

SECURITIES AND EXCHANGE COMMISSION

FORM SB-2

Optional form for registration of securities to be sold to the public by small business issuers

Filing Date: **2001-08-03**
SEC Accession No. **0000942708-01-500033**

([HTML Version](#) on [secdatabase.com](#))

FILER

FIRST SOUTHERN BANCORP INC /GA/

CIK: **1156366** | IRS No.: **582635782** | State of Incorporation: **GA** | Fiscal Year End: **1231**
Type: **SB-2** | Act: **33** | File No.: **333-66734** | Film No.: **1697604**

Mailing Address

101B SOUTH ZETTEROWER
AVE
STATESBORO GA 30309

Business Address

101B SOUTH ZETTEROWER
AVE
STATESBORO GA 30458
9124897600

Securities to be Registered	Registered	Per Share	Price	Fee
<S>	<C>	<C>	<C>	<C>
Common Stock, \$.01 par value....	1,000,000	\$10.00	\$10,000,000	\$2,500
Warrants.....	495,333	\$ 0	\$ 0	\$ 0

</TABLE>

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to such Section 8(a), may determine.

This is a preliminary prospectus and is not yet complete. _____, 2001

FIRST SOUTHERN BANCORP

A proposed bank holding company for

[BANK LOGO HERE]

FIRST SOUTHERN NATIONAL BANK (Proposed)

1,000,000 Shares of Common Stock
\$10.00 per share

We are offering shares of common stock of First Southern Bancorp to fund the start-up of a new community bank, First Southern National Bank. We are currently obtaining regulatory approval for the bank and expect to open the bank by the first quarter of 2002. First Southern Bancorp will be the holding company and sole owner of the bank. The bank will be headquartered in Statesboro, Georgia. This is our first offering of stock to the public, and there is no public market for our shares. The minimum purchase requirement for investors is 100 shares and maximum purchase amount is 5% of the offering, although we may at our discretion accept subscriptions for more.

Initially, there will be no established market for our common stock. After the offering, we would need a sponsoring broker-dealer to match buy and sell orders for our common stock in order to be listed on the OTC Bulletin Board. We currently do not have, and we are uncertain when we will have, a sponsoring broker-dealer for our common stock. We do not expect a liquid market for our common stock to develop for several years, if at all.

Our organizers will receive warrants to purchase one share of common stock for \$10.00 per share for every two shares they purchase in the offering, except for Christopher T. Cliett, a non-director organizer, who will receive warrants to purchase one share of common stock for \$10.00 per share for every three shares he purchases in the offering. If each organizer exercises his warrants in full, the organizers' ownership of First Southern Bancorp will increase to 61.8% based on the minimum offering and 40.9% based on the maximum offering. We describe the warrants in more detail in the "Management - Stock Warrants" section on page 39.

The shares will be sold by our officers and directors, who will not be paid any fees or commissions for their selling services.

The offering is scheduled to end on January 31, 2002, but we may extend the offering until August 31, 2002, at the latest. All of the money which we receive will be placed with an independent escrow agent which will hold the money until we sell (1) at least 610,000 shares, and (2) we receive preliminary approval from our bank regulatory agencies for the new bank. If we do not meet these conditions before the end of the offering period, we will return all funds received to the subscribers promptly, without interest.

This table summarizes the offering and the amounts we expect to receive.

	Minimum Total	Maximum Total
Per Share	610,000 Shares	1,000,000 Shares

Public Offering Price.....	\$10.00	\$6,100,000	\$10,000,000
Proceeds to First Southern Bancorp...	\$10.00	\$6,100,000	\$10,000,000

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the SEC is effective. This prospectus is not an offer to buy these securities in any state where the offer or sale is not permitted.

This is a new business. As with all new businesses, an investment will involve risks. It is not a deposit or an account and is not insured by the FDIC or any other government agency. You should not invest in this offering unless you can afford to lose some or all of your investment. Once we accept your subscription, you may not revoke it without our consent.

Some of the risks of this investment are described under the heading "Risk Factors" beginning on page 6.

Neither the SEC nor any state securities commission has approved or disapproved these securities or determined whether this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

_____, 2001

FIRST SOUTHERN BANCORP
 FIRST SOUTHERN NATIONAL BANK (proposed)
 Proposed Market Area

[INSERT MAP OF GEORGIA AND BULLOCH COUNTY SHOWING MARKET AREA]

SUMMARY

We encourage you to read the entire prospectus carefully before investing.

First Southern Bancorp and First Southern National Bank

We incorporated First Southern Bancorp in April 2001 to organize and serve as the holding company for First Southern National Bank, a new national

bank proposed to be located in Statesboro, Georgia. The bank will focus on the local community, emphasizing personal service to individuals and businesses in Bulloch and surrounding counties. We have filed for regulatory approval to open the new bank with the Office of the Comptroller of the Currency and for deposit insurance for the bank with the FDIC. We will file for approval of the Federal Reserve Board to become a bank holding company and acquire all of the stock of the new bank. We expect to receive all final regulatory approvals and open for business by the first quarter of 2002.

Why We Are Organizing A New Bank In Bulloch County

Bulloch County has a growing and dynamic economic environment centered around educational services, manufacturing, and agriculture that we believe will support First Southern National Bank. It is Georgia's 35th most populous county with over 55,000 residents. The largest employer in the county is Georgia Southern University, which has helped to support a stable business and educational foundation. The business environment in the county has also benefited recently from the location of the Briggs & Stratton manufacturing facility, Viracon, and a Wal-Mart distribution center in the area. Bulloch County is also the largest row-crop county in Georgia. In 1999, the average unemployment rate was approximately 2.6%. One factor in this economic growth and low unemployment rate is Statesboro's ability to attract a large number of commuting workers from the eight contiguous counties.

We believe that there is an opportunity in Bulloch County for a new locally managed bank focused on the community and personalized service to individuals and local businesses. While the county's bank and thrift deposits grew over the last five years at an average annual rate of over 2%, the only remaining locally-based community bank experienced average annual growth rates of over 10% during this same period. We believe that this indicates many residents in the area prefer the community bank experience to that provided by the larger and more impersonal regional and super-regional banks. Despite this perceived preference, large regional banks continue to consolidate the banking market through mergers and acquisitions, as evidenced by Branch Banking & Trust's recent acquisition of First Bulloch Bank & Trust Company. This acquisition left only one community bank in Statesboro. We believe that the combination of positive deposit growth rates, good economic conditions, and the consolidation of existing community banks into larger banks creates a favorable environment for a new community oriented bank.

Taking advantage of this opportunity, First Southern National Bank will position itself as "the hometown bank" that cares about its clients. We will provide professional and personalized service to our clients by employing well trained, seasoned bankers who are familiar with our market area and our clients' individual needs. We will emphasize our local ownership and management and our strong ties to the Bulloch County community. Our target market will be primarily individuals and small- to medium-sized businesses who desire a consistent and professional relationship with a local banker.

Our Organizers, Board of Directors, and Management

First Southern Bancorp was founded and organized by 17 local business leaders, most of whom have lived in Statesboro for many years. We believe our organizers' long-standing ties to the community and their significant business experience will provide First Southern National Bank with the ability to effectively assess and address the needs of our proposed market area. These organizers are also community leaders and serve on numerous charitable and service organizations throughout Bulloch County. All of our organizers, except for Christopher T. Cliett who will serve as senior vice president and chief credit officer of First Southern Bancorp and First Southern National Bank, will be directors of First Southern Bancorp.

3

Our Board of Directors consists of the following:

- | | |
|-----------------------|-------------------------|
| o Michael R. Anderson | o R. Whitman Lord |
| o F. Thomas David | o Laura T. Marsh |
| o Charles A. Deal | o Jeffrey D. Pope |
| o William I. Griffis | o Ronnie J. Pope |
| o Tracy D. Ham | o Hudson J. Powell, Sr. |
| o James A. High | o Lamar O. Reddick |
| o W. Pratt Hill, III | o Devra P. Walker |

Our management team consists of the following:

- o F. Thomas David is the proposed president and chief executive officer for the holding company and the bank. He has over 25 years of banking experience, including four in the Bulloch County area. Until he was drawn out of retirement to begin preparations to open First Southern National Bank, he most recently served as president of Sea Island Bank in Statesboro, Georgia.
- o Christopher T. Cliett is the proposed senior vice president and chief credit officer for the holding company and the bank. Mr. Cliett has over 18 years of banking experience. He most recently served as city president of Branch Banking & Trust, Swainsboro, Georgia from 1994 until 2001, when he agreed to join our organizing effort.
- o Charles R. ("Bo") Fennell is the proposed chief financial officer for the holding company and the bank. Prior to joining our company, Mr. Fennell was the chief financial officer of Eagle Bank and Trust in Statesboro, Georgia.

We are in the process of assembling the rest of our management team. We are looking for individuals who reside in our market area and have significant local banking experience and a history of service to the community.

Products and Services

We plan to offer most of the products and services offered by larger banks by utilizing modern delivery systems coupled with personalized service. Our lending services will include consumer loans and lines of credit, commercial and business loans and lines of credit, residential and commercial real estate loans, and construction loans. We expect that our initial legal lending limit will be approximately \$900,000 immediately following the offering. We will competitively price our deposit products, which will include checking accounts, savings accounts, money market accounts, certificates of deposit, commercial checking accounts, and IRAs. We will also provide cashier's checks, credit cards, safe deposit boxes, traveler's checks, direct deposit, and U.S. savings bonds. We intend to deliver our services through a variety of methods, including ATMs, banking by mail, and drive-through banking, and we are considering providing internet banking services to our customers.

The Offering and Ownership by Management

We believe our bank regulators will require us to capitalize First Southern National Bank with at least \$6,000,000. Therefore, we plan to sell a minimum of 610,000 shares and a maximum of 1,000,000 shares in the offering, all at \$10 per share. Our organizers and executive officers intend to purchase 351,500 shares, which represents 57.6% of the shares outstanding if we complete the minimum offering and 35.2% of the shares outstanding if we complete the maximum offering. To compensate them for their financial risk and efforts in organizing the bank, our organizers will receive warrants to purchase one share of common stock for \$10.00 per share for every two shares they purchase in this offering, except for Christopher T. Cliett, a non-director organizer, who will receive warrants to purchase one share of common stock for \$10.00 per share for every three shares he purchases in this offering. Each warrant is expected to have a term of 10 years. If each organizer exercises his warrants in full, the organizers' and executive officers' ownership of First Southern Bancorp will

4

increase to 66.9% if we complete the minimum offering or 44.6% if we complete the maximum offering. We hope to sell most of the remaining shares to individuals and businesses in Bulloch County who share our desire to support a new local community bank.

Funds Received Will be Placed in Escrow

We cannot open the bank without regulatory approvals. Therefore, we will place all of the proceeds from investors in this offering with an independent escrow agent, The Bankers Bank. The escrow agent will hold these

funds until we raise \$6,100,000 and obtain preliminary regulatory approvals to open the bank. We expect to receive all preliminary regulatory approvals by the third quarter of 2001. We currently intend to close the offering on January 31, 2002, but may extend the offering up to August 31, 2002. If we fail to meet these conditions by the close of the offering, we will promptly refund your subscription in full, without interest, and will use the investments by our founding organizers to pay expenses and liquidate the company.

Shares Will be Sold by Our Officers and Directors

Our officers and directors will handle the sale of most of the shares in this offering. We will not pay them any fees or commissions for their efforts.

Market for the Shares

Initially, there will be no established market for our common stock. After the offering, we would need a sponsoring broker-dealer to match buy and sell orders for our common stock in order to be listed on the OTC Bulletin Board. We currently do not have, and we are uncertain when we will have, a sponsoring broker-dealer for our common stock. Even if we secure a broker-dealer, the trading markets on the OTC Bulletin Board lack the depth, liquidity, and orderliness necessary to maintain a liquid market. We do not expect a liquid market for our common stock to develop for several years, if at all.

Use of Proceeds

We will use the first \$6,000,000 we raise in this offering to capitalize First Southern National Bank. This is the amount of capital we believe our banking regulators will require for us to open the bank. Of this amount, the bank will use approximately \$3,000,000 of the funds it receives to construct its main office, purchase furniture, fixtures, and equipment, purchase and remove a modular facility, and pay pre-opening expenses of the bank. The bank will use its remaining funds of \$3,000,000 in a minimum offering, which represents 50% of the minimum offering, or \$3,975,000 in a maximum offering, which represents 40% of the maximum offering, for working capital necessary for its operations. We will use the remaining net proceeds of the offering of \$100,000 in a minimum offering, which represents 1.7% of the minimum offering, or \$100,000 in the maximum offering, which represents 1.0% of the maximum offering, to pay expenses of this offering and of organizing the holding company, and to provide general working capital for the holding company. For more detailed information see "Use of Proceeds" beginning on page 12.

We Do Not Initially Plan to Pay Dividends

Because we are a new business, we will not pay dividends in the foreseeable future. We intend to use all available earnings to fund the continued operation and growth of the bank.

Location of Offices

Our main office is located at 201 South Main Street, Statesboro, Georgia 30458. The site is approximately 2.0 acres in size, and the building will be approximately 10,000 square feet. We will commence construction of this permanent facility following completion of the offering. We expect to complete this permanent facility in the fourth quarter of 2002. In the interim period, we will operate out of a temporary bank facility at the same location. We are presently located at 101B South Zetterower Ave., Statesboro, Georgia 30458 and will remain in this office until our temporary bank facility is prepared. Our telephone number is (912) 489-7600.

RISK FACTORS

The following is a summary of some of the risks that we will encounter in starting and operating the new bank. We may face other risks as well, which we have not anticipated. An investment in our common stock involves a significant degree of risk and you should not invest in the offering unless you can afford to lose some or all of your investment. Please read the entire

prospectus for a more thorough discussion of the risks of an investment in our common stock.

We are a new business and there is a risk we may not be successful.

Neither First Southern Bancorp nor First Southern National Bank has any operating history. The operations of new businesses are always risky. Because First Southern National Bank has not yet opened, we do not have historical financial data and similar information that would be available for a financial institution that has been operating for several years.

We expect to incur losses for more than one year and there is a risk we may never become profitable.

In order for us to become profitable, we will need to attract a large number of customers to deposit and borrow money. This will take time. We expect to incur large initial expenses and may not be profitable for more than one year, if at all. Our future profitability is dependent on numerous factors including the continued success of the economy of the community and favorable government regulation. While the economy in this area has been strong in recent years, an economic downturn in the area would hurt our business. We are also a highly regulated institution. Our ability to grow and achieve profitability may be adversely affected by state and federal regulations that limit a bank's right to make loans, purchase securities, and pay dividends. Although we expect to become profitable in our third year, there is a risk that a deterioration of the local economy or adverse government regulation could affect our plans. If this happens, we may never become profitable and you will lose part or all of your investment.

We cannot open the bank for business until we receive regulatory approvals, which are at the discretion of our regulatory agencies.

We cannot begin operations until we receive all required regulatory approvals. We will not receive these approvals until we satisfy all requirements for new banks imposed by state and federal regulatory agencies. We have already filed applications with the FDIC and the Office of the Comptroller of the Currency, and we will file an application with the Federal Reserve prior to opening the bank. We expect to receive our preliminary regulatory approvals by the third quarter of 2001. We expect to receive final approvals by the first quarter of 2002, but it may take longer. If we ultimately do not open, we anticipate that we will dissolve the company, and return to our investors all funds remaining after paying the expenses incurred through this time.

Any delay in opening First Southern National Bank will result in additional losses.

We intend to open the bank by the first quarter of 2002. If we do not receive all necessary regulatory approvals as planned, the bank's opening will be delayed or may not occur at all. If the bank's opening is delayed, our organizational and pre-opening expenses will increase. Because the bank would not be open and generating revenue, these additional expenses would cause our accumulated losses to increase.

We will depend heavily on F. Thomas David, and our business would suffer if something were to happen to him or if he were to leave.

F. Thomas David will be our president and chief executive officer. He will provide valuable services to us, and he would be difficult to replace. We have an employment agreement with Mr. David and carry \$500,000.00 of insurance on his life payable to the bank. Nevertheless, if he were to leave, our business would suffer.

We determined the offering price of \$10.00 arbitrarily, and it will fluctuate once the shares become freely tradable after the offering.

Because we do not have any history of operations, we determined the price arbitrarily. The offering price is essentially the book value of the shares prior to deduction for expenses of the offering and the organization of the bank. The offering price may not be indicative of the present or future value of the common stock. As a result, the market price of the stock after the

offering may be more susceptible to fluctuations than it otherwise might be. The market price will be affected by our operating results, which could fluctuate greatly. These fluctuations could result from expenses of operating and expanding the bank, trends in the banking industry, economic conditions in our market area, and other factors that are beyond our control. If our operating results are below expectations, the market price of the common stock would probably fall.

We will not have a large number of shareholders or a large number of shares outstanding after the offering, which may limit your ability to sell or trade the shares after the offering.

Initially, there will be no established market for our common stock. After the offering, we will encourage broker-dealers to match buy and sell orders for our common stock on the OTC Bulletin Board. However, the trading markets on the OTC Bulletin Board lack the depth, liquidity, and orderliness necessary to maintain a liquid market. We do not expect a liquid market for our common stock to develop for several years, if at all. A public market having depth and liquidity depends on having enough buyers and sellers at any given time. Because this a relatively small offering, we do not expect to have enough shareholders or outstanding shares to support an active trading market. Accordingly, investors should consider the potential illiquid and long-term nature of an investment in our common stock.

Our organizers will purchase a large percentage of our stock in the offering, which may allow them to control the company and affect our shareholders' ability to receive a premium for their shares.

Our organizers intend to purchase 350,500 shares in this offering, for a total investment of \$3,505,000. As a result, they will own approximately 57.5% of the shares outstanding if we complete the minimum offering or 35.1% of the shares outstanding if we complete the maximum offering. Additionally, each of the organizers will receive a warrant to purchase one share of common stock at \$10.00 per share for every two shares they purchase in the offering, except for Christopher T. Cliett, a non-director organizer, who will receive warrants to purchase one share of common stock for \$10.00 per share for every three shares he purchases in this offering. If each organizer exercises his warrants in full, the organizers' ownership of First Southern Bancorp will increase to 66.8% if we complete the minimum offering or 44.5% if we complete the maximum offering. As a result, the organizers as a group will have significant influence over our affairs and policies. Their voting power may be sufficient to control the outcome of director elections or block significant transactions affecting First Southern Bancorp, including acquisitions. This could prevent shareholders from receiving a premium for their shares, which may be offered by a potential acquirer. In addition, the organizers may purchase additional shares in the offering, especially if necessary to meet the minimum offering amount. See "The Offering - General" section on page 9.

We will face strong competition for customers from larger and more established banks, which could prevent us from obtaining customers, and may cause us to have to pay higher interest rates to attract customers.

We will encounter strong competition from existing banks and other types of financial institutions operating in the Bulloch County area and elsewhere. Some of these competitors have been in business for a long time and have already established their customer base and name recognition. Most are larger than we will be and have greater financial and personnel resources than we will have. Some are large super-regional and regional banks, like Wachovia Bank and Branch Banking & Trust, and others are owned by larger bank holding companies, like Synovus Financial Corp. and PAB Bancshares. These institutions offer services, including extensive and established branch networks and trust services, that we either do not expect to provide or will not provide for some time. Due to this competition, we may have to pay higher rates of interest to attract deposits.

In addition, competitors that are not depository institutions are generally not subject to the extensive regulations that will apply to our bank. See "Proposed Business - Marketing Opportunities- Competition" on page 17 and "Supervision and Regulation" starting on page 24.

We may not be able to compete with our larger competitors for larger customers because our lending limits will be lower than theirs.

We will be limited in the amount we can loan a single borrower by the amount of the bank's capital. The legal lending limit is 15% of the bank's capital and surplus. We expect that our initial legal lending limit will be approximately \$900,000 immediately following the offering if we complete the minimum offering, or \$1,046,250 if we complete the maximum offering. Until the bank is profitable, our capital will continue to decline and therefore our lending limit. Our lending limit will be significantly less than the limit for most of our competitors and may affect our ability to seek relationships with larger businesses in our market area. We intend to accommodate larger loans by selling participations in those loans to other financial institutions.

We are authorized to issue preferred stock which, if issued, may adversely affect your voting rights and reduce the market price of our common stock.

We are authorized by our articles of incorporation to issue shares of preferred stock without the consent of our shareholders. Preferred stock, when issued, may rank senior to common stock with respect to voting rights, payment of dividends, and amounts received by shareholders upon liquidation, dissolution, or winding up. The existence of rights which are senior to common stock may reduce the price of our shares. We do not have any plans to issue any shares of preferred stock at this time.

The exercise of warrants and stock options will cause stock dilution and may adversely affect the value of our common stock.

The organizers and officers may exercise warrants and options to purchase common stock, which would result in the dilution of your proportionate interests in First Southern Bancorp. Upon completion of the offering, we will issue to the organizers warrants to purchase one share of common stock at \$10.00 per share for every two shares they purchase in the offering, except for Christopher T. Cliett, a non-director organizer, who will receive warrants to purchase one share of common stock for \$10.00 per share for every three shares he purchases in the offering. If the director organizers purchase 325,500 shares in the offering and the non-director organizer purchases 25,000 shares in the offering, we will issue warrants to purchase an additional 171,075 shares of common stock to them. In addition, after the offering, we expect to adopt a stock option plan which will permit us to grant options to our officers, directors, and employees. We anticipate that we will initially authorize the issuance of a number of shares under the stock option plan equal to 15% of the shares outstanding after the offering. We do not intend to issue stock options with an exercise price less than the fair market value of the common stock on the date of grant.

FORWARD-LOOKING STATEMENTS

This prospectus contains certain "forward-looking statements" concerning First Southern Bancorp and First Southern National Bank and their operations, performance, financial conditions, and likelihood of success. These statements are based on many assumptions and estimates. Our actual results will depend on many factors about which we are unsure, including those discussed above. Many of these risks and factors are beyond our control. The words "may," "would," "could," "will," "expect," "anticipate," "believe," "intend," "plan," and "estimate," and similar expressions identify forward-looking statements. The most significant of these risks, uncertainties, and other factors are discussed under the heading "Risk Factors" beginning on page 6 of this prospectus. We urge you to carefully consider these factors prior to making an investment.

8

The Offering

General

We are offering a minimum of 610,000 shares and a maximum of 1,000,000 shares of our common stock at a price of \$10.00 per share to raise between \$6,100,000 and \$10,000,000. We intend to impose a minimum purchase for any investor of 100 shares and a maximum purchase of 5% of the offering, although we reserve the right to accept subscriptions for more or less.

The organizers intend to purchase 350,500 shares in the offering, for a total investment of \$3,505,000. As a result, the organizers will own approximately 57.5% of the common stock outstanding upon completion of the offering if we sell the minimum number of 610,000 shares, and 35.1% of the common stock outstanding upon completion of the offering if we sell the maximum number of 1,000,000 shares. Additionally, each of the organizers will receive a warrant to purchase one additional share of common stock at \$10.00 per share for every two shares purchased during the offering, except for Christopher T. Cliett, a non-director organizer, who will receive warrants to purchase one share of common stock for \$10.00 per share for every three shares he purchases in the offering. These warrants will be exercisable for 10 years following completion of the offering. If each organizer exercises his warrants in full, the organizers' ownership of First Southern Bancorp will increase to 66.8% based on the minimum offering and 44.5% based on the maximum offering. Although they have not promised to do so, the organizers may purchase additional shares in the offering, including up to 100% of the minimum offering. All shares purchased by the organizers will be for investment and not intended for resale. Because purchases by the organizers may be substantial, you should not assume that the sale of a specified minimum offering amount indicates the merits of this offering.

We must receive your subscription for shares before midnight, Eastern Standard Time, on January 31, 2002, unless we sell all of the shares earlier or we terminate or extend the offering. We reserve the right to terminate the offering at any time or to extend the expiration date up to August 31, 2002. Extension of the expiration date might cause an increase in our expenses. We do not have to give you any prior written notice of an extension. If we extend the offering up to August 31, 2002, subscriptions we have already accepted will still be binding. We intend to inform all subscribers of any extensions of the offering.

Accepted subscriptions will be binding and may not be revoked except with our consent. We reserve the right to cancel or reject any or all of subscriptions before or after acceptance until the proceeds of this offering are released from escrow. We may also allocate shares among subscribers if the offering is oversubscribed; however, we believe that we will not have to adjust subscribers for the minimum number of shares. In deciding which subscriptions to accept, we may take into account many factors, including:

- o the order in which subscriptions are received;
- o a subscriber's potential to do business with or to direct customers to the bank; and
- o our desire to have a broad distribution of stock ownership.

If we reject any subscription, or accept a subscription but subsequently elect to cancel all or part of such subscription, we will refund the amount remitted for shares for which a subscription is rejected or canceled. We will issue certificates for shares which have been subscribed and paid for promptly after we receive the funds out of escrow.

Conditions to the Offering and Release of Funds

We will place all subscription proceeds with The Bankers Bank, which will serve as an independent escrow agent. The escrow agent will hold these funds, and no shares will be issued, until:

- o We have accepted subscriptions and payment in full for a minimum of 610,000 shares at \$10.00 per share;
- o We have received preliminary approval from the Office of the Comptroller of the Currency to grant us a national bank charter;

9

- o We have received preliminary approval of the bank's application for deposit insurance from the FDIC; and
- o We have obtained preliminary approval from the Federal Reserve to acquire the stock of the bank.

If First Southern Bancorp terminates the offering or if the offering period expires before these conditions are satisfied, then:

- o We will cancel accepted subscription agreements and subscribers in the offering will not become shareholders;
- o The funds held in the escrow account will not be subject to the claims of any of our creditors or available to defray the expenses of this offering; and
- o We will return the full amount of all subscription funds promptly to subscribers, without interest earned.

The escrow agent has not investigated the desirability, advisability, or merits of a purchase of the shares. The escrow agent will invest escrowed funds in interest-bearing savings accounts, short-term United States Treasury securities, FDIC-insured bank deposits, or other similar investments as we agree on with the escrow agent. We do not intend to invest the subscription proceeds held in escrow in instruments that would mature after the expiration date of the offering.

If the conditions for releasing subscription funds from escrow are met and the funds are released but we do not receive final regulatory approval to operate the bank, or if the bank does not open for any other reason, our board of directors intends to propose that the shareholders approve a plan to liquidate First Southern Bancorp. First Southern Bancorp would be dissolved and First Southern Bancorp's net assets, consisting primarily of the funds received in this offering, less the costs and expenses we have incurred, would be distributed to the shareholders other than the organizers, who will not receive any distribution until all other shareholders have received their initial investments.

Plan of Distribution

Offers and sales of the common stock will be made primarily by our officers and directors. First Southern Bancorp believes these officers and directors will not be deemed to be brokers or dealers under the Securities Exchange Act of 1934 due to Rule 3a4-1. Our organizers who participate in our stock sales effort will be reimbursed for their reasonable expenses but will not receive commissions or other remuneration.

Prior to this offering there has been no public market for the shares. We established the initial offering price of the shares based upon our assessment of the capital needs of First Southern Bancorp and the commercial potential of the services to be offered by First Southern National Bank. We expect that a secondary market in our common shares may eventually develop, although we cannot be sure. In general, if a secondary market develops, the shares other than those held by affiliates will be freely transferable in the market. See "Description of the Capital Stock of First Southern Bancorp - Shares Eligible for Future Sale" on page 42.

How to Subscribe

If you desire to purchase shares of the common stock of First Southern Bancorp, you should:

1. Complete, date, and execute the subscription agreement which you received with this prospectus;
2. Make a check, bank draft, or money order payable to "The Bankers Bank, Escrow Account for First Southern Bancorp," in the amount of \$10.00 times the number of shares you wish to purchase; and

10

3. Deliver the completed subscription agreement and check to First Southern Bancorp at the following address:

Mr. F. Thomas David
First Southern Bancorp
P.O. Box 567
Statesboro, Georgia 30459

If you have any questions about the offering or how to subscribe, please call Mr. David at (912) 489-7600 (or any of the other organizers). If you subscribe, you should retain a copy of the completed subscription agreement for your records. You must pay the subscription price at the time you deliver the subscription agreement.

USE OF PROCEEDS

We estimate that we will receive net proceeds of \$6,025,000 from the sale of 610,000 shares of common stock in the offering and \$9,925,000 from the sale of 1,000,000 shares of common stock in the offering, after deducting estimated organizational and offering expenses. We have established a line of credit in the amount of \$1,100,000 with Nexity Bank at the prime rate minus 0.75% to pay pre-opening expenses of the holding company and the bank prior to the completion of the offering. We intend to pay off this line of credit with proceeds that we receive from this offering. We believe that the minimum proceeds of \$6,100,000 from the offering will satisfy the cash requirements for the next 12 months for both First Southern Bancorp and First Southern National Bank, but we cannot be sure. The following two paragraphs describe our proposed use of proceeds based on our present plans and business conditions.

Use of Proceeds By First Southern Bancorp

The following table shows the anticipated use of the proceeds by First Southern Bancorp. We describe the bank's anticipated use of proceeds in the following section. As shown, we will use \$6,000,000 to capitalize the bank in the event we complete the minimum offering. We will also capitalize the bank with at least 25% of any amounts that we raise in excess of the minimum offering. We will initially invest the remaining proceeds in United States government securities or deposit them with First Southern National Bank. In the long-term, we will use these funds for operational expenses and other general corporate purposes, including the provision of additional capital to the bank, if necessary. We may also use the proceeds to expand, for example by opening additional facilities or acquiring other financial institutions. In addition to our main office, we currently plan to open an additional branch office in the Bulloch County area in the next three years. We do not have any other definitive plans for expansion.

<TABLE>
<CAPTION>

	Minimum Offering 610,000 shares -----	Maximum Offering 1,000,000 shares -----
<S>	<C>	<C>
Gross proceeds from offering.....	\$ 6,100,000	\$ 10,000,000
Offering and organizing expenses of First Southern Bancorp....	\$ (75,000)	\$ (75,000)
Investment in capital stock of the bank.....	\$ (6,000,000)	\$ (6,975,000)
Remaining proceeds.....	\$ 25,000 =====	\$ 2,950,000 =====

</TABLE>

Use of Proceeds by First Southern National Bank

The following table shows the anticipated use of the proceeds by First Southern National Bank. All proceeds received by the bank will be in the form of an investment in the bank's capital stock by First Southern Bancorp as described above. We anticipate purchasing a site and constructing a permanent main office.

We expect our main office to be completed by the fourth quarter 2002. During the period between the opening of the bank and the completion of our permanent main facility, we will conduct operations from a temporary bank facility located on the site where we will construct our main office. The table shows the cost of the temporary and permanent facilities for a period of 12 months from the completion of the offering. Furniture, fixtures, and equipment will be capitalized and amortized over the life of the lease or over the estimated useful life of the asset. The bank will use the remaining proceeds to make loans, purchase securities, and otherwise conduct the business of the bank.

<TABLE>
<CAPTION>

	Minimum Offering 610,000 shares -----	Maximum Offering 1,000,000 shares -----
<S>	<C>	<C>
Investment by First Southern Bancorp in the bank's capital stock.....	\$ 6,000,000	\$ 6,975,000
Organizational and pre-opening expenses of the bank.....	\$ (405,000)	\$ (405,000)
Furniture, fixtures and equipment.....	\$ (475,000)	\$ (475,000)
Cost of main office and site.....	\$ (2,200,000)	\$ (2,200,000)
Initial payments and lease of temporary facility (12 months).....	\$ (90,000)	\$ (90,000)
Remaining proceeds.....	\$ 2,830,000 =====	\$ 3,805,000 =====

</TABLE>

CAPITALIZATION

The following table shows First Southern Bancorp's capitalization as of June 30, 2001, and the pro forma consolidated capitalization of First Southern Bancorp and the bank as adjusted to give effect to the sale of the minimum and maximum number of shares in this offering, after deducting the expenses of the offering. First Southern Bancorp's capitalization as of June 30, 2001 reflects the purchase of ten shares by F. Thomas David for \$10.00 per share. These shares will be redeemed after the offering. After the offering, we will have up to 1,000,000 shares outstanding in the event the maximum number of shares are sold. The "As Adjusted" column reflects the estimated cost of organizing First Southern Bancorp and organizing and preparing to open First Southern National Bank through the expected opening date, which should be by the first quarter of 2002. See "Use of Proceeds" above.

<TABLE>
<CAPTION>

	June 30, 2001 -----	As Adjusted For Minimum Offering -----	As Adjusted for Maximum Offering -----
<S>	<C>	<C>	<C>
Shareholders Equity:			
Common Stock, par value \$.01 per share; 10,000,000 shares authorized; 10 shares issued and outstanding; 610,000 shares issued and outstanding as adjusted (minimum offering); 1,000,000 shares issued and outstanding (maximum offering).....	\$ 0	\$ 6,100	\$ 10,000
Preferred Stock, par value \$.01 per share; 10,000,000 shares authorized; no shares issued and outstanding....	0	0	0
Additional paid-in capital.....	\$ 100	\$ 6,018,900	\$ 9,915,000
Deficit accumulated during the pre-opening stage.....	\$ (125,241)	\$ (405,000)	\$ (408,000)

Total shareholders' equity (deficit).....	\$ (125,141)	\$ 5,620,000	\$ 9,510,000
Book Value Per Share.....	\$ n/a	\$ 9.21	\$ 9.51

</TABLE>

DIVIDEND POLICY

We expect initially to retain all earnings to operate and expand the business. It is unlikely that we will pay any cash dividends in the near future. Our ability to pay any cash dividends will depend primarily on First Southern National Bank's ability to pay dividends to First Southern Bancorp, which depends on the profitability of the bank. In order to pay dividends, the bank must comply with the requirements of all applicable laws and regulations. See "Supervision and Regulation - The Bank - Dividends" on page 27 and "Supervision and Regulation - The Bank - Capital Regulations" on page 28. In addition to the availability of funds from the bank, our dividend policy is subject to the discretion of our board of directors and will depend upon a number of factors, including future earnings, financial condition, cash needs, and general business conditions.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND PLAN OF OPERATION

General

First Southern Bancorp was formed to organize and own all of the capital stock of First Southern National Bank. In May 2001, the organizers filed applications with the Office of the Comptroller of the Currency to charter the bank as a national bank and with the FDIC to receive federal deposit insurance. Whether the charter is issued and deposit insurance is granted will depend upon, among other things, compliance with legal requirements imposed by the Office of the Comptroller of the Currency and the FDIC, including capitalization of the bank with at least a specified minimum amount of capital which we believe will be \$6,000,000. Upon preliminary approval from the Office of the Comptroller of the Currency and the FDIC, we will file an application with the Federal Reserve to become a bank holding company, which must be approved before we can acquire the capital stock of the bank. We expect to receive all final regulatory approvals by the first quarter of 2002.

Financial Results

As of June 30, 2001, First Southern Bancorp had total assets of \$46,324, consisting primarily of cash, land, and land options. First Southern Bancorp incurred a net loss of \$125,241 for the period from its inception on November 29, 2000 through June 30, 2001.

Expenses

On completion of the offering and opening of the bank, we expect we will have incurred the following expenses:

- o \$75,000 in expenses of the offering, which will be subtracted from the proceeds of the offering.
- o \$405,000 in expenses to organize and prepare to open First Southern National Bank, consisting principally of salaries, overhead and other operating costs, which will be charged against the income of First Southern National Bank.

Prior to our completion of this offering, these expenses will be funded by a \$1,100,000 line of credit at the prime rate minus .75%. We will use the proceeds of this offering to repay amounts due under our line of credit. We anticipate that the proceeds of the offering will be sufficient to satisfy the corporation's financial needs for at least the next 12 months.

Offices and Facilities

Our main office will be located at 201 South Main Street, Statesboro, Georgia 30458, in downtown Statesboro. The site is approximately two acres in size and the building will be approximately 10,000 square feet. We will purchase this site for approximately \$600,000 and construction of the building is expected to cost an additional \$1,600,000. We expect to open the bank in a temporary bank facility on the site of the main office and complete construction of our main office in the fourth quarter of 2002. Until the temporary bank facility is opened, which we expect to occur by the first quarter of 2002, our offices will temporarily be located at 101B South Zetterower Avenue, Statesboro, Georgia 30458.

We plan to open for business by the first quarter of 2002. In our third year of operation, we also plan to open one additional branch located strategically in our service area. We believe that this branch will expand our market presence and provide additional convenience to our customers. We will need to obtain regulatory approval before we can open this branch. We believe that these facilities will adequately serve the bank's needs for its first five years of operation.

15

Liquidity and Interest Rate Sensitivity

First Southern National Bank, like most banks, will depend on its net interest income for its primary source of earnings. Net interest income is roughly the difference between the interest we charge on our loans and receive from our investments, our assets, and the interest we pay on deposits, our liabilities. Movements in interest rates will cause our earnings to fluctuate. To lessen the impact of these margin swings, we intend to structure our balance sheets so that we can reprice the rates applicable to our assets and liabilities in roughly equal amounts at approximately the same time. We will manage the bank's asset mix by regularly evaluating the yield, credit quality, funding sources, and liquidity of its assets. We will manage the bank's liability mix by expanding our deposit base and converting assets to cash as necessary. If there is an imbalance in our ability to reprice assets and liabilities at any point in time, our earnings may increase or decrease with changes in the interest rate, creating interest rate sensitivity. Interest rates have historically varied widely, and we cannot control or predict them. Despite the measures we plan to take to lessen the impact of interest rate fluctuations, large moves in interest rates may decrease or eliminate our profitability.

Liquidity refers to our ability to provide steady sources of funds for loan commitments and investment activities, as well as to maintain sufficient funds to cover deposit withdrawals and payment of debt and operating obligations. We estimate that we will need approximately \$1,100,000 for our first year of operation. We believe that the minimum proceeds of \$6,100,000 from the offering will satisfy the cash requirements for the first three years for both First Southern Bancorp and First Southern National Bank. We will manage our liquidity by actively monitoring the bank's sources and uses of funds to meet cash flow requirements and maximize profits.

Capital Adequacy

Capital adequacy for banks and bank holding companies is regulated by the Office of the Comptroller of the Currency, the Federal Reserve Board of Governors, and the FDIC. The primary measures of capital adequacy are (i) risk-based capital guidelines and (ii) the leverage ratio. Changes in these guidelines or in our levels of capital can affect our ability to expand and pay dividends. Please see "Capital Regulations" on page 28 for a more detailed discussion.

16

PROPOSED BUSINESS

General

We initiated activity to form First Southern National Bank in November

2000 and incorporated First Southern Bancorp as a Georgia corporation in April 2001, to function as a holding company to own and control all of the capital stock of First Southern National Bank. We initially will engage in no business other than owning and managing the bank.

We have chosen this holding company structure because we believe it will provide flexibility that would not otherwise be available. Subject to Federal Reserve Board debt guidelines, the holding company structure can assist the bank in maintaining its required capital ratios by borrowing money and contributing the proceeds to the bank as primary capital. Additionally, a holding company may engage in certain non-banking activities that the Federal Reserve Board has deemed to be closely related to banking. Although we do not presently intend to engage in other activities, we will be able to do so with a proper notice or filing to the Federal Reserve if we believe that there is a need for these services in our market area and that the activities could be profitable.

We filed an application with the Office of the Comptroller of the Currency on May 1, 2001, to organize the bank as a national bank under the laws of the United States. We have also filed an application with the FDIC for deposit insurance. Upon preliminary approval from the Office of the Comptroller of the Currency and the FDIC, we will file an application with the Board of Governors of the Federal Reserve System for approval to become a bank holding company. Subject to receiving regulatory approval from these agencies, we plan to open the bank by the first quarter of 2002, and will engage in a general commercial and consumer banking business as described below. Final approvals will depend on compliance with regulatory requirements, including our capitalization of the bank with at least \$6,000,000 from the proceeds of this offering.

Marketing Opportunities

Service Area. Our service area will consist an area within a 20 mile radius of our main office in Statesboro, Georgia, with a primary focus on Bulloch County. Our main office will be located in downtown Statesboro and will provide excellent visibility for the bank. Our anticipated expansion plans include opening of an additional branch strategically located within our service area in the third year of operation. This branch will extend the market reach of our bank, and it will increase our personal service delivery capabilities to all of our customers. We plan to take advantage of existing contacts and relationships with individuals and companies in this area to more effectively market the services of the bank.

Economic and Demographic Factors. Bulloch County is located in the east-central portion of Georgia along the I-16 corridor between Atlanta and Savannah, Georgia. The county is a manufacturing and agricultural center. Major non-governmental employers in the metropolitan area include; Georgia Southern University, Briggs & Stratton, Wal-Mart, Anvil International, and Viracon. Statesboro's skilled labor force, low cost base, and strategic location have helped it attract and grow major manufacturing companies. ___ Briggs & Stratton recently announced that an \$18 million expansion to its Statesboro manufacturing facility which will include the creation of an additional 60 jobs. Additionally, Wal-Mart recently announced that its Statesboro distribution center, already the largest Wal-Mart distribution center in the world, is expanding by over 10%, which will include the creation of up to 200 new positions. Business growth like this has resulted in Bulloch County having an annual employment growth rate of 3.1% from 1995 through 2000 and a per capita annual income growth rate of 4.7% during that same period. In 1999, Bulloch County had an average unemployment rate of 2.6%, well below the state average of 4.0%. Bulloch County's low unemployment and income growth is complemented by its population growth, which increased almost 30% during the last decade from 43,125 in 1990 to 55,983 in 2000. Ultimately, the success of the bank will depend on the economy of the community and an economic downturn would hurt our business. We believe that the demographic factors in Bulloch County make it a desirable market in which to form our bank.

Competition. The banking business is highly competitive. The bank will compete as a financial intermediary with other commercial banks, credit unions, finance companies, and money market mutual funds operating in the Bulloch County area and elsewhere. In 2000, there were 18 banking offices, representing seven

financial institutions, operating in Bulloch County and holding over \$520 million in deposits. Many of these competitors are well established in the Bulloch County area. Most of them have substantially greater resources and lending limits than our bank will have, and many of these competitors offer services, including extensive and established branch networks and trust services, that we either do not expect to provide or will not provide initially. Our competitors include large super regional and regional banks like Wachovia Bank and Branch Banking & Trust, and other banks owned by larger bank holding companies like Synovus Financial Corp. and PAB Bancshares. We believe that the opportunity created by recent mergers, our management team, and the economic and demographic dynamics of our service area combined with our business strategy will allow us to gain a meaningful share of the area's deposits.

Business Strategy

Management Philosophy. First Southern National Bank will position itself as a locally-owned and operated bank organized to serve consumers and small- to mid-size businesses and professional concerns. Because there is only one remaining locally owned bank left in Statesboro, we believe we can offer a unique banking alternative for the market by offering a higher level of customer service and a management team more focused on the needs of the community than most of our competitors. We believe that this approach will be enthusiastically supported by the community.

Operating Strategy. In order to achieve the level of prompt, responsive service that we believe will be necessary to attract customers and to develop First Southern National Bank's image as a local bank with an individual focus, we will employ the following operating strategies:

- o **Experienced Senior Management.** We have retained F. Thomas David to lead the management team as the president and chief executive officer for both First Southern Bancorp and First Southern National Bank. He has over 25 years of banking experience, including most recently as president of Sea Island Bank in Statesboro, where he retired in 1997. Prior to his tenure at Sea Island Bank, Mr. David served in various capacities with Columbus Bank and Trust Company, the leading bank of Synovus Financial Corp., from 1972 until 1993, including executive vice president of all retail and commercial banking operations in charge of a loan portfolio in excess of \$800 million and business development. Mr. David also served on the Board of Directors of Columbus Bank and Trust Company, Sea Island Bank, and four other bank boards. He left retirement in May 2001 to organize First Southern National Bank.
- o **Other Executives.** We are in the process of assembling a management team with significant banking experience. We have hired Christopher T. Cliett as our proposed senior vice president and chief credit officer. He has over 18 years experience in community banking, most recently as the city president of BB&T in Swainsboro, Georgia. We have also hired Charles Robert ("Bo") Fennell, Jr. as our proposed chief financial officer. Bo has six years experience in banking and most recently served as chief financial officer of Eagle Bank & Trust in Statesboro. We expect other officers that we hire to be individuals who reside in the Bulloch County area and have local banking experience and a history of service to the community. Based upon the community's response to our organizing effort, we believe there are numerous local experienced banking executives who would be interested in joining our community banking effort.
- o **Community-Oriented Board of Directors.** Our management team will operate under the direction of our board of directors. As described in the Management Section beginning on page 31 most of our directors are long time residents and business persons and professionals in the Statesboro area, with significant community involvement. These directors are dedicated to the success of the bank, and will play an important part in marketing the new bank in the community.

- o Convenient Branch Locations. Within the first five years of operation, we plan to open a branch office located strategically in our primary service area. We believe this "branch" will expand our market presence and provide convenience to our customers.
- o Local Services and Decision Making. Clients will enjoy a professional and consistent banking environment with local decision-making and personal access to a banker that strives to understand their financial needs. We will seek to be identified as "the hometown bank" that "cares about its customers." In order to accomplish this, we will attempt to hire local bankers who are recognized for their community involvement and successful banking background.
- o Capitalize on Need for Community Banks. The current trend of consolidation in the banking industry led to the recent acquisition of First Bulloch Bank & Trust Company by the North Carolina super regional bank, Branch Banking & Trust. Prior to the acquisition, First Bulloch was the largest locally owned bank in the area. According to the FDIC's 2000 bank data, following the acquisition of First Bulloch by BB&T, over 86% of the total deposits will be controlled by large financial institutions headquartered outside of the area. The only locally-owned remaining community bank in the area has experienced average annual growth rates of approximately 10% during the past five years, well in excess of the overall deposit growth rate of 2%. In the past year alone, the only remaining locally-owned community bank has achieved a deposit growth rate of 13%, confirming the desire of the Statesboro community to bank locally. We believe that in spite of the current competition, our proposed bank, with local management, will prove appealing to the citizens of Bulloch County, and it will benefit from continued consolidation in the market.
- o Focus on Small- to Mid-Sized Commercial Market Sector. Although size gives larger banks certain advantages in competing for business from large corporations, including higher lending limits and the ability to offer services in other areas of Georgia, we believe that there is a void in the community banking market in the Bulloch County area, and that we can successfully fill this void. Initially, we will not compete with large institutions for the primary banking relationships of large corporations, but will compete for niches in this business and for the consumer business of their employees. We will also focus on small- to medium-sized businesses and their employees. This includes retail, service, wholesale distribution, manufacturing, and international businesses with annual revenues of less than \$15 million. We believe that these organizations desire a consistent banking relationship. We intend to attract these types of businesses based on relationships and contacts which the bank's directors and management have inside and outside our core service area.

Lending Activities

General. We intend to emphasize a range of lending services, including real estate, commercial, and equity-line and consumer loans to individuals, small- to medium-sized businesses and professional concerns that are located in or conduct a substantial portion of their business in the bank's market area. We will compete for these loans with competitors who are well established in the Bulloch County area and have greater resources and lending limits. As a result, we may have to charge lower interest rates to attract borrowers.

The well established banks in the Bulloch County area will make proportionately more loans to medium- to large-sized businesses than we will. Many of the bank's anticipated commercial loans will likely be made to small- to medium-sized businesses which may be less able to withstand competitive, economic, and financial conditions than larger borrowers.

Loan Approval and Review. The bank's loan approval policies will provide for various levels of officer lending authority. When the amount of aggregate loans to a single borrower exceeds that individual officer's lending authority, the loan request will be considered and approved by an officer with a

higher lending limit or the board of directors' loan committee. The bank will not make any loans to any director of the bank unless the loan is approved by the board of directors of the bank and is made on terms not more favorable to the person than would be available to a person not affiliated with the bank. The bank currently intends to adhere to Federal

National Mortgage Association and Federal Home Loan Mortgage Corporation guidelines in its mortgage loan review process, but may choose to alter this policy in the future. The bank expects to sell residential mortgage loans that it originates on the secondary market.

Loan Distribution. We estimate that our initial percentage distribution of our loans for the first year will be as follows:

Real Estate	60%
Commercial Loans	24%
Equity Line and Consumer Loans	13%
Residential Mortgage Loans	3%

Total	100%
	=====

These are estimates only. Our actual deposit and loan distribution will depend on our customers and vary initially and over time.

Allowance for Loan Losses. We will maintain an allowance for loan losses, which we will establish through a provision for loan losses charged against income. We will charge loans against this allowance when we believe that the collectibility of the principle is unlikely. The allowance will be an estimated amount that we believe will be adequate to absorb losses inherent in the loan portfolio based on evaluations of its collectibility. We anticipate that initially our allowance for loan losses will equal approximately 1% of the average outstanding balance of our loans. Over time, we will base the loan loss reserves on our evaluation of factors including; changes in the nature and volume of the loan portfolio, overall portfolio quality, specific problem loans and commitments, and current anticipated economic conditions that may affect the borrower's ability to pay.

Lending Limits. The bank's lending activities will be subject to a variety of lending limits imposed by federal law. In general, the bank will be subject to a legal limit on loans to a single borrower equal to 15% of the bank's capital and unimpaired surplus. Different limits may apply in certain circumstances based on the type of loan or the nature of the borrower, including the borrower's relationship to the bank. These limits will increase or decrease as the bank's capital increases or decreases. Unless the bank is able to sell participations in its loans to other financial institutions, the bank will not be able to meet all of the lending needs of loan customers requiring aggregate extensions of credit above these limits.

Credit Risk. The principal credit risk associated with each category of loans is the creditworthiness of the borrower. Borrower creditworthiness is affected by general economic conditions and the strength of the manufacturing, services, and retail market segments. General economic factors affecting a borrower's ability to repay include interest, inflation, and employment rates and the strength of local and national economy, as well as other factors affecting a borrower's customers, suppliers, and employees.

Real Estate Loans. We expect that loans secured by first or second mortgages on real estate will make up 60% of the bank's loan portfolio. These loans will generally fall into one of two categories: commercial real estate loans or construction and development loans. We also expect to make residential real estate loans secured by first or second mortgages on real estate. Each of these categories is discussed in more detail below, including their specific risks. Interest rates for all categories may be fixed or adjustable, and will more likely be fixed for shorter-term loans. The bank will generally charge an origination fee for each loan.

Real estate loans are subject to the same general risks as other loans. They are particularly sensitive to fluctuations in the value of real estate, which is generally the underlying security for real estate loans. On first and

second mortgage loans we would not advance more than regulatory limits. We will require a valid mortgage lien on all real property loans along with a title lien policy which insures the validity and priority of the lien. We will also require borrowers to obtain hazard insurance policies and flood insurance if applicable.

We will have the ability to originate some real estate loans for sale into the secondary market. We can limit our interest rate and credit risk on these loans by locking the interest rate for each loan with the secondary investor and receiving the investor's underwriting approval prior to originating the loan.

20

- o Commercial Real Estate Loans. Commercial real estate loans will generally have terms of five years or less, although payments may be structured on a longer amortization basis. We will evaluate each borrower on an individual basis and attempt to determine its business risks and credit profile. We will attempt to reduce credit risk in the commercial real estate portfolio by emphasizing loans on owner-occupied office and retail buildings where the loan-to-value ratio, established by independent appraisals. We will typically review all of the personal financial statements of the principal owners and require their personal guarantees. These reviews generally reveal secondary sources of payment and liquidity to support a loan request.
- o Construction and Development Real Estate Loans. We will offer adjustable and fixed rate residential and commercial construction loans to builders and developers and to consumers who wish to build their own home. The term of construction and development loans will generally be limited to 18 months, although payments may be structured on a longer amortization basis. Most loans will mature and require payment in full upon the sale of the property. Construction and development loans generally carry a higher degree of risk than long term financing of existing properties. Repayment depends on the ultimate completion of the project and usually on the sale of the property. Specific risks include:
 - o cost overruns;
 - o mismanaged construction;
 - o inferior or improper construction techniques;
 - o economic changes or downturns during construction;
 - o a downturn in the real estate market;
 - o rising interest rates which may prevent sale of the property; and
 - o failure to sell completed projects in a timely manner.

We will attempt to reduce risk by obtaining personal guarantees where possible, and by keeping the loan-to-value ratio of the completed project below specified percentages. We may also reduce risk by selling participations in larger loans to other institutions when possible.

- o Residential Real Estate Loans. These loans will generally have longer terms up to 30 years. We will offer fixed and adjustable rate mortgages, and we intend to sell some or all of the residential real estate loans that we generate in the secondary market. By selling these loans in the secondary market, we can significantly reduce our exposure to credit risk because the loans will be underwritten through a third party agent without any recourse against the bank.

Commercial Loans. The bank will make loans for commercial purposes in various lines of businesses. Equipment loans will typically be made for a term of five years or less at fixed or variable rates, with the loan fully amortized over the term and secured by the financed equipment. We will focus our efforts on commercial loans of less than \$1,000,000. Working capital loans will typically have terms not exceeding one year and will usually be secured by accounts receivable, inventory, or personal guarantees of the principals of the business. For loans secured by accounts receivable or inventory, principal will

typically be repaid as the assets securing the loan are converted into cash, and in other cases principal will typically be due at maturity. Trade letters of credit, standby letters of credit, and foreign exchange will be handled through a correspondent bank as agent for the bank.

We expect to also offer small business loans utilizing government enhancements such as the Small Business Administration's 7(a) program and SBA's 504 programs. These loans will typically be partially guaranteed by the government which may help to reduce the bank's risk. Government guarantees of SBA loans will not exceed 80% of the loan value, and will generally be less.

21

Consumer Loans. The bank will make a variety of loans to individuals for personal and household purposes, including secured and unsecured installment loans and revolving lines of credit such as credit cards. Installment loans typically will carry balances of less than \$50,000 and be amortized over periods up to 60 months. Consumer loans may be offered on a single maturity basis where a specific source of repayment is available. Revolving loan products will typically require monthly payments of interest and a portion of the principal. Consumer loans are generally considered to have greater risk than first or second mortgages on real estate.

We will also offer home equity loans. Our underwriting criteria for and the risks associated with home equity loans and lines of credit will generally be the same as those for first mortgage loans. Home equity lines of credit will typically have terms of 15 years or less, will typically carry balances less than \$125,000, and may extend up to 100% of the available equity of each property.

Deposit Services

We intend to offer a full range of deposit services that are typically available in most banks and savings and loan associations, including checking accounts, NOW accounts, commercial accounts, savings accounts, and other time deposits of various types, ranging from daily money market accounts to longer-term certificates of deposit. The transaction accounts and time certificates will be tailored to our principal market area at rates competitive to those offered in the Bulloch County area. In addition, we intend to offer certain retirement account services, including IRAs. We intend to solicit these accounts from individuals, businesses, and other organizations.

Deposit Distribution. We estimate that our initial percentage distribution of our deposits for the first year will be as follows:

Demand Deposit	12%
Savings & Money Market	32%
Time and Savings Deposits	7%
CD's under \$100,000	35%
CD's over \$100,000	14%

Total	100%
	====

Other Banking Services

We anticipate that the bank will offer other bank services including cash management services such as sweep accounts for commercial businesses. In addition, lines of credit, 24-hour telephone banking and PC/internet delivery are being considered for development. We will offer safe deposit boxes, direct deposit of payroll and social security checks, U.S. Savings Bonds, travelers checks, and automatic drafts for various accounts. We plan for the bank to become associated with the Honor and Cirrus ATM networks that may be used by the bank's customers throughout the country. We believe that by being associated with a shared network of ATMs, we will be better able to serve our clients and will be able to attract clients who are accustomed to the convenience of using ATMs, although we do not believe that maintaining this association will be critical to our success. We intend to begin offering these services shortly after opening the bank. We also plan to offer a debit card and credit card services through a correspondent bank as an agent for the bank. We do not expect the bank to exercise trust powers during its initial years of operation.

In 2000, deposits in Bulloch County exceeded \$520 million. The average annual growth rate in deposits in Bulloch County over the last five years was approximately 2%. Based on this historical growth rate, the deposits in Bulloch County will grow to approximately \$537 million by 2005. Our plan over the next five years is to reach an 11.6% market share with deposits in excess of \$63 million. Of course, there can be no assurances that we will accomplish these objectives.

22

Employees

We anticipate that, upon commencement of operations, the bank will have approximately 15 full time employees. First Southern Bancorp, as the holding company for the bank, will not have any employees other than its officers.

Legal Proceedings

Neither First Southern Bancorp, First Southern National Bank, nor any of their properties are subject to any material legal proceedings.

23

SUPERVISION AND REGULATION

We are subject to extensive state and federal banking laws and regulations which impose specific requirements or restrictions on, and provide for general regulatory oversight of, virtually all aspects of our operations. These laws and regulations are generally intended to protect depositors, not shareholders. The following summary is qualified by reference to the statutory and regulatory provisions discussed. Changes in applicable laws or regulations may have a material effect on our business and prospects. Our operations may be affected by legislative changes and the policies of various regulatory authorities. We cannot predict the effect that fiscal or monetary policies, economic control, or new federal or state legislation may have on our business and earnings in the future.

Gramm-Leach-Bliley Act

The Gramm-Leach-Bliley Act, previously known as the Financial Services Modernization Act of 1999, was signed into law on November 12, 1999. Among other things, the Act repeals the restrictions on banks affiliating with securities firms contained in sections 20 and 32 of the Glass-Steagall Act. The Act also permits bank holding companies that become financial holding companies to engage in a statutorily provided list of financial activities, including insurance and securities underwriting and agency activities, merchant banking, and insurance company portfolio investment activities. The Act also authorizes activities that are "complementary" to financial activities.

The Act is intended, in part, to grant to community banks certain powers as a matter of right that larger institutions have accumulated on an ad hoc basis. Nevertheless, the Act may have the result of increasing the amount of competition that we face from larger institutions and other types of companies. In fact, it is not possible to predict the full effect that the Act will have on us. From time to time other changes are proposed to laws affecting the banking industry, and these changes could have a material effect on our business and prospects.

The Gramm-Leach-Bliley Act also contains provisions regarding consumer privacy. These provisions require financial institutions to disclose their policy for collecting and protecting confidential information. Customers generally may prevent financial institutions from sharing personal financial information with nonaffiliated third parties except for third parties that market an institution's own products and services. Additionally, financial institutions generally may not disclose consumer account numbers to any nonaffiliated third party for use in telemarketing, direct mail marketing, or

other marketing to the consumer.

First Southern Bancorp

Because it will own the outstanding capital stock of the bank, First Southern Bancorp will be a bank holding company under the federal Bank Holding Company Act of 1956 and the Financial Institutions Code of Georgia.

The Bank Holding Company Act. Under the Bank Holding Company Act, First Southern Bancorp will be subject to periodic examination by the Federal Reserve and required to file periodic reports of its operations and any additional information that the Federal Reserve may require. Our activities at the bank and holding company level will be limited to:

- o Banking and managing or controlling banks;
- o furnishing services to or performing services for its subsidiaries; and
- o engaging in other activities that the Federal Reserve determines to be so closely related to banking and managing or controlling banks as to be a proper incident thereto.

Investments, Control, and Activities. With certain limited exceptions, the Bank Holding Company Act requires every bank holding company to obtain the prior approval of the Federal Reserve before:

- o acquiring substantially all the assets of any bank;

24

- o acquiring direct or indirect ownership or control of any voting shares of any bank if after the acquisition it would own or control more than 5% of the voting shares of such bank (unless it already owns or controls the majority of such shares); or
- o merging or consolidating with another bank holding company.

In addition, and subject to certain exceptions, the Bank Holding Company Act and the Change in Bank Control Act, together with regulations thereunder, require Federal Reserve approval prior to any person or company acquiring "control" of a bank holding company. Control is conclusively presumed to exist if an individual or company acquires 25% or more of any class of voting securities of the bank holding company. Control is rebuttably presumed to exist if a person acquires 10% or more, but less than 25%, of any class of voting securities and either First Southern Bancorp has registered securities under Section 12 of the Securities Exchange Act of 1934 or no other person owns a greater percentage of that class of voting securities immediately after the transaction. We will register our common stock under the Securities Exchange Act of 1934. The regulations provide a procedure for challenge of the rebuttable control presumption.

Under the Bank Holding Company Act, a bank holding company is generally prohibited from engaging in, or acquiring direct or indirect control of more than 5% of the voting shares of any company engaged in nonbanking activities unless the Federal Reserve Board, by order or regulation, has found those activities to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. Some of the activities that the Federal Reserve Board has determined by regulation to be proper incidents to the business of a bank holding company include:

- o making or servicing loans and certain types of leases;
- o engaging in certain insurance and discount brokerage activities;
- o performing certain data processing services;
- o acting in certain circumstances as a fiduciary or investment or financial adviser;
- o owning savings associations; and
- o making investments in certain corporations or projects designed primarily to promote community welfare.

The Federal Reserve Board imposes certain capital requirements on First Southern Bancorp under the Bank Holding Company Act, including a minimum leverage ratio and a minimum ratio of "qualifying" capital to risk-weighted

assets. These requirements are described below under "Capital Regulations." Subject to its capital requirements and certain other restrictions, First Southern Bancorp is able to borrow money to make a capital contribution to the bank, and these loans may be repaid from dividends paid from the bank to First Southern Bancorp. Our ability to pay dividends will be subject to regulatory restrictions as described below in "The Bank - Dividends." First Southern Bancorp is also able to raise capital for contribution to the bank by issuing securities without having to receive regulatory approval, subject to compliance with federal and state securities laws. As a bank holding company registered under the Financial Institutions Code of Georgia, we must provide the Georgia Department of Banking and Finance with information regarding the financial, management, and operation condition of First Southern Bancorp and First Southern National Bank.

Source of Strength; Cross-Guarantee. In accordance with Federal Reserve Board policy, First Southern Bancorp will be expected to act as a source of financial strength to the bank and to commit resources to support the bank in circumstances in which First Southern Bancorp might not otherwise do so. Under the Bank Holding Company Act, the Federal Reserve Board may require a bank holding company to terminate any activity or relinquish control of a nonbank subsidiary, other than a nonbank subsidiary of a bank, upon the Federal Reserve Board's determination that such activity or control constitutes a serious risk to the financial soundness or stability of any subsidiary depository institution of the bank holding company. Further, federal bank regulatory authorities have additional discretion to require a bank holding company to divest itself of any bank or nonbank subsidiary if the agency determines that divestiture may aid the depository institution's financial condition.

25

The Bank

The bank will operate as a national banking association incorporated under the laws of the United States and subject to examination by the Office of the Comptroller of the Currency. Deposits in the bank will be insured by the FDIC up to a maximum amount, which is generally \$100,000 per depositor subject to aggregation rules.

The Office of the Comptroller of the Currency and the FDIC will regulate or monitor virtually all areas of the bank's operations, including:

- o security devices and procedures;
- o adequacy of capitalization and loss reserves;
- o loans;
- o investments;
- o borrowings;
- o deposits;
- o mergers;
- o issuances of securities;
- o payment of dividends;
- o interest rates payable on deposits;
- o interest rates or fees chargeable on loans;
- o establishment of branches;
- o corporate reorganizations;
- o maintenance of books and records; and
- o adequacy of staff training to carry on safe lending and deposit gathering practices.

The Office of the Comptroller of the Currency requires the bank to maintain specified capital ratios and imposes limitations on the bank's aggregate investment in real estate, bank premises, and furniture and fixtures. The Office of the Comptroller of the Currency will also require the bank to prepare quarterly reports on the bank's financial condition and to conduct an annual audit of its financial affairs in compliance with its minimum standards and procedures.

Under the FDIC Improvement Act, all insured institutions must undergo regular on site examinations by their appropriate banking agency. The cost of examinations of insured depository institutions and any affiliates may be assessed by the appropriate agency against each institution or affiliate as it deems necessary or appropriate. Insured institutions are required to submit annual reports to the FDIC, their federal regulatory agency, and state

supervisor when applicable. The FDIC Improvement Act directs the FDIC to develop a method for insured depository institutions to provide supplemental disclosure of the estimated fair market value of assets and liabilities, to the extent feasible and practicable, in any balance sheet, financial statement, report of condition or any other report of any insured depository institution. The FDIC Improvement Act also requires the federal banking regulatory agencies to prescribe, by regulation, standards for all insured depository institutions and depository institution holding companies relating, among other things, to the following:

- o internal controls;
- o information systems and audit systems;
- o loan documentation;
- o credit underwriting;
- o interest rate risk exposure; and
- o asset quality.

National banks and their holding companies which have been chartered or registered or have undergone a change in control within the past two years or which have been deemed by the Office of the Comptroller of the Currency or the Federal Reserve Board to be troubled institutions must give the Office of the Comptroller of the Currency or the Federal Reserve Board 30 days prior notice of the appointment of any senior executive officer or

26

director. Within the 30 day period, the Office of the Comptroller of the Currency or the Federal Reserve Board, as the case may be, may approve or disapprove any such appointment.

Deposit Insurance. The FDIC establishes rates for the payment of premiums by federally insured banks and thrifts for deposit insurance. A separate Bank Insurance Fund and Savings Association Insurance Fund are maintained for commercial banks and savings associations with insurance premiums from the industry used to offset losses from insurance payouts when banks and thrifts fail. In 1993, the FDIC adopted a rule which establishes a risk-based deposit insurance premium system for all insured depository institutions. Under this system, until mid-1995 depository institutions paid to Bank Insurance Fund or Savings Association Insurance Fund from \$0.23 to \$0.31 per \$100 of insured deposits depending on its capital levels and risk profile, as determined by its primary federal regulator on a semiannual basis. Once the Bank Insurance Fund reached its legally mandated reserve ratio in mid-1995, the FDIC lowered premiums for well-capitalized banks, eventually eliminating premiums for well-capitalized banks, with a minimum semiannual assessment of \$1,000. However, in 1996 Congress enacted the Deposit Insurance Funds Act of 1996, which eliminated even this minimum assessment. It also separated the Financial Corporation assessment to service the interest on its bond obligations. The amount assessed on individual institutions, including the bank, by Financial Corporation assessment is in addition to the amount paid for deposit insurance according to the risk-related assessment rate schedule. Increases in deposit insurance premiums or changes in risk classification will increase the bank's cost of funds, and we may not be able to pass these costs on to our customers.

Transactions With Affiliates and Insiders. The bank will be subject to the provisions of Section 23A of the Federal Reserve Act, which places limits on the amount of loans or extensions of credit to, or investments in, or certain other transactions with, affiliates and on the amount of advances to third parties collateralized by the securities or obligations of affiliates. The aggregate of all covered transactions is limited in amount, as to any one affiliate, to 10% of the bank's capital and surplus and, as to all affiliates combined, to 20% of the bank's capital and surplus. Furthermore, within the foregoing limitations as to amount, each covered transaction must meet specified collateral requirements. Compliance is also required with certain provisions designed to avoid the taking of low quality assets.

The bank will also be subject to the provisions of Section 23B of the Federal Reserve Act which, among other things, prohibits an institution from engaging in certain transactions with certain affiliates unless the transactions are on terms substantially the same, or at least as favorable to such institution or its subsidiaries, as those prevailing at the time for comparable transactions with nonaffiliated companies. The bank will be subject to certain restrictions on extensions of credit to executive officers, directors, certain

principal shareholders, and their related interests. Such extensions of credit (i) must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with third parties and (ii) must not involve more than the normal risk of repayment or present other unfavorable features.

Dividends. A national bank may not pay dividends from its capital. All dividends must be paid out of undivided profits then on hand, after deducting expenses, including reserves for losses and bad debts. In addition, a national bank is prohibited from declaring a dividend on its shares of common stock until its surplus equals its stated capital, unless there has been transferred to surplus no less than one-tenth of the bank's net profits of the preceding two consecutive half-year periods (in the case of an annual dividend). The approval of the Office of the Comptroller of the Currency is required if the total of all dividends declared by a national bank in any calendar year exceeds the total of its net profits for that year combined with its retained net profits for the preceding two years, less any required transfers to surplus.

Branching. National banks are required by the National Bank Act to adhere to branch office banking laws applicable to state banks in the states in which they are located. Under current Georgia law, the bank may open branch offices throughout Georgia with the prior approval of the Office of the Comptroller of the Currency. In addition, with prior regulatory approval, the bank will be able to acquire existing banking operations in Georgia. Furthermore, federal legislation has recently been passed which permits interstate branching. The new law permits out-of-state acquisitions by bank holding companies, interstate branching by banks if allowed by state law, and interstate merging by banks.

27

Community Reinvestment Act. The Community Reinvestment Act requires that, in connection with examinations of financial institutions within their respective jurisdictions, the Federal Reserve, the FDIC, or the Office of the Comptroller of the Currency, shall evaluate the record of each financial institution in meeting the credit needs of its local community, including low and moderate income neighborhoods. These factors are also considered in evaluating mergers, acquisitions, and applications to open a branch or facility. Failure to adequately meet these criteria could impose additional requirements and limitations on the bank.

Other Regulations. Interest and other charges collected or contracted for by the bank are subject to state usury laws and federal laws concerning interest rates. The bank's loan operations are also subject to federal laws applicable to credit transactions, such as:

- o the federal Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;
- o the Home Mortgage Disclosure Act of 1975, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;
- o the Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;
- o the Fair Credit Reporting Act of 1978, governing the use and provision of information to credit reporting agencies;
- o the Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies; and
- o the rules and regulations of the various federal agencies charged with the responsibility of implementing such federal laws.

The deposit operations of the bank also are subject to:

- o the Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records; and
- o the Electronic Funds Transfer Act and Regulation E issued by the Federal Reserve Board to implement that act, which governs

automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services.

Capital Regulations. The federal bank regulatory authorities have adopted risk-based capital guidelines for banks and bank holding companies that are designed to make regulatory capital requirements more sensitive to differences in risk profiles among banks and bank holding companies and account for off-balance sheet items. The guidelines are minimums, and the federal regulators have noted that banks and bank holding companies contemplating significant expansion programs should not allow expansion to diminish their capital ratios and should maintain ratios in excess of the minimums. We have not received any notice indicating that either First Southern Bancorp or First Southern National Bank is subject to higher capital requirements. The current guidelines require all bank holding companies and federally-regulated banks to maintain a minimum risk-based total capital ratio equal to 8%, of which at least 4% must be Tier 1 capital. Tier 1 capital includes common shareholders' equity, qualifying perpetual preferred stock, and minority interests in equity accounts of consolidated subsidiaries, but excludes goodwill and most other intangibles and excludes the allowance for loan and lease losses. Tier 2 capital includes the excess of any preferred stock not included in Tier 1 capital, mandatory convertible securities, hybrid capital instruments, subordinated debt and intermediate term-preferred stock, and general reserves for loan and lease losses up to 1% of risk-weighted assets.

Under these guidelines, banks' and bank holding companies' assets are given risk-weights of 0%, 20%, 50%, or 100%. In addition, certain off-balance sheet items are given credit conversion factors to convert them to asset equivalent amounts to which an appropriate risk-weight applies. These computations result in the total risk-weighted assets. Most loans are assigned to the 100% risk category, except for first mortgage loans fully secured by residential property and, under certain circumstances, residential construction loans, both of which carry a

28

50% rating. Most investment securities are assigned to the 20% category, except for municipal or state revenue bonds, which have a 50% rating, and direct obligations of or obligations guaranteed by the United States Treasury or United States Government agencies, which have a 0% rating.

The federal bank regulatory authorities have also implemented a leverage ratio, which is equal to Tier 1 capital as a percentage of average total assets less intangibles, to be used as a supplement to the risk-based guidelines. The principal objective of the leverage ratio is to place a constraint on the maximum degree to which a bank holding company may leverage its equity capital base. The minimum required leverage ratio for top-rated institutions is 3%, but most institutions are required to maintain an additional cushion of at least 100 to 200 basis points.

The FDIC Improvement Act established a new capital-based regulatory scheme designed to promote early intervention for troubled banks which requires the FDIC to choose the least expensive resolution of bank failures. The new capital-based regulatory framework contains five categories of compliance with regulatory capital requirements, including "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," and "critically undercapitalized." To qualify as a "well capitalized" institution, a bank must have a leverage ratio of no less than 5%, a Tier 1 risk-based ratio of no less than 6%, and a total risk-based capital ratio of no less than 10%, and the bank must not be under any order or directive from the appropriate regulatory agency to meet and maintain a specific capital level. Initially, we will qualify as "well capitalized."

Under the FDIC Improvement Act regulations, the applicable agency can treat an institution as if it were in the next lower category if the agency determines (after notice and an opportunity for hearing) that the institution is in an unsafe or unsound condition or is engaging in an unsafe or unsound practice. The degree of regulatory scrutiny of a financial institution increases, and the permissible activities of the institution decreases, as it moves downward through the capital categories. Institutions that fall into one of the three undercapitalized categories may be required to do some or all of

the following:

- o submit a capital restoration plan;
- o raise additional capital;
- o restrict their growth, deposit interest rates, and other activities;
- o improve their management;
- o eliminate management fees; or
- o divest themselves of all or a part of their operations.

Bank holding companies controlling financial institutions can be called upon to boost the institutions' capital and to partially guarantee the institutions' performance under their capital restoration plans.

These capital guidelines can affect us in several ways. If we grow at a rapid pace, our capital may be depleted too quickly, and a capital infusion from the holding company may be necessary, which could impact our ability to pay dividends. Our capital levels will initially be more than adequate; however, rapid growth, poor loan portfolio performance, poor earnings performance, or a combination of these factors could change our capital position in a relatively short period of time.

The FDIC Improvement Act requires the federal banking regulators to revise the risk-based capital standards to provide for explicit consideration of interest-rate risk, concentration of credit risk, and the risks of untraditional activities. We are uncertain what effect these regulations would have.

Failure to meet these capital requirements would mean that a bank would be required to develop and file a plan with its primary federal banking regulator describing the means and a schedule for achieving the minimum capital requirements. In addition, such a bank would generally not receive regulatory approval of any application that requires the consideration of capital adequacy, such as a branch or merger application, unless the bank could demonstrate a reasonable plan to meet the capital requirement within a reasonable period of time.

29

Enforcement Powers. The Financial Institution Reform Recovery and Enforcement Act expanded and increased civil and criminal penalties available for use by the federal regulatory agencies against depository institutions and certain "institution-affiliated parties." Institution-affiliated parties primarily include management, employees, and agents of a financial institution, as well as independent contractors and consultants such as attorneys and accountants and others who participate in the conduct of the financial institution's affairs. These practices can include the failure of an institution to timely file required reports or the filing of false or misleading information or the submission of inaccurate reports. Civil penalties may be as high as \$1,000,000 a day for such violations. Criminal penalties for some financial institution crimes have been increased to 20 years. In addition, regulators are provided with greater flexibility to commence enforcement actions against institutions and institution-affiliated parties. Possible enforcement actions include the termination of deposit insurance. Furthermore, banking agencies' power to issue cease-and-desist orders were expanded. Such orders may, among other things, require affirmative action to correct any harm resulting from a violation or practice, including restitution, reimbursement, indemnifications or guarantees against loss. A financial institution may also be ordered to restrict its growth, dispose of certain assets, rescind agreements or contracts, or take other actions as determined by the ordering agency to be appropriate.

Recent Legislative Developments. From time to time, various bills are introduced in the United States Congress with respect to the regulation of financial institutions. Some of these proposals, if adopted, could significantly change the regulation of banks and the financial services industry. We cannot predict whether any of these proposals will be adopted or, if adopted, what effect these would have.

Effect of Governmental Monetary Policies. Our earnings are affected by domestic economic conditions and the monetary and fiscal policies of the United States government and its agencies. The Federal Reserve Bank's monetary policies have had, and are likely to continue to have, an important impact on the operating results of commercial banks through its power to implement national monetary policy in order, among other things, to curb inflation or combat a

recession. The monetary policies of the Federal Reserve Board have major effects upon the levels of bank loans, investments and deposits through its open market operations in United States government securities and through its regulation of the discount rate on borrowings of member banks and the reserve requirements against member bank deposits. It is not possible to predict the nature or impact of future changes in monetary and fiscal policies.

MANAGEMENT

General

The following table sets forth the number and percentage of outstanding shares of common stock we expect to be beneficially owned by the organizers and executive officers after the completion of this offering. All of our organizers will serve as directors, except for Christopher T. Cliett, who will serve as our chief credit officer and senior vice president. The addresses of our organizers are the same as the address of the bank. Prior to the offering, F. Thomas David purchased ten shares of common stock for \$10.00 per share. We will redeem this stock after the offering. This table includes shares based on the "beneficial ownership" concepts as defined by the SEC. Beneficial ownership includes spouses, minor children, and other relatives residing in the same household, and trusts, partnerships, corporations or deferred compensation plans which are affiliated with the principal. This table does not reflect warrants that will be granted to each organizer to purchase one share of common stock for every two shares of common stock purchased by the organizers during the offering, except for Christopher T. Cliett, a non-director organizer, who will receive warrants to purchase one share of common stock for every three shares he purchases in the offering, because these warrants will not be exercisable within 60 days of the date of this prospectus.

<TABLE>
<CAPTION>

Shares Anticipated to be Owned
Following the Offering

Name of Beneficial Owner -----	Number -----	Percentage of Minimum Offering -----	Percentage of Maximum Offering -----
Directors and Executive Officers			
<S>	<C>	<C>	<C>
Michael R. Anderson	10,000	1.64%	1.00%
Christopher T. Cliett	25,000	4.10%	2.50%
F. Thomas David	50,000	8.20%	5.00%
Charles A. Deal	22,500	3.69%	2.25%
Charles Robert Fennell, Jr.	1,000	.16%	.10%
William I. Griffis	20,000	3.28%	2.00%
Tracy D. Ham	8,000	1.31%	0.80%
James A. High	10,000	1.64%	1.00%
W. Pratt Hill, III	25,000	4.10%	2.50%
Michael R. Kennedy	12,500	2.05%	1.25%
R. Whitman Lord	40,000	6.56%	4.00%
Laura T. Marsh	7,500	1.23%	0.75%
Jeffrey D. Pope	50,000	8.20%	5.00%
Ronnie J. Pope	25,000	4.10%	2.50%
Hudson J. Powell, Sr.	10,000	1.64%	1.00%
Lamar O. Reddick	12,500	2.05%	1.25%
Devra P. Walker	10,000	1.64%	1.00%
L. Anthony Waters, III	12,500	2.05%	1.25%
	-----	-----	-----
All directors and executive officers as a group (18 persons)	351,500 =====	57.62% =====	35.15% =====

</TABLE>

Executive Officers and Directors of the Company

The following sets forth certain information regarding First Southern Bancorp's executive officers and directors as of the date of this prospectus. Our articles of incorporation provide for a classified board of

directors, so that, as nearly as possible, one-third of the directors are elected each year to serve three-year terms. The terms of office of the classes of directors expire as follows: Class I at the 2002 annual meeting of shareholders, Class II at the 2003 annual meeting of shareholders, and Class III at the 2004 annual meeting of shareholders. Our executive officers serve at the discretion of our board of directors.

Name	Age	Position
----	---	-----
Michael R. Anderson	36	Class II Director
Christopher T. Cliett	40	Chief Credit Officer
F. Thomas David	51	Class I Director, President, and Chief Executive Officer
Charles A. Deal	60	Class II Director
Charles R. Fennell, Jr.	32	Chief Financial Officer
William I. Griffis	54	Class I Director
Tracy D. Ham	37	Class III Director
James A. High	55	Class II Director
W. Pratt Hill, III	51	Class III Director
Michael R. Kennedy	61	Class II Director
R. Whitman Lord	49	Class I Director
Laura T. Marsh	30	Class I Director
Jeffrey D. Pope	39	Class I Director
Ronnie J. Pope	57	Class III Director
Hudson J. Powell, Sr.	47	Class II Director
Lamar O. Reddick	62	Class III Director
Devra P. Walker	40	Class II Director
L. Anthony Waters, III	42	Class III Director

Mike Anderson, Class II director, is a Bulloch County native. For the past 10 years, he has served as the President of Bulloch Fertilizer Company, Inc., a company which supplies fertilizer and farm supplies to persons involved in agricultural businesses in Bulloch and surrounding counties. Mr. Anderson graduated from the University of Georgia in 1988 with a B.S.A. in Agricultural Economics and a B.B.A. in Finance. Mr. Anderson presently serves on the Board of Directors of the Development Authority of Bulloch County and on the Board of Directors of Excelsior Electric Membership Corporation. He is the Past President of the Statesboro/Bulloch County Chamber of Commerce and is a past member of the Board of Directors of Bulloch Academy. Mr. Anderson is also an active member of the Statesboro Rotary Club and First Baptist Church of Statesboro.

Christopher T. Cliett, Organizer, is the proposed Senior Vice President and Chief Credit Officer of First Southern Bancorp and First Southern National Bank (Proposed). He has over 18 years of banking experience, most recently serving as City President of BB&T Swainsboro, Georgia from November 1994 until June 2001. During his employment with BB&T, Mr. Cliett was responsible for loan portfolio management, asset and liability management, and the overall performance of the office. Prior to employment with BB&T, he was employed by Bank South, Macon from May 1996 until November 1994 in numerous operational, management, and lending capacities. Prior to employment with Bank South, Macon, he was employed by the Farm Credit Service in Vidalia, Georgia from March 1983 until May 1986 in numerous operational, management, and lending capacities.

Mr. Cliett graduated from the University of Georgia in 1983 with a Bachelor of Science in Agricultural Economics degree. He is also a graduate of the Louisiana State University Bankers School of the South and the Georgia Banking School. Mr. Cliett served as a director of the Emanuel County Chamber of Commerce, Trustee of the East Georgia College Foundation, and he is also a Past Chairman of the Emanuel County United Way. Mr. Cliett has also been involved in many civic organizations and work with many youth sports programs as a coach. Mr. Cliett is a member of the Holy Family Catholic Church of Metter, Georgia.

F. Thomas David, Class I director, is the proposed Chief Executive Officer and President of First Southern Bancorp and the First Southern National Bank

(Proposed). He has over 25 years of banking experience with Synovus Financial Corp. where he retired from Sea Island Bank in 1997. He served as Vice Chairman of Sea

Island Bank in Statesboro from 1993 until 1996 and was President from 1996 until his retirement in December of 1997. From 1972 until 1993, he was employed with Columbus Bank & Trust Company, beginning as a Management Associate and spending his career in lending and sales. In 1984, he was appointed Executive Vice President over all Retail and Commercial Banking Operations, which included all areas of the bank except Trust and Finance. His responsibilities included the supervision and oversight of the bank's corporate banking, correspondent and affiliate banking, marketing, commercial lending, loan administration, branch operations and credit cards. During his career, Mr. David has served on the Board of Directors of six different banks.

Mr. David graduated from the University of Georgia in 1972 with a Bachelor of Business Administration degree. He is also a graduate of the Louisiana State University Bankers School of the South and was an instructor of the Georgia Bankers Association Commercial Lending School. Mr. David presently serves on the Board of Trustees of Georgia Southern University Foundation and the Ogeechee Technical College Foundation. He is the Chairman of the Board of East Georgia Regional Medical Center, serves as a governing Board member of Ogeechee Technical College, and is on the Board of the Rotary Club of Statesboro. Mr. David is the immediate Past President and founder of the Technical College Foundation Association of Georgia, a statewide organization. Mr. David is a recipient of the Deen Day Smith Service to Mankind Award and is an active member of the First United Methodist Church of Statesboro, where he serves on the Staff/Parish Committee and is an Alpha Team coordinator. He is a past member of the church's Administrative Board and Finance Committee.

Charles A. Deal, Class II director, is a lifelong resident of Bulloch County, Georgia. Since 1973, Mr. Deal has owned and operated a livestock feed business and is presently owner and senior partner of Cross Creek Farms, an agricultural family partnership. Mr. Deal was instrumental in organizing Bulloch Gin, Inc., a large cotton gin, and serves as a charter member of its Board of Directors. Mr. Deal also helped organize and presently serves as the charter Vice President of FiberMax Cotton Association, a national cotton marketing cooperative. For the past five years, Mr. Deal has served as a director for Coastal Conservation of Georgia and on the Bulloch County Zoning Board. He has been an active member in numerous civic organizations and has served as President of the Bulloch County Farm Bureau, President of the Bulloch County Livestock Association, Charter President of Bulloch County Young Farmers and director of State of Georgia Young Farmers Association. He has also served on the Board of Trustees for Pinewood Christian Academy, on the Board of the Bulloch County Twenty-Year Land Use Planning Commission and advisor for the Bulloch County-Statesboro Chamber of Commerce Agri-Business Committee. Mr. Deal attended Georgia Southern College. Mr. Deal has been married for 41 years and has four children and 10 grandchildren. He has been a member of the Nevils United Methodist Church for 42 years where he has served as Chairman of the Administrative Board, Chairman of Trustees and Sunday School Superintendent. Mr. Deal was selected as State of Georgia Young Farmer of the Year in 1971, Bulloch County Farmer of the Year in 1971, and Bulloch County Farm Family of the Year in 1989.

Charles R. ("Bo") Fennell, Jr., is the proposed Chief Financial Officer of First Southern Bancorp and First Southern National Bank. Mr. Fennell graduated Statesboro High School in 1987 with honors and graduated Georgia Southern University in 1992 with a BBA in public accounting. While at Georgia Southern, Mr. Fennell was the captain of the golf team in 1990 - 1991 and was an All-American in 1990. After college, he played professional golf until 1995. From 1996 until 2001 he was with Eagle Bank and Trust, where he most recently served as its Chief Financial Officer. Mr. Fennell remains active in the community where he has worked with the Georgia Southern Boosters, Statesboro High School Boosters, the GSU golf committee (chairman), Relay for Life, the Community Bankers Association Leadership Division, and First Baptist Church.

William I. Griffis, CPA, CSRP, Class I director and Chairman of the Board, is a private investor and financial consultant. Mr. Griffis is a Certified Public Accountant, Certified Specialist in Retirement Planning and a Registered Investment Advisor. In 1998, Mr. Griffis retired as President and Chief Executive Officer from the T.J. Morris Company following 25 years of service. He

graduated in 1969 from Georgia Southern University with a BBA in Accounting and received the Georgia Southern University College of Business Alumnus of the Year Award in 1993. Mr. Griffis has served as the President of the Statesboro Rotary Club, President of Forest Heights Country Club, President of the Georgia Wholesale Grocers Association, Chairman of the Georgia Food Industry Association, President of the Georgia Southern University National Alumni Association, Chairman of the Georgia Southern University Athletic Boosters Association, and Vice President and executive member of the local Chamber of Commerce. Mr. Griffis is also a past member of the Board of Directors of Habitat for Humanity and

33

currently works with the local Habitat Home Shop. He also serves as Chairman of the Schenkel EZ/Go Collegiate Golf Invitational, one of the top collegiate golf tournaments in the country. Mr. Griffis attends First Baptist Church of Statesboro.

Tracy D. Ham, Class III director, is a sports agent for the National Football League and a high school athletic coach. Since 1994, Mr. Ham has served as the President of Hambone Enterprises, a marketing firm. Since 1995, Mr. Ham has also served as the Vice President of TNT Enterprises, an entity specializing in the ownership, development and management of commercial property. In 1986, Mr. Ham received a Bachelor of Science degree in Recreation from Georgia Southern University. In 1985 and 1986, Mr. Ham served as quarterback of Georgia Southern University's two-time National Championship collegiate football team. He played professional football in the Canadian Football League (CFL) from 1987 until 1999. During his time in the CFL, Mr. Ham was a member of the CFL Players' Association from 1992 until 1999 and was a member of the CFL Pension Board from 1994 until 1999. Mr. Ham donates his time to several charitable organizations, including the Children's Hospital in Macon, Georgia, Bethesda Home for Boys in Savannah, Georgia, the Special Olympics, and the March of Dimes. Mr. Ham is a member of the Whitesville Full Gospel Baptist Church where he serves as a deacon, teacher, and member of the church Financial Committee.

James A. High, D.D.S., Class II director, has been in the private practice of orthodontics in Statesboro since 1975. He graduated from Emory University as a member of the class of 1968 with a B.S. in Biology and received his D.D.S. degree from Emory University School of Dentistry in 1971. After two years in the private practice of general dentistry in Millen, Georgia, he entered the orthodontic residency program at Medical College of Georgia where he received his orthodontic training from 1973 until 1975. Dr. High is active in local, state and national dental and orthodontic organizations and is board certified in the specialty of orthodontics. At the Medical College of Georgia School of Dentistry, where he has taught part time since 1987, he holds the rank of Assistant Clinical Professor of Orthodontics. Dr. High is Past President of the Statesboro Rotary Club and is a 1990 recipient of the Deen Day Smith Service to Mankind Award. Dr. High is active in numerous civic and community affairs and is a member of Statesboro United Methodist Church where he serves as a lay liturgist, Sunday School teacher, member of Methodist Men, and promoter of the Alpha program. He is a member of the Schenkel EZ/Go Collegiate Golf Invitational Tournament Committee and he is also a part of the Dayspring Emmaus Community.

Walker Pratt Hill, III, Class III director, is a partner in the insurance agencies Lee, Hill & Johnston in Statesboro and Lee, Hill & Rowe in Savannah, Georgia. From 1973 until 1980, Mr. Hill worked with the C & S National Bank in Savannah. Mr. Hill was then employed by First Bulloch Bank & Trust Co. in Statesboro from 1980 until 1982, prior to entering the insurance business. Mr. Hill is a 1972 graduate of Georgia Southern College and attended Banking School at the University of Oklahoma. Mr. Hill served as a founding member and Past President of Joseph's Home for Boys in Statesboro and has also been an active member of the Red Cross Board of Directors, the Bulloch County Chamber of Commerce, the Georgia Chamber of Commerce, and the Statesboro Rotary Club. He is a Past President of Forest Heights Country Club and has served on the club's board for the past 10 years. Mr. Hill is past Chairman of the Statesboro High School Capital Fund Drive and is a member of the Statesboro High School Hall of Fame. Mr. Hill is currently a member of the Sigma Chi Alumni Association and serves on the Board of Directors for the Georgia Southern University Athletic Boosters and the Schenkel E-Z/Go Collegiate Golf Invitational Tournament. He attends St. Matthew's Catholic Church in Statesboro.

Michael R. Kennedy, Class II director, has served for the last 20 years as

President of Kennedy Industries, Inc., a multi-faceted masonry supply and trucking company with ownership interests in 12 ready-mixed concrete plants. Mr. Kennedy is past president of the Georgia Concrete and Products Association and served as chairman of the Southeastern United States Promotion Committee for the National Ready Mixed Concrete Association. Mr. Kennedy attended Emory at Oxford College and graduated from Georgia Southern College in 1963. He has been an active member and has served on the Board of Directors of the Rotary Club of Statesboro, Statesboro-Bulloch County Chamber of Commerce, Forest Heights Country Club, Southeast Georgia United Way, Homebound Services, Bulloch Academy, Georgia Southern University Foundation, Georgia Southern University Boosters, and the Statesboro Georgia Southern Symphony Association. Mr. Kennedy has also served on the advisory boards of Georgia Southern University's College of Science and Technology, Department of Building and Construction Technology, and Georgia Southern University's Botanical Garden. He has also served on the board of trustees

34

for Ogeechee Technical College. He is a member and elected elder of the First Presbyterian Church of Statesboro.

R. Whitman Lord, O.D., Class I director, is an optometrist and President of Lord Eye Centers, Inc., a five-location optometric/optical business with locations in Statesboro, Savannah, Rincon and Brunswick, Georgia. Lord Eye Centers, Inc. is the largest privately held business in the optometric/optical field in the State of Georgia and has been in operation since 1978. Dr. Lord serves on the editorial board of "Optometric Management Magazine," the nation's most widely read optometric business publication, and is on advisory panels to some of the nation's largest contact lens manufacturers. He has served on the Georgia State Board of Examiners in Optometry since being appointed by Governor Zell Miller in 1992. He was a principal in Peach State Eye Care, LLC, formerly known as Southern States Eye Care, LLC, a limited liability company based in Atlanta that contracted with HMO's for vision care for covered lives. At the time the company sold substantially all of its assets in April of 2000, Peach State Eye Care, LLC, had contracts covering more than 400,000 persons. Dr. Lord is a member of the Statesboro Rotary Club and the Chatham Club in Savannah. He is a member of First United Methodist Church of Statesboro.

Laura Taulbee Marsh, Class I director, is a partner with the law firm of Franklin, Taulbee, Rushing, Snipes & Marsh, P.C., in Statesboro, Georgia. She is admitted to practice law in the State of Georgia and the State of New York. She graduated from Florida State University in 1992 with a Bachelor of Science degree in Finance. In 1995, Mrs. Marsh obtained her juris doctorate degree, magna cum laude, from the University of Georgia School of Law, where she served on the Editorial Board of the Georgia Law Review and was a member of the school's championship Intrastate and National Moot Court Teams. She was also a member of the Moot Court Executive Board, Order of the Coif, Order of Barristers, Phi Kappa Phi, and Blue Key. Prior to returning to Statesboro in 1998, Mrs. Marsh was employed from 1995 until 1997 as a corporate attorney specializing in mergers and acquisitions with the New York City law firm of Sullivan & Cromwell. She then spent a year as an investment banker and counsel to the capital markets trading group at Lehman Brothers Inc. in New York. Mrs. Marsh is a member of First United Methodist Church of Statesboro and a board member and fundraising chairman of the Statesboro Service League. She was a 2000 recipient of the Deen Day Smith Service to Mankind Award, is a member of the local alumni chapter of Delta Delta Delta and currently serves on the board of directors for the local chapter of the American Heart Association. Mrs. Marsh is a founding director of The Boys & Girls Club of Bulloch County, Inc.

Jeffrey D. Pope, Class I director, is President and co-owner of Pope Construction Co., Inc., a general contracting firm engaged in commercial construction and having its principal place of business in Statesboro. Mr. Pope graduated from Georgia Southern University in 1985 with a Bachelor of Science degree in Civil Engineering Technology. From 1988 until 1997, Mr. Pope served as Vice President of Pope Construction Co., Inc., prior to his appointment to President in 1997. As an officer of Pope Construction Co., Inc., he has been involved in numerous real estate development projects including the development of retail, office, industrial, educational, and religious facilities. Mr. Pope has served on the Georgia Southern University advisory board for the Department of Building and Construction Technology and serves on several state and local game and fish boards. Mr. Pope is also a youth softball coach. Jeffrey D. Pope is the nephew of one of our directors, Ronnie J. Pope.

Ronnie J. Pope, Class III director, established R.J. Pope Traditional Menswear,

Inc. and Cobblers Bench, Inc. in 1978. Mr. Pope presently serves as President of both corporations, which engage in the operation of retail specialty stores. Mr. Pope has served as President of the Georgia Southern University Athletic Boosters Association, President of the Downtown Merchants Association, and President of Bulloch Academy Boosters Club. He has served as a member of the Georgia Southern University Foundation Board, the Statesboro-Bulloch County Recreation Department, the Statesboro Downtown Development Authority, the Statesboro/Bulloch County Chamber of Commerce, the Board of Trustees of Bulloch Academy, and an officer of the Statesboro High School Quarterback Club. Mr. Pope is an active supporter of youth sports and serves as both a coach and sponsor. He is also a participant in the Statesboro-Bulloch County Empty Stocking Drive. Mr. Pope is a member of Pittman Park United Methodist Church, where he formerly served as Chairman of the Pastor-Parish Relations Committee and presently serves on the Finance Committee. Ronnie J. Pope is the uncle of one of our directors, Jeffrey D. Pope.

35

Hudson J. Powell, Sr., D.M.D., Class II director, has been engaged in the private practice of general dentistry in Statesboro for the past 23 years. Dr. Powell is a lifelong resident of Bulloch County. He graduated magna cum laude from Georgia Southern College in 1975, with a B.S. in Biology. Dr. Powell was a member of Phi Delta Theta fraternity and, in 1975, was named Greek Man of the Year by the G.S.C. Interfraternity Council. In 1978, Dr. Powell was awarded his Doctorate of Medicine in Dentistry from the Medical College of Georgia School of Dentistry. During his senior year, he received the International College of Dentists Award. Dr. Powell is a member of the American Dental Association and various other local, state, and national dental groups. He has served as a delegate to the Georgia Dental Association from the Southeastern District Dental Society. In 1992, Dr. Powell was selected as a member of the Georgia Academy of Dental Practice and now serves on its Executive Board of Directors. He is actively involved in the Statesboro United Methodist Church, where he has held several leadership positions including Chairman of the Administrative Board. He has also attended the Dayspring Emmaus Community. Dr. Powell is also active in several local civic and community groups, as a member of the Statesboro Rotary Club and the Bulloch County/Statesboro Chamber of Commerce. He served on the Executive Board of Georgia Southern University Athletic Boosters. Dr. Powell has served as Co-Chairman of the Statesboro High School Academic Booster Club and is currently Vice President of the Statesboro High School Athletic Booster Club. In 1992, he was selected for the Statesboro High School Athletic Hall of Fame. Mr. Powell is the brother-in-law of one of our directors, L. Anthony Waters, III.

Lamar O. Reddick, Class III director, has been the owner of Lamar O. Reddick & Associates, a land surveying firm, since 1963. Mr. Reddick is a registered land surveyor in Georgia and South Carolina. He has extensive real estate experience and holds an interest in several real estate properties in Statesboro and Bulloch County. Mr. Reddick graduated from Southern Technical Institute in 1960 with a degree in Civil Engineering Technology. He has been elected County Surveyor every term since 1965. Mr. Reddick has been active in numerous business and civic activities, having served as State President of the Surveying and Mapping Society of Georgia and President of the Statesboro Rotary Club. Mr. Reddick is an active member of the Statesboro Rotary Club, the Statesboro Homebuilder's Association, the Statesboro/Bulloch County Chamber of Commerce, Georgia Southern University Athletic Boosters, the Surveying and Mapping Society of Georgia, the American Congress on Surveying and Mapping, the National Association of County Surveyors, the National Society of Professional Surveyors, and 1906 Society of Georgia Southern University. He is a recipient of the Deen Day Smith Service to Mankind Award and is an active member of Pittman Park United Methodist Church, where he has served on several committees, including most recently as Chairman of the Administrative Board.

Devra P. Walker, CPA, Class II director, is co-owner of Walker Pharmacy & Gift Shop, Little Doses Children's Wear, The Wash Room, and The Triple Play Cafe, LLC in Statesboro. In 1983, Mrs. Walker graduated from the University of Georgia, summa cum laude, with a Bachelor of Business Administration degree in Accounting. She received her Master of Accountancy degree with an emphasis in taxation from the University of Georgia in 1984, and was awarded the Tax Research Award. Mrs. Walker is a Certified Public Accountant and practiced with the accounting firm of Dabbs, Hickman, Hill & Cannon from 1984 until 1993, where she was a tax manager. From 1993 until the present time, she has worked with her husband in the operation of Walker Pharmacy & Gift Shop, Little Doses Children's Wear, The Wash Room, and The Triple Play Cafe, LLC, and handles the financial and purchasing aspects of all four businesses. She is Past President of the

Southeast Georgia Chapter of the Georgia Society of Certified Public Accountants, and is a member of the American Institute of CPAs and the Georgia Society of CPAs. She serves on the board of the Ogeechee Soccer League and is the treasurer of the local Delta Delta Delta alumni chapter. She is a member of the Statesboro Service League and is involved in numerous school, community, and civic organizations. Mrs. Walker is an active member of the Statesboro Primitive Baptist Church.

L. Anthony Waters, III, Class III director, is a Bulloch County native and co-owner of L.A. Waters Furniture Co., Inc., a 67 year old furniture retailer with two retail stores in Statesboro. L.A. Waters Furniture Co., Inc. also operates seven furniture and appliance rental stores in south Georgia doing business under the name Rentown. Mr. Waters is a partner in Waters Properties, LLP and L.A. Waters Partnership, LLP, respectively, both of which are Georgia limited liability partnerships which own and lease residential, farm, and commercial property. Mr. Waters is presently Chairman of the Board and Past President of the Georgia Home Furnishing Association. Mr. Waters is also a member of the Board of Directors of the Georgia Retail Association and was recently named as the 2000-2001 Georgia Retailer of the Year. Mr. Waters is a graduate of Georgia Southern

36

University where he received a BBA degree in Accounting in 1982. He is very active in community affairs and serves on the Board of Trustees of the Georgia Southern niversity Foundation and the Statesboro Regional Library. In addition, Mr. Waters is a member and former Director of the Statesboro Rotary Club and the Statesboro/Bulloch County Chamber of Commerce. Mr. Waters is an active member of the First United Methodist Church of Statesboro where he serves on the Administrative Board, the church's Financial Committee, and as a lay liturgist. Mr. Waters is the brother-in-law of one of our directors, Hudson J. Powell, Sr.

Employment Agreements

F. Thomas David. In August 2001, we entered into an employment agreement with Mr. David, which includes the following principal terms:

- o Serves as president and chief executive officer of First Southern Bancorp and First Southern National Bank;
- o Base salary of \$115,200 per year, which may be increased annually by the Board of Directors;
- o Term of three years, which is extended automatically at the end of each year for an additional year so that the remaining term continues to be three years;
- o Eligible to receive a bonus equal to up to 5% of the greater of (i) our net pre-tax consolidated income for the preceding fiscal year or (ii) our net after-tax consolidated income for the preceding fiscal year; provided that the bank achieves certain performance levels established by the Board of Directors;
- o Entitled to options to purchase a number of shares of common stock equal to 5% of the number of shares sold in the offering;
- o Entitled to family medical insurance, life insurance, accidental liability insurance, and a reasonable car allowance;
- o Participates in our health, disability, retirement, welfare, and other benefit programs;
- o Receives reimbursement for professional education, club dues, and travel and business expenses;
- o Prohibited from disclosing our trade secrets or confidential information;
- o If we terminate Mr. David's employment without cause, he will be entitled to severance equal to 24 months of his then base salary;
- o Following a change in control, if Mr. David terminates his employment for a good reason or within six months following a change in control, he will be entitled to severance equal to 24 months of his then base

salary; and

- o During his employment and for a period of 24 months thereafter, Mr. David may not, subject to limited exceptions, (a) compete with us by forming, serving as an organizer, director, or officer of, or acquiring or maintaining an ownership interest in, a depository financial institution or holding company of a depository financial institution, if the depository institution or holding company has one or more offices or branches within our territory, (b) solicit our customers for a competing business or (c) solicit our employees for a competing business.

Charles R. Fennell, Jr. We have also entered into an employment agreement with Mr. Fennell, which includes the following principal terms:

- o Serves as chief financial officer of First Southern National Bank;
- o Base salary of \$65,000 per year, which may be increased periodically;
- o Term of three years, which is extended automatically for successive one year periods;
- o Entitled to receive a one-time bonus of \$5,000 when the bank opens for business;
- o Eligible to receive cash bonuses upon achieving specified goals and criteria established from time to time by the Board of Directors;

37

- o Entitled to options to purchase a number of shares of common stock equal to 2% of the number of shares sold in the offering;
- o Participates in our health, disability and life insurance and other benefit programs;
- o Receives reimbursement for club dues and travel and business expenses;
- o Prohibited from disclosing our trade secrets or confidential information;
- o If we terminate Mr. Fennell's employment without cause, he will be entitled to severance equal to 24 months of his then base salary;
- o Following a change in control, if Mr. Fennell terminates his employment for a good reason or within six months following a change in control, he will be entitled to severance equal to one year of his then base salary; and
- o During his employment and for a period of 24 months following termination other than without cause, Mr. Fennell may not, subject to limited exceptions, (a) serve as an organizer, director, or employee of any commercial bank, savings & loan, credit union, or other depository institution located in a county in which we have a branch or bank charter, (b) solicit our customers for the purpose of providing a competing product or service or (c) solicit our employees to provide a competing product or service.

Christopher T. Cliett. We have also entered into an employment agreement with Christopher T. Cliett to serve as senior vice president and chief credit officer of the First Southern National Bank. Mr. Cliett's employment agreement contains the same principal terms as the employment agreement for Mr. Fennell except for the following:

- o Base salary of \$85,000 per year, which may be increased periodically;
- o No cash bonus upon the opening of the bank; and
- o Entitled to reasonable automobile allowance and moving expenses.

Director Compensation

We do not intend to pay our directors fees until the bank is profitable. However, we reserve the right to pay directors' fees.

Stock Option Plan

After the offering, we expect to adopt a stock option plan which will permit First Southern Bancorp to grant options to its officers, directors, and employees. We anticipate that we will initially authorize the issuance of a number of shares under the stock option plan equal to 15% of the shares outstanding after the offering, including options granted to F. Thomas David pursuant to our employment agreement with him. We do not intend to issue stock options at less than the fair market value of the common stock on the date of grant.

38

Stock Warrants

The organizers have invested significant time and effort to form First Southern Bancorp and First Southern National Bank, and they have individually guaranteed a \$1,100,000 line of credit to the bank to cover organizational expenses. In recognition of the financial risk and efforts they have undertaken in organizing the bank, each organizer will also receive, for no additional consideration, a warrant to purchase one share of common stock at a purchase price of \$10.00 per share for every two shares the organizer purchases in the offering, except for Christopher T. Cliett, a non-director organizer, who will receive warrants to purchase one share of common stock for every three shares he purchases in the offering. The warrants, which will be represented by separate warrant agreements, will vest over a five year period beginning one year from the date of the completion of the offering and will be exercisable in whole or in part during the ten year period following that date. The warrants will not be transferable and the warrants and the shares issued pursuant to the exercise of such warrants will be subject to transferability restrictions applicable to affiliates of First Southern Bancorp. For more information on these restrictions see "Shares Eligible for Future Sale" on page 42. If the Office of the Comptroller of the Currency or the FDIC issues a capital directive or other order requiring the bank to obtain additional capital, the warrants will be forfeited if not immediately exercised.

The director organizers plan to purchase approximately 325,500 shares of common stock and the non-director organizer plans to purchase 25,000 shares of common stock for a total investment of \$3,505,000. As a result, the organizers will own approximately 57.5% of the common stock outstanding upon completion of the minimum offering and 35.1% in the event we sell the maximum offering amount. If each organizer exercises his warrant in full, the organizers' ownership of First Southern Bancorp will increase to 66.8% of the outstanding common stock upon completion of the minimum offering and 44.5% in the event we sell the maximum offering amount. Although they have not promised to do so, the organizers may purchase additional shares in the offering, including up to 100% of the offering. All shares purchased by the organizers will be for investment and not intended for resale. Because purchases by the organizers may be substantial, you should not assume that the sale of a specified offering amount indicates the merits of this offering.

Exculpation and Indemnification

First Southern Bancorp's articles of incorporation contain a provision which, subject to certain limited exceptions, limits the liability of a director for any breach of duty as a director. There is no limitation of liability for:

- o any appropriation, in violation of the director's duties, of any business opportunity of the company;
- o an act or omission which involves intentional misconduct or a knowing violation of law;
- o any transaction from which the director derives an improper personal benefit; or
- o as to any payments of a dividend or any other type of distribution that is illegal under Section 14-2-832 of the Georgia Business Corporation Code.

In addition, if such act is amended to authorize further elimination or limitation of the liability of director, then the liability of each director

shall be eliminated or limited to the fullest extent permitted by such provisions, without further action by the shareholders, unless the law requires such action. The provision does not limit the right of the company or its shareholders to seek injunctive or other equitable relief not involving payments in the nature of monetary damages.

First Southern Bancorp's bylaws contain certain provisions which provide that the company shall indemnify directors to the maximum extent provided by Georgia law. This protection is broader than the protection expressly mandated in Sections 14-2-851 and 14-2-852 of the Georgia Business Corporations Code. These statutory sections provide that a company shall indemnify a director or an officer only to the extent that he has been wholly successful, on the merits or otherwise, in the defense of any action or proceeding brought by reason of the fact that the person was a director or officer. This requirement would include indemnifying directors against expenses, including attorney's fees, actually and reasonably incurred in connection with the matter. In addition to this mandatory indemnification right, our bylaws provide additional mandatory protection

39

that includes, but is not limited to, situations where the director (a) conducted himself in good faith, (b) reasonably believed that conduct in his official capacity with the company was either in the company's best interest or was not opposed to the best interest of the company; and (c) that he had no reasonable cause to believe his conduct was unlawful.

Our board of directors also has the authority to extend to officers, employees, and agents the same indemnification rights held by directors, subject to all of the accompanying conditions and obligations. The board of directors intends to extend indemnification rights to all of its executive officers..

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of First Southern Bancorp pursuant to the foregoing provisions, or otherwise, First Southern Bancorp has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Interests of Management and Others in Certain Transactions

We expect to have banking and other transactions in the ordinary course of business with the organizers, directors, and officers and their affiliates, including members of their families or corporations, partnerships, or other organizations in which such organizers, officers, or directors have a controlling interest, on substantially the same terms, including price, or interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties. These transactions are also restricted by our regulatory agencies, including the Federal Reserve Board. For a discussion of the Federal Reserve Board regulations, please see "Transactions with Affiliates and Insiders" on page 27. These transactions are not expected to involve more than the normal risk of collectibility or present other unfavorable features. Loans to individual directors and officers must also comply with the bank's lending policies, regulatory restrictions, and statutory lending limits, and directors with a personal interest in any loan application will be excluded from the consideration of such loan application. We intend for all of our transactions with organizers or other affiliates to be on terms no less favorable than could be obtained from an unaffiliated third party and to be approved by a majority of our disinterested directors.

DESCRIPTION OF CAPITAL STOCK OF FIRST SOUTHERN BANCORP

General

The authorized capital stock of First Southern Bancorp consists of 10,000,000 shares of common stock, par value \$0.01 per share, and 10,000,000 shares of preferred stock, par value \$0.01 per share. The following summary describes the material terms of First Southern Bancorp's capital stock. Reference is made to the articles of incorporation of First Southern Bancorp

which is filed as an exhibit to the Registration Statement of which this prospectus forms a part, for a detailed description of the provisions summarized below.

Common Stock

Holders of shares of the common stock are entitled to receive such dividends as may from time to time be declared by the board of directors out of funds legally available for distribution. We do not plan to declare any dividends in the immediate future. See "Dividend Policy" on page 14. Holders of common stock are entitled to one vote per share on all matters on which the holders of common stock are entitled to vote and do not have any cumulative voting rights. Shareholders have no preemptive, conversion, redemption, or sinking fund rights. In the event of a liquidation, dissolution, or winding-up of the company, holders of common stock are entitled to share equally and ratably in the assets of the company, if any, remaining after the payment of all debts and liabilities of the company and the liquidation preference of any outstanding preferred stock. The outstanding shares of common stock are, and the shares of common stock offered by the company when issued will be, fully

40

paid and nonassessable. The rights, preferences and privileges of holders of common stock are subject to any classes or series of preferred stock that the company may issue in the future.

Preferred Stock

First Southern Bancorp' articles of incorporation provide that the board of directors is authorized, without further action by the holders of the common stock, to provide for the issuance of shares of preferred stock in one or more classes or series and to fix the designations, powers, preferences, and relative, participating, optional and other rights, qualifications, limitations, and restrictions, including the dividend rate, conversion rights, voting rights, redemption price, and liquidation preference, and to fix the number of shares to be included in any such classes or series. Any preferred stock so issued may rank senior to the common stock with respect to the payment of dividends or amounts upon liquidation, dissolution or winding-up, or both. In addition, any such shares of preferred stock may have class or series voting rights. Upon completion of this offering, we will not have any shares of preferred stock outstanding. Issuances of preferred stock, while providing the company with flexibility in connection with general corporate purposes, may, among other things, have an adverse effect on the rights of holders of common stock. For example, the issuance of any preferred stock with voting or conversion rights may adversely affect the voting power of the holders of common stock, and such issuances could have the effect of decreasing the market price of the common stock. We do not plan to issue any shares of preferred stock, and will not issue preferred stock to organizers on terms more favorable than those on which we issue preferred stock to shareholders other than organizers.

Anti-takeover Effects

The provisions of the articles, the bylaws, and Georgia law summarized in the following paragraphs may have anti-takeover effects and may delay, defer, or prevent a tender offer or takeover attempt that a shareholder might consider to be in such shareholder's best interest, including those attempts that might result in a premium over the market price for the shares held by shareholders, and may make removal of management more difficult.

Restriction on Acquisition. Section 7-1-622 of the Financial Institutions Code of Georgia prohibits companies from "acquiring" First Southern National Bank until the bank has been in existence and continuous operation for five years.

Authorized but Unissued Stock. The authorized but unissued shares of common stock and preferred stock will be available for future issuance without shareholder approval. These additional shares may be used for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions, and employee benefit plans. The existence of authorized but unissued and unreserved shares of common stock and preferred stock may enable the board of directors to issue shares to persons friendly to current management, which could render more difficult or discourage any attempt to obtain control of First Southern Bancorp by means of a proxy contest, tender

offer, merger or otherwise, and thereby protect the continuity of the company's management.

Number of Directors. The bylaws provide that the number of directors shall be fixed from time to time by resolution by at least a majority of the directors then in office, but may not consist of fewer than five nor more than 25 members. Initially, we will have 16 directors.

Classified Board of Directors. Our articles and bylaws divide the board of directors into three classes of directors serving staggered three-year terms. As a result, approximately one-third of the board of directors will be elected at each annual meeting of shareholders. The classification of directors, together with the provisions in the articles and bylaws described below that limit the ability of shareholders to remove directors and that permit the remaining directors to fill any vacancies on the board of directors, will have the effect of making it more difficult for shareholders to change the composition of the board of directors. As a result, at least two annual meetings of shareholders may be required for the shareholders to change a majority of the directors, whether or not a change in the board of directors would be beneficial and whether or not a majority of shareholders believe that such a change would be desirable.

41

Number, Term, and Removal of Directors. We currently have 16 directors, but our bylaws authorize this number to be increased or decreased by our board of directors. Our directors are elected to three year terms by a plurality vote of our shareholders. Our bylaws provide that our shareholders, by a majority vote of those entitled to vote in an election of directors, or our board of directors, by a unanimous vote, excluding the director in question, may remove a director with or without cause. Our bylaws provide that all vacancies on our board may be filled by a majority of the remaining directors for the unexpired term.

Advance Notice Requirements for Shareholder Proposals and Director Nominations. The bylaws establish advance notice procedures with regard to shareholder proposals and the nomination, other than by or at the direction of the board of directors or a committee of the board of directors, of candidates for election as directors. These procedures provide that the notice of shareholder proposals must be in writing and delivered to the secretary of the company no earlier than 30 days and no later than 60 days in advance of the annual meeting. Shareholder nominations for the election of directors must be made in writing and delivered to the secretary of the company no later than 90 days prior to the annual meeting, and in the case of election to be held at a special meeting of shareholders for the election of directors, the close of business on the seventh day following the date on which notice of the meeting is first given to shareholders. We may reject a shareholder proposal or nomination that is not made in accordance with these procedures.

Nomination Requirements. Pursuant to the bylaws, we have established certain nomination requirements for an individual to be elected as a director, including that the nominating party provide (i) notice that the party intends to nominate the proposed director; (ii) the name of and certain biographical information on the nominee; and (iii) a statement that the nominee has consented to the nomination. The chairman of any shareholders' meeting may, for good cause shown, waive the operation of these provisions. These provisions could reduce the likelihood that a third party would nominate and elect individuals to serve on the board of directors.

Shares Eligible for Future Sale

Upon completion of this offering, we will have up to 1,000,000 shares of common stock outstanding. The shares sold in this offering will be freely tradable, without restriction or registration under the Securities Act of 1933, except for shares purchased by "affiliates" of First Southern Bancorp, which will be subject to resale restrictions under the Securities Act of 1933. An affiliate of the issuer is defined in Rule 144 under the Securities Act of 1933 as a person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the issuer. Rule 405 under the Securities Act of 1933 defines the term "control" to mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of the person whether through the ownership of

voting securities, by contract or otherwise. Directors will likely be deemed to be affiliates. These securities held by affiliates may be sold without registration in accordance with the provisions of Rule 144 or another exemption from registration.

In general, under Rule 144, an affiliate of the company or a person holding restricted shares may sell, within any three-month period, a number of shares no greater than 1% of the then outstanding shares of the common stock or the average weekly trading volume of the common stock during the four calendar weeks preceding the sale, whichever is greater. Rule 144 also requires that the securities must be sold in "brokers' transactions," as defined in the Securities Act of 1933, and the person selling the securities may not solicit orders or make any payment in connection with the offer or sale of securities to any person other than the broker who executes the order to sell the securities. This requirement may make the sale of the common stock by affiliates of First Southern Bancorp pursuant to Rule 144 difficult if no trading market develops in the common stock. Rule 144 also requires persons holding restricted securities to hold the shares for at least one year prior to sale.

LEGAL MATTERS

The validity of the common stock offered hereby will be passed upon for First Southern Bancorp by Nelson Mullins Riley & Scarborough, L.L.P., Atlanta, Georgia.

42

EXPERTS

First Southern Bancorp's June 30, 2001 financial statements, dated July 2, 2001, have been audited by Porter Keadle Moore, LLP as stated in their report appearing elsewhere herein, and have been so included in reliance on the report of this firm given upon their authority as an expert in accounting and auditing.

ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form SB-2 (together with all amendments, exhibits, schedules and supplements thereto, the "Registration Statement"), under the Securities Act of 1933 and the rules and regulations thereunder, for the registration of the common stock offered hereby. This prospectus, which forms a part of the Registration Statement, does not contain all of the information set forth in the Registration Statement. For further information with respect to First Southern Bancorp, First Southern National Bank, and the common stock, you should refer to the Registration Statement and the exhibits thereto.

You can examine and obtain copies of the Registration Statement at the Public Reference Section of the SEC, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a Web site at <http://www.sec.gov> that contains all of the reports, proxy and information statements and other information regarding registrants that file electronically with the SEC using the EDGAR filing system, including First Southern Bancorp.

We have filed or will file various applications with the Office of the Comptroller of the Currency and the FDIC. You should only rely on information in this prospectus and in our related Registration Statement in making an investment decision. If other available information is inconsistent with information in this prospectus, including information in public files or provided by the Office of the Comptroller of the Currency and the FDIC, then this other information is superseded by the information in this prospectus. Projections appearing in the applications to our regulatory agencies were based on assumptions that the organizers believed were reasonable at the time, but which may have changed or otherwise be wrong. First Southern Bancorp and First Southern National Bank specifically disclaim all projections for purposes of this prospectus and caution prospective investors against placing reliance on them for purposes of making an investment decision. Statements contained in this prospectus regarding the contents of any contract or other document referred to

are not necessarily complete. If one of these contracts or documents is an exhibit to the Registration Statement, you may obtain and read the document or contract for more information.

As a result of this offering, First Southern Bancorp will become a reporting company subject to the full informational requirements of the Securities Exchange Act of 1934. We will fulfill our obligations with respect to these requirements by filing periodic reports and other information with the SEC. We will furnish our shareholders with annual reports containing audited financial statements and with quarterly reports for the first three quarters of each fiscal year containing unaudited summary financial information. Our fiscal year ends on December 31.

FIRST SOUTHERN BANCORP
(A DEVELOPMENT STAGE ENTERPRISE)

Table of Contents

	Page(s)
Independent Auditors' Report.....	F-2
Financial Statements:	
Balance Sheet	F-4
Statement of Operations.....	F-5
Statements of Changes in Organizers' Equity.....	F-6
Statement of Cash Flows.....	F-7
Notes to Financial Statements.....	F-8

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
First Southern Bancorp

We have audited the accompanying balance sheet of First Southern Bancorp (a development stage corporation) as of June 30, 2001, and the related statements of operations, changes in stockholder's deficit and cash flows for the period from November 29, 2000 (inception) to June 30, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First Southern Bancorp as of June 30, 2001 and the results of its operations and its cash flows from November 29, 2000 (inception) to June 30, 2001 in conformity with generally accepted

accounting principles.

The accompanying financial statements have been prepared assuming that First Southern Bancorp will continue as a going concern. As discussed in note 1 to the financial statements, the Company is in the organization stage and has not commenced operations. Also, as discussed in note 3, the Company's future operations are dependent on obtaining capital through an initial stock offering and obtaining the necessary final regulatory approvals. These factors and the expense associated with development of a new banking institution raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are described in note 3. The financial statements do not include any adjustments relating to the recoverability of reported asset amounts or the amount of liabilities that might result from the outcome of this uncertainty.

Atlanta, Georgia
July 2, 2001

F-2

FIRST SOUTHERN BANCORP
(A Development Stage Corporation)

Financial Statements

November 29, 2000 (inception) through June 30, 2001

(with Independent Accountants' Report thereon)

F-3

FIRST SOUTHERN BANCORP
(A Development Stage Corporation)

<TABLE>
<CAPTION>

Balance Sheet

June 30, 2001

Assets

<S>	<C>
Cash	\$ 21,324
Other assets	25,000

Total Assets	\$ 46,324
	=====

Liabilities and Stockholder's Deficit

Accounts payable	\$ 21,465
Note payable - line of credit	150,000

Current liabilities	171,465

Stockholder's deficit:	
Preferred stock, par value \$.01, 10,000,000 shares authorized; no shares issued or outstanding	-
Common stock, par value \$.01, 10,000,000 shares authorized; 10 shares issued and outstanding	100
Deficit accumulated during the development stage	(125,241) -----
Total stockholder's deficit	(125,141) -----
Total liabilities and stockholder's deficit	\$ 46,324 =====

</TABLE>

See accompanying notes to financial statements.

F-4

FIRST SOUTHERN BANCORP
(A Development Stage Corporation)

Statement of Operations

For the Period from November 29, 2000 (inception) to June 30, 2001

Expenses:

Salaries & benefits	\$ 25,240
Occupancy	2,691
Legal and consulting	64,319
Interest	3,544
Regulatory fees	15,000
Other operating	14,447 -----
Net loss	\$ 125,241 =====

See accompanying notes to financial statements.

F-5

FIRST SOUTHERN BANCORP
(A Development Stage Corporation)

<TABLE>
<CAPTION>

Statement of Changes in Stockholder's Deficit

For the Period from November 29, 2000 (inception) to June 30, 2001

	Preferred Stock	Common Stock	Additional Paid In Capital	Deficit Accumulated During the Development Stage	Total
<S>	<C>	<C>	<C>	<C>	<C>
Organizing shares issued	\$ -	-	100	-	100
	-----	-----			
Net loss	-	-	-	(125,241)	(125,241)
	-----	-----	-----	-----	-----
Balance, June 30, 2001	\$ -	-	100	(125,241)	(125,141)
	=====	=====	====	=====	=====

</TABLE>

See accompanying notes to financial statements.

F-6

FIRST SOUTHERN BANCORP
(A Development Stage Corporation)

<TABLE>
<CAPTION>

Statement of Cash Flows

For the Period from November 29, 2000 (inception) to June 30, 2001

<S>	<C>
Cash flows from operating activities:	
Net loss	\$ (125,241)
Adjustments to reconcile net loss to net cash used in operating activities:	
Increase in other assets	(25,000)
Increase in accounts payable	21,465

Net cash used in operating activities	(128,776)

Cash flows from financing activities, consisting of	
proceeds from note payable	150,000
proceeds from organizing shares	100

Net cash provided by financing activities	150,100

Net increase in cash	21,324
Cash at beginning of period	-

Cash at end of period	\$ 21,324
	=====

</TABLE>

See accompanying notes to financial statements.

F-7

FIRST SOUTHERN BANCORP
(A Development Stage Corporation)

Notes to Financial Statements

(1) Organization

First Southern Bancorp (First Southern) was incorporated for the purpose of becoming a bank holding company. First Southern intends to acquire 100% of the outstanding common stock of First Southern National Bank (Proposed) (the Bank), which will operate in the Statesboro and Bulloch County, Georgia area. The organizers of the Bank filed a joint application to charter the Bank with the Office of the Comptroller of Currency and the Federal Deposit Insurance Corporation on May 1, 2001. Provided that the application is timely approved and necessary capital is raised, it is expected that operations will commence by the first quarter of 2002.

Operations through June 30, 2001 relate primarily to expenditures by the organizers for incorporating and organizing. Prior to April 24, 2001, when First Southern was incorporated, the organizers had been operating as FSNB, LLC under a partnership agreement. All expenditures by the organizers are considered expenditures of First Southern.

First Southern plans to raise between \$6,100,000 and \$10,000,000 through an offering of its common stock at \$10 per share, of which \$6,000,000 will be used to capitalize the Bank. The organizers and directors expect to subscribe for a minimum of approximately \$3,505,000 of First Southern stock.

In connection with First Southern's formation and initial offering, warrants will be issued to the organizing stockholders. The warrants generally allow each holder to purchase one additional share of common stock for every two shares purchased in connection with the initial offering and vest over the five succeeding anniversaries of the date of opening of the Bank at the initial offering price of \$10 per share. These warrants expire ten years after the date of grant.

(2) Summary of Significant Accounting Policies

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ for those estimates.

Organization Costs

Costs incurred for the organization of First Southern and the Bank (consisting principally of legal, accounting, consulting and incorporation fees) are being expensed as incurred.

Deferred Offering Expenses

Costs incurred in connection with the stock offering, consisting of direct, incremental costs of the offering, are being deferred and will be offset against the proceeds of the stock sale as a charge to additional paid in capital.

Pre-Opening expenses

Costs incurred for overhead and other operating expenses are included in the current period's operating results.

F-8

FIRST SOUTHERN BANCORP
(A Development Stage Corporation)

Notes to Financial Statements, continued

Proforma Net Loss Per Common Share

Proforma net loss per common share is calculated by dividing net loss by the minimum number (610,000) of common shares, which would be outstanding should the offering be successful, as prescribed in Staff Accounting Bulletin Topic 1:B. The proforma net loss per share for the period ended June 30, 2001 was \$.21 per share.

(3) Liquidity and Going Concern Considerations

First Southern incurred a net loss of \$125,241 for the period from November 29, 2000 (inception) to June 30, 2001. At June 30, 2001, liabilities exceeded assets by \$125,241.

At June 30, 2001, First Southern is funded by a line of credit from a bank. Management believes that the current level of expenditures is well within the financial capabilities of the organizers and adequate to meet existing obligations and fund current operations, but obtaining final regulatory approvals and commencing banking operations is dependent on successfully completing the stock offering.

To provide permanent funding for its operation, First Southern is currently offering a minimum of 610,000 and a maximum of 1,000,000 shares of its \$.01 par value common stock at \$10 per share in an initial public offering. Costs related to the organization and registration of First Southern's common stock will be paid from the gross proceeds of the offering. Should subscriptions for the minimum offering not be obtained, amounts paid by the subscribers with their subscriptions will be returned and the offer withdrawn.

(4) Line of Credit

Organization, offering and pre-opening costs incurred prior to the opening for business, as well as the purchase of the Bank site, will be funded under a \$1,100,000 line of credit. The terms of the existing line of credit, which is guaranteed by the organizers, include a maturity of March 28, 2002 and interest, payable quarterly, calculated at three-quarters of one percent below the prime interest rate.

(5) Preferred Stock

Shares of preferred stock may be issued from time to time in one or more series as established by resolution of the Board of Directors of First Southern. Each resolution shall include the number of shares issued, preferences, special rights and limitations as determined by the Board.

(6) Commitments and Related Party Transactions

Contracts for the land on which the main office will be constructed has been entered into with a total purchase price of approximately \$600,000, of which \$25,000 has been paid as earnest money.

First Southern intends to enter into an employment agreement with its President and Chief Executive Officer, providing for an initial term of five years commencing July 1, 2001. The agreement provides for a base salary, an incentive bonus based on First Southern's performance, stock options, and other perquisites commensurate with his employment.

F-9

FIRST SOUTHERN BANCORP

Notes to Financial Statements, continued

(7) Income Taxes

The following summarizes the sources and expected tax consequences of future taxable deductions which comprise the net deferred taxes at June 30, 2001:

Deferred tax assets:	
Pre-opening expenses	\$ 46,250
Net operating loss carryforward	1,350

Total gross deferred tax assets	47,600
Less valuation allowance	(47,600)

Net deferred taxes	\$ -
	=====

The future tax consequences of the differences between the financial reporting and tax basis of First Southern's assets and liabilities resulted in a net deferred tax asset. A valuation allowance was established for the net deferred tax asset, as the realization of these deferred tax assets is dependent on future taxable income.

F-10

FIRST SOUTHERN BANCORP
STOCK ORDER FORM/SUBSCRIPTION AGREEMENT

TO: First Southern Bancorp
P.O. Box 567
Statesboro, Georgia 30459

Ladies and Gentlemen:

You have informed me that First Southern Bancorp, a Georgia corporation (the "Company"), is offering up to 1,000,000 shares of its common stock, at a price of \$10.00 per share payable as provided herein and as described in and offered pursuant to the prospectus furnished with this Subscription Agreement to the undersigned (the "prospectus").

1. Subscription. Subject to the terms and conditions included, the undersigned tenders this subscription, together with payment in United States currency by check, bank draft, or money order payable to "The Bankers Bank as escrow agent for First Southern Bancorp" the amount indicated below (the "Funds"), representing the payment of \$10.00 per share for the number of shares of common stock indicated below. The total subscription price must be paid at the time the Subscription Agreement is executed.

2. Acceptance of Subscription. It is understood and agreed that First Southern Bancorp shall have the right to accept or reject this subscription in whole or in part, for any reason whatsoever. First Southern Bancorp may reduce the number of shares for which the undersigned has subscribed, indicating acceptance of less than all of the shares subscribed on its written form of acceptance.

3. Acknowledgments. The undersigned acknowledges that he or she has received a copy of the prospectus. This Subscription Agreement creates a legally binding obligation and the undersigned agrees to be bound by the terms of this Agreement.

4. Revocation. The undersigned agrees that once this Subscription Agreement is tendered to First Southern Bancorp, it may not be withdrawn and that this Agreement shall survive the death or disability of the undersigned.

By executing this agreement, the subscriber is not waiving any rights he or she may have under federal securities laws, including the Securities Act of 1933 and

the Securities Exchange act of 1934.

The shares of common stock offered here are not savings accounts or savings deposits accounts and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

A-1

Please indicate in the space provided below the exact name or names and address in which the stock certificate representing shares subscribed for hereunder should be registered.

<TABLE>
<CAPTION>

<S>

Number of Shares Subscribed
for (at least 100 shares and no more than
5% of the minimum offering)

<C>

Name or Names of Subscribers (Please Print)

\$ -----
Total Subscription Price at
\$10.00 per share (funds must be enclosed)

Please indicate form of ownership desired (individual,
joint tenants with right of survivorship, tenants in
common, trust corporation, partnership, custodian, etc.)

Date:

(L.S.)

Signature of Subscriber(s)

Social Security Number or Federal
Taxpayer Identification Number

Signature of Subscriber(s)

(L.S.)

Street (Residence) Address:

City, State and Zip Code

</TABLE>

When signing as attorney, trustee, administrator, or guardian, please give your full title as such. If a corporation, please sign in full corporate name by president or other authorized officer. In the case of joint tenants or tenants in common, each owner must sign.

TO BE COMPLETED BY FIRST SOUTHERN BANCORP:

Accepted as of _____, _____, as to _____ shares.

FIRST SOUTHERN BANCORP

By:
Title:

FEDERAL INCOME TAX BACKUP WITHHOLDING

In order to prevent the application of federal income tax backup withholding, each subscriber must provide the escrow agent with a correct Taxpayer Identification Number ("TIN"). An individual's social security number is his or her TIN. The TIN should be provided in the space provided in the Substitute Form W-9 below.

Under federal income tax law, any person who is required to furnish his or her correct TIN to another person, and who fails to comply with such requirements, may be subject to a \$50 penalty imposed by the IRS.

Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If backup withholding results in an overpayment of taxes, a refund may be obtained from the IRS. Certain taxpayers, including all corporations, are not subject to these backup withholding and reporting requirements.

If the shareholder has not been issued a TIN and has applied for a TIN or intends to apply for a TIN in the near future, "Applied For" should be written in the space provided for the TIN on the Substitute Form W-9.

SUBSTITUTE FORM W-9

Under penalties of perjury, I certify that: (i) The number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a Taxpayer Identification Number to be issued to me), and (ii) I am not subject to backup withholding because: (a) I am exempt from backup withholding; or (b) I have not been notified by the Internal Revenue Service ("IRS") that I am subject to backup withholding as a result of a failure to report all interest or dividends; or (c) the IRS has notified me that I am no longer subject to backup withholding.

You must cross out item (ii) above if you have been notified by the IRS that you are subject to backup withholding because of underreporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding you received another notification from the IRS that you are not longer subject to backup withholding, do not cross out item (ii).

Each subscriber should complete this section.

-----	-----
Signature of Subscriber	Signature of Subscriber
-----	-----
Printed Name	Printed Name
-----	-----
Social Security or Employer Identification No.	Social Security or Employer Identification No.
-----	-----

TABLE OF CONTENTS

1,000,000 Shares
Common Stock

FIRST SOUTHERN BANCORP

A Proposed Bank Holding Company For

[Bank Logo Here]

Summary3
Risk Factors.....6
Forward-Looking Statements.....8
The Offering.....9
Use of Proceeds12
Capitalization.....14
Dividend Policy14
Management's Discussion and
Analysis of Financial
Condition and Plan of Operation....15
Proposed Business.....17
Supervision and Regulation.....24
Management.....31
Certain Relationships and
Related Transactions.....40
Description of Capital Stock.....40
Legal Matters.....42
Experts.....43
Additional Information43
Index to Financial StatementsF-1
Subscription Agreement.....A-1

FIRST SOUTHERN NATIONAL BANK (Proposed)

PROSPECTUS

You should rely only on the information contained in this document. We have not authorized anyone to give any information that is different. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted. The information in this prospectus is complete and accurate as of the date on the cover, but the information may change in the future.

Until, _____ all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer's obligation to deliver a prospectus when acting as underwriter, and with respect to their unsold allotments or subscriptions.

_____, 2001

PART II

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Item 24. Indemnification of Directors and Officers

The Georgia Business Corporation Code, as amended, ("Georgia Law") permits a corporation to eliminate or limit the personal liability of a director

to the corporation or its shareholders for monetary damages for a breach of duty, provided that no provision shall eliminate or limit the liability of a director for: an appropriation of any business opportunity of the corporation; any act or omission which involves an intentional misconduct or a knowing violation of law; any transaction from which the director derives an improper personal benefit; or any distribution that is illegal under Section 14-2-832 of the Georgia Law. The company's Articles of Incorporation (the "Articles") contain a provision which limits the liability of a director to the company or its shareholders for any breach of duty as a director except for a breach of duty for which the Georgia Law prohibits such limitation of liability. This provision does not limit the right of the company or its shareholders to seek injunctive or other equitable relief not involving monetary damages.

The company's Articles and Bylaws (the "Bylaws") contain certain provisions which provide indemnification to directors of the company that is broader than the protection expressly mandated in Sections 14-2-852 and 14-2-857 of the Georgia Law. If a director or officer of the company has been wholly successful, on the merits or otherwise, in the defense of any action or proceeding brought by reason of the fact that such person was a director or officer of the company, Sections 14-2-852 and 14-2-857 of the Georgia Law would require the company to indemnify such person against expenses (including attorneys' fees) actually and reasonably incurred in connection therewith. The Georgia Law expressly allows the company to provide for greater indemnification rights to its officers and directors, subject to shareholder approval.

The indemnification provisions in the company's Articles and Bylaws require the company to indemnify and hold harmless each of its directors, officers, employees and agents to the extent that he or she is or was a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that such person is or was a director, officer, employee or agent of the company, against expenses (including, but not limited to, attorneys' fees and disbursements, court costs and expert witness fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with the action, suit or proceeding. Indemnification would be disallowed under any circumstances where indemnification may not be authorized by action of the board of directors, the shareholders or otherwise. Indemnified persons would also be entitled to have the company advance expenses prior to the final disposition of the proceeding. If it is ultimately determined that they are not entitled to indemnification, however, such amounts must be repaid.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of First Southern Bancorp pursuant to the foregoing provisions, or otherwise, First Southern Bancorp has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable.

The company has the power, under its Bylaws, to obtain insurance on behalf of any director, officer, employee or agent of the company against any liability asserted against or incurred by such person in any such capacity, whether or not the company has the power to indemnify such person against such liability at that time under the Articles, Bylaws or the Georgia Law.

Item 25. Other Expenses of Issuance and Distribution.

Estimated expenses of the sale of the shares of common stock are as follows:

Registration Fee	\$	2,500
Printing, Engraving and Filing		15,000
Legal Fees and Expenses		30,000
Accounting Fees		5,000
Blue Sky Fees and Expenses		10,000
Miscellaneous Disbursements		12,500

TOTAL	\$	75,000
		=====

Item 26. Recent Sales of Unregistered Securities.

From inception, First Southern Bancorp has issued a total of 10 shares of its common stock to one of its organizers. The price per share was \$10.00 for a total purchase price of \$100.00. There were no sales agency commissions paid with respect to these transactions. These shares will be redeemed at \$10.00 per share after the offering. All sales were exempt under Section 4(2) of the Securities Act of 1933.

Item 27. Exhibits.

- 3.1. Articles of Incorporation, as amended
- 3.2. Bylaws
- 4.1. See Exhibits 3.1 and 3.2 for provisions in First Southern Bancorp's Articles of Incorporation and Bylaws defining the rights of holders of the common stock
- 4.2. Form of certificate of common stock
- 5.1. Opinion Regarding Legality
- 10.1. Form of Employment Agreement between First Southern Bancorp and F. Thomas David
- 10.2. Form of Employment Agreement between First Southern Bancorp and Christopher T. Cliett
- 10.3. Form of Employment Agreement between First Southern Bancorp and Charles R. Fennell
- 10.4. Form of Stock Warrant Agreement
- 10.5. Promissory Note dated March 28, 2001 between Nexity Bank and First National Bank of Statesboro
- 10.6. Amended and Restated Option to Purchase Real Estate dated July 9, 2001, by and between FSNB, LLC and William and Joyce Lovett and Charles and Betty Rockett
- 10.7. Option to Purchase Real Estate dated January 25, 2001, by and between FSNB, LLC and Cecil and Marjorie Kennedy
- 10.8.* Form of Escrow Agreement between First Southern Bancorp and The Bankers Bank
- 23.1. Consent of Independent Public Accountants
- 23.2. Consent of Nelson Mullins Riley & Scarborough, L.L.P. (appears in its opinion filed as Exhibit 5.1)
- 24.1. Power of Attorney (filed as part of the signature page to the Registration Statement)

* To be filed by amendment

Item 28. Undertakings.

The undersigned Company will:

- (a) (1) File, during any period in which it offers or sells securities, a post-effective amendment to this registration statement to:
 - (i) Include any prospectus required by Section 10(a) (3) of the Securities Act of 1933;

- (ii) Reflect in the prospectus any facts or events which, individually or together, represent a fundamental change in the information in the registration statement; and
- (iii) Include any additional or changed material information on the plan of distribution.

(2) For determining liability under the Securities Act of 1933, treat each post-effective amendment as a new registration statement of the securities offered, and the offering of the securities at that time to be the initial bona fide offering.

(3) File a post-effective amendment to remove from registration any of the securities that remain unsold at the end of the offering.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to directors, officers and controlling persons of First Southern Bancorp pursuant to the provisions described in Item 24 above, or otherwise, First Southern Bancorp has been advised that in the opinion of the SEC for matters under the securities laws, such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

If a claim for indemnification against such liabilities (other than the payment by First Southern Bancorp of expenses incurred or paid by a director, officer or controlling person of First Southern Bancorp in the successful defense of any action, suit, or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, First Southern Bancorp will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Statesboro, State of Georgia, on August 2, 2001.

FIRST SOUTHERN BANCORP

By: /s/ F. Thomas David

F. Thomas David
Chief Executive Officer

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints F. Thomas David as the true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Registration Statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto such attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following in the capacities and on the dates indicated.

<TABLE>

<CAPTION>

Signature

Title

Date

<S> /s/ Michael R. Anderson ----- Michael R. Anderson	<C> Director	<C> July 31, 2001
/s/ F. Thomas David ----- F. Thomas David	President, and Chief Executive Officer	August 2, 2001
/s/ Charles A. Deal ----- Charles A. Deal	Director	July 31, 2001
/s/ Charles R. Fennell, Jr. ----- Charles R. Fennell, Jr.	Principal Financial and Accounting Officer	July 31, 2001
/s/ William I. Griffis ----- William I. Griffis	Director	July 31, 2001
/s/ Tracy D. Ham ----- Tracy D. Ham	Director	July 31, 2001
/s/ James A. High ----- James A. High	Director	July 31, 2001
/s/ W. Pratt Hill, III ----- W. Pratt Hill, III	Director	July 31, 2001
/s/ Michael R. Kennedy ----- Michael R. Kennedy	Director	July 31, 2001
/s/ R. Whitman Lord ----- R. Whitman Lord	Director	July 31, 2001
/s/ Laura T. Marsh ----- Laura T. Marsh	Director	July 31, 2001
/s/ Jeffrey D. Pope ----- Jeffrey D. Pope	Director	July 31, 2001
/s/ Ronnie J. Pope ----- Ronnie J. Pope	Director	July 31, 2001
/s/ Hudson J. Powell, Sr. -----	Director	July 31, 2001

/s/ Lamar O. Reddick	Director	July 31, 2001
Lamar O. Reddick		

	Director	July 31, 2001
Devra P. Walker		

/s/ L. Anthony Waters III	Director	July 31, 2001
L. Anthony Waters, III		

</TABLE>

EXHIBIT INDEX

Exhibit -----	Description -----
3.1.	Articles of Incorporation, as amended
3.2.	Bylaws
4.1.	See Exhibits 3.1 and 3.2 for provisions in First Southern Bancorp's Articles of Incorporation and Bylaws defining the rights of holders of the common stock
4.2.	Form of certificate of common stock
5.1.	Opinion Regarding Legality
10.1.	Form of Employment Agreement between First Southern Bancorp and F. Thomas David
10.2.	Form of Employment Agreement between First Southern Bancorp and Christopher T. Cliett
10.3.	Form of Employment Agreement between First Southern Bancorp and Charles R. Fennell
10.4.	Form of Stock Warrant Agreement
10.5.	Promissory Note dated March 28, 2001 between Nexity Bank and First National Bank of Statesboro
10.6.	Amended and Restated Option to Purchase Real Estate dated July 9, 2001, by and between FSNB, LLC and William and Joyce Lovett and Charles and Betty Rockett
10.7.	Option to Purchase Real Estate dated January 25, 2001, by and between FSNB, LLC and Cecil and Marjorie Kennedy
10.8.*	Form of Escrow Agreement between First Southern Bancorp and The Bankers Bank
23.1.	Consent of Independent Public Accountants
23.2.	Consent of Nelson Mullins Riley & Scarborough, L.L.P. (appears in its opinion filed as Exhibit 5.1)
24.1.	Power of Attorney (filed as part of the signature page to the Registration Statement)

* To be filed by amendment

ARTICLES OF AMENDMENT
TO THE
ARTICLES OF INCORPORATION
OF
FIRST SOUTHERN NATIONAL BANCORP, INC.

I.

The name of the corporation is FIRST SOUTHERN NATIONAL BANCORP, INC.

II.

Effective the date hereof, Article One of the Articles of Incorporation of First Southern National Bancorp, Inc., is amended to read as follows:

"ARTICLE ONE"
NAME

"The name of the Corporation is "First Southern Bancorp."

III.

These Articles of Amendment contained herein were adopted by the incorporator on July 10, 2001, in accordance with Section 14-2-1005 of the Georgia Business Corporation Code. Shareholder action was not required.

IN WITNESS WHEREOF, the undersigned executes this Amended Articles of Incorporation on July 10, 2001.

/s/ J. Brennan Ryan

J. Brennan Ryan, Esq.,
Incorporator

CERTIFICATE REGARDING
REQUEST FOR PUBLICATION OF

NOTICE OF CHANGE OF CORPORATE NAME

The undersigned, J. Brennan Ryan, Incorporator of First Southern National Bancorp, Inc. (the "Corporation"), a Georgia corporation, does hereby verify that a request for publication of a notice of intent to file articles of amendment to change the name of the Corporation and payment therefor has been made as required by Section 14-2-1006.1 of the Official Code of Georgia Annotated. The request for publication of such notice was mailed to the Statesboro Herald on July 10, 2001.

IN WITNESS WHEREOF, the undersigned does hereby set his hand this 10th day of July, 2001.

/s/ J. Brennan Ryan

J. Brennan Ryan, Esq.

ARTICLES OF INCORPORATION
OF
FIRST SOUTHERN NATIONAL BANCORP, INC.

ARTICLE ONE
NAME

The name of the corporation is FIRST SOUTHERN NATIONAL BANCORP, INC.

ARTICLE TWO
CAPITALIZATION

The corporation shall have the authority, exercisable by its Board of Directors, to issue up to 10,000,000 shares of common stock, par value \$.01 per share. In addition to the Common Stock, the corporation shall have the authority, exercisable by its Board of Directors, to issue up to 10,000,000 shares of preferred stock, par value \$.01 per share (the "Preferred Stock"), and any part or all of such shares of Preferred Stock may be established and designated from time to time by the Board of Directors by filing an amendment to these Articles of Incorporation, which is effective without shareholder action, in accordance with the appropriate provisions of the Georgia Business Corporation Code (the "Code"), and any amendment or supplement thereto (a "Preferred Stock Designation"), in such series and with such preferences, limitations, and relative rights as may be determined by the Board of Directors. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of a majority of the votes of the Common Stock, without a vote of the

holders of the shares of Preferred Stock, or of any series thereof, unless a vote of any such holders is required by law or pursuant to the Preferred Stock Designation or Preferred Stock Designations establishing the series of Preferred Stock.

ARTICLE THREE
INITIAL REGISTERED OFFICE AND AGENT

The street address and county of the initial registered office of the corporation shall be at 101B South Zetterower Avenue, Statesboro, Georgia 30458, Bulloch County. The initial registered agent of the corporation at such address shall be F. Thomas David.

ARTICLE FOUR
INCORPORATOR

The name and address of the incorporator is as follows:

J. Brennan Ryan, Esq.
First Union Plaza
999 Peachtree Street, N.E., Suite 1400
Atlanta, Georgia 30309

ARTICLE FIVE
MAILING ADDRESS OF PRINCIPAL OFFICE

The mailing address of the initial principal office of the corporation is as follows:

101B South Zetterower Avenue
Statesboro, Georgia 30458

ARTICLE SIX
LIMITATION ON DIRECTOR LIABILITY

No director of the corporation shall be personally liable to the corporation or its shareholders for monetary damages for breach of the duty of care or any other duty as a director, except that such liability shall not be eliminated for:

- (ii) any appropriation, in violation of the director's duties, of any business opportunity of the corporation;
- (iii) acts or omissions that involve intentional misconduct or a knowing violation of law;
- (iv) liability under Section 14-2-832 (or any successor provision or

redesignation thereof) of the Georgia Business Corporation Code;
and

- (v) any transaction from which the director received an improper personal benefit.

If at any time the Code shall have been amended to authorize the further elimination or limitation of the liability of a director, then the liability of each director of the corporation shall be eliminated or limited to the fullest extent permitted by the Code, as so amended, without further action by the shareholders, unless the provisions of the Code, as amended, require further action by the shareholders.

Any repeal or modification of the foregoing provisions of this Article Six shall not adversely affect the elimination or limitation of liability or alleged liability pursuant hereto of any director of the corporation for or with respect to any alleged act or omission of the director occurring prior to such a repeal or modification.

IN WITNESS WHEREOF, the undersigned executes these Articles of Incorporation on April 20, 2001.

/s/ J. Brennan Ryan

J. Brennan Ryan, Esq.,
Incorporator

BYLAWS
 OF
 FIRST SOUTHERN BANCORP

BYLAWS

OF
 FIRST SOUTHERN BANCORP
 TABLE OF CONTENTS

	Page
ARTICLE ONE	
Office.....	1
1.1 Registered Office and Agent.....	1
1.2 Principal Office.....	1
1.3 Other Offices.....	1
ARTICLE TWO	
Shareholders' Meetings.....	1
2.1 Place of Meetings.....	1
2.2 Annual Meetings.....	2
2.3 Special Meetings.....	2
2.4 Notice of Meetings.....	2
2.5 Waiver of Notice.....	2
2.6 Voting Group; Quorum; Vote Required to Act.....	2
2.7 Voting of Shares.....	3

2.8	Proxies.....	3
2.9	Presiding Officer.....	3
2.10	Adjournments.....	4
2.11	Conduct of the Meeting.....	4
2.12	Action of Shareholders Without a Meeting.....	4
2.13	Matters Considered at Annual Meetings.....	4

ARTICLE THREE

	Board of Directors.....	5
3.1	General Powers.....	5
3.2	Number, Election and Term of Office.....	5
3.3	Removal of Directors.....	6
3.4	Vacancies.....	6
3.5	Compensation.....	6
3.6	Committees of the Board of Directors.....	6
3.7	Qualification of Directors.....	6
3.8	Certain Nomination Requirements.....	7
3.9	Additional Nomination Requirements.....	8

ARTICLE FOUR

	Meetings of the Board of Directors.....	8
4.1	Regular Meetings.....	8
4.2	Special Meetings.....	8
4.3	Place of Meetings.....	8
4.4	Notice of Meetings.....	8
4.5	Quorum.....	8

4.6	Vote Required for Action.....	8
4.7	Participation by Conference Telephone.....	9
4.8	Action by Directors Without a Meeting.....	9
4.9	Adjournments.....	9
4.10	Waiver of Notice.....	9

ARTICLE FIVE

	Officers.....	10
5.1	Offices.....	10
5.2	Term.....	10
5.3	Compensation.....	10
5.4	Removal.....	10
5.5	Chairman of the Board.....	10
5.6	President.....	10
5.7	Vice Presidents.....	11
5.8	Secretary.....	11
5.9	Treasurer.....	11

ARTICLE SIX

	Distributions and Dividends.....	11
--	----------------------------------	----

ARTICLE SEVEN

	Shares.....	12
7.1	Share Certificates.....	12
7.2	Rights of Corporation with Respect to Registered Owners.....	12
7.3	Transfers of Shares.....	12
7.4	Duty of Corporation to Register Transfer.....	12

7.5	Lost, Stolen, or Destroyed Certificates.....	13
7.6	Fixing of Record Date.....	13
7.7	Record Date if None Fixed.....	13

ARTICLE EIGHT

	Indemnification.....	13
8.1	Indemnification of Directors.....	13
8.2	Indemnification of Others.....	14
8.3	Other Organizations.....	14
8.4	Advances.....	14
8.5	Non-Exclusivity.....	14
8.6	Insurance.....	15
8.7	Notice.....	15
8.8	Security.....	15
8.9	Amendment.....	15
8.10	Agreements.....	15
8.11	Continuing Benefits.....	16
8.12	Successors.....	16
8.13	Severability.....	16
8.14	Additional Indemnification.....	16

ARTICLE NINE

	Miscellaneous.....	16
9.1	Inspection of Books and Records.....	16
9.2	Fiscal Year.....	17
9.3	Corporate Seal.....	17
9.4	Annual Statements.....	17

9.5	Notice.....	17
ARTICLE TEN		
	Amendments.....	17

BYLAWS
 OF
 FIRST SOUTHERN BANCORP

References in these Bylaws to "Articles of Incorporation" are to the Articles of Incorporation of First Southern Bancorp, a Georgia corporation (the "Corporation"), as amended and restated from time to time.

All of these Bylaws are subject to contrary provisions, if any, of the Articles of Incorporation (including provisions designating the preferences, limitations, and relative rights of any class or series of shares), the Georgia Business Corporation Code (the "Code"), and other applicable law, as in effect on and after the effective date of these Bylaws. References in these Bylaws to "Sections" shall refer to sections of the Bylaws, unless otherwise indicated.

ARTICLE ONE

Office

1.1 Registered Office and Agent. The Corporation shall maintain a registered office and shall have a registered agent whose business office is the same as the registered office.

1.2 Principal Office. The principal office of the Corporation shall be at the place designated in the Corporation's annual registration with the Georgia Secretary of State.

1.3 Other Offices. In addition to its registered office and principal office, the Corporation may have offices at other locations either in or outside the State of Georgia.

ARTICLE TWO

Shareholders' Meetings

2.1 Place of Meetings. Meetings of the Corporation's shareholders may be held at any location inside or outside the State of Georgia designated by the Board of Directors or any other person or persons who properly call the meeting, or if the Board of Directors or such other person or persons do not specify a location, at the Corporation's principal office.

2.2 Annual Meetings. The Corporation shall hold an annual meeting of shareholders, at a time determined by the Board of Directors, to elect directors and to transact any business that properly may come before the meeting. The annual meeting may be combined with any other meeting of shareholders, whether annual or special.

2.3 Special Meetings. Special meetings of shareholders of one or more classes or series of

1

the Corporation's shares may be called at any time by the Board of Directors, the Chairman of the Board, or the President, and shall be called by the Corporation upon the written request (in compliance with applicable requirements of the Code) of the holders of shares representing 25% or more of the votes entitled to be cast on each issue proposed to be considered at the special meeting; provided, however, that at any time the Corporation has more than 100 shareholders of record, such written request must be made by the holders of a majority of such votes. The business that may be transacted at any special meeting of shareholders shall be limited to that proposed in the notice of the special meeting given in accordance with Section 2.4 (including related or incidental matters that may be necessary or appropriate to effectuate the proposed business).

2.4 Notice of Meetings. In accordance with Section 9.5 and subject to waiver by a shareholder pursuant to Section 2.5, the Corporation shall give written notice of the date, time, and place of each annual and special shareholders' meeting no fewer than 10 days nor more than 60 days before the meeting date to each shareholder of record entitled to vote at the meeting. The notice of an annual meeting need not state the purpose of the meeting unless these Bylaws require otherwise. The notice of a special meeting shall state the purpose for which the meeting is called. If an annual or special shareholders' meeting is adjourned to a different date, time, or location, the Corporation shall give shareholders notice of the new date, time, or location of the adjourned meeting, unless a quorum of shareholders was present at the meeting and information regarding the adjournment was announced before the meeting was adjourned; provided, however, that if a new record date is or must be fixed in accordance with Section 7.6, the Corporation must give notice of the adjourned meeting to all shareholders of record as of the new record date who are entitled to vote at the adjourned meeting.

2.5 Waiver of Notice. A shareholder may waive any notice required by

the Code, the Articles of Incorporation, or these Bylaws, before or after the date and time of the matter to which the notice relates, by delivering to the Corporation a written waiver of notice signed by the shareholder entitled to the notice. In addition, a shareholder's attendance at a meeting shall be (a) a waiver of objection to lack of notice or defective notice of the meeting unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting, and (b) a waiver of objection to consideration of a particular matter at the meeting that is not within the purpose stated in the meeting notice, unless the shareholder objects to considering the matter when it is presented. Except as otherwise required by the Code, neither the purpose of nor the business transacted at the meeting need be specified in any waiver.

2.6 Voting Group; Quorum; Vote Required to Act. (a) Unless otherwise required by the Code or the Articles of Incorporation, all classes or series of the Corporation's shares entitled to vote generally on a matter shall for that purpose be considered a single voting group (a "Voting Group"). If either the Articles of Incorporation or the Code requires separate voting by two or more Voting Groups on a matter, action on that matter is taken only when voted upon by each such Voting Group separately. At all meetings of shareholders, any Voting Group entitled to vote on a matter may take action on the matter only if a quorum of that Voting Group exists at the meeting, and if a quorum exists, the Voting Group may take action on the matter notwithstanding the absence of a quorum of any other Voting Group that may be entitled to vote separately on the matter. Unless the Articles of Incorporation, these Bylaws, or the Code provides otherwise, the presence (in person or by proxy) of shares representing a majority of votes entitled to be cast on a matter by a Voting Group shall constitute a quorum of that Voting Group with regard to that matter. Once a share is present at any meeting other than solely to object to holding the meeting or transacting business at the meeting, the share shall be deemed present for quorum purposes for the remainder of the meeting and for any adjournments of that meeting, unless a new record date for the adjourned meeting is or must be set pursuant to Section 7.6 of these Bylaws.

2

(b) Except as provided in Section 3.4, if a quorum exists, action on a matter by a Voting Group is approved by that Voting Group if the votes cast within the Voting Group favoring the action exceed the votes cast opposing the action, unless the Articles of Incorporation, a provision of these Bylaws that has been adopted pursuant to Section 14-2-1021 of the Code (or any successor provision), or the Code requires a greater number of affirmative votes.

2.7 Voting of Shares. Unless otherwise required by the Code or the Articles of Incorporation, each outstanding share of any class or series having voting rights shall be entitled to one vote on each matter that is submitted to a vote of shareholders.

2.8 Proxies. A shareholder entitled to vote on a matter may vote in

person or by proxy pursuant to an appointment executed in writing by the shareholder or by his or her attorney-in-fact. An appointment of a proxy shall be valid for 11 months from the date of its execution, unless a longer or shorter period is expressly stated in the proxy.

2.9 Presiding Officer. Except as otherwise provided in this Section 2.9, the Chairman of the Board, and in his or her absence or disability the President, shall preside at every shareholders' meeting (and any adjournment thereof) as its chairman, if either of them is present and willing to serve. If neither the Chairman of the Board nor the President is present and willing to serve as chairman of the meeting, and if the Chairman of the Board has not designated another person who is present and willing to serve, then a majority of the Corporation's directors present at the meeting shall be entitled to designate a person to serve as chairman. If no director of the Corporation is present at the meeting or if a majority of the directors who are present cannot be established, then a chairman of the meeting shall be selected by a majority vote of (a) the shares present at the meeting that would be entitled to vote in an election of directors, or (b) if no such shares are present at the meeting, then the shares present at the meeting comprising the Voting Group with the largest number of shares present at the meeting and entitled to vote on a matter properly proposed to be considered at the meeting. The chairman of the meeting may designate other persons to assist with the meeting.

2.10 Adjournments. At any meeting of shareholders (including an adjourned meeting), a majority of shares of any Voting Group present and entitled to vote at the meeting (whether or not those shares constitute a quorum) may adjourn the meeting, but only with respect to that Voting Group, to reconvene at a specific time and place. If more than one Voting Group is present and entitled to vote on a matter at the meeting, then the meeting may be continued with respect to any such Voting Group that does not vote to adjourn as provided above, and such Voting Group may proceed to vote on any matter to which it is otherwise entitled to do so; provided, however, that if (a) more than one Voting Group is required to take action on a matter at the meeting and (b) any one of those Voting Groups votes to adjourn the meeting (in accordance with the preceding sentence), then the action shall not be deemed to have been taken until the requisite vote of any adjourned Voting Group is obtained at its reconvened meeting. The only business that may be transacted at any reconvened meeting is business that could have been transacted at the meeting that was adjourned, unless further notice of the adjourned meeting has been given in compliance with the requirements for a special meeting that specifies the additional purpose or purposes for which the meeting is called. Nothing contained in this Section 2.10 shall be deemed or otherwise construed to limit any lawful authority of the chairman of a meeting to adjourn the meeting.

2.11 Conduct of the Meeting. At any meeting of shareholders, the chairman of the meeting shall be entitled to establish the rules of order governing the conduct of business at the meeting.

2.12 Action of Shareholders Without a Meeting. Action required or permitted to be taken

at a meeting of shareholders may be taken without a meeting if the action is taken by all shareholders entitled to vote on the action or, if permitted by the Articles of Incorporation, by persons who would be entitled to vote at a meeting shares having voting power to cast the requisite number of votes (or numbers, in the case of voting by groups) that would be necessary to authorize or take the action at a meeting at which all shareholders entitled to vote were present and voted. The action must be evidenced by one or more written consents describing the action taken, signed by shareholders entitled to take action without a meeting, and delivered to the Corporation for inclusion in the minutes or filing with the corporate records. Where required by Section 14-2-704 or other applicable provision of the Code, the Corporation shall provide shareholders with written notice of actions taken without a meeting.

2.13 Matters Considered at Annual Meetings. Notwithstanding anything to the contrary in these Bylaws, the only business that may be conducted at an annual meeting of shareholders shall be business brought before the meeting (a) by or at the direction of the Board of Directors prior to the meeting, (b) by or at the direction of the Chairman of the Board or the President, or (c) by a shareholder of the Corporation who is entitled to vote with respect to the business and who complies with the notice procedures set forth in this Section 2.13. For business to be brought properly before an annual meeting by a shareholder, the shareholder must have given timely notice of the business in writing to the Secretary of the Corporation. To be timely, a shareholder's notice must be delivered or mailed to and received at the principal offices of the Corporation not less than thirty nor more than sixty days prior to any such meeting (provided, however, that if less than thirty-one days' notice of the meeting is given to shareholders, such written notice shall be delivered or mailed, as prescribed, to the Secretary of Corporation not later than the close of the tenth day following the day on which notice of the meeting was mailed to shareholders). A shareholder's notice to the Secretary shall set forth a brief description of each matter of business the shareholder proposes to bring before the meeting and the reasons for conducting that business at the meeting; the name, as it appears on the Corporation's books, and address of the shareholder proposing the business; the series or class and number of shares of the Corporation's capital stock that are beneficially owned by the shareholder; and any material interest of the shareholder in the proposed business. The chairman of the meeting shall have the discretion to declare to the meeting that any business proposed by a shareholder to be considered at the meeting is out of order and that such business shall not be transacted at the meeting if (i) the chairman concludes that the matter has been proposed in a manner inconsistent with this Section 2.13 or (ii) the chairman concludes that the subject matter of the proposed business is inappropriate for consideration by the shareholders at the meeting.

ARTICLE THREE

Board of Directors

3.1 General Powers. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be managed by, the Board of Directors, subject to any limitation set forth in the Articles of Incorporation, in bylaws approved by the shareholders, or in agreements among all the shareholders that are otherwise lawful.

3.2 Number, Election and Term of Office. The number of directors of the Corporation shall be fixed by resolution of the Board of Directors or of the shareholders from time to time and, until otherwise determined, shall be between five and twenty-five; provided, however, that no decrease in the number of directors shall have the effect of shortening the term of an incumbent director. The number of directors shall initially be fixed at sixteen. The number of members of the Board of

4

Directors can be increased or decreased within the foregoing range at any time by the Board of Directors, if, in any case after proxy materials for an annual meeting of shareholders have been mailed to shareholders, any person named therein to be nominated at the direction of the Board of Directors becomes unable or unwilling to serve, the number of authorized directors shall be automatically reduced by a number equal to the number of such persons. The members of the Board of Directors need not be shareholders nor need they be residents of any particular state. Unless provided otherwise by the Articles of Incorporation, the terms of office of directors will be staggered by dividing the total number of directors into three classes, with each class accounting for one-third, as near as may be, of the total. The terms of directors in the first class expire at the first annual shareholders' meeting after their election, the terms of the second class expire at the second annual shareholders' meeting after their election, and the terms of the third class expire at the third annual shareholders' meeting after their election. At each annual shareholders' meeting held thereafter, directors shall be chosen for a term of three years to succeed those whose terms expire. If the number of directors is changed, any increase or decrease shall be so apportioned among the classes as to make all classes as nearly equal in number as possible, and when the number of directors is increased and any newly created directorships are filled by the board, the terms of the additional directors shall expire at the next election of directors by the shareholders. Each director, except in the case of his earlier death, written resignation, retirement, disqualification or removal, shall serve for the duration of his term, as staggered, and thereafter until his successor shall have been elected and qualified.

3.3 Removal of DirectorsThe entire Board of Directors or any individual director may be removed with cause by the shareholders, provided that directors elected by a particular Voting Group may be removed only by the shareholders in

that Voting Group. Removal action may be taken only at a shareholders' meeting for which notice of the removal action has been given. A removed director's successor, if any, may be elected at the same meeting to serve the unexpired term. Directors may not be removed without cause.

3.4 Vacancies. A vacancy occurring in the Board of Directors may be filled for the unexpired term, unless the shareholders have elected a successor, by the affirmative vote of a majority of the remaining directors, whether or not the remaining directors constitute a quorum; provided, however, that if the vacant office was held by a director elected by a particular Voting Group, only the holders of shares of that Voting Group or the remaining directors elected by that Voting Group shall be entitled to fill the vacancy; provided further, however, that if the vacant office was held by a director elected by a particular Voting Group and there is no remaining director elected by that Voting Group, the other remaining directors or director (elected by another Voting Group or Groups) may fill the vacancy during an interim period before the shareholders of the vacated director's Voting Group act to fill the vacancy. A vacancy or vacancies in the Board of Directors may result from the death, resignation, disqualification, or removal of any director, or from an increase in the number of directors.

3.5 Compensation. Directors may receive such compensation for their services as directors as may be fixed by the Board of Directors from time to time. A director may also serve the Corporation in one or more capacities other than that of director and receive compensation for services rendered in those other capacities.

3.6 Committees of the Board of Directors. The Board of Directors may designate from among its members an executive committee or one or more other standing or ad hoc committees, each consisting of one or more directors, who serve at the pleasure of the Board of Directors. Subject to the limitations imposed by the Code, each committee shall have the authority set forth in the resolution establishing the committee or in any other resolution of the Board of Directors specifying, enlarging, or

limiting the authority of the committee.

3.7 Qualification of Directors. No individual who is or becomes a Business Competitor (as defined below) or who is or becomes affiliated with, employed by or a representative of any individual, corporation, association, partnership, firm, business enterprise or other entity or organization which the Board of Directors, after having such matter formally brought to its attention, determines to be in competition with the Corporation or any of its subsidiaries (any such individual, corporation, association, partnership, firm, business enterprise or other entity or organization being hereinafter referred to as a "Business Competitor") shall be eligible to serve as a director if the Board of

Directors determines that it would not be in the Corporation's best interests for such individual to serve as a director of the Corporation. Such affiliation, employment or representation may include, without limitation, service or status as an owner, partner, shareholder, trustee, director, officer, consultant, employee, agent, or counsel, or the existence of any relationship which results in the affected person having an express or implied obligation to act on behalf of a Business Competitor; provided, however, that passive ownership of a debt or equity interest not exceeding 1% of the outstanding debt or equity, as the case may be, in any Business Competitor shall not constitute such affiliation, employment or representation. Any financial institution having branches or affiliates in Bulloch County, Georgia shall be presumed to be a Business Competitor unless the Board of Directors determines otherwise.

3.8 Certain Nomination Requirements. No person may be nominated for election as a director at any annual or special meeting of shareholders unless (a) the nomination has been or is being made pursuant to a recommendation or approval of the Board of Directors of the Corporation or a properly constituted committee of the Board of Directors previously delegated authority to recommend or approve nominees for director; (b) the person is nominated by a shareholder of the Corporation who is entitled to vote for the election of the nominee at the subject meeting, and the nominating shareholder has furnished written notice to the Secretary of the Corporation, at the Corporation's principal office, not less than thirty nor more than sixty days prior to any such meeting (provided, however, that if less than thirty-one days' notice of the meeting is given to shareholders, such written notice shall be delivered or mailed, as prescribed, to the Secretary of Corporation not later than the close of the tenth day following the day on which notice of the meeting was mailed to shareholders), and the notice (i) sets forth with respect to the person to be nominated his or her name, age, business and residence addresses, principal business or occupation during the past five years, any affiliation with or material interest in the Corporation or any transaction involving the Corporation, and any affiliation with or material interest in any person or entity having an interest materially adverse to the Corporation, and (ii) is accompanied by the sworn or certified statement of the shareholder that the nominee has consented to being nominated and that the shareholder believes the nominee will stand for election and will serve if elected; or (c) (i) the person is nominated to replace a person previously identified as a proposed nominee (in accordance with the provisions of subpart (b) of this Section 3.8) who has since become unable or unwilling to be nominated or to serve if elected, (ii) the shareholder who furnished such previous identification makes the replacement nomination and delivers to the Secretary of the Corporation (at the time of or prior to making the replacement nomination) an affidavit or other sworn statement affirming that the shareholder had no reason to believe the original nominee would be so unable or unwilling, and (iii) such shareholder also furnishes in writing to the Secretary of the Corporation (at the time of or prior to making the replacement nomination) the same type of information about the replacement nominee as required by subpart (b) of this Section 3.8 to have been furnished about the original nominee. The chairman of any meeting of shareholders at which one or more directors are to be elected, for good cause shown and with proper regard for the orderly conduct of business at the meeting, may waive in whole or in part the operation of this Section 3.8.

3.9 Additional Nomination Requirements. Notwithstanding Section 3.8, if the Corporation or any banking subsidiary of the Corporation is subject to the requirements of Section 914 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, then no person may be nominated by a shareholder for election as a director at any meeting of shareholders unless the shareholder furnishes the written notice required by Section 3.8 to the secretary of the Corporation at least ninety days prior to the date of the meeting and the nominee has received regulatory approval to serve as a director prior to the date of the meeting.

ARTICLE FOUR

Meetings of the Board of Directors

4.1 Regular Meetings. A regular meeting of the Board of Directors shall be held in conjunction with each annual meeting of shareholders. In addition, the Board of Directors may, by prior resolution, hold regular meetings at other times.

4.2 Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the Chairman of the Board, the President, or a majority of the directors in office at that time.

4.3 Place of Meetings. Directors may hold their meetings at any place in or outside the State of Georgia that the Board of Directors may establish from time to time.

4.4 Notice of Meetings. Directors need not be provided with notice of any regular meeting of the Board of Directors. Unless waived in accordance with Section 4.10, the Corporation shall give at least two days' notice to each director of the date, time, and place of each special meeting; provided that if notice is given personally or by telephone, telecopy, or email such notice shall be required only 24 hours before the time at which such meeting is to be held. Notice of a meeting shall be deemed to have been given to any director in attendance at any prior meeting at which the date, time, and place of the subsequent meeting was announced.

4.5 Quorum. At meetings of the Board of Directors, a majority of the directors then in office shall constitute a quorum for the transaction of business.

4.6 Vote Required for Action. If a quorum is present when a vote is taken, the vote of a majority of the directors present at the time of the vote will be the act of the Board of Directors, unless the vote of a greater number is required by the Code, the Articles of Incorporation, or these Bylaws. A

director who is present at a meeting of the Board of Directors when corporate action is taken is deemed to have assented to the action taken unless (a) he or she objects at the beginning of the meeting (or promptly upon his or her arrival) to holding the meeting or transacting business at it; (b) his or her dissent or abstention from the action taken is entered in the minutes of the meeting; or (c) he or she delivers written notice of dissent or abstention to the presiding officer of the meeting before its adjournment or to the Corporation immediately after adjournment of the meeting. The right of dissent or abstention is not available to a director who votes in favor of the action taken.

4.7 Participation by Conference Telephone. Members of the Board of Directors may participate in a meeting of the Board by means of conference telephone or similar communications equipment through which all persons participating may hear and speak to each other. Participation in a

7

meeting pursuant to this Section 4.7 shall constitute presence in person at the meeting.

4.8 Action by Directors Without a Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if a written consent, describing the action taken, is signed by each director and delivered to the Corporation for inclusion in the minutes or filing with the corporate records. The consent may be executed in counterpart, and shall have the same force and effect as a unanimous vote of the Board of Directors at a duly convened meeting.

4.9 Adjournments. A meeting of the Board of Directors, whether or not a quorum is present, may be adjourned by a majority of the directors present to reconvene at a specific time and place. It shall not be necessary to give notice to the directors of the reconvened meeting or of the business to be transacted, other than by announcement at the meeting that was adjourned, unless a quorum was not present at the meeting that was adjourned, in which case notice shall be given to directors in the same manner as for a special meeting. At any such reconvened meeting at which a quorum is present, any business may be transacted that could have been transacted at the meeting that was adjourned.

4.10 Waiver of Notice. A director may waive any notice required by the Code, the Articles of Incorporation, or these Bylaws before or after the date and time of the matter to which the notice relates, by a written waiver signed by the director and delivered to the Corporation for inclusion in the minutes or filing with the corporate records. Attendance by a director at a meeting shall constitute waiver of notice of the meeting, except where a director at the beginning of the meeting (or promptly upon his or her arrival) objects to holding the meeting or to transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

ARTICLE FIVE

5.1 Officers. The officers of the Corporation shall consist of a President and a Secretary, each of whom shall be elected or appointed by the Board of Directors. The Board of Directors may also elect a Chairman of the Board from among its members. The Board of Directors from time to time may create and establish the duties of other offices and may elect or appoint, or authorize specific senior officers to appoint, the persons who shall hold such other offices, including a Treasurer, one or more Vice Presidents (including Executive Vice Presidents, Senior Vice Presidents, Assistant Vice Presidents, and the like), one or more Assistant Secretaries, and one or more Assistant Treasurers. Whether or not so provided by the Board of Directors, the Chairman of the Board may appoint one or more Assistant Secretaries and one or more Assistant Treasurers. Any two or more offices may be held by the same person. Until a Treasurer is appointed by the Board, the Secretary shall be responsible for the duties of the Treasurer described in Section 5.9 below.

5.2 Term. Each officer shall serve at the pleasure of the Board of Directors (or, if appointed by a senior officer pursuant to this Article Five, at the pleasure of the Board of Directors or any senior officer authorized to have appointed the officer) until his or her death, resignation, or removal, or until his or her replacement is elected or appointed in accordance with this Article Five.

5.3 Compensation. The compensation of all officers of the Corporation shall be fixed by the Board of Directors or by a committee or officer appointed by the Board of Directors. Officers may serve without compensation.

8

5.4 Removal. All officers (regardless of how elected or appointed) may be removed, with or without cause, by the Board of Directors, and any officer appointed by another officer may also be removed, with or without cause, by any senior officer authorized to have appointed the officer to be removed. Removal will be without prejudice to the contract rights, if any, of the person removed, but shall be effective notwithstanding any damage claim that may result from infringement of such contract rights.

5.5 Chairman of the Board. The Chairman of the Board (if there be one) shall preside at and serve as chairman of meetings of the shareholders and of the Board of Directors (unless another person is selected under Section 2.9 to act as chairman). The Chairman of the Board shall perform other duties and have other authority as may from time to time be delegated by the Board of Directors.

5.6 President. Unless otherwise provided in these Bylaws or by resolution of the Board of Directors, the President shall be the chief executive officer of the Corporation, shall be charged with the general and active

management of the business of the Corporation, shall see that all orders and resolutions of the Board of Directors are carried into effect, shall have the authority to select and appoint employees and agents of the Corporation, and shall, in the absence or disability of the Chairman of the Board, perform the duties and exercise the powers of the Chairman of the Board. The President shall perform any other duties and have any other authority as may be delegated from time to time by the Board of Directors, and shall be subject to the limitations fixed from time to time by the Board of Directors.

5.7 Vice Presidents. The Vice President (if there shall be one) shall, in the absence or disability of the President, or at the direction of the President, perform the duties and exercise the powers of the President, whether the duties and powers are specified in these Bylaws or otherwise. If the Corporation has more than one Vice President, the one designated by the Board of Directors or the President (in that order of precedence) shall act in the event of the absence or disability of the President. Vice Presidents shall perform any other duties and have any other authority as from time to time may be delegated by the Board of Directors or the President.

5.8 Secretary. The Secretary shall be responsible for preparing minutes of the meetings of shareholders, directors, and committees of directors and for authenticating records of the Corporation. The Secretary or any Assistant Secretary shall have authority to give all notices required by law or these Bylaws. The Secretary shall be responsible for the custody of the corporate books, records, contracts, and other documents. The Secretary or any Assistant Secretary may affix the corporate seal to any lawfully executed documents requiring it, may attest to the signature of any officer of the Corporation, and shall sign any instrument that requires the Secretary's signature. The Secretary or any Assistant Secretary shall perform any other duties and have any other authority as from time to time may be delegated by the Board of Directors or the President.

5.9 Treasurer. Unless otherwise provided by the Board of Directors, the Treasurer (if there shall be one) shall be responsible for the custody of all funds and securities belonging to the Corporation and for the receipt, deposit, or disbursement of these funds and securities under the direction of the Board of Directors. The Treasurer shall cause full and true accounts of all receipts and disbursements to be maintained and shall make reports of these receipts and disbursements to the Board of Directors and President upon request. The Treasurer or Assistant Treasurer shall perform any other duties and have any other authority as from time to time may be delegated by the Board of Directors or the President.

ARTICLE SIX

Distributions and Dividends

Unless the Articles of Incorporation provide otherwise, the Board of Directors, from time to time in its discretion, may authorize or declare distributions or share dividends in accordance with the Code.

ARTICLE SEVEN

Shares

7.1 Share Certificates. The interest of each shareholder in the Corporation shall be evidenced by a certificate or certificates representing shares of the Corporation, which shall be in such form as the Board of Directors from time to time may adopt in accordance with the Code. Share certificates shall be in registered form and shall indicate the date of issue, the name of the Corporation, that the Corporation is organized under the laws of the State of Georgia, the name of the shareholder, and the number and class of shares and designation of the series, if any, represented by the certificate. Each certificate shall be signed by the President or a Vice President (or in lieu thereof, by the Chairman of the Board or Chief Executive Officer, if there be one) and may be signed by the Secretary or an Assistant Secretary; provided, however, that where the certificate is signed (either manually or by facsimile) by a transfer agent, or registered by a registrar, the signatures of those officers may be facsimiles.

7.2 Rights of Corporation with Respect to Registered Owners. Prior to due presentation for transfer of registration of its shares, the Corporation may treat the registered owner of the shares (or the beneficial owner of the shares to the extent of any rights granted by a nominee certificate on file with the Corporation pursuant to any procedure that may be established by the Corporation in accordance with the Code) as the person exclusively entitled to vote the shares, to receive any dividend or other distribution with respect to the shares, and for all other purposes; and the Corporation shall not be bound to recognize any equitable or other claim to or interest in the shares on the part of any other person, whether or not it has express or other notice of such a claim or interest, except as otherwise provided by law.

7.3 Transfers of Shares. Transfers of shares shall be made upon the books of the Corporation kept by the Corporation or by the transfer agent designated to transfer the shares, only upon direction of the person named in the certificate or by an attorney lawfully constituted in writing. Before a new certificate is issued, the old certificate shall be surrendered for cancellation or, in the case of a certificate alleged to have been lost, stolen, or destroyed, the provisions of Section 7.5 of these Bylaws shall have been complied with.

7.4 Duty of Corporation to Register Transfer. Notwithstanding any of the provisions of Section 7.3 of these Bylaws, the Corporation is under a duty to register the transfer of its shares only if: (a) the share certificate is endorsed by the appropriate person or persons; (b) reasonable assurance is given that each required endorsement is genuine and effective; (c) the Corporation has

no duty to inquire into adverse claims or has discharged any such duty; (d) any applicable law relating to the collection of taxes has been complied with; (e) the transfer is in fact rightful or is to a bona fide

10

purchaser; and (f) the transfer is in compliance with applicable provisions of any transfer restrictions of which the Corporation shall have notice.

7.5 Lost, Stolen, or Destroyed Certificates. Any person claiming a share certificate to be lost, stolen, or destroyed shall make an affidavit or affirmation of this claim in such a manner as the Corporation may require and shall, if the Corporation requires, give the Corporation a bond of indemnity in form and amount, and with one or more sureties satisfactory to the Corporation, as the Corporation may require, whereupon an appropriate new certificate may be issued in lieu of the one alleged to have been lost, stolen or destroyed.

7.6 Fixing of Record Date. For the purpose of determining shareholders (a) entitled to notice of or to vote at any meeting of shareholders or, if necessary, any adjournment thereof, (b) entitled to receive payment of any distribution or dividend, or (c) for any other proper purpose, the Board of Directors may fix in advance a date as the record date. The record date may not be more than 70 days (and, in the case of a notice to shareholders of a shareholders' meeting, not less than 10 days) prior to the date on which the particular action, requiring the determination of shareholders, is to be taken. A separate record date may be established for each Voting Group entitled to vote separately on a matter at a meeting. A determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders shall apply to any adjournment of the meeting, unless the Board of Directors shall fix a new record date for the reconvened meeting, which it must do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

7.7 Record Date if None Fixed. If no record date is fixed as provided in Section 7.6, then the record date for any determination of shareholders that may be proper or required by law shall be, as appropriate, the date on which notice of a shareholders' meeting is mailed, the date on which the Board of Directors adopts a resolution declaring a dividend or authorizing a distribution, or the date on which any other action is taken that requires a determination of shareholders.

ARTICLE EIGHT

Indemnification

8.1 Indemnification of Directors. The Corporation shall indemnify and hold harmless any director of the Corporation (an "Indemnified Person") who was or is a party, or is threatened to be made a party, to any threatened, pending

or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, whether formal or informal, including any action or suit by or in the right of the Corporation (for purposes of this Article Eight, collectively, a "Proceeding") because he or she is or was a director, officer, employee, or agent of the Corporation, against any judgment, settlement, penalty, fine, or reasonable expenses (including, but not limited to, attorneys' fees and disbursements, court costs, and expert witness fees) incurred with respect to the Proceeding (for purposes of this Article Eight, a "Liability"), provided, however, that no indemnification shall be made for: (a) any appropriation by a director, in violation of the director's duties, of any business opportunity of the Corporation; (b) any acts or omissions of a director that involve intentional misconduct or a knowing violation of law; (c) the types of liability set forth in Code Section 14-2-832; or (d) any transaction from which the director received an improper personal benefit.

8.2 Indemnification of Others. The Board of Directors shall have the power to cause the Corporation to provide to officers, employees, and agents of the Corporation all or any part of the right

11

to indemnification permitted for such persons by appropriate provisions of the Code. Persons to be indemnified may be identified by position or name, and the right of indemnification may be different for each of the persons identified. Each officer, employee, or agent of the Corporation so identified shall be an "Indemnified Person" for purposes of the provisions of this Article Eight.

8.3 Other Organizations. The Corporation shall provide to each director, and the Board of Directors shall have the power to cause the Corporation to provide to any officer, employee, or agent, of the Corporation who is or was serving at the Corporation's request as a director, officer, partner, trustee, employee, or agent of another corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise all or any part of the right to indemnification and other rights of the type provided under Sections 8.1, 8.2, 8.4, and 8.10 of this Article Eight (subject to the conditions, limitations, and obligations specified in those Sections) permitted for such persons by appropriate provisions of the Code. Persons to be indemnified may be identified by position or name, and the right of indemnification may be different for each of the persons identified. Each person so identified shall be an "Indemnified Person" for purposes of the provisions of this Article Eight.

8.4 Advances. Expenses (including, but not limited to, attorneys' fees and disbursements, court costs, and expert witness fees) incurred by an Indemnified Person in defending any Proceeding of the kind described in Sections 8.1 or 8.3, as to an Indemnified Person who is a director of the Corporation, or in Sections 8.2 or 8.3, as to other Indemnified Persons, if the Board of Directors has specified that advancement of expenses be made available to any

such Indemnified Person, shall be paid by the Corporation in advance of the final disposition of such Proceeding as set forth herein. The Corporation shall promptly pay the amount of such expenses to the Indemnified Person, but in no event later than 10 days following the Indemnified Person's delivery to the Corporation of a written request for an advance pursuant to this Section 8.4, together with a reasonable accounting of such expenses; provided, however, that the Indemnified Person shall furnish the Corporation a written affirmation of his or her good faith belief that he or she has met the applicable standard of conduct and a written undertaking and agreement to repay to the Corporation any advances made pursuant to this Section 8.4 if it shall be determined that the Indemnified Person is not entitled to be indemnified by the Corporation for such amounts. The Corporation may make the advances contemplated by this Section 8.4 regardless of the Indemnified Person's financial ability to make repayment. Any advances and undertakings to repay pursuant to this Section 8.4 may be unsecured and interest-free.

8.5 Non-Exclusivity. Subject to any applicable limitation imposed by the Code or the Articles of Incorporation, the indemnification and advancement of expenses provided by or granted pursuant to this Article Eight shall not be exclusive of any other rights to which a person seeking indemnification or advancement of expenses may be entitled under any provision of the Articles of Incorporation, or any Bylaw, resolution, or agreement specifically or in general terms approved or ratified by the affirmative vote of holders of a majority of the shares entitled to be voted thereon.

8.6 Insurance. The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the Corporation, or who, while serving in such a capacity, is also or was also serving at the request of the Corporation as a director, officer, trustee, partner, employee, or agent of any corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise, against any Liability that may be asserted against or incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of this Article Eight.

8.7 Notice. If the Corporation indemnifies or advances expenses to a director under any of

Sections 14-2-851 through 14-2-854 of the Code in connection with a Proceeding by or in the right of the Corporation, the Corporation shall, to the extent required by Section 14-2-1621 or any other applicable provision of the Code, report the indemnification or advance in writing to the shareholders with or before the notice of the next shareholders' meeting.

8.8 Security. The Corporation may designate certain of its assets as

collateral, provide self-insurance, establish one or more indemnification trusts, or otherwise secure or facilitate its ability to meet its obligations under this Article Eight, or under any indemnification agreement or plan of indemnification adopted and entered into in accordance with the provisions of this Article Eight, as the Board of Directors deems appropriate.

8.9 Amendment. Any amendment to this Article Eight that limits or otherwise adversely affects the right of indemnification, advancement of expenses, or other rights of any Indemnified Person hereunder shall, as to such Indemnified Person, apply only to Proceedings based on actions, events, or omissions (collectively, "Post Amendment Events") occurring after such amendment and after delivery of notice of such amendment to the Indemnified Person so affected. Any Indemnified Person shall, as to any Proceeding based on actions, events, or omissions occurring prior to the date of receipt of such notice, be entitled to the right of indemnification, advancement of expenses, and other rights under this Article Eight to the same extent as if such provisions had continued as part of the Bylaws of the Corporation without such amendment. This Section 8.9 cannot be altered, amended, or repealed in a manner effective as to any Indemnified Person (except as to Post Amendment Events) without the prior written consent of such Indemnified Person.

8.10 Agreements. The provisions of this Article Eight shall be deemed to constitute an agreement between the Corporation and each Indemnified Person hereunder. In addition to the rights provided in this Article Eight, the Corporation shall have the power, upon authorization by the Board of Directors, to enter into an agreement or agreements providing to any Indemnified Person indemnification rights substantially similar to those provided in this Article Eight.

8.11 Continuing Benefits. The rights of indemnification and advancement of expenses permitted or authorized by this Article Eight shall, unless otherwise provided when such rights are granted or conferred, continue as to a person who has ceased to be a director, officer, employee, or agent and shall inure to the benefit of the heirs, executors, and administrators of such person.

8.12 Successors. For purposes of this Article Eight, the term "Corporation" shall include any corporation, joint venture, trust, partnership, or unincorporated business association that is the successor to all or substantially all of the business or assets of this Corporation, as a result of merger, consolidation, sale, liquidation, or otherwise, and any such successor shall be liable to the persons indemnified under this Article Eight on the same terms and conditions and to the same extent as this Corporation.

8.13 Severability. Each of the Sections of this Article Eight, and each of the clauses set forth herein, shall be deemed separate and independent, and should any part of any such Section or clause be declared invalid or unenforceable by any court of competent jurisdiction, such invalidity or unenforceability shall in no way render invalid or unenforceable any other part thereof or any separate Section or clause of this Article Eight that is not declared invalid or unenforceable.

8.14 Additional Indemnification. In addition to the specific indemnification rights set forth herein, the Corporation shall indemnify each of its directors and such of its officers as have been

designated by the Board of Directors to the full extent permitted by action of the Board of Directors without shareholder approval under the Code or other laws of the State of Georgia as in effect from time to time.

ARTICLE NINE

Miscellaneous

9.1 Inspection of Books and Records. The Board of Directors shall have the power to determine which accounts, books, and records of the Corporation shall be available for shareholders to inspect or copy, except for those books and records required by the Code to be made available upon compliance by a shareholder with applicable requirements, and shall have the power to fix reasonable rules and regulations (including confidentiality restrictions and procedures) not in conflict with applicable law for the inspection and copying of accounts, books, and records that by law or by determination of the Board of Directors are made available. Unless required by the Code or otherwise provided by the Board of Directors, a shareholder of the Corporation holding less than two percent of the total shares of the Corporation then outstanding shall have no right to inspect the books and records of the Corporation.

9.2 Fiscal Year. The Board of Directors is authorized to fix the fiscal year of the Corporation and to change the fiscal year from time to time as it deems appropriate.

9.3 Corporate Seal. The corporate seal will be in such form as the Board of Directors may from time to time determine. The Board of Directors may authorize the use of one or more facsimile forms of the corporate seal. The corporate seal need not be used unless its use is required by law, by these Bylaws, or by the Articles of Incorporation.

9.4 Annual Statements. Not later than four months after the close of each fiscal year, and in any case prior to the next annual meeting of shareholders, the Corporation shall prepare (a) a balance sheet showing in reasonable detail the financial condition of the Corporation as of the close of its fiscal year, and (b) a profit and loss statement showing the results of its operations during its fiscal year. Upon receipt of written request, the Corporation promptly shall mail to any shareholder of record a copy of the most recent such balance sheet and profit and loss statement, in such form and with such information as the Code may require.

9.5 Notice. (a) Whenever these Bylaws require notice to be given to any shareholder or to any director, the notice may be given by mail, in person, by courier delivery, by telephone, by telecopier, or similar electronic means. Whenever notice is given to a shareholder or director by mail, the notice shall be sent by depositing the notice in a post office or letter box in a postage-prepaid, sealed envelope addressed to the shareholder or director at his or her address as it appears on the books of the Corporation. Any such written notice given by mail shall be effective: (i) if given to shareholders, at the time the same is deposited in the United States mail; and (ii) in all other cases, at the earliest of (x) when received or when delivered, properly addressed, to the addressee's last known principal place of business or residence, (y) five days after its deposit in the mail, as evidenced by the postmark, if mailed with first-class postage prepaid and correctly addressed, or (z) on the date shown on the return receipt, if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the addressee. Whenever notice is given to a shareholder or director by any means other than mail, the notice shall be deemed given when received.

(b) In calculating time periods for notice, when a period of time measured in days, weeks, months, years, or other measurement of time is prescribed for the exercise of any privilege or the discharge of any duty, the first day shall not be counted but the last day shall be counted.

ARTICLE TEN

Amendments

Except as otherwise provided under the Code, the Board of Directors shall have the power to alter, amend, or repeal these Bylaws or adopt new Bylaws. Any Bylaws adopted by the Board of Directors may be altered, amended, or repealed, and new Bylaws adopted, by the shareholders. The shareholders may prescribe in adopting any Bylaw or Bylaws that the Bylaw or Bylaws so adopted shall not be altered, amended, or repealed by the Board of Directors.

The undersigned, as Secretary of the Corporation, on behalf of the Corporation, hereby certifies that these Bylaws were adopted in compliance with the procedural requirements of the Company's Articles of Incorporation and the laws of the State of Georgia, and the rules and regulations promulgated thereunder, and have not been amended or revoked as of the date herein.

Name:

Secretary

Date:

15

[NUMBER]

[SHARES]

FIRST SOUTHERN BANCORP
Incorporated under the Laws of the State of Georgia
10,000,000 Shares Authorized Common Stock (\$.01 par value per share)

This Certifies that [NAME] is the owner of
****AMOUNT**** fully paid and
non-assessable Shares of the above Corporation transferable only on the
books of the Corporation by the holder hereof in person or by duly authorized
Attorney upon surrender of this Certificate properly endorsed.

In Witness Whereof, the said Corporation has caused this
Certificate to be signed By its duly authorized officers and to
be sealed with the Seal of the Corporation.

Dated ----- , 2001

PRESIDENT

SECRETARY

The following abbreviations, when used in the inscription on the face of this
certificate, shall be construed as though they were written out in full
according to applicable laws or regulations. Additional abbreviations may also
be used though not in the list.

TEN COM -as tenants in common UNIF GIFT MIN ACT-....Custodian.....(Minor)
TEN ENT -as tenants by the entireties under Uniform Gifts to Minors Act..(State)
JT TEN as joint tenants with right of survivorship and not as tenants in common

For value received, the undersigned hereby sells, assigns and transfers unto

Please Print or Typewrite Name and Address of Assignee

Shares

Represented by the within Certificate, and hereby irrevocably constitutes
and appoints _____

Attorney to transfer the said shares on the books of
the within-named Corporation with full power of substitution in the premises.
Dated, _____

In presence of _____

NELSON MULLINS RILEY & Scarborough, L.L.P.
A REGISTERED LIMITED LIABILITY PARTNERSHIP

[LETTERHEAD]

August 3, 2001

First Southern Bancorp
101B South Zetterower Avenue
Statesboro, Georgia 30458

Re: Registration Statement on Form SB-2

Ladies and Gentlemen:

We have acted as counsel to First Southern Bancorp (the "Company") in connection with the filing of a Registration Statement on Form SB-2 (the "Registration Statement") under the Securities Act of 1933. The Registration Statement covers the offering of up to 1,000,000 shares (the "Shares") of the Company's Common Stock, par value \$.01 per share, and warrants (the "Warrants") to purchase up to 495,333 Shares issuable upon the exercise of warrants. In connection therewith, we have examined such corporate records, certificates of public officials, and other documents and records as we have considered necessary or proper for the purpose of this opinion. In our examination, we have assumed the completeness and authenticity of any document submitted to us as an original, the completeness and conformity to the originals of any document submitted to us as a copy, the authenticity of the originals of such copies, the genuineness of all signatures, and the legal capacity and mental competence of natural persons.

The opinions set forth herein are limited to the laws of the State of Georgia and applicable federal laws. In addition, this opinion letter is limited by, and is in accordance with, the January 1, 1992 edition of the Interpretive Standards (the "Interpretive Standards") Applicable to Legal Opinions to Third Parties in Corporate Transactions adopted by the Legal Opinion Committee of the Corporate and Banking Law Section of the State Bar of Georgia, which Interpretive Standards are incorporated in this Opinion Letter by this reference.

Based on the foregoing and subject to the Interpretive Standards, it is our opinion that the Shares have been duly authorized and that, upon issuance by the Company as contemplated by the Articles of Incorporation and, in the case of the shares of common stock to be issued upon exercise of the Warrants, upon exercise of such Warrants and payment of the exercise prices thereof to the Company in accordance with their terms, the Shares will be validly issued, fully paid and non-assessable.

This opinion is being rendered to be effective as of the effective date of the Registration Statement. We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to our firm under the caption "Legal Matters" in the Prospectus contained in the Registration Statement.

NELSON MULLINS RILEY & SCARBOROUGH

By: /s/ Neil E. Grayson

Neil E. Grayson

STATE OF GEORGIA

COUNTY OF BULLOCH

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") dated as of the ____ day of June, 2001, is made by and between First Southern Bancorp, a Georgia corporation (the "Employer" or the "Company") which is the proposed bank holding company for First Southern National Bank (Proposed), a proposed national bank (the "Bank"), and F. Thomas David, an individual resident of Bulloch County, Georgia (the "Executive").

The Employer is in the process of organizing the Bank, and the Executive has agreed to serve as President and Chief Executive Officer of the Bank and the Company. Upon organization of the Bank, the Employer and the Executive contemplate that this Agreement will be assigned by the Employer to the Bank and that the Bank will assume the duties of the Company hereunder; provided that nothing herein shall be construed as releasing the Company from its obligations hereunder. Following any such assignment, the term "Employer" as used herein from time to time shall refer to the Bank.

The Employer recognizes that the Executive's contribution to the growth and success of the Bank during its organization and initial years of operations will be a significant factor in the success of the Bank. The Employer desires to provide for the employment of the Executive in a manner which will reinforce and encourage the dedication of the Executive to the Bank and promote the best interests of the Bank and its shareholders. The Executive is willing to serve the Employer on the terms and conditions herein provided. Certain terms used in this Agreement are defined in Section 17 hereof.

In consideration of the foregoing, the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Employment. The Employer shall employ the Executive, and the Executive shall serve the Employer, as President and Chief Executive Officer of the Bank and the Company upon the terms and conditions set forth herein. The Executive shall also serve on the Board of Directors of the Company and the Bank. The Executive shall have such authority and responsibilities consistent with his position as are set forth in the Company's or the Bank's Bylaws or assigned by the Company's or the Bank's Board of Directors (the "Board") from time to time. The Executive shall devote his full business time, attention, skill and efforts to the performance of his duties hereunder, except during periods of illness or periods of vacation and leaves of absence consistent with Bank policy. The Executive may devote reasonable periods to service as a

director or advisor to other organizations, to charitable and community activities, and to managing his personal investments, provided that such activities do not materially interfere with the performance of his duties hereunder and are not in conflict or competitive with, or adverse to, the interests of the Company or the Bank. In no event shall the Executive be assigned to an office of the Bank outside Bulloch County, Georgia, without his prior written consent, or required to relocate to a community outside Bulloch County, Georgia.

2. Term. Unless earlier terminated as provided herein, the Executive's employment under this Agreement shall commence on the date hereof and be for a term (the "Term") of three (3) years. At the end of each year of the Term, the Term shall be extended for an additional year so that the remaining term shall continue to be three (3) years; provided that the Executive or the Bank may at any time, by written notice, fix the Term to a finite term of three (3) years commencing with the year of the notice. Notwithstanding the foregoing, the Term of employment hereunder will end on the date that the Executive attains the retirement age, if any, specified in the Bylaws of the Bank for directors of the Bank.

3. Compensation and Benefits.

(a) For all services rendered by Executive under this Agreement, the Employer shall pay the Executive an annual base salary, to be determined by its Board of Directors, but in no event shall the annual salary be less than \$115,200 per year, payable in equal monthly installments on the first day of each month. Executive shall have the right to enter into a reasonable deferred compensation agreement and plan with the Company or the Bank, provided that the deferred compensation agreement and plan complies with applicable tax deferral regulations and that Employer is not obligated to match any Executive contributions. The Board (or an appropriate committee of the Board) shall review the Executive's salary at least annually and may increase the Executive's salary if it determines in its sole discretion that an increase is appropriate.

(b) For the period beginning February 1, 2001 and ending on the earlier of (i) December 31, 2001, or (ii) the date the Bank opens for business (the "Opening Date"), the Employer shall pay the Executive the reduced amount of \$3,600 per month (the "Salary Reduction Amount") in order to defer the Employer's organizational expenses. The remaining portion of the Executive's base salary shall accrue at the rate of \$6,000 per month and shall be paid by the Employer to the Executive on the earlier of (i) the date that Executive ceases employment with the Employer, or (ii) December 31, 2001. Executive shall have the right to defer all or part of the accrued base salary in accordance with the terms of any deferred compensation agreement and plan executed by the parties as contemplated in Section 3(a) hereof.

(c) On or before January 31 of each year, the Executive shall be eligible to receive a cash bonus equaling up to 5% of the greater of (i) the net pretax consolidated income of the Company for the preceding fiscal year (determined in accordance with generally accepted accounting principals), or (ii) the net after-tax consolidated income of the Company for the preceding fiscal year (determined in accordance with generally accepted accounting principals), if the Bank achieves certain performance levels established by the Board of Directors from time to time (the "Bonus Plan"). On or before the beginning of each fiscal year, the Board of Directors, in consultation with the Executive, shall establish reasonable performance levels for the Bank and the specific terms of the Bonus Plan for the ensuing fiscal year.

(d) The Executive shall participate in the Bank's long-term equity incentive program and be eligible for the grant of stock options, restricted stock, and other awards thereunder or under any similar plan adopted by the Company. As soon as an appropriate stock option plan is adopted by the Board, the Company shall grant to the Executive an option to purchase a number of shares of Common Stock equal to 5% of the number of shares sold in the offering. The award

2

agreement for the stock option shall provide that one-third of the shares subject to the option will vest on each of the first three anniversaries of the Opening Date or such other dates as may be mutually agreeable to the parties, but only if the Executive remains employed by the Company on such date, and shall contain other customary terms and conditions. Nothing herein shall be deemed to preclude the granting to the Executive of warrants or options under a director option plan in addition to the options granted hereunder.

(e) The Executive shall participate in all health, disability, retirement, welfare and other benefit plans or programs of the Employer now or hereafter applicable generally to employees of the Employer or to a class of employees that includes senior executives of the Employer. The Employer shall pay the premiums necessary to cover the Executive and his dependents under any group medical and hospitalization insurance policy offered by the Employer to its employees. The Executive shall also receive 20 business days of paid vacation each year.

(f) The Employer shall provide the Executive with a key man term life insurance policy providing for death benefits totaling \$1,000,000, with \$500,000 payable to the Employer and \$500,000 payable to the Executive's designated beneficiary, and the Executive shall cooperate with the Employer in the securing and maintenance of such policy. If Executive is taxed by state or federal authorities with respect to Employer's payment of the key man life insurance policy, Executive's compensation payable hereunder shall be increased, on a tax gross-up basis, so as to reimburse the Executive for the additional tax payable by the Executive as a result of Employer's payment of the key man life

insurance premiums taking into account all taxes payable by the Executive with respect to such tax gross-up payments hereunder, so that the Executive shall be, after payment of all taxes, in the same financial position as if no taxes with respect to the key man life insurance policy had been imposed upon him. The Employer shall also pay for an accident liability policy on the Executive totaling \$1,000,000 to protect the Employer and the Executive from damages or lawsuits resulting from injuries to third parties caused by the Executive.

(g) Prior to the Opening Date, the Employer shall provide the Executive with a reasonable allowance each month for an automobile. Beginning upon the Opening Date, the Company shall provide Executive with either an automobile (at a cost not to exceed \$35,000) owned or leased by the Company of a make and model appropriate to the Executive's status, or a monthly automobile allowance not to exceed \$575 per month. If an automobile is provided to the Executive by the Company, such automobile shall be replaced with a new vehicle at least every two (2) years during the term of this Agreement. The Company shall also pay or reimburse the Executive for the reasonable expenses associated with the use of the automobile (whether such automobile is provided by the Company or by the Executive) including, but not limited to, a fuel allowance, maintenance, insurance, taxes, etc.

(h) In addition, commencing on the date of this Agreement, the Employer shall pay Executive's monthly membership dues pertaining to an area country club and an area civic club for so long as the Executive remains the President and CEO of the Employer and this Agreement remains in force.

3

(i) The Employer shall reimburse the Executive for reasonable travel and other business development expenses related to the Executive's duties which are incurred and accounted for in accordance with the normal practices of the Employer.

(j) Each year, the Executive may elect to enter into a deferred compensation agreement with the Employer for the following year; provided the Executive gives notice to the Employer at least 60 days prior to January 1 of the year in which Executive desires to defer all or part of his compensation. Subject to applicable statutes and regulations, the Employer will work with the Executive to determine mutually agreeable terms of the deferred compensation agreement.

(k) Each year, at the Employer's expense, the Executive shall obtain a physical examination. The scope of such physical examination shall be of a type and nature similar to medical examinations required of key executives in similar businesses from time to time, and shall be determined in the reasonable discretion of Employer.

4. Termination.

(a) The Executive's employment under this Agreement may be terminated prior to the end of the Term only as follows:

(i) upon the death of the Executive;

(ii) upon the disability of the Executive for (A) a consecutive period of 180 days or (B) for a period of 180 days within any 240 day period, which, in the opinion of the Board of Directors, renders him unable to perform the essential functions of his job and for which reasonable accommodation is unavailable. For purposes of this Agreement, a "disability" is defined as a physical or mental impairment that substantially limits one or more major life activities, and a "reasonable accommodation" is one that does not impose an undue hardship on the Employer;

(iii) by the Employer for Cause upon delivery of a Notice of Termination to the Executive;

(iv) by the Executive by Notice of Termination which follows a Change in Control and either (i) follows the occurrence of a Good Reason or (ii) is delivered within one year after the occurrence of a Change in Control;

(v) by the Employer if its effort to organize the Bank is abandoned before a charter is obtained;

(vi) by the Executive effective upon the 30th day after delivery of a Notice of Termination; or

(vii) by the Employer effective upon the 30th day after delivery of a Notice of Termination.

4

(b) If the Executive's employment is terminated because of the Executive's death under Section 4(a)(i), the Executive's estate shall receive any sums due him as base salary, deferred compensation, and/or reimbursement of expenses through the end of the month during which death occurred, plus any bonus earned or accrued under the Bonus Plan through the date of death (including any amounts awarded for previous years but which were not yet vested) and a pro rata share of any bonus with respect to the current fiscal year which had been earned as of the date of the Executive's death.

(c) During the period of any incapacity leading up to the termination of the Executive's employment under Section 4(a)(ii), the Employer shall continue to pay the Executive his full base salary at the rate then in

effect and all perquisites and other benefits (other than any bonus) for the greater of (i) 180 days from the onset of such disability, or (b) until the Executive becomes eligible for benefits under any long-term disability plan or insurance program maintained by the Employer, provided that the amount of any such salary payments to the Executive shall be reduced by the sum of the amounts, if any, payable to the Executive for the same period under any disability benefit or pension plan of the Employer or any of its subsidiaries. Furthermore, the Executive shall receive any bonus earned or accrued under the Bonus Plan through the date of incapacity (including any amounts awarded for previous years but which were not yet vested), a pro rata share of any bonus with respect to the current fiscal year which had been earned as of the date of the Executive's incapacity, and any deferred compensation due to the Executive under any deferred compensation agreement and plan with the Employer.

(d) If the Executive's employment is terminated for Cause under Section 4(a)(iii), the Executive shall receive any sums due him as base salary and/or reimbursement of expenses through the date of such termination. Furthermore, the Executive shall continue to receive any deferred compensation due to the Executive under any deferred compensation agreement and plan with the Employer.

(e) If the Executive's employment is terminated by the Executive pursuant to clause 4(a)(iv), in addition to other rights and remedies available in law or equity, the Executive shall be entitled to the following:

(i) the Employer shall pay the Executive in cash within fifteen (15) days of the date of termination severance compensation in an amount equal to the sum of (a) his then current monthly base salary multiplied by 24; (b) any bonus earned or accrued under the Bonus Plan through the date of termination (including any amounts awarded for previous years but which were not yet vested); (c) a pro rata share of any bonus with respect to the current fiscal year which had been earned as of the date of termination; and (d) the average annual bonus paid or due to the Executive under the Bonus Plan during the two preceding fiscal years multiplied by 2. Furthermore, the Executive shall continue to receive any deferred compensation due to the Executive under any deferred compensation agreement and plan with the Employer.

(ii) for a period of two (2) years, the Employer shall at its expense continue on behalf of the Executive and his dependents and beneficiaries the life insurance, disability, medical, dental, and hospitalization benefits provided (x) to the Executive

at any time during the 90-day period prior to the Change in Control or at any time thereafter or (y) to other similarly

situated executives who continue in the employ of the Employer during the Continuation Period. Such coverage and benefits (including deductibles and costs) shall be no less favorable to the Executive and his dependents and beneficiaries than the most favorable of such coverages and benefits during any of the periods referred to above. The Employer's obligation hereunder with respect to the foregoing benefits shall be limited to the extent that the Executive obtains any such benefits pursuant to a subsequent employer's benefit plans, in which case the Employer may reduce the coverage of any benefits it is required to provide the Executive hereunder as long as the aggregate coverages and benefits of the combined benefit plans is no less favorable to the Executive than the coverages and benefits required to be provided hereunder. This subsection (ii) shall not be interpreted so as to limit any benefits to which the Executive or his dependents or beneficiaries may be entitled under any of the Employer's employee benefit plans, programs, or practices following the Executive's termination of employment, including, without limitation, retiree medical and life insurance benefits.

(f) If the Executive's employment is terminated pursuant to Section 4(a)(v), the Employer shall pay to the Executive all base salary accrual due to the Executive under Section 3(b) of this Agreement.

(g) If the Executive resigns under Section 4(a)(vi), the Executive shall receive any sums due him as base salary and/or reimbursement of expenses through the date of such termination, plus any bonus earned or accrued under the Bonus Plan through the date of termination (including any amounts awarded for previous years but which were not yet vested) and a pro rata share of any bonus with respect to the current fiscal year which had been earned as of the date of the Executive's termination. Furthermore, the Executive shall continue to receive any deferred compensation due to the Executive under any deferred compensation agreement and plan with the Employer.

(h) If the Employer terminates the Executive's employment pursuant to clause 4(a)(vii), in addition to other rights and remedies available in law or equity, the Executive shall be entitled to the following:

(i) the Employer shall pay the Executive in cash within fifteen (15) days of the date of termination severance compensation in an amount equal to the sum of (a) his then current monthly base salary multiplied by 24; (b) any bonus earned or accrued under the Bonus Plan through the date of termination (including any amounts awarded for previous years but which were not yet vested); (c) a pro rata share of any bonus with respect to the current fiscal year which had been earned as of the date of termination; and (d) the average annual bonus paid or due to the Executive under the Bonus Plan during the two preceding fiscal years multiplied by 3. Furthermore, the Executive shall continue to receive any

deferred compensation due to the Executive under any deferred compensation agreement and plan with the Employer.

(ii) for a period of three (3) years, the Employer shall at its expense continue on behalf of the Executive and his dependents and beneficiaries the life

6

insurance, disability, medical, dental, and hospitalization benefits provided (x) to the Executive at any time during the 90-day period prior to the Change in Control or at any time thereafter or (y) to other similarly situated executives who continue in the employ of the Employer during the Continuation Period. Such coverage and benefits (including deductibles and costs) shall be no less favorable to the Executive and his dependents and beneficiaries than the most favorable of such coverages and benefits during any of the periods referred to above. The Employer's obligation hereunder with respect to the foregoing benefits shall be limited to the extent that the Executive obtains any such benefits pursuant to a subsequent employer's benefit plans, in which case the Employer may reduce the coverage of any benefits it is required to provide the Executive hereunder as long as the aggregate coverages and benefits of the combined benefit plans is no less favorable to the Executive than the coverages and benefits required to be provided hereunder. This subsection (ii) shall not be interpreted so as to limit any benefits to which the Executive or his dependents or beneficiaries may be entitled under any of the Employer's employee benefit plans, programs, or practices following the Executive's termination of employment, including, without limitation, retiree medical and life insurance benefits.

(i) If this Agreement terminates (A) by the expiration of its term as set forth in Section 2 above or (B) by the Executive attaining the retirement age, if any, specified in the Bylaws of the Bank for directors of the Bank as provided in Section 2 above, then in either event, the Executive shall receive any sums due him as base salary and/or reimbursement of expenses through the date of such termination, plus any bonus earned or accrued under the Bonus Plan through the date of termination (including any amounts awarded for previous years but which were not yet vested) and a pro rata share of any bonus with respect to the current fiscal year which had been earned as of the date of the Executive's termination. Furthermore, the Executive shall continue to receive any deferred compensation due to the Executive under any deferred compensation agreement and plan with the Employer.

(j) With the exceptions of the provisions of this Section 4,

and the express terms of any benefit plan under which the Executive is a participant, it is agreed that, upon termination of the Executive's employment, the Employer shall have no obligation to the Executive for, and the Executive waives and relinquishes, any further compensation or benefits (exclusive of COBRA benefits). Unless otherwise stated in this Section 4, the effect of termination on any outstanding incentive awards, stock options, stock appreciation rights, performance units, or other incentives shall be governed by the terms of the applicable benefit or incentive plan and/or the agreements governing such incentives. At the time of termination of employment, the Employer and the Executive shall enter into a mutually satisfactory form of release acknowledging such remaining obligations and discharging both parties, as well as the Employer's officers, directors and employees with respect to their actions for or on behalf of the Employer, from any other claims or obligations arising out of or in connection with the Executive's employment by the Employer, including the circumstances of such termination.

(k) Upon the termination of the Executive's employment for any reason (except termination for Cause under Section 4(a)(iii) hereof or termination of employment by Executive under Section 4(a)(vi) hereof), the restrictions on any outstanding incentive awards (including

7

restricted stock) granted to the Executive under the Company's or the Bank's long-term equity incentive program or any other incentive plan or arrangement shall lapse and such awards shall become 100% vested, all stock options and stock appreciation rights granted to the Executive shall become immediately exercisable and shall become 100% vested (or at the option of the Executive shall continue to be exercisable pursuant to the original terms of such options and rights), and all performance units granted to the Executive shall become 100% vested. Notwithstanding the foregoing or anything else contained in this Agreement, the options granted to Executive pursuant to Section 3(d) of this Agreement to purchase shares of common stock equal to 5% of the number of shares sold in the initial offering, shall vest in Executive in one-third increments on each of the first three anniversaries of the Opening Date or such other dates as may be mutually agreeable to the parties, but only if Executive shall remain employed by the Company on such designated vesting dates, it being agreed by the parties that one of the primary purposes of such options is to encourage Executive to serve Employer for Employer's first three years of business.

(l) The Executive shall have no obligation to resign his position as a director of the Employer because his employment hereunder is terminated regardless of the reason for such termination.

(m) The parties intend that the severance payments and other compensation provided for herein are reasonable compensation for the Executive's services to the Employer and shall not constitute "excess parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986 and any regulations thereunder. In the event that the Employer's independent accountants

acting as auditors for the Employer on the date of a Change in Control or the date of Executive's termination determine that the payments provided for herein constitute "excess parachute payments," then the compensation payable hereunder shall be increased, on a tax gross-up basis, so as to reimburse the Executive for the tax payable by the Executive, pursuant to Section 4999 of the Internal Revenue Code, on such "excess parachute payments," taking into account all taxes payable by the Executive with respect to such tax gross-up payments hereunder, so that the Executive shall be, after payment of all taxes, in the same financial position as if no taxes under Section 4999 had been imposed upon him.

5. Ownership of Work Product. The Employer shall own all Work Product arising during the course of the Executive's employment (prior, present or future). For purposes hereof, "Work Product" shall mean all intellectual property rights, including all Trade Secrets, U.S. and international copyrights, patentable inventions, and other intellectual property rights in any programming, documentation, technology or other work product that relates to the Employer, its business or its customers and that Executive conceives, develops, or delivers to the Employer at any time during his employment, during or outside normal working hours, in or away from the facilities of the Employer, and whether or not requested by the Employer. If the Work Product contains any materials, programming or intellectual property rights that the Executive conceived or developed prior to, and independent of, the Executive's work for the Employer, the Executive agrees to point out the pre-existing items to the Employer, and the Executive grants the Employer a worldwide, unrestricted, royalty-free right, including the right to sublicense such items. The Executive agrees to take such actions and execute such further acknowledgments and assignments as the Employer may reasonably request to give effect to this provision.

8

6. Protection of Trade Secrets. The Executive agrees to maintain in strict confidence and, except as necessary to perform his duties for the Employer, the Executive agrees not to use or disclose any Trade Secrets of the Employer during or after his employment except in the performance of Executive's responsibilities and duties under this Agreement. "Trade Secret" means information, including a formula, pattern, compilation, program, device, method, technique, process, drawing, cost data or customer list, that: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

7. Protection of Other Confidential Information. In addition, the Executive agrees to maintain in strict confidence and, except as necessary to perform his duties for the Employer, not to use or disclose any Confidential Business Information of the Employer during or after his employment except in the performance of Executive's responsibilities and duties under this Agreement.

"Confidential Business Information" shall mean any internal, non-public information (other than Trade Secrets already addressed above) concerning the Employer's financial position and results of operations (including revenues, assets, net income, etc.); annual and long-range business plans; product or service plans; marketing plans and methods; training, educational and administrative manuals; customer and supplier information and purchase histories; and employee lists. The provisions of Sections 6 and 7 above shall also apply to protect Trade Secrets and Confidential Business Information of third parties provided to the Employer under an obligation of secrecy.

8. Return of Materials. The Executive shall surrender to the Employer, promptly upon its request and in any event upon termination of the Executive's employment, all media, documents, notebooks, computer programs, handbooks, data files, models, samples, price lists, drawings, customer lists, prospect data, or other material of any nature whatsoever (in tangible or electronic form) in the Executive's possession or control, including all copies thereof, relating to the Employer, its business, or its customers. Upon the request of the Employer, Executive shall certify in writing compliance with the foregoing requirement.

9. Restrictive Covenants.

(a) No Solicitation of Customers. During the Executive's employment with the Employer, and for a period of 24 months thereafter, or during any period the Employer is paying Executive severance under Section 4 if longer than 24 months, the Executive shall not (except on behalf of or with the prior written consent of the Employer), either directly or indirectly, on the Executive's own behalf or in the service or on behalf of others, (A) solicit, divert, or appropriate to or for a Competing Business, or (B) attempt to solicit, divert, or appropriate to or for a Competing Business, any person or entity that is or was a customer of the Employer or any of its Affiliates on the date of termination and is located in the Territory and with whom the Executive has had material contact.

(b) No Recruitment of Personnel. During the Executive's employment with the Employer, and for a period of 24 months thereafter, or during any period the Employer is paying

Executive severance under Section 4 if longer than 24 months, the Executive shall not, either directly or indirectly, on the Executive's own behalf or in the service or on behalf of others, (A) solicit, divert, or hire away, or (B) attempt to solicit, divert, or hire away, to any Competing Business located in the Territory, any employee of or consultant to the Employer or any of its Affiliates engaged or experienced in the Business, regardless of whether the employee or consultant is full-time or temporary, the employment or engagement is pursuant to written agreement, or the employment is for a determined period or is at will.

(c) Non-Competition Agreement. During the Executive's employment with the Employer, and for a period of 24 months thereafter, or during any period the Employer is paying Executive severance under section 4 if longer than 24 months, the Executive shall not (without the prior written consent of the Employer) compete with the Employer or any of its Affiliates by, directly or indirectly, forming, serving as an organizer, director or officer of, or consultant to, or acquiring or maintaining more than a 1% passive investment in, a depository financial institution or holding company therefor if such depository institution or holding company has one or more offices or branches located in the Territory. Notwithstanding the foregoing, the Executive may serve as an officer of or consultant to a depository institution or holding company therefor even though such institution operates one or more offices or branches in the Territory, if the Executive's employment does not directly involve, in whole or in part, the depository financial institution's or holding company's operations in the Territory.

(d) Release. If the Executive's employment is terminated pursuant to the provisions of clause (iv), (v) or (vii) of Section 4(a) of this Agreement, then the Executive shall be released from all of the restrictions set forth in this Section 9. Notwithstanding the foregoing or anything else contained in this Agreement, Executive shall be subject to all of the restrictions set forth in this Section 9 in the event Executive's employment is terminated pursuant to either Section 4(a)(iv) or 4(a)(vii), and Executive receives the compensation set forth in Section 4(e) or 4(h), as applicable.

10. Independent Provisions. The provisions in each of the above Sections 9(a), 9(b), and 9(c) are independent, and the unenforceability of any one provision shall not affect the enforceability of any other provision.

11. Successors; Binding Agreement. The rights and obligations of this Agreement shall bind and inure to the benefit of the surviving corporation in any merger or consolidation in which the Employer is a party, or any assignee of all or substantially all of the Employer's business and properties. The Executive's rights and obligations under this Agreement may not be assigned by him, except that his right to receive accrued but unpaid compensation, unreimbursed expenses and other rights, if any, provided under this Agreement which survive termination of this Agreement shall pass after death to the personal representatives of his estate.

12. Notice. For the purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or sent by certified mail, return receipt requested, postage prepaid, addressed to the respective addresses last given by each party to the other; provided, however, that all notices

to the Employer shall be directed to the attention of the Employer with a copy to the Secretary of the Employer. All notices and communications shall be deemed to have been received on the date of delivery thereof.

13. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Georgia without giving effect to the conflict of laws principles thereof. Any action brought by any party to this Agreement shall be brought and maintained in a court of competent jurisdiction in State of Georgia.

14. Non-Waiver. Failure of the Employer to enforce any of the provisions of this Agreement or any rights with respect thereto shall in no way be considered to be a waiver of such provisions or rights, or in any way affect the validity of this Agreement.

15. Enforcement. The Executive agrees that in the event of any breach or threatened breach by the Executive of any covenant contained in Section 9(a), 9(b), or 9(c) hereof, the resulting injuries to the Employer would be difficult or impossible to estimate accurately, even though irreparable injury or damages would certainly result. Accordingly, an award of legal damages, if without other relief, would be inadequate to protect the Employer. The Executive, therefore, agrees that in the event of any such breach, the Employer shall be entitled to obtain from a court of competent jurisdiction an injunction to restrain the breach or anticipated breach of any such covenant, and to obtain any other available legal, equitable, statutory, or contractual relief. Should the Employer have cause to seek such relief, no bond shall be required from the Employer. If any action is brought to enforce the terms and provisions of this Agreement, the prevailing party shall be entitled to recover from the other party all expenses of litigation, including reasonable attorney's fees incurred in connection with such action.

16. Saving Clause. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision or clause of this Agreement, or portion thereof, shall be held by any court or other tribunal of competent jurisdiction to be illegal, void, or unenforceable in such jurisdiction, the remainder of such provision shall not be thereby affected and shall be given full effect, without regard to the invalid portion. It is the intention of the parties that, if any court construes any provision or clause of this Agreement, or any portion thereof, to be illegal, void, or unenforceable because of the duration of such provision or the area or matter covered thereby, such court shall reduce the duration, area, or matter of such provision, and, in its reduced form, such provision shall then be enforceable and shall be enforced. The Executive and the Employer hereby agree that they will negotiate in good faith to amend this Agreement from time to time to modify the terms of Sections 9(a), 9(b), and 9(c), the definition of the term "Territory," and the definition of the term "Business," to reflect changes in the Employer's business and affairs so that the scope of the limitations placed on the Executive's activities by Section 9 accomplishes the parties' intent in relation to the then current facts and circumstances. Any such amendment shall

be effective only when completed in writing and signed by the Executive and the Employer.

17. Certain Definitions.

11

(a) "Affiliate" shall mean any business entity controlled by, controlling or under common control with the Employer.

(b) "Business" shall mean the operation of a depository financial institution, including, without limitation, the solicitation and acceptance of deposits of money and commercial paper, the solicitation and funding of loans and the provision of other banking services, and any other related business engaged in by the Employer or any of its Affiliates as of the date of termination.

(c) "Cause" shall consist of any of (A) the commission by the Executive of a willful act (including, without limitation, a dishonest or fraudulent act) or a grossly negligent act, or the willful or grossly negligent omission to act by the Executive, which is intended to cause, causes or is reasonably likely to cause material harm to the Employer (including harm to its business reputation), (B) the indictment of the Executive for the commission or perpetration by the Executive of any felony or any crime involving dishonesty, moral turpitude or fraud, (C) the material breach by the Executive of this Agreement that, if susceptible of cure, remains uncured 30 days following written notice to the Executive of such breach, (D) the receipt of any form of notice, written or otherwise, that any regulatory agency having jurisdiction over the Employer intends to institute any form of formal or informal (e.g., a memorandum of understanding which relates to the Executive's performance) regulatory action against the Executive or the Employer (provided that the Board of Directors determines in good faith, with the Executive abstaining from participating in the consideration of and vote on the matter, that the subject matter of such action involves acts or omissions by or under the direct supervision of the Executive or that termination of the Executive would materially advance the Employer's compliance with the purpose of the action or would materially assist the Employer in avoiding or reducing the restrictions or adverse effects to the Employer related to the regulatory action); (E) the exhibition by the Executive of a standard of behavior within the scope of his employment that is materially disruptive to the orderly conduct of the Employer's business operations (including, without limitation, substance abuse or sexual misconduct) to a level which, in the Board of Directors' good faith and reasonable judgment, with the Executive abstaining from participating in the consideration of and vote on the matter, is materially detrimental to the Employer's best interest, that, if susceptible of cure, remains uncured 10 days following written notice to the Executive of such specific inappropriate behavior; or (F) the failure of the Executive to devote his full business time and attention to his employment as provided under this Agreement that, if

susceptible of cure, remains uncured 30 days following written notice to the Executive of such failure.

(d) "Change in Control" shall mean the occurrence during the Term of any of the following events, unless such event is a result of a Non-Control Transaction:

(i) The individuals who, as of the date of this Agreement, are members of the Board of Directors of the Employer (the "Incumbent Board") cease for any reason to constitute at least fifty percent of the Board of Directors of the Employer; provided, however, that if the election, or nomination for election by the Employer's shareholders, of any new director was approved in advance by a vote of at least fifty percent of the Incumbent Board, such new director shall, for purposes of this Agreement, be considered as a member of the Incumbent Board; provided, further,

12

that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened "Election Contest" (as described in Rule 14a-11 promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"), or other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board of Directors of the Employer (a "Proxy Contest"), including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest.

(ii) An acquisition (other than directly from the Employer) of any voting securities of the Employer (the "Voting Securities") by any "Person" (as the term "person" is used for purposes of Section 13(d) or 14(d) of the Exchange Act) immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of the combined voting power of the Employer's then outstanding Voting Securities; provided, however, that in determining whether a Change in Control has occurred, Voting Securities which are acquired in a Non-Control Acquisition shall not constitute an acquisition which would cause a Change in Control.

(iii) Approval by the shareholders of the Employer of: (i) a merger, consolidation, or reorganization involving the Employer; (ii) a complete liquidation or dissolution of the Employer (excluding any liquidation or dissolution of Employer made in connection with a voluntary or involuntary bankruptcy, receivership or other insolvency proceeding of

Employer or Employer's insolvency); or (iii) an agreement for the sale or other disposition of all or substantially all of the assets of the Employer to any Person (other than a transfer to a Subsidiary).

(iv) A notice of an application is filed with the Office of Comptroller of the Currency (the "OCC") or the Federal Reserve Board or any other bank or thrift regulatory approval agency or if approval (or notice of no disapproval) is granted by the Federal Reserve, the OCC, the Federal Deposit Insurance Corporation, or any other regulatory authority for permission to acquire control of the Employer or any of its banking subsidiaries.

(e) "Competing Business" shall mean any business that, in whole or in part, is the same or substantially the same as the Business.

(f) "Good Reason" shall mean the occurrence after a Change in Control of any of the events or conditions described in subsections (i) through (viii) hereof:

(i) a change in the Executive's status, title, position or responsibilities (including reporting responsibilities) which, in the Executive's reasonable judgment, represents an adverse change from his status, title, position or responsibilities as in effect at any time within 90 days preceding the date of a Change in Control or at any time thereafter; the assignment to the Executive of any duties or responsibilities which, in the Executive's reasonable judgment, are inconsistent with his status, title,

13

position or responsibilities as in effect at any time within 90 days preceding the date of a Change in Control or at any time thereafter; any removal of the Executive from or failure to reappoint or reelect him to any of such offices or positions, except in connection with the termination of his employment for Disability or Cause, as a result of his death, or by the Executive other than for Good Reason, or any other change in condition or circumstances that in the Executive's reasonable judgment makes it materially more difficult for the Executive to carry out the duties and responsibilities of his office than existed at any time within 90 days preceding the date of Change in Control or at any time thereafter;

(ii) a reduction in the Executive's base salary or any failure to pay the Executive any compensation or benefits

to which he is entitled within five days of the date due;

(iii) the Employer's requiring the Executive to be based at any place outside a 30-mile radius from the executive offices occupied by the Executive immediately prior to the Change in Control, except for reasonably required travel on the Employer's business which is not materially greater than such travel requirements prior to the Change in Control;

(iv) the failure by the Employer to (A) continue in effect (without reduction in benefit level and/or reward opportunities) any material compensation or employee benefit plan in which the Executive was participating at any time within 90 days preceding the date of a Change in Control or at any time thereafter, unless such plan is replaced with a plan that provides substantially equivalent compensation or benefits to the Executive, or (B) provide the Executive with compensation and benefits, in the aggregate, at least equal (in terms of benefit levels and/or reward opportunities) to those provided for under each other employee benefit plan, program and practice in which the Executive was participating at any time within 90 days preceding the date of a Change in Control or at any time thereafter;

(v) the insolvency or the filing (by any party, including the Employer) of a petition for bankruptcy of the Employer, which petition is not dismissed within 60 days;

(vi) any material breach by the Employer of any material provision of this Agreement;

(vii) any purported termination of the Executive's employment for Cause by the Employer which does not comply with the terms of this Agreement; or

(viii) the failure of the Employer to obtain an agreement, satisfactory to the Executive, from any successor or assign to assume and agree to perform this Agreement, as contemplated in Section 11 hereof.

Any event or condition described in clause (i) through (viii) above which occurs prior to a Change in Control but which the Executive reasonably demonstrates (A) was at the request of a third party, or (B) otherwise arose in connection with, or in anticipation of, a Change in Control which actually occurs, shall constitute Good Reason for purposes of this Agreement, notwithstanding that it occurred prior to the Change in Control. The Executive's right to terminate his employment for Good Reason shall not be affected by his

incapacity due to physical or mental illness.

(g) "Non-Control Transaction" shall mean a transaction described below:

(i) the shareholders of the Employer, immediately before such merger, consolidation or reorganization, own, directly or indirectly, immediately following such merger, consolidation or reorganization, at least 50% of the combined voting power of the outstanding voting securities of the corporation resulting from such merger, consolidation or reorganization (the "Surviving Corporation") in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, consolidation or reorganization; and

(ii) immediately following such merger, consolidation or reorganization, the number of directors on the board of directors of the Surviving Corporation who were members of the Incumbent Board shall at least equal the number of directors who were affiliated with or appointed by the other party to the merger, consolidation or reorganization.

(h) "Territory" shall mean Bulloch County, Georgia, and any other county in Georgia in which First Southern National Bank or First Southern Bancorp shall have a branch or charter as of the date of Executive's termination.

(i) "Notice of Termination" shall mean a written notice of termination from the Employer or the Executive which specifies an effective date of termination, indicates the specific termination provision in this Agreement relied upon, and sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated.

18. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto and supersedes all prior agreements, if any, understandings and arrangements, oral or written, between the parties hereto with respect to the subject matter hereof.

19. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Employer has caused this Agreement to

be executed and its seal to be affixed hereunto by its officers thereunto duly authorized, and the Executive has signed and sealed this Agreement, effective as of the date first above written.

(Corporate Seal) FIRST SOUTHERN BANCORP

By: _____

Title: _____

Attest: _____

Title: _____

F. THOMAS DAVID, Executive (Seal)

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement"), made as of the ____ day of _____, 2001, by and between First Southern Bancorp, a Georgia corporation (the "Employer" or the "Company") which is the proposed bank holding company for First Southern National Bank (proposed), a bank being organized under the laws of the United States of America, having its principal place of business in Statesboro, Georgia, and Christopher T. Cliett, a resident of the State of Georgia (hereinafter called "Employee").

W I T N E S S E T H:

WHEREAS, Employer is presently in the organization process to establish a new nationally chartered bank in Statesboro, Georgia; and

WHEREAS, Employee has been employed with another financial institution as a senior loan officer and has experience in the areas of lending and credit; and

WHEREAS, Employer is desirous of employing Employee as a Senior Vice President and Chief Credit Officer in Employer's bank to be opened in Statesboro, Georgia; and

WHEREAS, Employee desires to work for Employer on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and promises herein made, the parties hereto agree as follows:

1. Employment. Employer hereby employs Employee and Employee accepts employment with Employer on the terms and conditions hereafter set forth. Upon organization of First Southern National Bank (the "Bank"), the Employer and the Employee contemplate that this Agreement will be assigned by the Employer to the Bank and that the Bank will assume the duties of the Company hereunder; provided that nothing herein shall be construed as releasing the Company from its obligations hereunder. Following any such assignment, the term "Employer" as used herein from time to time shall refer to the Bank..

2. Term. Unless earlier terminated as hereinafter provided in Section 14, the term of employment under this Agreement shall commence on June ____, 2001, and shall continue until the day preceding the third (3rd) anniversary date of the opening day of Employer (the "Initial Term"). For illustrative purposes only, in the event Employer shall open for business on November 1, 2001, the Term shall expire October 31, 2004. Thereafter, this Agreement shall automatically renew for additional one year periods unless and until either

party notifies the other in writing of its desire not to renew this Agreement at least 90 days prior to the last day of the Initial Term or any subsequent renewal period.

3. Duties. Employee shall serve as Senior Vice President/Chief Credit Officer of Employer and in such capacity shall perform such duties as are consistent with that position, as Employer may from time to time direct. Such duties shall be performed at Employer's main office or subsidiary offices or branches as directed by Employer. Employee shall maintain his primary residence in Bulloch County, Georgia, during the term of this Agreement. Employee recognizes that community involvement and visibility in the community is important to Employer and Employee agrees that he shall be actively

involved in civic activities on behalf of and as an ambassador for Employer, including chamber of commerce activities, charitable fundraisers and local civic clubs and organizations.

4. Extent of Services. Employee shall, during normal working hours, devote his best efforts as well as his full time, attention and energies to the business of Employer and shall diligently perform to the best of his ability such duties as may be reasonably assigned to Employee.

Employee shall not, during the term of this Agreement, be engaged in any other business activity whether or not such business activity is pursued for gain, profit or pecuniary advantage and whether or not such activity is carried on outside normal working hours, but this prohibition shall not be construed as preventing Employee from investing his assets in such form or manner as will not require any services on the part of Employee in the operation of the affairs of the companies in which investments are made. Employee hereby confirms that he is under no contractual commitments inconsistent with his obligations set forth in this Agreement, and that, during the term of this Agreement, he will not render or perform services, or enter into any contract to do so, for any other corporation, firm, entity or person which are inconsistent with the provisions of this Agreement.

5. Compensation and Benefits.

For all services which Employee may render to Employer while this Agreement remains in effect, Employee shall receive the following base salary and benefits. Employer's Board of Directors will review this Agreement and the compensation provision herein, on an annual basis, and will document its justification and approval of such compensation, if appropriate, in the Board minutes.

(a) Base Salary. For all services rendered by Employee under this Agreement, Employer shall pay Employee \$85,000 per year, payable in accordance with the salary payment practices of Employer applicable to officers. Employer shall have the right to increase the compensation provided by this

Agreement, but any such increase shall not affect any of the other terms and conditions of this Agreement.

(b) Benefits. Employee shall be entitled, to the extent that Employee's position, title, tenure, salary, age, health and other qualifications make him eligible, to participate in all employee benefit plans or programs of Employer. Such plans include, but are not limited to, health, disability and life insurance, which will be made available to Employee's family at an additional cost to Employee. Employee's participation in any such plan or program shall be subject to the provisions, rules and regulations applicable thereto.

(c) Automobile Expense Reimbursement. Employer shall not provide Employee with a "company" automobile and Employee agrees that he will provide his own automobile to be used to conduct Employer's business. Employer shall reimburse Employee \$400.00 per month in expenses incurred for the lease or purchase of such automobile, to include the cost of maintaining, fueling and insuring the automobile.

(d) Payment of Dues. Employer shall pay Employee's initiation fee and monthly membership dues to Forest Heights Country Club. The Employer may also pay Employee's dues for any civic organization that Employer determines in its sole discretion to be in the best interests of Employer.

(e) Bonus. Employee shall be eligible to receive cash bonuses based on Employee's achievement of specified goals and criteria. These goals and criteria may include both annual and long-

2

term goals, may provide for vesting over a specified time period, and shall be established by the Board of Directors. Unless provided otherwise in any particular bonus program, each annual award will vest if Employee is actively employed in January 1 following the year for which the award is earned, and each long-term incentive compensation award will vest over three years if Employee is actively employed on January 1 following each subsequent year of vesting.

(f) Moving Expenses. Employer shall pay Employee's reasonable moving expenses, not to exceed \$4,500, to relocate Employee from Swainsboro, Georgia to Bulloch County, Georgia. In addition, Employer shall pay the real estate commission on the sale of Employee's Emanuel County residence, not to exceed 3% of the sales price.

(g) Working Facilities. Employee shall be furnished with an office and such other facilities and services as may be necessary or suitable to his position and adequate for the performance of his duties.

(h) Expenses. Employee is authorized to incur reasonable expenses for promoting the business of Employer, including expenses for

entertainment, travel and similar items, but only to the extent that such expenses are allowable deductions to Employer on its Federal income tax return. Employer shall promptly reimburse Employee for all such expenses upon the presentation by Employee, from time to time, of an itemized account of such expenditures. Employee shall repay to Employer the amounts of any expenses claimed which, for lack of proper documentation or otherwise, are not allowed to Employer as deductions for Federal income tax purposes.

(i) Vacations. Employee shall be entitled to 20 paid vacation days each calendar year.

6. Stock Options. Employee shall participate in Employer's long-term equity incentive program and be eligible for the grant of stock options, restricted stock, and other awards thereunder or under any similar plan adopted by Employer. As soon as an appropriate stock option plan is adopted by the Board of Directors of Employer, Employer shall grant to Employee an option to purchase a number of shares of First Southern National Bancorp's common stock equal to 2.0% of the number of shares sold in the initial stock offering. The award agreement for the stock option shall provide that one-fifth of the shares subject to the option will vest on each of the first five anniversaries of the date that First Southern National Bank opens for business, but only if Employee remains employed by Employer, and the terms and conditions of any stock options granted to Employee shall be governed by the stock option plan to be implemented by Employer. Once vested, options will be non-forfeitable. Nothing herein shall be deemed to preclude the granting to the Employee of warrants as an organizer of the Bank.

7. Ownership of Work Product. Employer shall own all Work Product arising during the course of Employee's employment (prior, present or future). For purposes hereof, "Work Product" shall mean all intellectual property rights, including all Trade Secrets, U.S. and international copyrights, patentable inventions, and other intellectual property rights in any programming, documentation, technology or other work product that relates to Employer, its business or its customers and that Employee conceives, develops, or delivers to Employer at any time during his employment, during or outside normal working hours, in or away from the facilities of Employer, and whether or not requested by Employer. If the Work Product contains any materials, programming or intellectual property rights that Employee conceived or developed prior to, and independent of, Employee's work for Employer, Employee agrees to point out the pre-existing items to Employer and

Employee grants Employer a worldwide, unrestricted, royalty-free right, including the right to sublicense such items. Employee agrees to take such actions and execute such further acknowledgments and assignments as Employer may reasonably request to give effect to this provision.

8. Protection of Trade Secrets. Employee agrees to maintain in strict confidence and, except as necessary to perform his duties for Employer, Employee agrees not to use or disclose any Trade Secrets of Employer during or after his employment. As provided by Georgia statutes, "Trade Secret" means information, including a formula, pattern, compilation, program, device, method, technique, process, drawing, cost data or customer list, that: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

9. Protection of Other Confidential Information. In addition, Employee agrees to maintain in strict confidence and, except as necessary to perform his duties for Employer, not to use or disclose any Confidential Business Information of Employer during or after his employment or following termination of his employment for any reason. "Confidential Business Information" shall mean any internal, non-public information (other than Trade Secrets already addressed above) concerning Employer's financial position and results of operations (including revenues, assets, net income, etc.); annual and long-range business plans; product or service plans; marketing plans and methods; training, educational and administrative manuals; customer and supplier information and purchase histories; and employee lists. The provisions of Sections 8 and 9 above shall also apply to protect Trade Secrets and Confidential Business Information of third parties provided to Employer under an obligation of secrecy.

10. Return of Materials. Employee shall surrender to Employer, promptly upon its request and in any event upon termination of Employee's employment, all media, documents, notebooks, computer programs, handbooks, data files, models, samples, price lists, drawings, customer lists, prospect data, or other material of any nature whatsoever (in tangible or electronic form) in Employee's possession or control, including all copies thereof, relating to Employer, its business, or its customers. Upon the request of Employer, Employee shall certify in writing compliance with the foregoing requirement.

11. Non-Solicitation of Customers. During the term of his employment with Employer, and for a period of two years following the termination of his employment other than Without Cause by Employer, Employee shall not solicit any individual or entity which was a customer or client of Employer for the purpose of providing a service or product to such customer or client which is the same type of service or product offered or provided by Employer, provided, however, that this restriction shall apply only to those customers or clients with whom Employee had direct material contact in connection with services or products provided by Employer within two years prior to the date of termination of such employment. Notwithstanding the preceding sentence, Employee shall be subject to the restrictions of this Section 11 in the event Employee's employment with Employer is terminated pursuant to Section 14(a)(vii) and Employee receives the compensation set forth in Section 14(h).

12. Non-Solicitation of Employees. During the term of Employee's employment with Employer, and for a period of two years following the termination of his employment other than Without Cause by Employer, Employee

shall not induce or solicit for employment any employee of Employer for the purpose of providing services that are the same or similar to the types of services offered or engaged in by Employer at the time of termination of Employee's employment with

4

Employer. Notwithstanding the preceding sentence, Employee shall be subject to the restrictions of this Section 12 in the event Employee's employment with Employer is terminated pursuant to Section 14(a)(vii) and Employee receives the compensation set forth in Section 14(h).

13. Non-Competition Agreement. During Employee's employment with Employer, and for a period two years following the termination of his employment other than Without Cause by Employer, Employee shall not (without the prior written consent of Employer), be employed by or affiliated with or serve as an organizer, director, officer, or employee of any commercial bank, savings & loan, credit union or other depository institution or holding company in Bulloch County, Georgia, or any other county in Georgia in which First Southern National Bank or First Southern National Bancorp shall have a branch or bank charter at the time Employee's employment with Employer is terminated. Notwithstanding the preceding sentence, Employee shall be subject to the restrictions of this Section 13 in the event Employee's employment with Employer is terminated pursuant to Section 14(a)(vii) and Employee receives the compensation set forth in Section 14(h).

14. Termination.

(a) Employee's employment under this Agreement may be terminated prior to the end of the Initial Term or any subsequent Renewal Term only as follows:

(i) upon the death of Employee;

(ii) upon the disability of Employee for a period of 90 days which, in the opinion of the Board of Directors, renders him unable to perform the essential functions of his job and for which reasonable accommodation is unavailable. For purposes of this Agreement, a "disability" is defined as a physical or mental impairment that substantially limits one or more major life activities, and a "reasonable accommodation" is one that does not impose an undue hardship on Employer;

(iii) upon the determination of Cause for termination, in which event such employment may be terminated by written notice at the election of Employer. "Cause" shall consist of any of (A) the commission by Employee of a willful act (including, without limitation, a dishonest or fraudulent act) or a grossly negligent act, or the willful or grossly negligent omission to act by Employee, which is intended to

cause, causes or is reasonably likely to cause material harm to Employer (including harm to its business reputation), (B) the indictment of Employee for the commission or perpetration by Employee of any felony or any crime involving dishonesty, moral turpitude or fraud, (C) the material breach by Employee of this Agreement that, if susceptible of cure, remains uncured 10 days following written notice to Employee of such breach, (D) the receipt of any form of notice, written or otherwise, that any regulatory agency having jurisdiction over Employer intends to institute any form of formal or informal (e.g., a memorandum of understanding which relates to Employee's performance) regulatory action against Employee or Employer (provided that the Board of Directors determines in good faith, with Employee abstaining from participating in the consideration of and vote on the matter if Employee is on the Board of Directors, that the subject matter of such action involves acts or omissions by or under the supervision of Employee or that

5

termination of Employee would materially advance Employer's compliance with the purpose of the action or would materially assist Employer in avoiding or reducing the restrictions or adverse effects to Employer related to the regulatory action); (E) the exhibition by Employee of a standard of behavior within the scope of his employment that is materially disruptive to the orderly conduct of Employer's business operations (including, without limitation, substance abuse or sexual misconduct) to a level which, in the Board of Directors' good faith and reasonable judgment, with Employee abstaining from participating in the consideration of and vote on the matter, is materially detrimental to Employer's best interest, that, if susceptible of cure remains uncured 10 days following written notice to Employee of such specific inappropriate behavior (provided, that Employer shall be under no obligation to allow a time period to cure with respect to such behavior); or (F) the failure of Employee to devote his full business time and attention to his employment as provided under this Agreement that, if susceptible of cure, remains uncured 30 days following written notice to Employee of such failure; or

(iv) by the Employee by Notice of Termination which follows a Change in Control and either (i) follows the occurrence of a Good Reason or (ii) is delivered within six (6) months after the occurrence of a Change in Control;

(v) by the Employer if its effort to organize the

Bank is abandoned before a charter is obtained;

(vi) by the Employee effective upon the 30th day after delivery of a Notice of Termination; or

(vii) upon 30 days written notice thereof to Employee from Employer for no reason or a reason other than those set forth in subsection (iii) above (termination "Without Cause").

(b) If Employee's employment is terminated because of Employee's death under Section 14(a) (i), Employee's estate shall receive any sums due him as base salary and/or reimbursement of expenses through the end of the month during which death occurred, plus any bonus earned or accrued through the date of death (including any amounts awarded for previous years but which were not yet vested) and a pro rata share of any bonus with respect to the current fiscal year which had been earned as of the date of Employee's death.

(c) During the period of any incapacity leading up to the termination of Employee's employment as a result of disability under Section 14(a) (ii), Employer shall continue to pay Employee his full base salary at the rate then in effect and all perquisites and other benefits (other than any bonus) until Employee becomes eligible for benefits under any long-term disability plan or insurance program maintained by Employer, provided that the amount of any such payments to Employee shall be reduced by the sum of the amounts, if any, payable to Employee for the same period under any disability benefit or pension plan of the Employer or any of its subsidiaries. Furthermore, Employee shall receive any bonus earned or accrued through the date of incapacity (including any amounts awarded for previous years but which were not yet vested) and a pro rata share of any bonus with respect to the current fiscal year which had been earned as of the date of the Employee's incapacity.

6

(d) If the Employee's employment is terminated for Cause under Section 14(a) (iii), Employee shall receive any sums due him as base salary and/or reimbursement of expenses through the date of such termination.

(e) If the Employee's employment is terminated by the Employee pursuant to Section 14(a) (iv), the Employee shall be entitled to the following:

(i) the Employer shall pay the Employee in cash within fifteen (15) days of the date of termination severance compensation in an amount equal to the sum of (A) his then current monthly base salary multiplied by 12; (B) any bonus earned or accrued under the Bonus Plan through the date of termination (including amounts awarded for previous years but which were not yet vested); and (C) a pro rata share of any bonus with respect to the current fiscal year which had been

earned as of the date of termination.

(f) If the Employee's employment is terminated pursuant to Section 14(a)(v), Employee shall receive any sums due him as base salary and/or reimbursement of expenses through the date of such termination, as well as severance compensation in an amount equal to 100% of his monthly base salary for three (3) months from the date of termination.

(g) If Employee resigns under Section 14(a)(vi), Employee shall receive any sums due him as base salary and/or reimbursement of expenses through the date of such termination.

(h) If Employer terminates the Employee's employment pursuant to Section 14(a)(vii), the Employee shall be entitled to the following:

(i) the Employer shall pay the Employee in cash within fifteen (15) days of the date of termination severance compensation in an amount equal to the sum of (A) his then current monthly base salary multiplied by 24; (B) any bonus earned or accrued under the Bonus Plan through the date of termination (including amounts awarded for previous years but which were not yet vested); and (C) a pro rata share of any bonus with respect to the current fiscal year which had been earned as of the date of termination.

(l) The parties intend that the severance payments and other compensation provided for herein are reasonable compensation for the Employee's services to the Employer and shall not constitute "excess parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986 and any regulations thereunder. In the event that the Employer's independent accountants acting as auditors for the Employer on the date of a Change of Control or the date of Employee's termination determine that the payments provided for herein constitute "excess parachute payments," then the compensation payable hereunder shall be increased, on a tax gross-up basis, so as to reimburse the Employee for the tax payable by the Employee, pursuant to Section 4999 of the Internal Revenue Code, on such "excess parachute payments," taking into account all taxes payable by the Employee with respect to such tax gross-up payments hereunder, so that Employee shall be, after payment of all taxes, in the same financial position as if no taxes under Section 4999 had been imposed upon him.

15. Oral Modification Not Binding. This Agreement supersedes all prior agreements and understandings between the parties and may not be changed or terminated orally, and no change or attempted waiver of the provisions hereof shall be binding unless in writing and signed by the party against whom the same is sought to be enforced; provided, however, that Employee's compensation may be

increased at any time by Employer without in any way affecting any of the other terms and conditions of this Agreement, which in all other respects shall remain in full force and effect.

16. Governing Law. This Agreement has been entered into in the State of Georgia and shall be governed by the laws of such State without regard to conflict of laws principles.

17. Remedies for Breach. Employee recognizes and agrees that a breach by Employee of any covenant contained in this Agreement would cause immeasurable and irreparable harm to Employer. In the event of a breach or threatened breach of any covenant contained herein, Employer shall be entitled to temporary and permanent injunctive relief, restraining Employee from violating or threatening to violate any covenant contained herein, as well as all costs and fees incurred by Employer, including attorneys' fees, as a result of Employee's breach or threatened breach of the covenant. Employer and Employee agree that the relief described herein is in addition to such other and further relief as may be available to Employer at equity or by law. Nothing herein shall be construed as prohibiting Employer from pursuing any other remedies available to it for such breach of threatened breach, including the recovery of damages from Employee.

18. Consideration. Employee acknowledges and agrees that valid consideration has been given to Employee by Employer in return for the promises of Employee set forth herein.

19. Covenants are Independent. The covenants on the part of Employee contained herein shall each be construed as agreements independent of each other and of any other provisions in this Agreement and the unenforceability of one shall not effect the remaining covenants.

20. Severability and Substitution of Valid Provisions. To the extent that any provision or language of this Agreement is deemed unenforceable, by virtue of the scope of the business activity prohibited or the length of time the activity is prohibited, Employer and Employee agree that this Agreement shall be enforced to the fullest extent permissible under the laws and public policies of the State of Georgia.

21. Extension of Periods. Each of the time periods described in this Agreement shall be automatically extended by any length of time during which Employee is in breach of the corresponding covenant contained herein. The provisions of this Agreement shall continue in full force and effect throughout the duration of the extended periods.

22. Reasonable Restraint. It is agreed by the parties that the foregoing covenants in this agreement are necessary for the legitimate business interests of Employer and impose a reasonable restraining on Employee in light of the present and proposed activities and business of Employer on the date of

the execution of this Agreement. Employee acknowledges that strict enforcement of the covenants contained herein will cause no hardship to either Employee or his family.

23. Withholding of Taxes. Employer may withhold from any amounts payable to Employee under this Agreement all federal, state, city or other taxes and withholdings as shall be required pursuant to any applicable law, rule or regulation.

24. Notices. Any notice required or permitted to be given under this Agreement shall be sufficient if given in writing and sent by registered or certified mail to his residence in the case of Employee or to its principal office in the case of Employer.

8

25. Assignment. The rights and obligations of the parties to this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of Employer. This Agreement shall not be terminated by any merger or consolidation whether or not Employer is the consolidated or surviving corporation or by transfer of all or substantially all of the assets of Employer to another corporation if there is a surviving or resulting corporation in such transfer. This Agreement may not be assigned by Employee.

26. Severability. It is not the intent of any party hereto to violate any public policy of any jurisdiction in which this Agreement may be enforced. If any provision of this Agreement or the application of any provision hereof to any person or circumstances is held invalid, unenforceable or otherwise unlawful, the remainder of this Agreement and the application of such provision to any other person or circumstances shall not be affected. In addition, the applicable provision shall be reformed to the extent (and only to the extent) necessary to make it valid, enforceable and legal.

27. Entire Agreement. This Agreement supersedes any other agreements, oral or written, between the parties with respect to the subject matter hereof, and contains all of the agreements and understandings between the parties with respect to the employment of Employee by Employer. Any waiver or modification of any term of this Agreement shall be effective only if it is set forth in writing signed by all parties hereto.

28. Gender Neutrality. The terms "he," "him," "his," and "himself," where used in this Agreement, shall refer to both the masculine and feminine genders, as may be appropriate.

29. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same Agreement.

30. Certain Definitions:

(a) "Change in Control" shall mean the occurrence during the Term of any of the following events, unless such event is a result of a Non-Control Transaction:

(i) The individuals who, as of the date of this Agreement, are members of the Board of Directors of the Employer (the "Incumbent Board") cease for any reason to constitute at least fifty percent of the Board of Directors of the Employer; provided, however, that if the election, or nomination for election by the Employer's shareholders, of any new director was approved in advance by a vote of at least fifty percent of the Incumbent Board, such new director shall, for purposes of this Agreement, be considered as a member of the Incumbent Board; provided, further, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened "Election Contest" (as described in Rule 14a-11 promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"), or other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board of Directors of the Employer (a "Proxy Contest"), including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest.

(ii) An acquisition (other than directly from the Employer) of any voting securities of the Employer (the "Voting Securities") by any "Person" (as the term "person" is used for purposes of Section 13(d) or 14(d) of the Exchange Act)

9

immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of the combined voting power of the Employer's then outstanding Voting Securities; provided, however, that in determining whether a Change in Control has occurred, Voting Securities which are acquired in a Non-Control Acquisition shall not constitute an acquisition which would cause a Change in Control.

(iii) Approval by the shareholders of the Employer of: (i) a merger, consolidation, or reorganization involving the Employer; (ii) a complete liquidation or dissolution of the Employer (excluding any liquidation or dissolution of Employer made in connection with a voluntary or involuntary bankruptcy, receivership or insolvency proceeding of Employer

or other insolvency of Employer); or (iii) an agreement for the sale or other disposition of all or substantially all of the assets of the Employer to any Person (other than a transfer to a Subsidiary).

(iv) A notice of an application is filed with the Office of Comptroller of the Currency (the "OCC") or the Federal Reserve Board or any other bank or thrift regulatory approval (or notice of no disapproval) is granted by the Federal Reserve, the OCC, the Federal Deposit Insurance Corporation, or any other regulatory authority for permission to acquire control of the Employer or any of its banking subsidiaries.

(b) "Good Reason" shall mean the occurrence after a Change in Control of any of the events or conditions described in subsections (i) through (viii) hereof:

(i) a change in the Executive's status, title, position or responsibilities (including reporting responsibilities) which, in the Executive's reasonable judgment, represents an adverse change from his status, title, position or responsibilities as in effect at any time within 90 days preceding the date of a Change in Control or at any time thereafter; the assignment to the Executive of any duties or responsibilities which, in the Executive's reasonable judgment, are inconsistent with his status, title, position or responsibilities as in effect at any time within 90 days preceding the date of a Change in Control or at any time thereafter; any removal of the Executive from or failure to reappoint or reelect him to any of such offices or positions, except in connection with the termination of his employment for Disability or Cause, as a result of his death, or by the Executive other than for Good Reason, or any other change in condition or circumstances that in the Executive's reasonable judgment makes it materially more difficult for the Executive to carry out the duties and responsibilities of his office than existed at any time within 90 days preceding the date of Change in Control or at any time thereafter;

(ii) a reduction in the Executive's base salary or any failure to pay the Executive any compensation or benefits to which he is entitled within five days of the date due;

(iii) the Employer's requiring the Executive to be based at any place outside a 30-mile radius from the executive offices occupied by the Executive immediately prior to the Change in Control, except for reasonably required travel on the Employer's business which is not materially greater than such travel requirements prior to the Change in Control;

(iv) the failure by the Employer to (A) continue in effect (without reduction in benefit level and/or reward opportunities) any material compensation or employee benefit plan in which the Executive was participating at any time within 90 days preceding the date of a Change in Control or at any time thereafter, unless such plan is replaced with a plan that provides substantially equivalent compensation or benefits to the Executive, or (B) provide the Executive with compensation and benefits, in the aggregate, at least equal (in terms of benefit levels and/or reward opportunities) to those provided for under each other employee benefit plan, program and practice in which the Executive was participating at any time within 90 days preceding the date of a Change in Control or at any time thereafter;

(v) the insolvency or the filing (by any party, including the Employer) of a petition for bankruptcy of the Employer, which petition is not dismissed within 60 days;

(vi) any material breach by the Employer of any material provision of this Agreement;

(vii) any purported termination of the Executive's employment for Cause by the Employer which does not comply with the terms of this Agreement; or

(viii) the failure of the Employer to obtain an agreement, satisfactory to the Executive, from any successor or assign to assume and agree to perform this Agreement.

Any event or condition described in clause (i) through (viii) above which occurs prior to a Change in Control but which the Executive reasonably demonstrates (A) was at the request of a third party, or (B) otherwise arose in connection with, or in anticipation of, a Change in Control which actually occurs, shall constitute Good Reason for purposes of this Agreement, notwithstanding that it occurred prior to the Change in Control. The Executive's right to terminate his employment for Good Reason shall not be affected by his incapacity due to physical or mental illness.

(c) "Non-Control Transaction" shall mean a transaction described below:

(i) the shareholders of the Employer, immediately before such merger, consolidation or reorganization, own, directly or indirectly, immediately following such merger, consolidation or reorganization, at least 50% of the combined

voting power of the outstanding voting securities of the corporation resulting from such merger, consolidation or reorganization (the "Surviving Corporation") in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, consolidation or reorganization; and

(ii) immediately following such merger, consolidation or reorganization, the number of directors on the board of directors of the Surviving Corporation who were members of the Incumbent Board shall at least equal the number of directors who were affiliated with or appointed by the other party to the merger, consolidation or reorganization.

(d) "Notice of Termination" shall mean a written notice of termination from the Employer or the Executive which specifies an effective date of termination, indicates the specific termination provision in this Agreement relied upon, and sets forth in reasonable detail the facts and

circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written on this _____ day of _____, 2001.

FIRST SOUTHERN BANCORP

[CORPORATE SEAL]

By: _____

Name:

Title:

Attest:

Secretary

EMPLOYEE

Christopher T. Cliett (L.S.)

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement"), made as of the ____ day of _____, 2001, by and between First Southern Bancorp, a Georgia corporation (the "Employer" or the "Company") which is the proposed bank holding company for First Southern National Bank (proposed), a bank being organized under the laws of the United States of America, having its principal place of business in Statesboro, Georgia, and Charles Robert ("Bo") Fennell, Jr., a resident of the State of Georgia (hereinafter called "Employee").

W I T N E S S E T H:

WHEREAS, Employer is presently in the organization process to establish a new nationally chartered bank in Statesboro, Georgia; and

WHEREAS, Employee has been employed with another financial institution as a chief financial officer and has experience in the areas of financial management, oversight and operations; and

WHEREAS, Employer is desirous of employing Employee as Chief Financial Officer of Employer's bank to be opened in Statesboro, Georgia; and

WHEREAS, Employee desires to work for Employer on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and promises herein made, the parties hereto agree as follows:

1. Employment. Employer hereby employs Employee and Employee accepts employment with Employer on the terms and conditions hereafter set forth. Upon organization of First Southern National Bank (the "Bank"), the Employer and the Employee contemplate that this Agreement will be assigned by the Employer to the Bank and that the Bank will assume the duties of the Company hereunder; provided that nothing herein shall be construed as releasing the Company from its obligations hereunder. Following any such assignment, the term "Employer" as used herein from time to time shall refer to the Bank..

2. Term. Unless earlier terminated as hereinafter provided in Section 14, the term of employment under this Agreement shall commence on June ____, 2001, and shall continue until the day preceding the third (3rd) anniversary date of the opening day of Employer (the "Initial Term"). For illustrative purposes only, in the event Employer shall open for business on November 1, 2001, the Term shall expire October 31, 2004. Thereafter, this Agreement shall automatically renew for additional one year periods unless and until either party notifies the other in writing of its desire not to renew this Agreement at least 90 days prior to the last day of the Initial Term or any subsequent

renewal period.

3. Duties. Employee shall serve as Chief Financial Officer of Employer and in such capacity shall perform such duties as are consistent with that position, as Employer may from time to time direct. Such duties shall be performed at Employer's main office or subsidiary offices or branches as directed by Employer. Employee shall maintain his primary residence in Bulloch County, Georgia, during the term of this Agreement. Employee recognizes that community involvement and visibility in the community is important to Employer and Employee agrees that he shall be actively involved in civic activities on behalf

of and as an ambassador for Employer, including chamber of commerce activities, charitable fundraisers and local civic clubs and organizations.

4. Extent of Services. Employee shall, during normal working hours, devote his best efforts as well as his full time, attention and energies to the business of Employer and shall diligently perform to the best of his ability such duties as may be reasonably assigned to Employee.

Employee shall not, during the term of this Agreement, be engaged in any other business activity whether or not such business activity is pursued for gain, profit or pecuniary advantage and whether or not such activity is carried on outside normal working hours, but this prohibition shall not be construed as preventing Employee from investing his assets in such form or manner as will not require any services on the part of Employee in the operation of the affairs of the companies in which investments are made. Employee hereby confirms that he is under no contractual commitments inconsistent with his obligations set forth in this Agreement, and that, during the term of this Agreement, he will not render or perform services, or enter into any contract to do so, for any other corporation, firm, entity or person which are inconsistent with the provisions of this Agreement.

5. Compensation and Benefits.

For all services which Employee may render to Employer while this Agreement remains in effect, Employee shall receive the following base salary and benefits. Employer's Board of Directors will review this Agreement and the compensation provision herein, on an annual basis, and will document its justification and approval of such compensation, if appropriate, in the Board minutes.

(a) Base Salary. For all services rendered by Employee under this Agreement, Employer shall pay Employee \$65,000 per year, payable in accordance with the salary payment practices of Employer applicable to officers. Employer shall have the right to increase the compensation provided by this Agreement, but any such increase shall not affect any of the other terms and conditions of this Agreement.

(b) Benefits. Employee shall be entitled, to the extent that Employee's position, title, tenure, salary, age, health and other qualifications make him eligible, to participate in all employee benefit plans or programs of Employer. Such plans include, but are not limited to, health, disability and life insurance, which will be made available to Employee's family at an additional cost to Employee. Employee's participation in any such plan or program shall be subject to the provisions, rules and regulations applicable thereto.

(c) Payment of Dues. Employer shall pay Employee's monthly membership dues to Forest Heights Country Club. The Employer may also pay Employee's dues for any civic organization that Employer determines in its sole discretion to be in the best interests of Employer.

(d) Bonus. Employee shall be eligible to receive cash bonuses based on Employee's achievement of specified goals and criteria. These goals and criteria may include both annual and long-term goals, may provide for vesting over a specified time period, and shall be established by the Board of Directors. Unless provided otherwise in any particular bonus program, each annual award will vest if Employee is actively employed in January 1 following the year for which the award is earned, and each long-term incentive compensation award will vest over three years if Employee is actively employed on January 1 following each subsequent year of vesting.

2

(e) Working Facilities. Employee shall be furnished with an office and such other facilities and services as may be necessary or suitable to his position and adequate for the performance of his duties.

(f) Expenses. Employee is authorized to incur reasonable expenses for promoting the business of Employer, including expenses for entertainment, travel and similar items, but only to the extent that such expenses are allowable deductions to Employer on its Federal income tax return. Employer shall promptly reimburse Employee for all such expenses upon the presentation by Employee, from time to time, of an itemized account of such expenditures. Employee shall repay to Employer the amounts of any expenses claimed which, for lack of proper documentation or otherwise, are not allowed to Employer as deductions for Federal income tax purposes.

(g) Vacations. Employee shall be entitled to 15 paid vacation days each calendar year.

(h) Bonus Upon Opening of Bank. On the date that First Southern National Bank shall open for business, so long as Employee is still employed by Employer, Employee shall receive a cash bonus of Five Thousand and NO/100 (\$5,000.00) Dollars in consideration for Employee's expertise and efforts

during the organizational period for the Bank.

6. Stock Options. Employee shall participate in Employer's long-term equity incentive program and be eligible for the grant of stock options, restricted stock, and other awards thereunder or under any similar plan adopted by Employer. As soon as an appropriate stock option plan is adopted by the Board of Directors of Employer, Employer shall grant to Employee an option to purchase a number of shares of First Southern National Bancorp's common stock equal to 2.0% of the number of shares sold in the initial stock offering. The award agreement for the stock option shall provide that one-fifth of the shares subject to the option will vest on each of the first five anniversaries of the date that First Southern National Bank opens for business, but only if Employee remains employed by Employer, and the terms and conditions of any stock options granted to Employee shall be governed by the stock option plan to be implemented by Employer. Once vested, options will be non-forfeitable.

7. Ownership of Work Product. Employer shall own all Work Product arising during the course of Employee's employment (prior, present or future). For purposes hereof, "Work Product" shall mean all intellectual property rights, including all Trade Secrets, U.S. and international copyrights, patentable inventions, and other intellectual property rights in any programming, documentation, technology or other work product that relates to Employer, its business or its customers and that Employee conceives, develops, or delivers to Employer at any time during his employment, during or outside normal working hours, in or away from the facilities of Employer, and whether or not requested by Employer. If the Work Product contains any materials, programming or intellectual property rights that Employee conceived or developed prior to, and independent of, Employee's work for Employer, Employee agrees to point out the pre-existing items to Employer and Employee grants Employer a worldwide, unrestricted, royalty-free right, including the right to sublicense such items. Employee agrees to take such actions and execute such further acknowledgments and assignments as Employer may reasonably request to give effect to this provision.

8. Protection of Trade Secrets. Employee agrees to maintain in strict confidence and, except as necessary to perform his duties for Employer, Employee agrees not to use or disclose any Trade Secrets of Employer during or after his employment. As provided by Georgia statutes, "Trade Secret" means information, including a formula, pattern, compilation, program, device, method, technique, process, drawing, cost data or customer list, that: (i) derives economic value, actual or

potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

9. Protection of Other Confidential Information. In addition, Employee agrees to maintain in strict confidence and, except as necessary to perform his duties for Employer, not to use or disclose any Confidential Business Information of Employer during or after his employment or following termination of his employment for any reason. "Confidential Business Information" shall mean any internal, non-public information (other than Trade Secrets already addressed above) concerning Employer's financial position and results of operations (including revenues, assets, net income, etc.); annual and long-range business plans; product or service plans; marketing plans and methods; training, educational and administrative manuals; customer and supplier information and purchase histories; and employee lists. The provisions of Sections 8 and 9 above shall also apply to protect Trade Secrets and Confidential Business Information of third parties provided to Employer under an obligation of secrecy.

10. Return of Materials. Employee shall surrender to Employer, promptly upon its request and in any event upon termination of Employee's employment, all media, documents, notebooks, computer programs, handbooks, data files, models, samples, price lists, drawings, customer lists, prospect data, or other material of any nature whatsoever (in tangible or electronic form) in Employee's possession or control, including all copies thereof, relating to Employer, its business, or its customers. Upon the request of Employer, Employee shall certify in writing compliance with the foregoing requirement.

11. Non-Solicitation of Customers. During the term of his employment with Employer, and for a period of two years following the termination of his employment other than Without Cause by Employer, Employee shall not solicit any individual or entity which was a customer or client of Employer for the purpose of providing a service or product to such customer or client which is the same type of service or product offered or provided by Employer, provided, however, that this restriction shall apply only to those customers or clients with whom Employee had direct material contact in connection with services or products provided by Employer within two years prior to the date of termination of such employment. Notwithstanding the preceding sentence, Employee shall be subject to the restrictions of this Section 11 in the event Employee's employment with Employer is terminated pursuant to Section 14(a) (vii) and Employee receives the compensation set forth in Section 14(h).

12. Non-Solicitation of Employees. During the term of Employee's employment with Employer, and for a period of two years following the termination of his employment other than Without Cause by Employer, Employee shall not induce or solicit for employment any employee of Employer for the purpose of providing services that are the same or similar to the types of services offered or engaged in by Employer at the time of termination of Employee's employment with Employer. Notwithstanding the preceding sentence, Employee shall be subject to the restrictions of this Section 12 in the event Employee's employment with Employer is terminated pursuant to Section 14(a) (vii) and Employee receives the compensation set forth in Section 14(h).

13. Non-Competition Agreement. During Employee's employment with Employer, and for a period two years following the termination of his employment other than Without Cause by Employer, Employee shall not (without the prior

written consent of Employer), be employed by or affiliated with or serve as an organizer, director, officer, or employee of any commercial bank, savings & loan, credit union or other depository institution or holding company in Bulloch County, Georgia, or any

other county in Georgia in which First Southern National Bank or First Southern National Bancorp shall have a branch or bank charter at the time Employee's employment with Employer is terminated. Notwithstanding the preceding sentence, Employee shall be subject to the restrictions of this Section 13 in the event Employee's employment with Employer is terminated pursuant to Section 14(a)(vii) and Employee receives the compensation set forth in Section 14(h).

14. Termination.

(a) Employee's employment under this Agreement may be terminated prior to the end of the Initial Term or any subsequent Renewal Term only as follows:

(i) upon the death of Employee;

(ii) upon the disability of Employee for a period of 90 days which, in the opinion of the Board of Directors, renders him unable to perform the essential functions of his job and for which reasonable accommodation is unavailable. For purposes of this Agreement, a "disability" is defined as a physical or mental impairment that substantially limits one or more major life activities, and a "reasonable accommodation" is one that does not impose an undue hardship on Employer;

(iii) upon the determination of Cause for termination, in which event such employment may be terminated by written notice at the election of Employer. "Cause" shall consist of any of (A) the commission by Employee of a willful act (including, without limitation, a dishonest or fraudulent act) or a grossly negligent act, or the willful or grossly negligent omission to act by Employee, which is intended to cause, causes or is reasonably likely to cause material harm to Employer (including harm to its business reputation), (B) the indictment of Employee for the commission or perpetration by Employee of any felony or any crime involving dishonesty, moral turpitude or fraud, (C) the material breach by Employee of this Agreement that, if susceptible of cure, remains uncured 10 days following written notice to Employee of such breach, (D) the receipt of any form of notice, written or otherwise, that any regulatory agency having jurisdiction over Employer intends to institute any form of formal or informal (e.g., a memorandum of understanding which relates to Employee's performance) regulatory action against Employee or

Employer (provided that the Board of Directors determines in good faith, with Employee abstaining from participating in the consideration of and vote on the matter if Employee is on the Board of Directors, that the subject matter of such action involves acts or omissions by or under the supervision of Employee or that termination of Employee would materially advance Employer's compliance with the purpose of the action or would materially assist Employer in avoiding or reducing the restrictions or adverse effects to Employer related to the regulatory action); (E) the exhibition by Employee of a standard of behavior within the scope of his employment that is materially disruptive to the orderly conduct of Employer's business operations (including, without limitation, substance abuse or sexual misconduct) to a level which, in the Board of Directors' good faith and reasonable judgment, with Employee abstaining from participating in the consideration of and vote on the matter, is materially detrimental to Employer's best interest, that, if susceptible of cure remains

5

uncured 10 days following written notice to Employee of such specific inappropriate behavior (provided, that Employer shall be under no obligation to allow a time period to cure with respect to such behavior); or (F) the failure of Employee to devote his full business time and attention to his employment as provided under this Agreement that, if susceptible of cure, remains uncured 30 days following written notice to Employee of such failure; or

(iv) by the Employee by Notice of Termination which follows a Change in Control and either (i) follows the occurrence of a Good Reason or (ii) is delivered within six (6) months after the occurrence of a Change in Control;

(v) by the Employer if its effort to organize the Bank is abandoned before a charter is obtained;

(vi) by the Employer effective upon the 30th day after delivery of a Notice of Termination; or

(vii) upon 30 days written notice thereof to Employee from Employer for no reason or a reason other than those set forth in subsection (iii) above (termination "Without Cause").

(b) If Employee's employment is terminated because of Employee's death under Section 14(a) (i), Employee's estate shall receive any sums due him as base salary and/or reimbursement of expenses through the end of

the month during which death occurred, plus any bonus earned or accrued through the date of death (including any amounts awarded for previous years but which were not yet vested) and a pro rata share of any bonus with respect to the current fiscal year which had been earned as of the date of Employee's death.

(c) During the period of any incapacity leading up to the termination of Employee's employment as a result of disability under Section 14(a)(ii), Employer shall continue to pay Employee his full base salary at the rate then in effect and all perquisites and other benefits (other than any bonus) until Employee becomes eligible for benefits under any long-term disability plan or insurance program maintained by Employer, provided that the amount of any such payments to Employee shall be reduced by the sum of the amounts, if any, payable to Employee for the same period under any disability benefit or pension plan of the Employer or any of its subsidiaries. Furthermore, Employee shall receive any bonus earned or accrued through the date of incapacity (including any amounts awarded for previous years but which were not yet vested) and a pro rata share of any bonus with respect to the current fiscal year which had been earned as of the date of the Employee's incapacity.

(d) If the Employee's employment is terminated for Cause under Section 14(a)(iii), Employee shall receive any sums due him as base salary and/or reimbursement of expenses through the date of such termination.

(e) If the Employee's employment is terminated by the Employee pursuant to Section 14(a)(iv), the Employee shall be entitled to the following:

(i) the Employer shall pay the Employee in cash within fifteen (15) days of the date of termination severance compensation in an amount equal to the sum of (A) his then current monthly base salary multiplied by 12; (B) any bonus earned or accrued under the Bonus Plan through the date of termination (including amounts awarded for previous years but which

6

were not yet vested); and (C) a pro rata share of any bonus with respect to the current fiscal year which had been earned as of the date of termination.

(f) If the Employee's employment is terminated pursuant to Section 14(a)(v), Employee shall receive any sums due him as base salary and/or reimbursement of expenses through the date of such termination, as well as severance compensation in an amount equal to 100% of his monthly base salary for three (3) months from the date of termination.

(g) If Employee resigns under Section 14(a)(vi), Employee shall receive any sums due him as base salary and/or reimbursement of expenses through the date of such termination.

(h) If Employer terminates the Employee's employment pursuant to Section 14(a) (vii), the Employee shall be entitled to the following:

(i) the Employer shall pay the Employee in cash within fifteen (15) days of the date of termination severance compensation in an amount equal to the sum of (A) his then current monthly base salary multiplied by 24; (B) any bonus earned or accrued under the Bonus Plan through the date of termination (including amounts awarded for previous years but which were not yet vested); and (C) a pro rata share of any bonus with respect to the current fiscal year which had been earned as of the date of termination.

(1) The parties intend that the severance payments and other compensation provided for herein are reasonable compensation for the Employee's services to the Employer and shall not constitute "excess parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986 and any regulations thereunder. In the event that the Employer's independent accountants acting as auditors for the Employer on the date of a Change of Control or the date of Employee's termination determine that the payments provided for herein constitute "excess parachute payments," then the compensation payable hereunder shall be increased, on a tax gross-up basis, so as to reimburse the Employee for the tax payable by the Employee, pursuant to Section 4999 of the Internal Revenue Code, on such "excess parachute payments," taking into account all taxes payable by the Employee with respect to such tax gross-up payments hereunder, so that Employee shall be, after payment of all taxes, in the same financial position as if no taxes under Section 4999 had been imposed upon him.

15. Oral Modification Not Binding. This Agreement supersedes all prior agreements and understandings between the parties and may not be changed or terminated orally, and no change or attempted waiver of the provisions hereof shall be binding unless in writing and signed by the party against whom the same is sought to be enforced; provided, however, that Employee's compensation may be increased at any time by Employer without in any way affecting any of the other terms and conditions of this Agreement, which in all other respects shall remain in full force and effect.

16. Governing Law. This Agreement has been entered into in the State of Georgia and shall be governed by the laws of such State without regard to conflict of laws principles.

17. Remedies for Breach. Employee recognizes and agrees that a breach by Employee of any covenant contained in this Agreement would cause immeasurable and irreparable harm to Employer. In the event of a breach or threatened breach of any covenant contained herein, Employer shall be entitled to temporary and permanent injunctive relief, restraining Employee from violating or threatening

any covenant contained herein, as well as all costs and fees incurred by Employer, including attorneys' fees, as a result of Employee's breach or threatened breach of the covenant. Employer and Employee agree that the relief described herein is in addition to such other and further relief as may be available to Employer at equity or by law. Nothing herein shall be construed as prohibiting Employer from pursuing any other remedies available to it for such breach of threatened breach, including the recovery of damages from Employee.

18. Consideration. Employee acknowledges and agrees that valid consideration has been given to Employee by Employer in return for the promises of Employee set forth herein.

19. Covenants are Independent. The covenants on the part of Employee contained herein shall each be construed as agreements independent of each other and of any other provisions in this Agreement and the unenforceability of one shall not effect the remaining covenants.

20. Severability and Substitution of Valid Provisions. To the extent that any provision or language of this Agreement is deemed unenforceable, by virtue of the scope of the business activity prohibited or the length of time the activity is prohibited, Employer and Employee agree that this Agreement shall be enforced to the fullest extent permissible under the laws and public policies of the State of Georgia.

21. Extension of Periods. Each of the time periods described in this Agreement shall be automatically extended by any length of time during which Employee is in breach of the corresponding covenant contained herein. The provisions of this Agreement shall continue in full force and effect throughout the duration of the extended periods.

22. Reasonable Restraint. It is agreed by the parties that the foregoing covenants in this agreement are necessary for the legitimate business interests of Employer and impose a reasonable restraining on Employee in light of the present and proposed activities and business of Employer on the date of the execution of this Agreement. Employee acknowledges that strict enforcement of the covenants contained herein will cause no hardship to either Employee or his family.

23. Withholding of Taxes. Employer may withhold from any amounts payable to Employee under this Agreement all federal, state, city or other taxes and withholdings as shall be required pursuant to any applicable law, rule or regulation.

24. Notices. Any notice required or permitted to be given under this Agreement shall be sufficient if given in writing and sent by registered or

certified mail to his residence in the case of Employee or to its principal office in the case of Employer.

25. Assignment. The rights and obligations of the parties to this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of Employer. This Agreement shall not be terminated by any merger or consolidation whether or not Employer is the consolidated or surviving corporation or by transfer of all or substantially all of the assets of Employer to another corporation if there is a surviving or resulting corporation in such transfer. This Agreement may not be assigned by Employee.

26. Severability. It is not the intent of any party hereto to violate any public policy of any jurisdiction in which this Agreement may be enforced. If any provision of this Agreement or the application of any provision hereof to any person or circumstances is held invalid, unenforceable or

otherwise unlawful, the remainder of this Agreement and the application of such provision to any other person or circumstances shall not be affected. In addition, the applicable provision shall be reformed to the extent (and only to the extent) necessary to make it valid, enforceable and legal.

27. Entire Agreement. This Agreement supersedes any other agreements, oral or written, between the parties with respect to the subject matter hereof, and contains all of the agreements and understandings between the parties with respect to the employment of Employee by Employer. Any waiver or modification of any term of this Agreement shall be effective only if it is set forth in writing signed by all parties hereto.

28. Gender Neutrality. The terms "he," "him," "his," and "himself," where used in this Agreement, shall refer to both the masculine and feminine genders, as may be appropriate.

29. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same Agreement.

30. Certain Definitions:

(a) "Change in Control" shall mean the occurrence during the Term of any of the following events, unless such event is a result of a Non-Control Transaction:

(i) The individuals who, as of the date of this

Agreement, are members of the Board of Directors of the Employer (the "Incumbent Board") cease for any reason to constitute at least fifty percent of the Board of Directors of the Employer; provided, however, that if the election, or nomination for election by the Employer's shareholders, of any new director was approved in advance by a vote of at least fifty percent of the Incumbent Board, such new director shall, for purposes of this Agreement, be considered as a member of the Incumbent Board; provided, further, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened "Election Contest" (as described in Rule 14a-11 promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"), or other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board of Directors of the Employer (a "Proxy Contest"), including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest.

(ii) An acquisition (other than directly from the Employer) of any voting securities of the Employer (the "Voting Securities") by any "Person" (as the term "person" is used for purposes of Section 13(d) or 14(d) of the Exchange Act) immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of the combined voting power of the Employer's then outstanding Voting Securities; provided, however, that in determining whether a Change in Control has occurred, Voting Securities which are acquired in a Non-Control Acquisition shall not constitute an acquisition which would cause a Change in Control.

(iii) Approval by the shareholders of the Employer of: (i) a merger, consolidation, or reorganization involving the Employer; (ii) a complete liquidation or dissolution of the Employer (excluding any liquidation or dissolution of Employer made

+

9

in connection with a voluntary or involuntary bankruptcy or receivership or other insolvency proceeding of Employer or other Employer's insolvency); or (iii) an agreement for the sale or other disposition of all or substantially all of the assets of the Employer to any Person (other than a transfer to a Subsidiary).

(iv) A notice of an application is filed with the Office of Comptroller of the Currency (the "OCC") or the

Federal Reserve Board or any other bank or thrift regulatory approval (or notice of no disapproval) is granted by the Federal Reserve, the OCC, the Federal Deposit Insurance Corporation, or any other regulatory authority for permission to acquire control of the Employer or any of its banking subsidiaries.

(b) "Good Reason" shall mean the occurrence after a Change in Control of any of the events or conditions described in subsections (i) through (viii) hereof:

(i) a change in the Executive's status, title, position or responsibilities (including reporting responsibilities) which, in the Executive's reasonable judgment, represents an adverse change from his status, title, position or responsibilities as in effect at any time within 90 days preceding the date of a Change in Control or at any time thereafter; the assignment to the Executive of any duties or responsibilities which, in the Executive's reasonable judgment, are inconsistent with his status, title, position or responsibilities as in effect at any time within 90 days preceding the date of a Change in Control or at any time thereafter; any removal of the Executive from or failure to reappoint or reelect him to any of such offices or positions, except in connection with the termination of his employment for Disability or Cause, as a result of his death, or by the Executive other than for Good Reason, or any other change in condition or circumstances that in the Executive's reasonable judgment makes it materially more difficult for the Executive to carry out the duties and responsibilities of his office than existed at any time within 90 days preceding the date of Change in Control or at any time thereafter;

(ii) a reduction in the Executive's base salary or any failure to pay the Executive any compensation or benefits to which he is entitled within five days of the date due;

(iii) the Employer's requiring the Executive to be based at any place outside a 30-mile radius from the executive offices occupied by the Executive immediately prior to the Change in Control, except for reasonably required travel on the Employer's business which is not materially greater than such travel requirements prior to the Change in Control;

(iv) the failure by the Employer to (A) continue in effect (without reduction in benefit level and/or reward opportunities) any material compensation or employee benefit plan in which the Executive was participating at any time within 90 days preceding the date of a Change in Control or at any time thereafter, unless such plan is replaced with a plan that provides substantially equivalent compensation or

benefits to the Executive, or (B) provide the Executive with compensation and benefits, in the aggregate, at least equal (in terms of benefit levels and/or reward opportunities) to those provided for under each other employee benefit plan, program and practice in which the Executive was participating at any time within 90 days preceding the date of a Change in Control or at any time thereafter;

10

(v) the insolvency or the filing (by any party, including the Employer) of a petition for bankruptcy of the Employer, which petition is not dismissed within 60 days;

(vi) any material breach by the Employer of any material provision of this Agreement;

(vii) any purported termination of the Executive's employment for Cause by the Employer which does not comply with the terms of this Agreement; or

(viii) the failure of the Employer to obtain an agreement, satisfactory to the Executive, from any successor or assign to assume and agree to perform this Agreement.

Any event or condition described in clause (i) through (viii) above which occurs prior to a Change in Control but which the Executive reasonably demonstrates (A) was at the request of a third party, or (B) otherwise arose in connection with, or in anticipation of, a Change in Control which actually occurs, shall constitute Good Reason for purposes of this Agreement, notwithstanding that it occurred prior to the Change in Control. The Executive's right to terminate his employment for Good Reason shall not be affected by his incapacity due to physical or mental illness.

(c) "Non-Control Transaction" shall mean a transaction described below:

(i) the shareholders of the Employer, immediately before such merger, consolidation or reorganization, own, directly or indirectly, immediately following such merger, consolidation or reorganization, at least 50% of the combined voting power of the outstanding voting securities of the corporation resulting from such merger, consolidation or reorganization (the "Surviving Corporation") in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, consolidation or reorganization; and

(ii) immediately following such merger, consolidation or reorganization, the number of directors on the board of directors of the Surviving Corporation who were members of the Incumbent Board shall at least equal the number of directors who were affiliated with or appointed by the other party to the merger, consolidation or reorganization.

(d) "Notice of Termination" shall mean a written notice of termination from the Employer or the Executive which specifies an effective date of termination, indicates the specific termination provision in this Agreement relied upon, and sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written on this _____ day of _____, 2001.

11

FIRST SOUTHERN BANCORP

[CORPORATE SEAL]

By: _____

Name:

Attest:

Title:

Secretary

EMPLOYEE

Charles Robert Fennell, Jr. (L.S.)

12

THE WARRANTS EVIDENCED BY THIS CERTIFICATE HAVE BEEN ISSUED OR SOLD IN RELIANCE ON EXEMPTIONS FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933 AND APPLICABLE STATE SECURITIES LAWS AND MAY NOT BE SOLD OR TRANSFERRED EXCEPT IN A TRANSACTION WHICH IS EXEMPT UNDER SUCH ACT AND STATE LAWS OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND STATE LAWS.

FIRST SOUTHERN BANCORP

STOCK WARRANT AGREEMENT

_____, 2001

Warrant Holder:

No. of Shares:

First Southern Bancorp (the "Company"), a Georgia corporation and the holding company for First Southern National Bank (proposed) (the "Bank"), hereby grants to the person identified above as the Warrant Holder Warrants (the "Warrants") to purchase the number of shares set forth above, representing one share of common stock of for every two shares of common stock purchased by the Warrant Holder in the Company's initial public offering, in consideration of the financial risk associated with Warrant Holder's investment in the Company during its organizational stage and the time, expertise, and continuing involvement of the Warrant Holder in the management of the Bank. Such Warrants are granted on the following terms and conditions:

1. Exercise of Warrants. One-fifth of the shares (the "Shares") subject to the Warrants granted in this Agreement shall vest on each of the first five anniversaries of the date of the completion of the Company's initial public offering (the "Completion Date"). Exercise of the Warrants is subject to the following:

- (a) Exercise Price. The exercise price (the "Exercise Price") shall be \$10.00 per Share, subject to adjustment pursuant to Section 2 below.
- (b) Expiration of Warrant Term. The Warrants will expire at 5:00 p.m. Eastern Standard Time on the tenth anniversary of the Completion Date, and may not be exercised thereafter (the "Expiration Date").
- (c) Payment. The purchase price for Shares as to which the Warrants are being exercised shall be paid in cash, by wire transfer, by certified or bank cashier's check, or by personal check drawn on funds on deposit with the Bank.

- (d) Method of Exercise. The Warrants shall be exercisable by a written notice delivered to the President or Secretary of the Company which shall:
- (i) State the owner's election to exercise the Warrants, the number of Shares with respect to which it is being exercised, the person in whose name the stock certificate for such Shares is to be registered, and such person's address and tax identification number (or, if more than one, the names, addresses and tax identification numbers of such persons);
 - (ii) Be signed by the person or persons entitled to exercise the Warrants and, if the Warrants are being exercised by any person or persons other than the original holder thereof, be accompanied by proof satisfactory to counsel for the Bank of the right of such person or persons to exercise the Warrants; and
 - (iii) Be accompanied by the originally executed copy of this Stock Warrant Agreement.
- (e) Partial Exercise. In the event of a partial exercise of the Warrants, the Company shall either issue a new agreement for the balance of the Shares subject to this Stock Warrant Agreement after such partial exercise, or it shall conspicuously note hereon the date and number of Shares purchased pursuant to such exercise and the number of Shares remaining covered by this Stock Warrant Agreement.
- (f) Restrictions on Exercise. The Warrants may not be exercised (i) if the issuance of the Shares upon such exercise would constitute a violation of any applicable federal or state securities or banking laws or other law or regulation or (ii) unless the Bank or the holder hereof, as applicable, obtains any approval or other clearance which the Bank determines to be necessary or advisable from the Federal Reserve Board, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation or any other state or federal banking regulatory agency with regulatory authority over the operation of Company or the Bank (collectively the "Regulatory Agencies"). The Company may require representations and warranties from the Warranty Holder as required to comply with applicable laws or regulations, including the Securities Act of 1933 and state securities laws.

2. Anti-Dilution; Merger. If, prior to the exercise of Warrants hereunder, the Company (i) declares, makes or issues, or fixes a record date for the determination of holders of common stock entitled to receive, a dividend or other distribution payable on the Shares in shares of its capital stock, (ii) subdivides the outstanding Shares, (iii) combines the outstanding Shares, (iv) issues any shares of its capital stock by reclassification of the Shares, capital reorganization or otherwise (including any such reclassification or reorganization in connection with a consolidation or merger or and sale of all or substantially all of the Company's assets to any person), then the Exercise Price, and the number and kind of shares receivable upon exercise, in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification shall be proportionately adjusted so that the holder of any Warrant exercised after such time shall be entitled to receive the aggregate number and kind of shares which, if such Warrant had been exercised immediately prior to such time, he would have owned upon such exercise and been entitled to receive by virtue of such dividend, distribution, subdivision, combination, reclassification, reorganization, consideration, merger or sale.

3. Valid Issuance of Common Stock. The Company possesses the full authority and legal right to issue, sell, transfer, and assign this Warrant and the Shares issuable pursuant to this Warrant. The issuance of this Warrant vests in the holder the entire legal and beneficial

2

interests in this Warrant, free and clear of any liens, claims, and encumbrances and subject to no legal or equitable restrictions of any kind except as described herein. The Shares that are issuable upon exercise of this Warrant, when issued, sold and delivered in accordance with the terms of this Agreement for the consideration expressed herein, will be duly and validly issued, fully paid, and non-assessable, and will be free of restrictions on transfer other than restrictions under applicable state and federal securities.

4. Compliance with Securities Laws. This Agreement and the Warrants represented hereby were issued in reliance on an exemption from registration under the Securities Act of 1933 (the "Act") for financial institutions, and other applicable exemptions under state securities laws. The Company's reliance on such exemption is predicated in part on the Warrant Holder's representations set forth herein. Warrant Holder understands that the Warrants and the Shares issuable upon exercise of the Warrants may not be sold, transferred or otherwise disposed of without registration under the Securities Act of 1933, or an exemption therefrom, and that in the absence of an effective registration statement covering such shares or an available exemption from registration under the Securities Act, such Shares must be held indefinitely.

5. Restrictions on Transferability. This the Agreement and the Warrants

may not be assigned, transferred (except as provided above), pledged, or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment, or similar process. Any attempted assignment, transfer, pledge, hypothecation, or other disposition of these Warrants contrary to the provisions hereof shall be without legal effect. The Shares issuable on exercise of the Warrants may not be assigned or transferred by the Warrant Holder without the Company's prior written consent and, if so requested by the Company, the delivery by the Warrant Holder to the Company of an opinion of counsel in form and substance satisfactory to the Company stating that such transfer or assignment is in compliance with the Securities Act of 1933 and applicable state securities laws.

6. Restrictive Legend. Each certificate for Shares issued upon exercise of the Warrant shall bear a legend stating that they have not been registered under the Securities Act of 1933 or any state securities laws and referring to the restrictions on transferability and sale herein.

7. Mandatory Exercise; Termination.

- (a) Warrant Holder shall exercise all of Warrant Holder's then exercisable Warrants within 120 days of the date that Warrant Holder ceases to serve the Company as an executive officer, employee, or director, or the then exercisable Warrants shall terminate. If applicable, Warrant Holder agrees to exercise any Warrants that are not exercisable on the date in which Warrant Holder ceases to serve the Company within 120 days of the date that those Warrants become exercisable, or the then exercisable Warrants shall terminate.
- (b) The Company may be required to increase its capital to meet capital requirements imposed by statute, rule, regulation, or guideline. In order to achieve such capital increase, the Regulatory Agencies may direct the Company to require the Warrant Holders to either (i) exercise all or part of their Warrants or (ii) allow the Warrants to be terminated. If the Regulatory Agencies so direct the Company, then the Warrant Holder must exercise or forfeit the Warrants as set forth below.

- (c) When the Company is required to increase its capital as described in subsection (b) above, the Company shall send a notice (the "Notice") to the Warrant Holder (i) specifying the number of Shares relating to the Warrants for which the Warrants must be exercised (the "Number") (if less than all shares relating to warrants held by all holders of warrants of the Company under agreements substantially similar to this one

are required by the Company to be exercised or cancelled, the Number for the Warrant Holder shall reflect a proportionate allocation based on the number of Shares subject to this Agreement as compared to the total number of shares subject to warrants held by all such warrant holders as a group); (ii) specifying the date prior to which the Warrants must be totally or partially exercised, as the case may be (the "Deadline"); (iii) specifying the Exercise Price for the Shares to be purchased pursuant to the Warrants (such Exercise Price not to be less than current book value per share); and (iv) stating that the failure of the Warrant holder to exercise the Warrants shall result in their automatic termination.

- (d) If the Warrant Holder does not exercise the Warrants pursuant to the terms of the Notice, this Agreement shall be automatically terminated on the Deadline, without further act or action by the Warrant Holder or the Company, and the Warrant Holder shall deliver this Agreement to the Company for cancellation. If the Number is less than the total number of Shares that are then subject to exercise under this Agreement, the Company shall issue a new Stock Warrant Agreement in compliance with Section 1(e) hereof.

8. Covenants of the Company. During the term of the Warrants, the Company shall:

- (a) at all times authorize, reserve and keep available, solely for issuance upon exercise of this Warrant, sufficient shares of common stock from time to time issuable upon exercise of this Warrant;
- (b) on receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft, or destruction, on delivery of any indemnity agreement or bond reasonably satisfactory in form and amount to the Company or, in the case of mutilation, on surrender and cancellation of this Warrant, at its expense execute and deliver, in lieu of this Warrant, a new Warrant of like tenor; and
- (c) on surrender for exchange of this Warrant or any Warrant substituted therefor pursuant hereto, properly endorsed, to the Company, at its expense, issue and deliver to or on the order of the holder thereof a new Warrant or Warrants of like tenor, in the name of such holder or as such holder (on payment by such holder of any applicable transfer taxes) may direct, calling in the aggregate on the face or faces thereof for the issuances of the number of shares of common stock issuable pursuant to the terms of the Warrant or Warrants so surrendered.

9. No Dilution or Impairment. The Company shall not amend its Certificate of Incorporation or participate in any reorganization, transfer of assets, consolidation, merger, dissolution, issuance or sale of securities or any other voluntary action for the purpose of avoiding or seeking to avoid the observance or performance of any of the terms to be observed or

4

performed hereunder by the Company, but will at all times in good faith assist in carrying out all such action as may be reasonably necessary in order to protect the exercise rights of the holder against improper dilution or other impairment.

10. Amendment. Neither this Agreement nor the rights granted hereunder may be amended, changed or waived except in writing signed by each party hereto.

IN WITNESS WHEREOF, the Company has executed and the holder has accepted this Stock Warrant Agreement as of the date and year first above written.

FIRST SOUTHERN BANCORP

By:

President

(CORPORATE SEAL)

Attest:

Secretary

WARRANT HOLDER:

By:

Signature

Print Name

5

LOAN NUMBER	LOAN NAME	ACCT. NUMBER	NOTE DATE	INITIALS
	FSNB, LLC		03/28/01	
	INDEX (w/Margin)	RATE	MATURITY DATE	LOAN PURPOSE
NOTE AMOUNT	Wall Street Journal Prime	7.25%	03/28/02	
\$1,100,000.00	minus 0.75%			Commercial
Creditor Use Only				

PROMISSORY NOTE
(Commercial - Revolving Draw - Variable Rate)

DATE AND PARTIES. The date of this Promissory Note (Note) is March 28, 2001. The parties and their addresses are:

LENDER:

NEXITY BANK - ATLANTA LPO
2839 Paces Ferry Road
Suite 840
Atlanta, Georgia 30339
Telephone: (678) 556-0700

BORROWER:

FSNB, LLC
a Limited Liability Company
PO Box 327
Statesboro, Georgia 30459

1. DEFINITIONS. As used in this Note, the terms have the following meanings:

- A. Pronouns. The pronouns "I," "me," and "my" refer to each Borrower signing this Note, individually and together with their heirs, successors and assigns, and each other person or legal entity (including guarantors, endorsers, and sureties) who agrees to pay this Note. "You" and "Your" refer to the Lender, with its participants or syndicators, successors and assigns, or any person or company that acquires an Interest in the Loan.
- B. Note. Note refers to this document, and any extensions, renewals, modifications and substitutions of this Note.
- C. Loan. Loan refers to this transaction generally, including obligations and duties arising from the terms of all documents prepared or submitted for this transaction such as applications, security

agreements, disclosures or notes, and this Note.

D. Property. Property is any property, real, personal or intangible, that secures my performance of the obligations of this Loan.

E. Percent. Rates and rate change limitations are expressed as annualized percentages.

2. PROMISE TO PAY. For value received, I promise to pay you or your order. at your address, or at such other location as you may designate, amounts advanced from time to time under the terms of this Note up to the maximum outstanding principal balance of \$1,100,000.00 (Principal), plus interest from the date of disbursement. on the unpaid outstanding Principal balance until this Note matures or this obligation 13 accelerated.

I may borrow up to the Principal amount more than one time.

All advances made will be made subject to all other terms and conditions of this Loan.

3. INTEREST. Interest will accrue on the unpaid Principal balance of this Note at the rate of 7.25 percent (interest Rate) until March 29, 2001, after which time it may change as described in the Variable Rate subsection.

A. Interest After Default. If you declare a default under the terms of this Loan, including for failure to pay in full at maturity, you may increase the Interest Rate payable on the outstanding Principal balance of this Note. In such event, Interest will accrue on the outstanding Principal balance at the Interest Rate in affect from time to time under the terms of this Loan, until paid in full.

B. Maximum Interest Amount. Any amount assessed or collected as interest under the terms of this Note or obligation will be limited to the Maximum Lawful Amount of interest allowed by state or federal law. Amounts collected In excess of the Maximum Lawful Amount will be applied first to the unpaid Principal balance. Any remainder will be refunded to me.

C. Statutory Authority. The amount assessed or collected on this Note is authorized by Ga. Code title 7, ch. 4.

D. Accrual. During the scheduled term of this Loan interest accrues using an Actual/360 days counting method.

E. Variable Rate. The interest Rate may change during the term of this transaction.

(1) Index. Beginning with the first Change Date, the Interest Rate will be based on the following index: the highest base rate on corporate loans posted by at least 75% of the nation's 30 largest banks that The Wall Street Journal publishes as the Prime Rate.

The Current Index is the most recent index figure available on

each Change Date. You do not guaranty by selecting this Index, or the margin, that the Interest Rate on this Note will be the same rate you charge on any other loans or class of loans you make to me or other borrowers. If this Index is no longer available, you will substitute a similar index. You will give me notice of your choice.

(2) Change Date. Each date on which the Interest Rate may change is called a Change Date. The Interest Rate may change March 29, 2001 and daily thereafter.

(3) Calculation Of Change. On each Change Date, you will calculate the Interest Rate, which will be the Current index minus 0.75 percent. The result of this calculation will be rounded to the nearest .001 percent. Subject to any limitations, this will be the Interest Rate until the next Change Date. The new Interest Rate will become effective on each Change Date. The Interest Rate and other charges on this Note will never exceed the highest rate or charge allowed by law for this Note.

(4) Effect Of Variable Rate. A change In the Interest Rate will have the following effect on the payments: The amount of scheduled payments will change.

4. GOVERNING AGREEMENT. This Note is further governed by the Commercial Loan Agreement executed between you and me as part of this Loan, as modified, amended or supplemented. Upon execution of this Note, I represent that I have reviewed and am In compliance with the terms contained in the Commercial Loan Agreement.

5. PAYMENT. I agree to pay all accrued interest on the balance outstanding from time to time in regular payments beginning June 28, 2001, then on the same day in each 3rd month thereafter. A final payment of the entire unpaid outstanding balance of Principal and interest will be due March 28, 2002.

Payments will be rounded to the nearest \$.01. With the final payment I also agree to pay any additional fees or charges owing and the amount of any advances you have made to others on my behalf. Payments scheduled to be paid on the 29th, 30th or 31st day of a month that contains no such day will, instead, be made on the last day of such month.

Interest payments will be applied first to any charges I owe other than late charges, then to accrued, but unpaid interest, then to late charges. Principal payments will be applied first to the outstanding Principal balance. then to any late charges. If you and I agree to a different application of payments. we will describe our agreement on this Note. The actual amount of my final payment will depend on my payment record.

6. PREPAYMENT. I may prepay this Loan in full or in part at any time. Any partial prepayment will not excuse any later scheduled payments until I pay In full.

7. LOAN PURPOSE. This is a business-purpose loan transaction.

8. SECURITY. This Loan is secured by separate security instruments prepared together with this Note as follows:

Document Name	Parties to Document
Deed To Secure Debt (GA) - See Attached Exhibit "A"	FSNB, LLC

9. ASSUMPTIONS. Someone buying the Property cannot assume the obligation. You may declare the entire balance of the Note to be immediately due and payable upon the creation of, or contract for the creation of, any lien, encumbrance, or transfer of the Property.

10. WAIVERS AND CONSENT. To the extent not prohibited by law, I waive protest, presentment for payment, demand, notice of acceleration, notice of Intent to accelerate and notice of dishonor.

A. Additional Waivers By Borrower. In addition, I, and any party to this Note and Loan, to the extent permitted by law, consent to certain actions you may take, and generally waive defenses that may be available based on these actions or based on the status of a party to this Note.

- (1) You may renew or extend payments on this Note, regardless of the number of such renewals or extensions.
- (2) You may release any Borrower, endorser, guarantor, surety, accommodation maker or any other co-signer.
- (3) You may release, substitute or Impair any Property securing this Note.
- (4) You, or any institution participating in this Note, may invoke your right of set-off.
- (5) You may enter into any sales, repurchases or participations of this Note to any person in any amounts and I waive notice of such sales, repurchases or participations.
- (6) I agree that any of us signing this Note as a Borrower is authorized to modify the terms of this Note or any instrument securing, guarantying or relating to this Note.
- (7) I agree that you may Inform any party who guarantees this Loan of any Loan accommodations, renewals, extensions, modifications, substitutions or future advances,

B. No Waiver By Lender. Your course of dealing, or your forbearance from, or delay in, the exercise of any of your rights, remedies, privileges or right to insist upon my strict performance of any provisions contained in this Note, or other Loan documents, shall not be construed as a waiver by you, unless any such waiver is in writing and is signed by you.

11. APPLICABLE LAW. This Note is governed by the laws of Georgia, the United

States of America and to the extent required, by the laws of the jurisdiction where the Property is located.

12. JOINT AND INDIVIDUAL LIABILITY AND SUCCESSORS. My obligation to pay this Loan is independent of the obligation of any other person who has also agreed to pay it. You may sue me alone, or anyone else who is obligated on this Loan, or any number of us together, to collect this Loan. Extending this Loan or new obligations under this Loan, will not affect my duty under this Loan and I will still be obligated to pay this Loan. The duties and benefits of this Loan will bind and benefit the successors and assigns of you and me.

13. AMENDMENT. INTEGRATION AND SEVERABILITY. This Note may not be amended or modified by oral agreement. No amendment or modification of this Note is effective unless made in writing and executed by you and me. This Note is the complete and final expression of the agreement. If any provision of this Note is unenforceable, then the unenforceable provision will be severed and the remaining provisions will still be enforceable.

14. INTERPRETATION. Whenever used, the singular includes the plural and the plural includes the singular. The section headings are for convenience only and are not to be used to interpret or define the terms of this Note.

15. NOTICE, FINANCIAL REPORTS AND ADDITIONAL DOCUMENTS. Unless otherwise required by law, any notice will be given by delivering it or mailing it by first class mail to the appropriate party's address listed in the DATE AND PARTIES section, or to any other address designated in writing. Notice to one party will be deemed to be notice to all parties. I will inform you in writing of any change in my name, address or other application information. I agree to sign, deliver, and file any additional documents or certifications that you may consider necessary to perfect, continue, and preserve my obligations under this Loan and to confirm your lien status on any Property. Time is of the essence.

16. CREDIT INFORMATION. I agree that from time to time you may obtain credit information about me from others, including other lenders and credit reporting agencies, and report to others (such as a credit reporting agency) your credit experience with me. I agree that you will not be liable for any claim arising from the use of information provided to you by others or for providing such information to others.

17. SIGNATURES. By signing under seal, I agree to the terms contained in this Note. I also acknowledge receipt of a copy of this Note.

BORROWER:
FSNB, LLC

/s/ F. Thomas David

F. Thomas David, President (Seal)

/s/ Laura T. Marsh

Laura T. Marsh (Seal)

LENDER:

Nexity Bank, Atlanta LPO

/s/ Jack Gardner (Seal)

Jack Gardner

(Attest)

Exhibit "A"

Tract No. 1

All that certain lot or parcel of land lying and being in the City of Statesboro, 1209th G. M. District of Bulloch County, Georgia and fronting North on West Grady Street a distance of 80-1/3 feet and running back in a southerly direction between slightly converging lines a distance of 134 feet and being 72-2/3 feet wide on the southern side and containing 235/1000 acre, more or less, according to plat of same made by S. L. Moore, Surveyor, dated November 28, 1906 and recorded in Deed Book 210, page 325, Bulloch County Records. Said property being bound now or formerly as follows: Northerly by said Grady Street Easterly by lands now or formerly of Frank Hook; Southerly by lands now or formerly of Mrs. L. B. Lovett; and Westerly by South Walnut Street (formerly Plum Street) and being known as the homeplace of the late Mrs. D. C. McDougald. Such property is also known as 10 West Grady Street by the current method of numbering streets in Statesboro, Bulloch County, Georgia.

Tract No. 2

All that certain lot or parcel of land lying and being in the 1209th G. M. District of Bulloch County, Georgia and in the City of Statesboro and more particularly described according to a plat made by R. J. Kennedy, Jr. Surveyor, dated November 10, 1950 and recorded in Plat Book 2, page 3, Bulloch County Records, as beginning at a point on the southern edge of West Grady Street, which point is 166 feet west of the southwestern intersection of South Main Street (U.S. Highway 301) and West Grady Street, the line runs along lands now or formerly of H, Frank Hook, formerly Mrs. Grace B. Hook, South 5 degrees 10 minutes West a distance of 80 feet; thence along the same bearing along lands now or formerly of Mrs. O. W. Simons a distance of 54.5 feet to an iron comer, thence North 85 degrees 30 minutes West 71.3 feet along lands of William R. Lovett and Mrs. Betty L. Rockett to an iron comer; thence North 7 degrees 20

minutes East 134.15 feet along lands of Mrs. Mary Alice Hendricks, formerly Mrs. D. C. McDougald to an iron comer; thence along West Grady Street South 85 degrees 30 minutes East 66.15 feet to the point of beginning. This being the same property conveyed to Derie Allen and Estella Allen by Warranty Deed from Anne F. Hook, H. Frank Hook, UL and Robert E. Hook dated August 12, 1985, and recorded in Deed Book 454, Page 278, Bulloch County records. Such property is also known as 8 West Grady Street by the current method of numbering streets in Statesboro, Bulloch County, Georgia.

Tract No. 3

All that certain lot or parcel of land situate, lying and being in the City of Statesboro, 1209th G. M. District of Bulloch County, Georgia fronting East on South Main Street a distance of 54.34 feet, and running back in a westerly direction from said South Main Street and being bound now or formerly as follows: Northerly by Property of Cecil E. Kennedy, Jr. and Marjorie H. Kennedy; Easterly by said South Main Street (U.S. Highway No. 301); Southerly by property of William R. Lovett and Betty L. Rockett; and Westerly by property now or formerly of Derie Allen, all as shown on a plat of survey made by Lamar O. Reddick & Associates, Surveyors, dated November 24, 1987, a copy of which is recorded in Plat Book 30, page 61, Bulloch County records. This is the same property conveyed to Louise Brunson Simmons by deed of F.N. Grimes, dated June 30, 1932 and recorded in Deed Book 88, page 327, Bulloch County, Georgia records. Such property is also known as 205 South Main Street under the current method of numbering streets in Statesboro, Bulloch County, Georgia.

Tract No. 4

All that certain lot, tract or parcel of land lying and being in the City of Statesboro, 1209th G. M. District of Bulloch County, Georgia, fronting East on South Main Street (U.S. Highway 301) a distance of 81.37 feet as shown on a plat of survey made by Lamar O. Reddick & Associates, Surveyors, dated February 8, 1995, a copy of which is recorded in Plat Book 30, page 49, Bulloch County Records. Said property being bound now or formerly as follows: North by West Grady Street; East by South Main Street; south by lands now or formerly of Louise B. Simmons, and West by lands now or formerly of H. Frank Hook, Jr. This is the same property conveyed to Harold E. A. Cavallaro, Jr., by deed of Mary Frances A. Joyner dated July

7, 1986 and recorded in Deed Book 466, page 789, Bulloch County, Georgia records. By deed dated February 27, 1987 and recorded in Deed Book 480, page 228, Bulloch County records, the said Harold E. A. Cavallaro, Jr. conveyed said property to The Spectrum Management Group, Inc., a Connecticut corporation. Such property is also known as 201 South Main Street under the current method of numbering streets in Statesboro, Bulloch County, Georgia.

Tract No. 5

All that certain tract or parcel of land located in the 1209th G. M. District of Bulloch County, Georgia, more particularly described on that certain plat of survey by Lamar O. Reddick & Associates, dated August 1, 1983, a copy of which is attached hereto as Exhibit AA@, containing 0.748 acres, and being bounded now or formerly as follows: North by lands of Mrs. M.B. Hendricks, Jr., Mrs. Ann F. Hook, and Mrs. Louise B. Simmons (now owned by Cecil and Marjorie Kennedy); East by the right of way of South Main Street; South by lands of F.C. Parker; and West by the right of way of South Walnut Street said property is the same property conveyed by Warranty Deed dated January 17, 1968, from Mrs. Eleanor G. Lovett to William R. Lovett and Betty Lovett Rockett, recorded in Deed Book 298, Page 200, Bulloch County, Georgia records.

prior to the commencement of operations of the

Bank; and

WHEREAS, FSNB, LLC has caused a title search to be conducted on the Property and believes that Joyce Lovett and Charles W. Rockett may also have an ownership interest in the Property; and

WHEREAS, the parties desire to clarify the identities of the Purchaser and Seller of the Property as set forth above; and

WHEREAS, Seller has indicated to Purchaser that it intends to demolish and remove the structures located on the Property to achieve the highest and best use of the Property as a commercial building site; and

WHEREAS, in consideration for an extension of the exercise time of its option to purchase the Property, Purchaser has agreed to increase the Purchase Price to cover Seller's expenditures for its desired removal of the existing structures; and

WHEREAS, the parties desire to grant enter into a new Agreement regarding the revised terms and conditions of the option to purchase of the Property which shall supercede the Original Option.

NOW, THEREFORE, for and in consideration of the Earnest Money described in Paragraph 2 below, the parties' mutual desire to amend and clarify the provisions of the Original Option and for other good and valuable consideration, in hand paid by Purchaser to Seller, the receipt and sufficiency of which is hereby acknowledged, and in consideration of the mutual promises, covenants and conditions contained herein, the Seller and Purchaser hereby agree as follows:

1. OPTION TO PURCHASE REAL ESTATE. The Seller does hereby give and grant unto the Purchaser, its successors and assigns, the exclusive right and option to purchase all of the Property on the terms and conditions set forth in this Agreement. Should Purchaser fail to exercise the option prior to the Expiration Time, except as otherwise set forth in Section 12, the Purchaser shall forfeit all Earnest Money paid to Seller as described more fully in Paragraph 2.

2. EARNEST MONEY. Purchaser and Seller acknowledge that Purchaser has paid to Seller the sum of THIRTY THOUSAND AND NO/100 (\$30,000.00) DOLLARS as Earnest Money in consideration for the option to purchase the Property on the terms and conditions set forth in this Agreement. Said sum of \$30,000.00 shall be referred to hereinafter as the "Earnest Money." Said Earnest Money shall be retained by Seller as consideration for the option granted to Purchaser to purchase the Property, whether or not the option is exercised prior to the Expiration Time, except as otherwise set forth in Sections 8 and 12. In the

event Purchaser does exercise the option to purchase the Property, the Earnest Money will be applied to the

Purchase Price, as described more fully in Section 3.

3. PURCHASE PRICE AND TIME OF PAYMENT. If the option granted to the Purchaser to purchase the Property is exercised, the total purchase price for the Property payable from the Purchaser to the Seller at the closing of the sale of the Property (hereinafter referred to as the "Purchase Price") shall be Three Hundred Four Thousand Five Hundred and No/100 (\$304,500.00) DOLLARS, and shall be payable as follows:

(a) The Earnest Money paid by the Purchaser to the Seller shall be credited against the portion of the Purchase Price paid at the closing of the transaction contemplated by this Agreement (hereinafter referred to as the "Closing").

(b) The balance of the Purchase Price shall be paid in certified or other readily available funds at the time of Closing.

Notwithstanding the foregoing, in the event that Seller shall utilize a contractor approved by Purchaser to conduct the demolition activities on the Property, Purchaser shall reimburse Seller for any out of pocket expenses relating to the demolition exceeding \$4,500.00. Purchaser agrees that it shall pay all tippage fees related to the disposal of the structures.

4. TERM. The option granted to Purchaser pursuant to this Agreement shall be effective from the date of this Agreement until 5:00 p.m. on Friday, September 28, 2001 (the "Expiration Time"). If not exercised as set forth in Paragraph 5 by the Expiration Time, said option shall expire and Seller shall be entitled to retain the Earnest Money as well as the liquidated damages described in Section 26, except as otherwise set forth in Section 12.

5. EXERCISE. At any time prior to the Expiration Time, Purchaser may exercise the option to purchase the Property by a writing delivered to Seller as provided in Paragraph 15 below.

6. CONTRACT UPON EXERCISE; DUTIES OF PARTIES UPON EXERCISE. Upon exercise of the option, the terms of purchase and sale shall be as set forth in this Agreement, including any exhibits or addenda hereto, all of which are incorporated herein by reference. Seller acknowledges that it is Seller's intention to demolish all structures located on the Property. In connection therewith:

(A) Seller agrees as follows:

(1) Immediately upon exercise of the option by Purchaser, Seller shall make arrangements mutually satisfactory to Seller

and Purchaser for the Bates Apartment building and the storage structure on the Property to be demolished prior to the closing of the purchase of the Property by Purchaser. The demolition of the structures shall be completed within ten

3

(10) days of the exercise of the option by Purchaser. Purchaser and Seller shall mutually determine the identity of the persons or entities to conduct the demolition and removal of the structures and the timing of the demolition. In the event Seller does not permit Purchaser to approve the selection of the contractor to conduct the demolition activities, Purchaser shall not be liable to Seller for any costs of demolition exceeding \$4,500.00.

(ii) Following the demolition, Seller shall close the sale of the Property to Purchaser on the terms and conditions described below.

(B) Purchaser agrees as follows:

- (i) Within ten (10) days of the exercise of the option, but in any event prior to commencement of the demolition activities contemplated above, Purchaser shall deliver the entire Purchase Price (less the Earnest Money previously paid to Seller) to Bob Lovett, Esq., Macon, Georgia, as escrow agent ("Escrow Agent"). The Escrow Agent shall hold such Purchase Price in escrow until the closing. Purchaser and Seller agree to execute a reasonable escrow agreement if required by the Escrow Agent.
- (ii) Purchaser agrees that it shall close the purchase of the Property not more than three (3) business days from the date that the demolition activities (excluding removal activities) are completed on the Property. Demolition activities shall be deemed to be complete when both structures have been razed but shall not include removal activities.
- (iii) Purchaser also agrees to reimburse Seller for all lost rentals from the date the demolition activities commence until the date of Closing. Lost rentals shall be calculated based on the per diem apartment rental rates charged by Seller during the 2000-2001 lease term for the Bates Apartments. Purchaser shall not be liable to Seller for any lost rentals from the date following the date of exercise of the option through the date demolition activities commence, it being understood that any such delay shall be occasioned by Purchaser's agreement to allow Seller to retrieve certain items from the Property as set forth in Section 27 below.

7. CLOSING/CLOSING DATE. As set forth above, closing of the transaction which is contemplated by this option to purchase shall take place not later than three (3) business days from the date that demolition activities are completed on the Property.

8. EXAMINATION OF TITLE. At Closing, Seller agrees to furnish a good, marketable, fee simple title to the Purchaser subject to the approval of Purchaser's attorney. If

4

defects are found in the examination of title by Purchaser's attorney, Seller shall be furnished with a written statement thereof, and this Agreement will thereby be automatically extended without further action on the part of the parties, for a period of thirty (30) days from the Expiration Time specified in Paragraph 4, within which time such defect shall be remedied by Seller unless such extension would be materially prejudicial to Purchaser, in which case the Earnest Money shall be returned to Purchaser and this Agreement shall terminate without further obligation by either party. It is understood and agreed that marketability of the title herein required to be furnished by the Seller shall be determined in accordance with Georgia law as supplemented by the Title Standards of the State Bar of Georgia. It is also agreed that any defect in title which comes within the scope of any of said Title Standards shall not constitute a valid objection on the part of the Purchaser, provided the Seller furnishes affidavits or other title papers, if any, required in the applicable standards to cure such defect.

9. POSSESSION OF THE PROPERTY. At Closing, Seller shall deliver to Purchaser possession of the Property.

10. INSPECTION OF PROPERTY. Purchaser, personally or through agents, employees, or contractors may go upon the Property following the execution of this Agreement and through the Expiration Time to inspect the Property, to conduct such soil, engineering, environmental, "wetlands" and other tests, investigations and analyses of the Property as Purchaser deems appropriate. Seller hereby agrees to cooperate fully with Purchaser and Purchaser's agents so as to allow Purchaser and Purchaser's agents the reasonable opportunity to inspect the Property and any other information respecting the Property. Purchaser shall pay all of his costs incurred in making such surveys, inspections, tests, analyses and investigations, and Purchaser, at his own expense, shall be responsible for the repair of any damages to the Property incurred by reason of Purchaser's inspection of the Property.

11. DELIVERIES AT CLOSING. On the closing date, the Closing shall occur as follows, subject to the satisfaction of all of the terms and conditions of this Agreement:

(a) Seller shall convey to Purchaser, without exception for any title objections other than permitted title exceptions set forth in Exhibit

"B", marketable fee simple title to the Property by limited warranty deed, duly executed and in recordable form.

(b) Seller shall deliver possession of the Property to Purchaser at Closing.

(c) Seller shall deliver to Purchaser an affidavit concerning (i) the lack of existence of any boundary line disputes concerning the Property (except with respect to the driveway agreement set forth on Exhibit "B" hereto); (ii) the lack of the existence of any person, other than Seller, being in possession of the Property and the lack of any other person having any right to possess the Property (except as set forth in Section 26 and Exhibit "B" hereto); (iii) the making of or payment for any improvements or repairs by or for the account of, or at the

5

insistence of Seller to or on the Property within three (3) months prior to the date of Closing; (iv) the lack of the existence of any legal proceedings against Seller which could affect Seller's title to the Property or the right or power of Seller to convey the Property to Purchaser in accordance with this Agreement; and (v) any other matters reasonably required by Purchaser or Purchaser's title insurer.

(d) Seller shall deliver to Purchaser an affidavit in form satisfactory to Purchaser to the effect that Seller is not a foreign person, corporation, foreign partnership, foreign trust or foreign estate for the purposes of Section 1445 of the Internal Revenue Code to establish that Purchaser has no obligation under such law to withhold and pay over to the Internal Revenue Service any part or the amount realized as shall be reasonably necessary for the consummation of this transaction.

(e) Seller and Purchaser shall deliver to each other such other instruments and documents as shall be reasonably necessary for the consummation of this transaction.

(f) At the Closing, upon Seller's delivery of the general warranty deed, affidavits and other documents (if any) required under any other terms of this Agreement, Purchaser shall pay the entire Purchase Price due at Closing to Seller, as set forth in Paragraph 3 of this Agreement.

(g) Purchaser shall pay (i) all costs of title examination and certification and all premiums for title insurance obtained by Purchaser on the general warranty deed; (ii) costs of recording the general warranty deed, any and all necessary easements and notice of option; (iii) fees and expenses of Purchaser's attorneys; and (iv) all other costs incurred by Purchaser. Seller shall pay (i) State of Georgia transfer tax (due on the conveyance of the property; (ii) all costs and expenses incurred to clear title to the property; and (iii) all other costs incurred by Seller.

(h) All ad valorem property taxes affecting the Property for the calendar year of the Closing shall be prorated between Seller and Purchaser as of the closing date. All ad valorem property taxes with respect to the Property required to be paid under applicable law prior to Closing shall be paid by Seller, even if assessed after the Closing. Any and all rollback taxes, special assessments, or other retroactive assessments which are made with respect to the Property and for any period of time prior to Closing shall be paid by Seller, even if assessed after Closing. In the event that the bill(s) for ad valorem property taxes affecting the Property for the calendar year of the Closing is not available at the time of the Closing, the proration shall be based upon either the tax bill for the immediately preceding year or the current millage rate and valuation, if available. In the event that upon the availability of tax information for the calendar year of the Closing this proration shall result in a malapportionment of ad valorem taxes, the parties shall reapportion the taxes between themselves, with any deficiency being paid on demand to the other party receiving the detriment of the malapportionment.

6

12. CONDITIONS PURSUANT TO WHICH PURCHASER SHALL BE ENTITLED TO RETURN OF EARNEST MONEY. In the event that Purchaser shall fail to exercise the option to purchase the Property prior to the Expiration Time, Purchaser shall forfeit the Earnest Money to Seller unless one or more of the following conditions have occurred and are continuing as of the Expiration Time:

(a) Seller has materially breached its representations and warranties contained in this Agreement and fails to cure such breach within ten (10) days after being notified of said breach. In such event, Purchaser shall be entitled to a full refund of all Earnest Money; or

(b) Seller cannot convey marketable title to Property as set forth in Section 8 hereof.

13. REPRESENTATIONS AND WARRANTIES. Seller warrants and represents to Purchaser as follows:

(a) Seller owns unencumbered fee simple title to the Property, free and clear of all restrictions, liens, encumbrances, easements, leases, tenancies, encroachments, financing statements and agreements; and Seller will at the time of Closing convey marketable fee simple title to the Property to Purchaser by limited warranty deed, free and clear of all title objections, restrictions, liens, encumbrances, easements, leases, tenancies, encroachments, financing statements and agreements, except those permitted title exceptions set forth in Exhibit "B" hereto.

(b) There are no service contracts, maintenance contracts or other agreements which burden the Property, and the Property is free from any

use and occupancy restrictions.

(c) Seller is not a party to any litigation or administrative proceeding affecting the Property or any part thereof or affecting Seller's right to sell the Property or any interest therein, and there is no pending or threatened litigation or administrative proceedings affecting the Property or any part thereof or affecting Seller's right to sell the Property or any interest therein. Seller shall give Purchaser notice of the institution of any such proceedings, or of its knowledge of any such threatened proceedings within five (5) days after Seller receives notice of the institution of threat of such proceeding, and in any event prior to Closing.

(d) Seller agrees not to alter or encumber in any way Seller's title to the Property after the date first above written without the prior written consent of Purchaser.

(e) All work done or materials furnished by or on behalf of Seller with respect to the Property will, at the time of Closing, have been paid for in full.

(f) The execution and consummation of this Agreement will not violate any

7

judgment, order, decree or contract of which Seller is a party.

(g) Seller is not a party to, and shall not enter in to any other contract, written or verbal, to sell the Property while this Agreement is in force.

(h) No dispute exists concerning the location of the boundary lines and corners of the Property.

(i) The Property, nor any portion thereof, is or will be at the time of Closing, subject to a claim of adverse possession and no party other than Seller is in possession of the Property, except with respect to the leases set forth in Section 26 and Exhibit "B" hereto.

(j) Except as set forth in Section 26 and Exhibit "B" hereto, there are no leases or tenancies which affect the Property, and so long as this Agreement remains in force, Seller will not lease or convey any portion of the Property or any rights therein nor enter into any additional agreements or amendments to any agreements granting to any person or entity any right with respect to the Property or any part hereof.

(k) No assessments for taxes or other assessments have been made against the Property which are unpaid, except for ad valorem taxes for the current year, whether or not such assessments have become liens on the Property.

(1) The Property is in compliance with all applicable laws, ordinances, rulings regulations and codes, including, but not limited to, the Property being in compliance with all zoning ordinances. To the best knowledge and belief of the Seller, the Property is in compliance with all state and federal environmental protection laws and regulations. Seller or Seller's agents have received no notices from any governmental agency of any violation of the foregoing that have not been heretofore corrected.

14. BROKERS COMMISSION. Each party warrants and represents to the other that such party has not employed or dealt with a real estate broker or agent in connection with the transaction contemplated hereby. The parties covenant and agree, each to the other, to indemnify the other against any loss, liability, costs, claims, demands, damages, actions, causes of action, and suits arising out of or in any manner related to the alleged employment or use by the indemnifying party of any real estate broker or agent.

15. NOTICES. Any notices, requests, or other communications required or permitted to be given hereunder shall be in writing and shall be delivered (i) by U.S. Registered or Certified Mail, Return Receipt Requested, postage prepaid, (ii) by delivery via a nationally recognized overnight courier service that obtains receipts or a recognized same-day courier service that obtains receipts, or (iii) by hand delivery. Each notice shall be addressed to each party at its address set forth below, or such other addresses as may be changed by the parties by written notice as herein provided. Any such notice, request, or other communication shall be

considered given or delivered, as the case may be, on the date of courier delivery, upon confirmation, or on the third day after the date of deposit in the U.S. mail as to notices sent only by certified mail.

Purchaser: F. Thomas David, President
FSNB, LLC
P.O. Box 567
Statesboro, Georgia 30459

With a copy to: Laura Marsh
Franklin, Taulbee, Rushing, Snipes & Marsh, P.C.
12 Siebald Street
P.O. Box 327
Statesboro, GA 30459

Seller: Mr. William R. Lovett and Mrs. Betty L. Rockett

16. TIME OF THE ESSENCE. Time is of the essence hereof.

17. SURVIVAL OF AGREEMENT. All the terms and conditions of this Agreement not performed at or prior to Closing shall survive the Closing hereunder and shall not be merged into the closing documents.

18. ENTIRE AGREEMENT. This Agreement, and the Exhibits and Addenda hereto, which are incorporated by reference herein, constitute the sole and entire agreement between the Purchaser and the Seller and no modification of this Agreement shall be binding unless attached hereto and executed by all parties to this Agreement. No representation, promise, or inducement not included in this Agreement shall be binding upon any party hereto, except by a written modification or Addenda to this Agreement executed by all parties hereto.

19. SUCCESSORS AND ASSIGNS. This Agreement shall inure to the benefit of, and be binding upon, the parties hereto, and their respective successors and assigns. Either party may assign its rights and duties under this Agreement provided that any assignee of such party's rights and duties becomes bound to perform the terms and conditions hereof.

9

20. GOVERNING LAW. This Agreement is being delivered and is intended to be performed in the State of Georgia and shall be construed and enforced in accordance with the laws of the State of Georgia.

21. COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which counterparts together shall constitute one and the same instrument.

22. INTERPRETATION. Should any provision of this Agreement require judicial interpretation, it is agreed that the court interpreting or construing the same shall not apply a presumption that the terms hereof shall be more strictly construed against one party by reason of the rule of construction that a document is to be construed more strictly against the party who itself or through its agent prepared the same, it being agreed that the agents of all parties have participated in the preparation hereof.

23. COOPERATION IN TAX DEFERRED EXCHANGE. A material part of the consideration to each of Seller and Purchaser is that either party has the option to qualify this transaction as part of a tax deferred exchange under Section 1031 of the Internal Revenue Code. Each party agrees to cooperate in an

exchange by the other party provided such party incurs no additional liability, costs, or expenses.

24. PERMITTED ASSIGNMENTS. In addition to the other terms of this Agreement, both parties specifically reserve the right to assign his/her/its rights, obligations and duties under this Agreement to a qualified intermediary within the meaning of Treasury Regulations Section 1.1031(k)-1(g)(4).

25. TIME OFFER OF OPTION SHALL EXPIRE. If this proposed option shall not be accepted by Seller prior to 5:00 p.m. on February 5, 2001, as shall be indicated by Sellers' signatures below being delivered to Purchaser as indicated in Section 15, any offer created thereby shall be rescinded and shall terminate at such time.

26. LEASES AFFECTING PROPERTY; LIQUIDATED DAMAGES FOR LOST RENTALS IF OPTION NOT EXERCISED BY PURCHASER. Purchaser and Seller acknowledge that the improvements located on the Property are used for operating an apartment building. Seller represents that all tenants have annual leases which are due to expire on July 31, 2001. Seller agrees Seller shall allow all present leases on the Property to lapse and shall not renew any leases nor enter into any new leases during the term of the option granted hereunder. Purchaser and Seller acknowledge that in the event the Property is not purchased by Purchaser prior to August 1, Seller will incur losses for lost rental with respect to its apartment building. In consideration for Seller's agreement not to renew or release the Bates Apartment building leases during the option term, Purchaser agrees that it will reimburse Seller for all lost rentals prior to the time the option is exercised and for any days between the date the structures are demolished and the closing date. All lost rentals shall be calculated

10

based on rental amounts for the Bates Apartments for the 2000-2001 lease term. Seller shall not be entitled to reimbursement for lost rentals for any days between the date following the exercise of the option and the date preceding the commencement of demolition as such time period is granted to Seller for the purpose of allowing Seller to remove certain items from the Property pursuant to Section 27 below.

27. PERSONALTY TO BE REMOVED AND RETAINED BY SELLER. Following the exercise of the option by Purchaser, Seller shall have not more than ten (10) days from the later of the date of the exercise of the option or July 31, 2001, to remove the following items of personalty from the Property:

- (a) Swing on front porch
- (b) Urns on front porch
- (c) All refrigerators
- (d) All stoves
- (e) Any furnishings and furniture not attached to the house
- (f) All ceiling fans

- (g) All draperies, blinds and window treatments (not to include actual windows)
- (h) All items in storage room
- (i) Air conditioning units.

Following removal by Seller of such items during the time period specified above, such items shall become the sole property of Seller. In the event that such items shall not be removed during the time period specified above, such items shall remain with the Property and be purchased by Purchaser as part of the Purchase Price.

IN WITNESS WHEREOF, this Agreement has been executed by the parties under seal the day and year first above written.

/s/ WILLIAM R. LOVETT

WILLIAM R. LOVETT

/s/ JOYCE LOVETT

JOYCE LOVETT

Signed, sealed and delivered
in the presence of:

/s/ Jessica S. Savitz

Witness

/s/ Jan A. Dinitto

Notary Public

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

/s/ BETTY LOVETT ROCKETT

BETTY LOVETT ROCKETT

/s/ CHARLES W. LOVETT

CHARLES W. LOVETT

Signed, sealed and delivered
in the presence of:

/s/ Jessica S. Savitz

Witness

/s/ Jan A. Dinitto

Notary Public

13

[PURCHASER'S SIGNATURE ON FOLLOWING PAGE]

14

FSNB, LLC

By: /s/ F. Thomas David

Attest: /s/ Laura T. Marsh

Signed, sealed and delivered
in the presence of:

/s/ Kelly Sanchez

Witness

/s/ Jan A. Dinitto

EXHIBIT "B"

- (1) Municipal, State and County taxes for 2001 and subsequent years.
- (2) Any action by any municipal or governmental agency, including condemnation by any condemning authority (heretofore or hereafter taken), for the purpose of regulating the use, occupancy or zoning of the property described in this certificate or of any building, structure, minerals or material thereon.
- (3) Forgery or non sui juris conveyances in the chain of title.
- (4) Existing utility easements and sanitary sewer lines; any roads or ways through the property; or the rights of others in and to any stream running through the property.
- (5) Matters of record subsequent to the date of this certificate and matters affecting title which do not appear on the real property records, or which, if they are of record, are not indexed in such a manner that a reasonably prudent search would have revealed them to the examiner.
- (6) All environmental matters arising from State or Federal rules, regulations, law or procedures, all hazardous waste rules, regulations, law or procedures, State or Federal, and any State or Federal rule or regulation as to underground tanks of any nature.
- (7) Any and all provisions of the Federal Wetlands Act.
- (8) Loss by reason of any computational errors in the determination of the size of the area located within the boundary lines of the subject land.
- (9) Any loss or claim of loss arising from or occasioned by the filing or pendency of any petition under any chapter of the U. S. Bankruptcy Act or pursuant to any insolvency or debtor's relief statutes of the State of Georgia.
- (10) Liability under title certificate limited to amount of funds to be disbursed with respect to Property.
- (11) That certain Driveway Agreement between George W. Simmons and M.G. Brannen, dated November 4, 1912, allowing a ten foot (10') access over the Property for the purpose of accessing a horse stable or barns. A copy of said agreement has been provided to Purchaser. While Purchaser and Seller believe that said agreement is now null and void, Purchaser agrees that it will purchase the Property subject to the potential existence of said ten foot (10') access.
- (12) Apartment leases expiring July 31, 2001.

Book 2, page 3, Bulloch County Records, as beginning at a point on the southern edge of West Grady Street, which point is 166 feet west of the southwestern intersection of South Main Street (U.S. Highway 301) and West Grady Street, the line runs along lands now or formerly of H. Frank Hook, formerly Mrs. Grace B. Hook, South 5 degrees 10 minutes West a distance of 80 feet; thence along the same bearing along lands now or formerly of

Mrs. O. W. Simons a distance of 54.5 feet to an iron corner; thence North 85 degrees 30 minutes West 71.3 feet along lands of William R. Lovett and Mrs. Betty L. Rockett to an iron corner; thence North 7 degrees 20 minutes East 134.15 feet along lands of Mrs. Mary Alice Hendricks, formerly Mrs. D. C. McDougald to an iron corner; thence along West Grady Street South 85 degrees 30 minutes East 66.15 feet to the point of beginning. This being the same property conveyed to Derie Allen and Estella Allen by Warranty Deed from Anne F. Hook, H. Frank Hook, III, and Robert E. Hook dated August 12, 1985, and recorded in Deed Book 454, Page 278, Bulloch County records. Such property is also known as 8 West Grady Street by the current method of numbering streets in Statesboro, Bulloch County, Georgia.

Tract No. 3

All that certain lot or parcel of land situate, lying and being in the City of Statesboro, 1209th G. M. District of Bulloch County, Georgia fronting East on South Main Street a distance of 54.34 feet, and running back in a westerly direction from said South Main Street and being bound now or formerly as follows: Northerly by property of Cecil E. Kennedy, Jr. and Marjorie H. Kennedy; Easterly by said South Main Street (U.S. Highway No. 301); Southerly by property of William R. Lovett and Betty L. Rockett; and Westerly by property now or formerly of Derie Allen, all as shown on a plat of survey made by Lamar O. Reddick & Associates, Surveyors, dated November 24, 1987, a copy of which is recorded in Plat Book 30, page 61, Bulloch County records. This is the same property conveyed to Louise Brunson Simmons by deed of F.N. Grimes, dated June 30, 1932 and recorded in Deed Book 88, page 327, Bulloch County, Georgia records. Such property is also known as 205 South Main Street under the current method of numbering streets in Statesboro, Bulloch County, Georgia.

Tract No. 4

All that certain lot, tract or parcel of land lying and being in the City of Statesboro, 1209th G. M. District of Bulloch County, Georgia, fronting East on South Main Street (U.S. Highway 301) a distance of 81.37 feet as shown on a plat of survey made by Lamar O. Reddick &

Associates, Surveyors, dated February 8, 1985, a copy of which is recorded in Plat Book 30, page 49, Bulloch County Records. Said property being bound now or formerly as follows: North by West Grady Street; East by South Main Street; south by lands now or formerly of Louise B. Simmons, and West by lands now or formerly of H. Frank Hook, Jr. This is the same property conveyed to Harold E. A. Cavallaro, Jr., by deed of Mary Frances A. Joyner dated July 7, 1986 and recorded in Deed Book 466, page 789, Bulloch County, Georgia records. By deed dated February 27, 1987 and recorded in Deed Book 480, page 228, Bulloch County records, the said Harold E. A. Cavallaro, Jr. conveyed said property to The Spectrum Management Group, Inc., a Connecticut corporation. Such property is also known as 201 South Main Street under the current method of numbering streets in Statesboro, Bulloch County, Georgia.

2

The above described plats are hereby incorporated herein and made a part of this description by reference.

(said four parcels, together with all improvements, fixtures, plants and trees situated thereon, and all hereditaments, appurtenances, rights, permits, licenses, easements and rights-of-way incident and appurtenant thereto are herein collectively referred to as the "Property").

WHEREAS, the Seller and Purchaser have engaged in negotiations regarding the potential sale of the Property; and

WHEREAS, the Purchaser desires to have the option to purchase the Property on or prior to July 31, 2001, on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, for and in consideration of the Earnest Money described in Paragraph 2 below and for other good and valuable consideration, in hand paid by Purchaser to Seller, the receipt and sufficiency of which is hereby acknowledged, and in consideration of the mutual promises, covenants and conditions contained herein, the Seller and Purchaser hereby agree as follows:

1. OPTION TO PURCHASE REAL ESTATE. The Seller does hereby give and grant unto the Purchaser, its members, successors and assigns, the exclusive right and option to purchase all of the Property on the terms and conditions set forth in this Agreement, provided that said option is expressly conditioned upon the payment by Purchaser to Seller of the \$5,000.00 Earnest Money on the terms and conditions described in Section 2. Should Purchaser fail to exercise the option prior to the Expiration Time, except as otherwise set forth in Section 12, the Purchaser shall forfeit all Earnest Money to Seller as described more fully in Paragraph 2.

2. EARNEST MONEY. Not later than 5:00 p.m., Eastern Standard Time, on January 25, 2001, Purchaser shall pay to Seller the sum of FIVE THOUSAND AND NO/100 (\$5,000.00) DOLLARS as Earnest Money in consideration for the option to purchase the Property on the terms and conditions set forth in this Agreement. Said sum of \$5,000.00 shall be referred to hereinafter as the "Earnest Money." Said Earnest Money shall be retained by Seller as consideration for the option granted to Purchaser to purchase the Property, whether or not the option is exercised prior to the Expiration Time, except as otherwise set forth in Sections 8 and 12. In the event Purchaser does exercise the option to purchase the Property, the Earnest Money will be applied to the Purchase Price, as described more fully in Section 3.

3. PURCHASE PRICE AND TIME OF PAYMENT. If the option granted to the Purchaser to purchase the Property is exercised, the total purchase price for the Property payable from the Purchaser to the Seller at the closing of the sale of the Property (hereinafter referred to as the "Purchase Price") shall be Three Hundred Thousand (\$300,000.00) DOLLARS, and shall be payable as follows:

3

(a) The Earnest Money paid by the Purchaser to the Seller shall be credited against the portion of the Purchase Price paid at the closing of the transaction contemplated by this Agreement (hereinafter referred to as the "Closing").

(b) The balance of the Purchase Price shall be paid in certified or other readily available funds at the time of Closing.

4. TERM. The option granted to Purchaser pursuant to this Agreement shall be effective from the date of this Agreement until 5:00 p.m. on July 31, 2001 (the "Expiration Time"). If not exercised as set forth in Paragraph 5 by the Expiration Time, said option shall expire and Seller shall be entitled to retain the Earnest Money, except as otherwise set forth in Section 12.

5. EXERCISE. At any time prior to the Expiration Time, Purchaser may exercise the option to purchase the Property by a writing delivered to Seller as provided in Paragraph 15 below.

6. CONTRACT UPON EXERCISE. Upon exercise of the option, the terms of purchase and sale shall be as set forth in this Agreement, including any exhibits or addenda hereto, all of which are incorporated herein by reference.

7. CLOSING/CLOSING DATE. Closing of the transaction which is contemplated by this option to purchase shall take place not later than ten (10) days from the Expiration Time. The Closing may take place at any time prior to the Expiration Time, provided that Purchaser is aware that it would have to take title to the Property subject to the following leases:

Lanier Ansley Realty - Month to Month lease.

GSU Professor renting 10 West Grady St. - Month to Month lease

Marc Bruce (sublease to Franklin, Mikell & Deal) - Expires
July 31, 2001 with no option to renew in lessee

Prudential Life Ins. Co. - Lease on back office space in 8 West Grady
St until December 2001. It is believed that Prudential will
allow early termination of this lease since company has
closed its business in Statesboro, Georgia.

Seller and Purchaser acknowledge that notice of up to sixty (60) days may be required to terminate the month-to-month leases and that Purchaser may need possession of the Property as soon as possible after closing to commence construction operations. As such, Purchaser and Seller agree that upon Purchaser's exercise of this option and at the request of Purchaser, Seller will immediately give notice of termination to all lessees under a month to month lease. Upon the giving of such notice, Purchaser shall be under an absolute obligation to purchase the Property subject only to Seller's obligations set forth in Sections 8 and 12.

8. EXAMINATION OF TITLE. At Closing, Seller agrees to furnish a good,

4

marketable, fee simple title to the Purchaser subject to the approval of Purchaser's attorney. If defects are found in the examination of title by Purchaser's attorney, Seller shall be furnished with a written statement thereof, and this Agreement will thereby be automatically extended without further action on the part of the parties, for a period of thirty (30) days from the Expiration Time specified in Paragraph 4, within which time such defect shall be remedied by Seller unless such extension would be materially prejudicial to Purchaser, in which case the Earnest Money shall be returned to Purchaser and this Agreement shall terminate without further obligation by either party. It is understood and agreed that marketability of the title herein required to be furnished by the Seller shall be determined in accordance with Georgia law as supplemented by the Title Standards of the State Bar of Georgia. It is also agreed that any defect in title which comes within the scope of any of said Title Standards shall not constitute a valid objection on the part of the Purchaser, provided the Seller furnishes affidavits or other title papers, if any, required in the applicable standards to cure such defect.

9. POSSESSION OF THE PROPERTY. At Closing, Seller shall deliver to Purchaser possession of the Property.

10. INSPECTION OF PROPERTY. Purchaser, personally or through agents, employees, or contractors may go upon the Property following the execution of this Agreement and through the Expiration Time to inspect the Property, to conduct such soil, engineering, environmental, "wetlands" and other tests,

investigations and analyses of the Property as Purchaser deems appropriate. Seller hereby agrees to cooperate fully with Purchaser and Purchaser's agents so as to allow Purchaser and Purchaser's agents the reasonable opportunity to inspect the Property and any other information respecting the Property. Purchaser shall pay all of his costs incurred in making such surveys, inspections, tests, analyses and investigations, and Purchaser, at his own expense, shall be responsible for the repair of any damages to the Property incurred by reason of Purchaser's inspection of the Property. Notwithstanding the foregoing, Purchaser agrees that it and its agents will be discrete in conducting any such tests, investigations or analyses until the existence of the option has been publicly disclosed pursuant to the terms of Section 21.

11. DELIVERIES AT CLOSING. On the closing date, the Closing shall occur as follows, subject to the satisfaction of all of the terms and conditions of this Agreement:

(a) Seller shall convey to Purchaser, without exception for any title objections other than permitted title exceptions set forth in Exhibit "A", marketable fee simple title to the Property by general warranty deed, duly executed and in recordable form.

(b) Seller shall deliver possession of the Property to Purchaser at Closing, subject to the leases referenced in Section 7 of this Agreement, if applicable.

(c) Seller shall deliver to Purchaser an affidavit concerning (i) the lack of existence of any boundary line disputes concerning the Property; (ii) the lack of the existence of

5

any person, other than Seller, being in possession of the Property and the lack of any other person having any right to possess the Property (other than the leases described in Section 7); (iii) the making of or payment for any improvements or repairs by or for the account of, or at the insistence of Seller to or on the Property within three (3) months prior to the date of Closing; (iv) the lack of the existence of any legal proceedings against Seller which could affect Seller's title to the Property or the right or power of Seller to convey the Property to Purchaser in accordance with this Agreement; and (v) any other matters reasonably required by Purchaser or Purchaser's title insurer.

(d) Seller shall deliver to Purchaser an affidavit in form satisfactory to Purchaser to the effect that Seller is not a foreign person, corporation, foreign partnership, foreign trust or foreign estate for the purposes of Section 1445 of the Internal Revenue Code to establish that Purchaser has no obligation under such law to withhold and pay over to the Internal Revenue Service any part or the amount realized as shall be reasonably necessary for the consummation of this transaction.

(e) Seller and Purchaser shall deliver to each other such

other instruments and documents as shall be reasonably necessary for the consummation of this transaction.

(f) At the Closing, upon Seller's delivery of the general warranty deed, affidavits and other documents (if any) required under any other terms of this Agreement, Purchaser shall pay the entire Purchase Price due at Closing to Seller, as set forth in Paragraph 3 of this Agreement.

(g) Purchaser shall pay (i) all costs of title examination and certification and all premiums for title insurance obtained by Purchaser on the general warranty deed; (ii) costs of recording the general warranty deed, any and all necessary easements and notice of option; (iii) fees and expenses of Purchaser's attorneys; and (iv) all other costs incurred by Purchaser. Seller shall pay (i) State of Georgia transfer tax (due on the conveyance of the property; (ii) all costs and expenses incurred to clear title to the property; and (iii) all other costs incurred by Seller.

(h) All ad valorem property taxes affecting the Property for the calendar year of the Closing shall be prorated between Seller and Purchaser as of the closing date. All ad valorem property taxes with respect to the Property required to be paid under applicable law prior to Closing shall be paid by Seller, even if assessed after the Closing. Any and all rollback taxes, special assessments, or other retroactive assessments which are made with respect to the Property and for any period of time prior to Closing shall be paid by Seller, even if assessed after Closing. In the event that the bill(s) for ad valorem property taxes affecting the Property for the calendar year of the Closing is not available at the time of the Closing, the proration shall be based upon either the tax bill for the immediately preceding year or the current millage rate and valuation, if available. In the event that upon the availability of tax information for the calendar year of the Closing this proration shall result in a malapportionment of ad valorem

6

taxes, the parties shall reapportion the taxes between themselves, with any deficiency being paid on demand to the other party receiving the detriment of the malapportionment.

12. CONDITIONS PURSUANT TO WHICH PURCHASER SHALL BE ENTITLED TO RETURN OF EARNEST MONEY. In the event that Purchaser shall fail to exercise the option to purchase the Property prior to the Expiration Time, Purchaser shall forfeit the Earnest Money to Seller unless one or more of the following conditions have occurred and are continuing as of the Expiration Time:

(a) Seller has materially breached its representations and warranties contained in this Agreement and fails to cure such breach within ten (10) days after being notified of said breach. In such event, Purchaser shall be entitled to a full refund of all Earnest Money; or

(b) Seller cannot convey marketable title to Property as set forth in Section 8 hereof.

13. REPRESENTATIONS AND WARRANTIES. Seller warrants and represents to Purchaser as follows:

(a) Seller owns unencumbered fee simple title to the Property, free and clear of all restrictions, liens, encumbrances, easements, leases, tenancies, encroachments, financing statements and agreements; and Seller will at the time of Closing convey marketable fee simple title to the Property to Purchaser by general warranty deed, free and clear of all title objections, restrictions, liens, encumbrances, easements, leases, tenancies, encroachments, financing statements and agreements, except those permitted title exceptions set forth in Exhibit "B" hereto.

(b) There are no service contracts, maintenance contracts or other agreements which burden the Property, and the Property is free from any use and occupancy restrictions.

(c) Seller is not a party to any litigation or administrative proceeding affecting the Property or any part thereof or affecting Seller's right to sell the Property or any interest therein, and there is no pending or threatened litigation or administrative proceedings affecting the Property or any part thereof or affecting Seller's right to sell the Property or any interest therein. Seller shall give Purchaser notice of the institution of any such proceedings, or of its knowledge of any such threatened proceedings within five (5) days after Seller receives notice of the institution of threat of such proceeding, and in any event prior to Closing.

(d) Seller agrees not to alter or encumber in any way Seller's title to the Property after the date first above written without the prior written consent of Purchaser.

(e) All work done or materials furnished by or on behalf of Seller with respect

7

to the Property will, at the time of Closing, have been paid for in full.

(f) The execution and consummation of this Agreement will not violate any judgment, order, decree or contract of which Seller is a party.

(g) Seller is not a party to, and shall not enter in to any other contract, written or verbal, to sell the Property while this Agreement is in force.

(h) No dispute exists concerning the location of the boundary

lines and corners of the Property.

(i) The Property, nor any portion thereof, is or will be at the time of Closing, subject to a claim of adverse possession and no party other than Seller is in possession of the Property.

(j) Except for the lease expiring July 31, 2001 with respect to the office leased to Franklin, Mikell and Deal, the two month-to-month leases on parcels three and five, and the lease by Prudential Life Insurance Co. on 8 West Grady Street expiring December 31, 2001, there are no leases or tenancies which affect the Property, and so long as this Agreement remains in force, Seller will not lease or convey any portion of the Property or any rights therein nor enter into any additional agreements or amendments to any agreements granting to any person or entity any right with respect to the Property or any part hereof.

(k) No assessments for taxes or other assessments have been made against the Property which are unpaid, except for ad valorem taxes for the current year, whether or not such assessments have become liens on the Property.

(l) The Property is in compliance with all applicable laws, ordinances, rulings regulations and codes, including, but not limited to, the Property being in compliance with all zoning ordinances. To the best knowledge and belief of the Seller, the Property is in compliance with all state and federal environmental protection laws and regulations. Seller or Seller's agents have received no notices from any governmental agency of any violation of the foregoing that have not been heretofore corrected.

14. BROKERS COMMISSION. Each party warrants and represents to the other that such party has not employed or dealt with a real estate broker or agent in connection with the transaction contemplated hereby. The parties covenant and agree, each to the other, to indemnify the other against any loss, liability, costs, claims, demands, damages, actions, causes of action, and suits arising out of or in any manner related to the alleged employment or use by the indemnifying party of any real estate broker or agent.

15. NOTICES. Any notices, requests, or other communications required or permitted to be given hereunder shall be in writing and shall be delivered (i) by U.S. Registered or

Certified Mail, Return Receipt Requested, postage prepaid, (ii) by delivery via a nationally recognized overnight courier service that obtains receipts or a recognized same-day courier service that obtains receipts, or (iii) by hand delivery. Each notice shall be addressed to each party at its address set forth below, or such other addresses as may be changed by the parties by written notice as herein provided. Any such notice, request, or other communication shall be considered given or delivered, as the case may be, on the date of

courier delivery, upon confirmation, or on the third day after the date of deposit in the U.S. mail as to notices sent only by certified mail.

Purchaser: FSNB, LLC
c/o Tommy David, President
101B South Zetterower Ave.
Statesboro, Georgia 30458

With a copy to: Laura Marsh
Franklin, Taulbee, Rushing, Snipes & Marsh, P.C.
12 Siebald Street
P.O. Box 327
Statesboro, GA 30459

Seller: Mr. Cecil Kennedy & Mrs. Marjorie Kennedy
c/o Prudential Johnston Realty
317 South Main St.
Statesboro, GA 30458

16. TIME OF THE ESSENCE. Time is of the essence hereof.

17. SURVIVAL OF AGREEMENT. All the terms and conditions of this Agreement not performed at or prior to Closing shall survive the Closing hereunder and shall not be merged into the closing documents.

18. ENTIRE AGREEMENT. This Agreement, and the Exhibits and Addenda hereto, which are incorporated by reference herein, constitute the sole and entire agreement between the Purchaser and the Seller and no modification of this Agreement shall be binding unless attached hereto and executed by all parties to this Agreement. No representation, promise, or inducement not included in this Agreement shall be binding upon any party hereto, except by a written modification or Addenda to this Agreement executed by all parties hereto.

19. SUCCESSORS AND ASSIGNS. This Agreement shall inure to the benefit of, and be binding upon, the parties hereto, and their respective successors and assigns. Either party may assign its rights and duties under this Agreement provided that any assignee of such party's rights and duties becomes bound to perform the terms and conditions hereof.

9

20. GOVERNING LAW. This Agreement is being delivered and is intended to be performed in the State of Georgia and shall be construed and enforced in accordance with the laws of the State of Georgia.

21. CONFIDENTIALITY. Seller and Purchaser acknowledge that the Property

is currently being leased to four third party tenants (one, Prudential Life Insurance Co., is not actually in possession of the Property). Two parcels are being leased on a month-to-month basis and Seller may be required to provide sixty (60) days' notice to such tenants prior to requiring such tenants to vacate the premises. One parcel is being leased to the accounting firm of Franklin, Mikell & Deal until July of 2001. Seller and Purchaser acknowledge that it might jeopardize the tenants' continued willingness to lease portions of the Property if the terms of this Option become public knowledge prior to exercise. Therefore, Purchaser and Seller each agree that they will use their reasonable best efforts to keep terms of this Option confidential until such time as Purchaser actually exercises the Option. Notwithstanding the foregoing, Purchaser shall have no liability to Seller if such information becomes public despite Purchaser's reasonable best efforts to maintain confidentiality.

In connection with the terms of this Section, Seller and Purchaser agree that no public record shall be made of the existence of this option prior to exercise. As such, Seller covenants that it will not enter into a contract for sale or an option to sell the Property with any third party prior to the expiration time of the option. Purchaser may enforce the terms of this paragraph by any and all available legal or equitable remedies, including but not limited to an action for specific performance.

22. COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which counterparts together shall constitute one and the same instrument.

23. INTERPRETATION. Should any provision of this Agreement require judicial interpretation, it is agreed that the court interpreting or construing the same shall not apply a presumption that the terms hereof shall be more strictly construed against one party by reason of the rule of construction that a document is to be construed more strictly against the party who itself or through its agent prepared the same, it being agreed that the agents of all parties have participated in the preparation hereof.

24. COOPERATION IN TAX DEFERRED EXCHANGE. A material part of the consideration to each of Seller and Purchaser is that either party has the option to qualify this transaction as part of a tax deferred exchange under Section 1031 of the Internal Revenue Code. Each party agrees to cooperate in an exchange by the other party provided such party incurs no additional liability, costs, or expenses.

25. PERMITTED ASSIGNMENTS. In addition to the other terms of this Agreement, both parties specifically reserve the right to assign his/her/its rights, obligations and duties

under this Agreement to a qualified intermediary within the meaning of Treasury Regulations Section 1.1031(k)-1(g)(4).

26. Intentionally Omitted.

27. SELLER'S RIGHT TO REMOVE FRAME BUILDING. Purchaser and Seller agree that Seller shall have the option to remove the frame building located on Parcel 4 (8 West Grady Street) which currently houses the operations of Cecil Kennedy's appraisal business. In the event that Seller elects to remove such building, Seller shall have the building moved not later than thirty (30) days from the date of Closing. In the event Seller fails to remove the building in such thirty (30) day period, Seller shall forfeit Seller's option to remove the building unless a written extension of time is granted in Purchaser's sole discretion.

28. AUTHORIZATION OF PURCHASER'S LEGAL COUNSEL TO EXECUTE OPTION FOR PURCHASER. Purchaser hereby certifies to Seller that Purchaser has authorized its legal counsel, Laura Marsh of Franklin, Taulbee, Rushing, Snipes & Marsh, P.C., to execute this option on its behalf.

29. CONDITION PRECEDENT TO EXERCISE. Notwithstanding anything else contained herein, Purchaser may not exercise the option granted to purchase the Property hereunder unless Purchaser shall simultaneously exercise the option granted to Purchaser to purchase those two (2) other tracts of Property located at the intersection of Grady Street and South Walnut Street which are also subject to an option between Purchaser and Seller. Such transactions must be closed simultaneously such that FSNB, LLC or its successor or assign shall purchase all six (6) lots at the same closing. Purchaser shall have no further rights under this option and shall forfeit all Earnest Money paid hereunder unless it strictly complies with this Section 29.

11

IN WITNESS WHEREOF, this Agreement has been executed by the parties under seal the day and year first above written.

/s/ CECIL E. KENNEDY

CECIL E. KENNEDY

/s/ MARJORIE H. KENNEDY

MARJORIE H. KENNEDY

Signed, sealed and delivered
in the presence of:

/s/ Jan. A. Dinitto

Witness

/s/ Trish D. Williams

Notary Public

FSNB, LLC

/s/ Laura Marsh

Laura Marsh, Attorney

Signed, sealed and delivered
in the presence of:

/s/ Jessica S. Savitz

Witness

/s/ Jan. A. Dinitto

Notary Public

EXHIBIT "A"

- (1) Municipal, State and County taxes for 2001 and subsequent years.
- (2) Any action by any municipal or governmental agency, including condemnation by any condemning authority (heretofore or hereafter taken), for the purpose of regulating the use, occupancy or zoning of the property described in this certificate or of any building, structure, minerals or material thereon.
- (3) Forgery or non sui juris conveyances in the chain of title.
- (4) Existing utility easements and sanitary sewer lines; any roads or ways through the property; or the rights of others in and to any stream running through the property.
- (5) Matters of record subsequent to the date of this certificate and matters affecting title which do not appear on the real property records, or which, if they are of record, are not indexed in such a manner that a reasonably prudent search would have revealed them to the examiner.
- (6) All environmental matters arising from State or Federal rules, regulations, law or procedures, all hazardous waste rules, regulations, law or procedures, State or Federal, and any State or Federal rule or regulation as to underground tanks of any nature.

- (7) Any and all provisions of the Federal Wetlands Act.
- (8) Loss by reason of any computational errors in the determination of the size of the area located within the boundary lines of the subject land.
- (9) Any loss or claim of loss arising from or occasioned by the filing or pendency of any petition under any chapter of the U. S. Bankruptcy Act or pursuant to any insolvency or debtor's relief statutes of the State of Georgia.
- (10) Liability under title certificate limited to amount of funds to be disbursed with respect to Property.

Certified Public Accountants

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We hereby consent to the incorporation by reference of our report dated July 2, 2001, relating to the financial statements of First Southern Bancorp, in the Registration Statement on Form SB-2 and prospectus, and to the reference to our firm therein under the caption "Experts".

/s/ PORTER KEADLE MOORE, LLP

PORTER KEADLE MOORE, LLP

Atlanta, Georgia
August 2, 2001