s/
Arthur W. Goodhand
Acting Southeast Regional Director

Date: See Effective Date on page 1

/s/
Larry C. Martin, Chairman

Resigned
John B. Branam, Director

/s/
Ryan Earnest, Director

 /s/
Wade C. Hoyt, III, Director

 /s/
Randal A. Land, Director

 /s/
Jeffery T. Mauer, Director

 /s/
Mark A. Sidwell, Director

 /s/
Thadd W. Watters, Director