

MATTHEWS, YOUNG – MANAGEMENT CONSULTING
A DIVISION OF
MATTHEWS, YOUNG & ASSOCIATES, INC.

Consultants to Directors and Management

Since 1971

Compensation Services

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THE SERVICE AREA MISSION

Our mission is to help our clients attract, retain and motivate a sufficient number of qualified people to achieve their strategies, while they plan and control human resource costs within an affordable budget.

Matthews, Young - Management Consulting has provided strategic, compensation and executive search services to financial institutions and owner/executives of all types of organizations for more than 40 years. Our compensation practice is devoted to helping clients achieve a balanced set of compensation objectives that are based on the client's unique strategy.

OUR PHILOSOPHY

Compensation issues are directly related to an organization's condition, culture and objectives. Each client is unique and there is no standard answer to an organization's needs. Solutions must be designed, implemented and internalized. We like to be held accountable for achieving results, not making recommendations. We pursue results and work hard to ensure you get the benefits you seek. We keep the client informed throughout the consulting process to ensure the client is never surprised.

OUR SERVICES PROBLEM-SOLVING

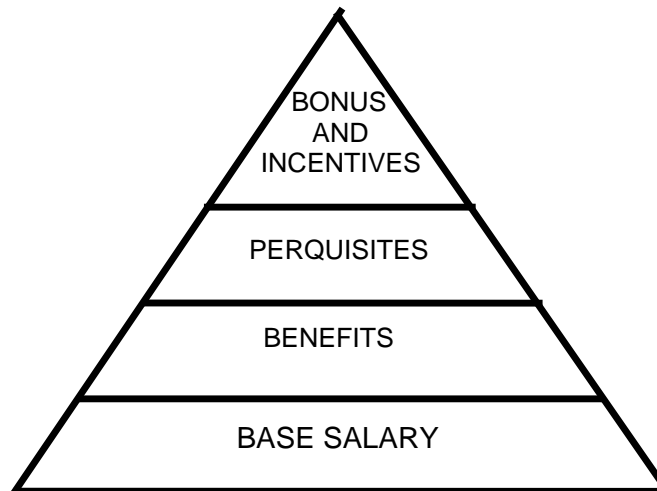
Most of our client relationships begin with a request to address a specific issue in the compensation area. In addressing the issue, our approach is like that of a good physician. We attempt to understand the overall health of the patient before prescribing a solution for a specific problem.

We prefer to start the problem solving process with an audit of the client's overall compensation philosophy, policies, systems and practices. Each component is examined in light of the client's financial and organizational well being, as well as their unique strategy and objectives. When the audit is accomplished and the big picture is known, a solution can be prescribed to address the specific problem.

The client is always involved in the problem solving process. It is the client who decides among the valid alternative solutions and determines the pace and resources to be applied to the solution.

We, the consultant, provide the time, objectivity and expertise necessary to focus on the problem. Since *we sell no products*, our prescribed solutions are never biased. We stay involved until the problem has been resolved. We work on the problem within a determined budget, keeping the client informed of progress and expenditures against the budget. We are qualified to address all forms of compensation and how they can be mixed to provide you and your employees with the best overall solution to your unique needs.

THE COMPENSATION PYRAMID



The following are some of the compensation issues Matthews, Young - Management Consulting has addressed in recent client engagements:

- Compensation Strategy and Policy Development and Related Proxy CD&A Assistance
- Stock-Based Incentives, Phantom Stock and Performance Unit Incentives, Deferred Compensation and other forms of Long Term Executive Incentive Compensation Design and Administration
- Individual and Team Alternative Compensation Plans
- Directors Current and Deferred, Cash and Stock Compensation
- Fairness and Reasonableness of Executive Compensation
- Job Description and Evaluation System Development
- Salary Administration System Development
- Performance Evaluation and Salary Increase Processes
- Benefits and Perquisites Review and Programming
- Annual Incentive and Bonus Compensation Design and/or Administration
- Performance Evaluation for Incentive and Bonus Distribution Systems
- Compensation Survey Development and Administration Compensation Budgeting and Control Modeling

ANNUAL COMPENSATION SERVICES

Many of our clients engage us on an annual basis for maintaining and/or administering their compensation policies and practices. When dealing with executive compensation, we act as an adjunct to the Board's Compensation Committee. For staff compensation issues, we work for Senior and Human Resource management. The service provides for the:

- Pricing, evaluating and slotting into a formal structure new and revised jobs
- Maintenance of a database containing your employee pay and job-related information
- Updating of your salary structure
- Recommendation of a salary increase budget which is sensitive to the client's competitive position and ability to pay
- Implementation of a computer model to allocate salary adjustments based upon individual employee factors, as well as corporate performance and ability to pay
- Assistance in adjusting benefits, perquisites and bonuses/incentives to support the clients strategic objectives
- Updating of Annual Cash Incentive Plans and Long Term Incentive Grants

The service is time and cost effective. It allows the client's compensation philosophy to be implemented within the constraints of a budget and consistently applied over time.

Budgets for this annual service depend on the size and complexity of the organization. Custom workplans and budgets are always developed to reflect the client's unique and changing needs.

OUR RESOURCES

The value you receive from a relationship with a consulting firm is directly related to the resources the firm can bring to bear to solve your problems and advance your interests.

PEOPLE

We are structured to place senior managers with practical experience on your case. Our consulting staff includes professionals with Masters level degrees and American Compensation Association certifications. We also draw upon local universities for associative resources, as the technical need requires. The biographical sketches on the succeeding pages provide more details about our senior consultants.

INFORMATION



University of North Carolina, NC State University and Duke University libraries supplement our own 2,000+ volume library.

We maintain a compensation database of marketplace information including industry, occupational and geographic subsets. This data is supplemented through our own private surveys. The database covers job specific salary information, salary structure movements, salary budgets, cash and stock incentives and other forms of compensation. In addition, our in-house library and local University libraries, as well as on-line search skills, provide ready access to volumes of compensation information and statistical data. With these data resources, we are able to draw upon the information necessary to make relevant market comparisons for our clients.

TECHNOLOGY

We use industry standard computer hardware and software to solve client problems and to transfer compensation information and models. We maintain models for the development of salary and variable pay structures, budgeting and control of all forms of direct cash and stock-based compensation, and for all organizational design.



Our systems allow for the electronic transfer of data by email, fax or website. Communication with Matthews, Young - Management Consulting is available 24 hours a day.

WHO TO CONTACT FOR MORE INFORMATION

Call (919) 644-6962 and ask for Tim O'Rourke, David Jones, Mike Hamilton or Randy McGraw or write us at:

Matthews, Young - Management Consulting
505 Millstone Drive
Hillsborough, NC 27278-8704

There is no obligation involved with exploring your needs and interests, and anything we discuss will be held in the strictest confidence.

BIOGRAPHICAL SKETCHES

J. Timothy O'Rourke, CCP **President and Chief Executive Officer**

Tim is a native North Carolinian and a graduate of the University of North Carolina at Chapel Hill. In 1970, he joined the Durham-based Central Carolina Bank, where in 1981 he was named First Vice President. His 14-year banking career includes management positions in Systems/Programming, Operations Research, Human Resources and Marketing. He has also chaired Marketing, Operations and Asset/Liability Management Committees with banks. In addition, Mr. O'Rourke has completed the North Carolina Bankers Association's Graduate School of Banking and numerous other programs, and has received the American Compensation Association's Certified Compensation Professional designation. He has published numerous articles on banking subjects and frequently speaks at business forums.

In 1984, Tim joined Matthews, Young & Associates, Inc. He has worked on a broad group of assignments with over 150 organizations of all types, including acting as interim CEO of a large troubled financial institution. In 1988, Mr. O'Rourke was named a Principal and Director of Financial Institution Services for Matthews, Young. Since then, he has managed a variety of cases for financial institutions, service firms and manufacturing concerns. He has conducted numerous management organization studies, executive searches, executive and staff compensation studies and strategic plans. O'Rourke has also led a team in developing compensation surveys for banking trade associations across the southeast.

Today, as owner and CEO of the Firm, Tim coordinates all services provided by Matthews, Young - Management Consulting.

David W. Jones, CCP **Principal, Director of Executive Compensation Services**

Mr. Jones recently returned to Matthews, Young where he began his consulting career and, as a Principal consultant, led the firm's compensation consulting practice. Most recently, he was a Senior Vice President and Principal in the Consulting Division of Silverton Bank, leading the Executive Compensation consulting practice. Mr. Jones was also a Principal in the executive compensation consulting practice of Mercer Human Resource Consulting for over 15 years.

A cum laude graduate of Davidson College, David holds an MBA from Duke University. He is a member of WorldatWork and has held accreditation as a Certified Compensation Professional since 1983. With over 30 years in consulting, Mr. Jones has worked in a variety of industries as well as addressing the particular needs of SEC-reporting, privately-held, S-corp. and De Novo banks. He specializes in the evaluation, design, and implementation of all aspects of executive and outside director compensation programs. Mr. Jones is frequently retained to evaluate the appropriateness of executive compensation and equity arrangements in light of business performance and returns to shareholders.

Michael "Mike" C. Hamilton, SPHR
Principal, Director of Executive Search, Development and Outplacement

Mike Hamilton holds a BA degree in Economics from North Carolina State University. He joined Matthews, Young - Management Consulting (MYMC) in January, 1997 bringing 20 years of managerial experience and a track record of accomplishment in individual and organizational improvement. Mike manages and directs MYMC's Human Capital Services, which include: organizational design, executive search, outplacement, and employee and customer surveys.

Mike has extensive experience in the Financial Services Industry. He has worked with and for Banking and Credit Union entities throughout the Southeastern United States. Mike's broad functional experience includes line and staff side involvement with both small and large financial organizations. He has consulted on a wide variety of change and improvement projects, supporting start-ups, acquisitions, divestitures, and reengineering initiatives. Mike enjoys assisting Senior Management in dealing with the "people" issues related to execution of an organization's unique strategic objectives.

Mike has earned numerous professional designations, including: graduate of the North Carolina Banker's Association's School of Advanced Management and the Society for Human Resources Management (SHRM)'s, PHR and SPHR designations.

P. Randall McGraw
Senior Consultant

Randy McGraw joined Matthews, Young – Management Consulting in October of 2002. Randy's primary focus is in the area of Executive Compensation. During his four years at Matthews, Young - Management Consulting he has been involved with audit and development of all aspects of executive compensation with a primary focus on both annual and long-term incentive plans, in addition to non-qualified executive compensation plans.

During his professional career, Randy held positions in accounting and finance as a Controller and CFO for a Retail Service Consulting company. After working on the merger and Initial Public (stock) Offering of the company, he held positions in senior management as a Regional Vice President and Divisional Vice President responsible for Sales and Marketing in the Northeast and across the southern U.S. Randy's varied and diverse background required skills in accounting, finance, operations, human resources, strategic planning, sales and marketing, all with budget and profit responsibilities.

Beginning in 2001, Randy's had the fiduciary role of Executor and Trustee of a large, multi-million dollar Estate responsible for the administration, negotiations and final settlement of all Estate interests and resulting Family Trust assets. In this role he has obtained experience in negotiations, loss and risk management and asset management. In addition, these experiences have provided continued education and valuable insight into business organization, debt financing and strategic planning.

Randy has a BS degree in Business Administration with a core concentration in Accounting and Finance from Appalachian State University. He has completed Leadership Training courses and brings a diverse background to Matthews, Young - Management Consulting. Randy lives in Greensboro, NC with his wife, Mary Jo and three children.

Support Staff Specialists

Among a total staff of 10, the firm has Support Staff Specialists with a variety of business and related degrees and certifications.

A SAMPLE OF OUR CLIENTS

The following lists, and those on the succeeding pages, include clients with whom we have consulted. Services provided to clients include strategic and financial planning and a broad array of human resource services. In an effort to protect the privacy and time of our clients, specific references are available only upon request. Please call.

FINANCIAL SERVICES INDUSTRY

American Bank and Trust, Bowling Green, KY	Citizens National Bank, Henderson, TX
American National Bankshares, Inc., Danville, VA	Citizens Bancshares, Inc., Atlanta, GA
American Security Bank & Trust, Hendersonville, TN	Coastal Banking Company, Beaufort, SC
Ameris Bancorp, Inc., Moultrie, GA	Coastal Bankshares, Inc., Charleston, SC
Asheville Savings Bank, SSB	College Foundation, Inc., Raleigh NC
Bancorp of the Southeast, NC/SC/GA/FL	Community Bankers Trust Corporation, Richmond, VA
Bank of the Carolinas, Mocksville, NC	Community Capital Corporation, Greenwood, SC
Bank of Hiawassee, Hiawassee, GA	Community 1 st Bank, Roseville, CA
Bank of Oswego, Lake Oswego, OR	Community FirstBank, Charleston, SC
Blue Ridge Savings Bank, Asheville, NC	CountyBank, Greenwood, SC
Brookhaven Bank, Atlanta, GA	Covenant Bank, Clarksdale, MS
Capital Bank Corporation, Raleigh, NC	Crescent State Bank, Cary, NC
Carolina Bank, Greensboro, NC	Duke University Federal Credit Union
Carolina National Bank, Columbia, SC (Acquired)	Eagle National Bancorp, Inc., Villanova, PA
Carolina Federal Credit Union Cherryville, NC	ECB Bancorp, Inc., Engelhard, NC
Charlotte Metro Credit Union	EduCap, Inc., Sterling, VA
Chartway Federal Credit Union	Farmers & Merchants Bank, Salisbury, NC

Farmers & Merchants Bank, Statesboro, GA	Graystone Bank, Raleigh, NC
FLAG Financial Corporation, Atlanta, GA <small>(Acquired by RBC centura)</small>	Greer State Bank, Greer, SC
FirstBank Financial Services, Inc, McDonough, GA	Gwinnett Community Bank, Duluth, GA
First Banking Company of Southeast Georgia <small>(Acquired by BB&T)</small>	Heritage Oaks Bank, Paso Robles, CA
First Carolina Corporate Credit Union, Greensboro, NC	Heritage Trust Federal Credit Union, Charleston, SC
First Citizens National Bank, Mason City, IA	High Point Bank & Trust, High Point, NC
First Community Bancshares, Inc., Bluefield, VA	Home Trust Banking Partnership, Asheville, NC
First Eldorado Bankshares, Eldorado, IL	Horry County State Bank, Loris, SC
First Flight Federal Credit Union, Havelock, NC	Itasca Bank and Trust, Itasca, IL
First National Bank of Shelby, NC	Jeff Davis Bank, Jennings, LA
First National Bank, Vandalia, IL	Kenly Savings Bank, SSB, Kenly, NC
First National Bank of Wyoming, Laramie, WY	Langley Federal Credit Union, Hampton, VA
First Sentinel Bank, Richland VA	Main Street Banks, Inc. <small>(Acquired by BB&T)</small>
First State Bank, Wrens, GA	Marshfield Savings Bank, Marshfield, WI
First State Bank, Mendota, IL	Mechanics and Farmers Bank, Durham, NC
First State Bank, Sikeston, MO	Middleburg Bank, Middleburg, VA
First Trust and Savings Bank, Albany, IL	Midland States Bancorp, Inc., Effingham, IL
Four Oaks Bank & Trust, Four Oaks, NC	Midwest Independent (Bankers) Bank, Jefferson City, MO
GB&T Bancshares, Inc., Gainesville, GA <small>(Acquired by SunTrust)</small>	Nashville Bank & Trust, Nashville, TN
Gateway Bank & Trust Co., NC and VA <small>(Acquired by Hampton Roads Bankshares, Inc)</small>	New Century Bank, Dunn, NC
Georgia Bankers Association	NewBridge Bancorp, Greensboro, NC
Greenville First Bankshares, Inc., Greenville, SC	North Carolina Bankers Association

North Carolina Credit Union Network	Southeast Corporate Federal Credit Union, Tallahassee, FL
North Dallas Bank & Trust, Dallas, TX	Southern Community Financial Corp., Winston-Salem, NC
Palmetto Bancshares, Inc., Greenville, SC	State (NC) Employees' Credit Union, Raleigh, NC
Palmetto Citizens Federal Credit Union, Columbia, SC	Suncoast Schools Federal Credit Union, Tampa, FL
Paragon Commercial Bank, Raleigh, NC	The Capital Bank, Raleigh, NC
Peoples Bancorp, Newton, NC	The East Carolina Bank, Engelhard, NC
Peoples Bancorporation, Easley, SC	The Fauquier Bank, Warrenton, VA
Pine Level Bank, Pine Level, NC (Acquired by Four Oaks B&T)	The Fidelity Bank, Fuquay Varina, NC
Provident Community Bank, Union, SC	The Independent BankersBank, Irving, TX
Putnam County Bank, Hurricane, WV	The Savannah Bancorp, Inc.
River Valley State Bank, Wausau, WI	Traders Bank, Spenser, WV
South Carolina Bankers Association	Truliant Federal Credit Union, Winston-Salem, NC
SC Telco Federal Credit Union, Columbia, SC	United Community Bank, Highland Village, TX
SRP Federal Credit Union, Aiken, SC	WEYCO Credit Union, Plymouth NC
Security Bank Corporation, Macon, GA	Washington Banking Company, Oak Harbor, WA
Sharonview Federal Credit Union, Charlotte, NC	Yadkin Valley Bank and Trust Co., Elkin, NC

MANUFACTURING

Allen Displays, Inc. (Signage Systems)

American Natural Foods, Inc.

American Safety Razor Company

Calley & Curier (Wood Products)

Colite Industries, Inc. (Signs and Signage Systems)

College Foundation, Inc. (College Financing)

Debnam-Hughes Corporation (Architectural Metals)

DEC International, Inc. (Paper Office Products)

Dispoz-O (Plastics)

Ebert Sportswear, Inc.

Elexis Corporation
(Consumer Electronic Specialty Products)

The Futuro Company
(Home Health Care Products)

Hederman Brothers, Inc. (Printing)

Hendricks Furniture Company

Hewitt Soap Company

Metal Trades, Inc. (Ship Building and Repair)

National Fiberstok, Inc. (Paper Office Products)

Panelfold, Inc.
(Movable Walls and Folding Partitions)

Phoenix, Inc
(Construction Materials)

Rampon Products, Inc
(Hosiery & Exercise Clothing)

Schrafft's, Inc (Candy)

Specialty Blades, Inc. (Industrial Blades)

Stanback Company
(Over-the Counter Drugs & Sundries)

Trim, Inc. (Construction Materials)

Vulcan Materials Company
(Construction Materials)

Washburn Graphics, Inc (Printing)

William Byrd Press, Inc. (Printing)

Wysong & Miles Company
(Press Brakes and Shears)

SERVICE INDUSTRY (FOR PROFIT AND NOT FOR PROFIT)

Allied Healthcare Products, Inc.	Jennings & Co
Alton Ochsner Medical Foundation	Kenan Transport
American Board of Pediatrics	Landlubber's Inc. (Restaurant)
Baptist Retirement Homes	Lumberton Radiological Associates, P.A.
BioSignia, Inc. (Health Technology)	Lutheran Family Services
Blue Ridge Electric Membership Corp.	Mechanical Supply, Inc. (Plumbing Supplies)
Cadmus Communications Corporation	Methodist Hospital of Indiana
Cayce Mill Supply	Mini Mart Corporation (Convenience Stores)
Chattem, Inc. (Health and Beauty Products)	Perry-Mann Electric (Electrical Supplies)
City of Raleigh, Water & Sewer Dept.	Pines of Carolina Girl Scout Council
College Foundation, Inc.	Precision Walls, Inc. (Drywall and Movable Walls)
Coastal Carolina Girl Scout Council	Record Bar (Retail)
Credit Risk Management (Bank Credit Risk Management)	University of Texas, Southwest Med Center
Duke Power Company	Welsh Farms (Convenience Stores)
EI, Inc. (Environmental Engineering)	Wiley and Wilson, Planners and Engineers
Environmental Protection Agency	Young-Phillips, Inc. (Printing & Office Supplies)
Howard, Perry & Walston Realtors	
Illinois Prairie Girl Scout Council	
Industrial Insurance Management Corporation	