

Matthews, Young - Management Consulting
A Division of
Matthews, Young & Associates, Inc.

Consultants to Directors and Management

Since 1971

STRATEGIC SERVICES

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THE SERVICE AREA MISSION

Our mission is to help our clients create realistic, actionable strategic plans. Plan development is founded on thoughtful drafting of issues, spirited debate and careful facilitation. A meaningful plan answers questions concerning what client organizations can do, what they want to do, and what they are willing to do to achieve their strategic goals.

For over 40 years, Matthews, Young - Management Consulting has provided strategic, compensation and executive search services to owners and/or executives of all types of organizations. Our strategic services practice is devoted to helping clients develop a strategic management program to direct the organization toward the consistent accomplishment of multi-period goals.

OUR PHILOSOPHY

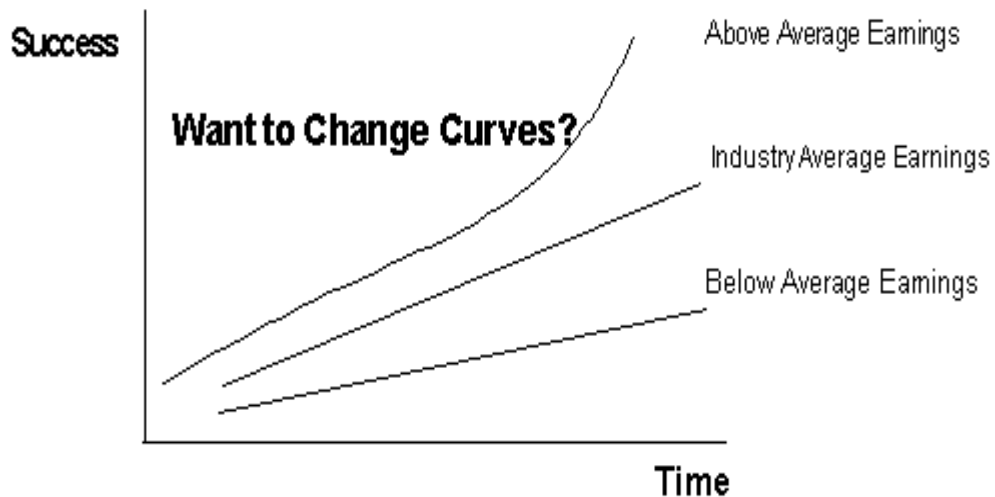
Our philosophy is built upon two ideals:

- Each client is unique and there is no standard answer to an organization's needs.
 - Strategic planning issues are directly related to an organization's condition, culture and objectives.
 - 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 the client gets the sought after benefits.
 - We keep the client informed throughout the consulting process to insure the client is never surprised.

STRATEGIC PLANNING: ART AND SCIENCE

How do you know if you plan appropriately?

Analyze your answers to the next several questions. If you cannot answer in the affirmative with conviction, your planning methodology might need a tune-up: What do you intend for your organization to look like in five years and what are you doing to get it there? If you have never conceptualized your business with an entirely different structure, focus and output, then you're not planning. Can you name the top 3 to 5 drivers of success in your industry over the next several years? Can you name the 3 greatest threats to your firms' success? Do you have consistently below industry average earnings and/or stable or declining market share? Do you constantly hear yourself saying or thinking "how did they do that?" in reference to a competitor, or "they've done it to us again!"? If you answered yes or "guilty" to any of these questions, the chances are that you do not have an effective plan.



PROBLEM SOLVING – the Essence of Good Planning

Most of our client relationships begin with a request to address a specific issue in the planning 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 strategic philosophy, policies, systems, and practices. Each component is examined in light of the client's financial and organizational well being and unique objectives. Then, 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. 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.

OUR APPROACH TO STRATEGY DEVELOPMENT

We provide assistance to the Board and Management in developing and describing a Strategic Vision for an organization. This can usually be best accomplished through a series of working sessions of the Board and/or Management Team, in which we guide discussions through three important phases:

Phase 1: ASSESSMENT

Critical to the successful setting of direction is the establishment of the starting point, the present condition of the organization. This is a multidimensional assessment of soundness, vitality and peer comparability.

The assessment should look to the past to determine the nature of prior efforts and successes. An appreciation of the firm's assets (hard and soft) must be gained to determine the inventory of resources available. An understanding of the competitors, current and prospective, and of supporters, must be developed to assess the operational environment for change. Finally, an assessment of the competence and potential of management must be made to determine the depth of this critical resource.

Phase 2: GOAL SETTING

The application of vision to the setting of goals is the least understood element of the planning process. It requires a willingness to consider a broad range of potential "futures" and to examine the implications of each. Outcomes that represent both success and failure must be examined to determine the applicability and leveragability of available resources to achieve or avoid the consequences of each course of action. It is the exploration of "what could be", both good and bad, that will surface the bedrock issues of the client's future. Just as the assessment seeks to answer the traditional question of strategy "who are we?" This process deals with the more compelling question of "who do we want to be?"

Phase 3: SCENARIO DEVELOPMENT

Here the resources of the client are applied to the potential accomplishment of the plan. Through scenario development we attempt to live the future. Issues relating to redeployment of the client's assets such as office relocation, product focus, management development, mergers and acquisitions, and capital formation are likely to be central to the determination of a feasible and acceptable course of action. We will stretch our planning horizon beyond a single year to determine the vitality and robustness of our vision.

At the conclusion of the process we will have examined the client, its strengths and weaknesses and evaluated in that light, a range of outcomes. Finally, we will have drawn into focus a desired outcome and analyzed client resources available for its accomplishment, highlighting strengths and voids. The stage will be set for the follow-on development of annual business plans by the Management Team.

In order to accomplish the work described above, we ordinarily plan for three to four working sessions of 3-5 hours each in length, all completed in the span of two to three weeks. In this way, the sessions are not overlong and the time required is spread out so as not to overburden personal schedules. Moreover, the time between sessions allows useful time for reflection. However, we can conduct the Board session in a single extended one day sitting.

In preparation for the sessions with the Board, we develop preliminary profiles of the client and its competitors, and establish a baseline of interests from among the Board and Management. The latter is accomplished through a series of brief one-on-one interviews. These interviews would be conducted by telephone and would consume about one hour of each individual's time.

OUR SERVICES

INITIAL STRATEGY DEVELOPMENT

We provide assistance to clients in the development of their initial strategic plans. In doing so, we endeavor to understand the client and their current market area, the strengths and weaknesses of the organization and their appetite for growth and change. We attempt to establish the range of strategic options that the organization has and how those opportunities might be expanded and exploited.

In establishing strategy there are central notions of policy that we believe are fundamental to a successful engagement:

- The final strategy must be the organization's strategy, not that of a consultant.
- Every constituency must have their ideas heard. The organization speaking through the Board will choose a destiny but the choice must be made in light of all views.
- The Board must ultimately approve the strategy. It is not the strategy of the organization until it is so approved.
- No issue however painful should be left out in the development of strategy. We must face the hard facts as well as the favorable facts.
- The products of good strategy are: shared direction, common vision, enhanced controllability of the enterprise and the necessary mechanisms for good budgeting and the development and management of incentive programs.

While we have a particular structure that is well suited to the development of strategy, we modify our approach to the assignment to suit the interest and circumstances of the particular institution and its board and management.

ANNUAL STRATEGIC UPDATES

Many of our clients engage us on an annual basis for maintaining and/or administering their Strategic Plan's vitality. The service provides for the:

- Updating and reviewing the Strategic plan's assessment of the organization, the competitive situation and the current market place
- Analysis and review of plan goals and objectives for enhancement and fit
- Recommended changes which are sensitive to the client's budget as well as competitive

- Assistance in making tactical adjustments to support the clients refined strategic objectives

The service is time and cost effective. It allows the client's strategic 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.

STRATEGIC DECISION SUPPORT

We provide support to the Chief Executive Officer and/or his Board in the analysis of strategic decisions. These assignments are a function of the interests and circumstances of the institution and may include such varied issues as:

- Corporate reorganization
- Establishment of the role for corporate marketing
- Consideration of a merger offer
- Development of a plan of divestiture
- Development of a Capital Management Plan

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 broadly diverse strategic backgrounds. 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



NCSU Libraries



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

We maintain a variety of marketplace information including industry, occupational, and geographic subsets. This data is supplemented through our own private surveys and analyses. In addition, our in house library and local university libraries 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 strategy information and models. We maintain models for the analysis of the impacts of strategy on the firm to include the effect upon capital adequacy and the creation of value for the stockholders

Our systems allow for the electronic transfer of data by fax or modem. 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 or visit or write us at:

Matthews, Young - Management Consulting
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E-mail tim.orourke@matthewsyong.com

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

A North Carolina native, Tim O'Rourke received his BA degree from the University of North Carolina at Chapel Hill. In 1970, he joined the Durham-based Central Carolina Bank, where in 1981 he was named a First Vice President. His 14 year banking career includes management positions in Systems/Programming, Operations Research, Personnel 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 Advanced Management Program, and has received the American Compensation Association's Certified Compensation Professional designation. He has published numerous articles on banking subjects, frequently speaks at financial institution forums and is on the faculty of a number of FDIC sponsored Bank Director Colleges.

In 1984, Mr. O'Rourke joined **MATTHEWS, YOUNG – MANAGEMENT CONSULTING** to help executives grow their earnings and expand in size. He has worked on a broad group of assignments with all types of organizations, including serving as interim managing officer for a \$425 million troubled savings and loan for an 18 month period. Over his many years of consulting, he has become a specialist in strategic planning, organizational design, management-by-objectives systems, executive compensation, salary administration, management incentives and executive search and outplacement.

Since 1998, Mr. O'Rourke has been a Senior Principal for MATTHEWS, YOUNG, and has been responsible for delivery of all strategic, compensation and search services to financial institutions. In this role, O'Rourke managed compensation surveys, built an integrated database of salary information, and developed salary administration computer models for microcomputers, as well as salary administration, performance appraisal, and bonus and incentive compensation systems.

In his current role as President and CEO, Mr. O'Rourke continues to focus his attention on the strategic management of our clients' human assets. He is often called upon to speak on compensation issues, and conducts numerous strategic planning programs.

Michael C. "Mike" 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 Banking and Financial Services Industry. He has worked with and for banking entities throughout the Southeastern United States. Mike's broad functional banking 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, Professional in Human Resources (PHR). Mike enjoys jogging, and the company of his wife and two children when not donating his time to various youth oriented civic activities.

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.

P. Randall McGraw
Senior Consultant

Randy McGraw joined **MATTHEWS, YOUNG – MANAGEMENT CONSULTING** in October of 2002. In his seventeen-year professional career, Randy held positions in accounting and finance as a Controller and CFO for a Retail Service Consulting firm. After assisting with the merger and public stock offering of the firm, he then held positions in senior management as a Regional Vice President and Divisional Vice President responsible for the development and implementation of sales and marketing programs. Randy's varied and diverse background required skills in operations, human resources, business planning, sales and marketing, all with budget and profit responsibilities.

Most recently, Randy has been employed as an Estate Executor responsible for the administration and final settlement of a \$20+ million dollar estate. In this role he has obtained experience in negotiations, loss management, risk management and asset management. In addition to these skills, he has gained 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 has brought a diverse background to **MATTHEWS, YOUNG – MANAGEMENT CONSULTING**.

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.

References are available upon request.