

SECURITIES AND EXCHANGE COMMISSION

FORM 10-12G

Initial general form for registration of a class of securities pursuant to Section 12(g)

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ALTRUST FINANCIAL SERVICES INC

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Business Address
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CULLMAN AL 35055-4222
256-737-7000

As filed with the Securities and Exchange Commission on May 2, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10

**GENERAL FORM FOR REGISTRATION OF SECURITIES
PURSUANT TO SECTION 12(b) OR 12(g) OF
THE SECURITIES EXCHANGE ACT OF 1934**

Altrust Financial Services, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Alabama

(State or other jurisdiction of
incorporation or organization)

63-0923450

(I.R.S. Employer
Identification No.)

811 2nd Avenue S.W., Cullman, Alabama

(Address of principal executive offices)

35055-4222

(Zip code)

Registrant's telephone number, including area code: (256) 737-7000

Copies of notices and other communications should be sent to:

**J. Robin Cummings
President and Chief Executive Officer
Altrust Financial Services, Inc.
811 2nd Avenue S.W.
Cullman, Alabama 35055-4222
(256) 737-7000**

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Securities to be registered pursuant to Section 12(b) of the Act:

None

Securities to be registered pursuant to Section 12(g) of the Act:

Common Stock, \$0.01 par value

(Title of Class)

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**SPECIAL CAUTIONARY NOTICE
REGARDING FORWARD-LOOKING STATEMENTS**

Certain of the statements made herein under the caption “Management’s Discussion and Analysis or Plan of Operation,” and elsewhere, including information incorporated herein by reference to other documents, are “forward-looking statements” within the meaning and subject to the protections of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, anticipations, assumptions, estimates, intentions, and future performance, and involve known and unknown risks, uncertainties and other factors, which may be beyond our control, and which may cause the actual results, performance or achievements of Altrust Financial Services, Inc. (“Altrust”) to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements.

All statements other than statements of historical fact are statements that could be forward-looking statements. You can identify these forward-looking statements through our use of words such as “may,” “will,” “anticipate,” “assume,” “should,” “indicate,” “would,” “believe,” “contemplate,” “expect,” “estimate,” “continue,” “plan,” “point to,” “project,” “could,” “intend,” “target,” other similar words and expressions of the future. These forward-looking statements may not be realized due to a variety of factors, including, without limitation:

the effects of future economic or business conditions;

governmental monetary and fiscal policies, as well as legislative and regulatory changes, including changes in banking, securities and tax laws and regulations;

the risks of changes in interest rates on the levels, composition and costs of deposits, loan demand, and the values of loan collateral, securities, and interest sensitive assets and liabilities;

credit risks of borrowers;

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the effects of competition from a wide variety of local, regional national and other providers of financial, investment, and insurance services;

the failure of assumptions underlying the establishment of reserves for possible loan losses and other estimates;

the risks of mergers, acquisitions and divestitures, including, without limitation, the related time and costs of implementing such transactions, integrating operations as part of these transactions and the possible failure to achieve expected gains, revenue growth and/or expense savings from such transactions;

changes in accounting policies, rules and practices;

changes in technology or products that may be more difficult, or costly, or less effective, than anticipated;

the effects of war or other conflict, acts of terrorism or other catastrophic events that may affect general economic conditions; and

other factors and risks described in any of our subsequent reports that we make with the Securities and Exchange Commission (the “Commission”) under the Exchange Act.

All written or oral forward-looking statements that are made by or are attributable to us are expressly qualified in their entirety by this cautionary notice. We have no obligation and do not undertake to update, revise or correct any of the forward-looking statements after the date of this report, or after the respective dates on which such statements otherwise are made.

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ITEM 1. BUSINESS.

General

Altrust Financial Services, Inc. (“Altrust”) was incorporated in 1985 as Cullman Bancshares, Inc., an Alabama corporation, which changed its name in 1996 to Altrust Financial Services, Inc. Altrust is a bank holding company registered with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956, as amended, and a financial holding company registered under the Gramm-Leach-Bliley Act of 1999. As of December 31, 2004, Altrust had total consolidated assets of approximately \$394 million, total deposits of approximately \$241.6 million, total consolidated liabilities (including deposits) of approximately \$350 million and shareholders’ equity of approximately \$35 million. Altrust primarily conducts its business through Peoples Bank of North Alabama (“Peoples Bank”), its wholly-owned bank subsidiary.

Peoples Bank is an Alabama banking corporation that commenced operations in September 1977 as Peoples Bank of Holly Pond. Peoples Bank opened its first branch in the city of Cullman, Alabama in September 1983, and adopted the name “Peoples Bank of Cullman County.” In June 1994, Peoples Bank of Cullman County changed its name to Peoples Bank of North Alabama. Peoples Bank is a member of the Federal Deposit Insurance Corporation (“FDIC”) and its deposits are insured by the FDIC up to the maximum permitted by law. Peoples Bank is supervised, regulated and examined by the FDIC and the Alabama Superintendent of Banks. Peoples Bank is also a member of the Federal Home Loan Bank of Atlanta.

Peoples Bank is primarily engaged in retail and commercial banking in Blount, Cullman, Marshall and Morgan Counties, Alabama, as well as the northern portion of Jefferson County, Alabama. Peoples Bank provides mostly traditional banking services; principally the taking of demand and time deposits and the making of secured and unsecured consumer loans and commercial loans to its business customers.

Altrust has two other wholly-owned subsidiaries, Southern Insurance of Cullman, Inc. (“Southern Insurance”), and Southern Appraisal Services, Inc. (“Southern Appraisal”). Southern Insurance was incorporated in 1993 under the laws of the State of Alabama. Southern Insurance acts as an agent for obtaining title insurance for Peoples Bank’s real estate customers. Southern Insurance receives commissions on title policy premiums as compensation for its services. Southern Appraisal was incorporated in Alabama in 2003 and provides real estate appraisal services. Revenues and expenses of both subsidiaries account for less than 3% of Altrust’s consolidated revenues and expenses. Revenues are included in consolidated non-interest income, and expenses are included in consolidated non-interest expense.

Our principal executive offices, including the principal executive offices of Peoples Bank, are located at 811 2nd Avenue S.W., Cullman, Alabama 35055, and our telephone number is (256) 737-7000.

Business Strategy

Altrust seeks to serve the banking and financial needs of the communities in North Alabama where it has offices. Our objective has been to develop a market niche with profitable consumers and small businesses with emphasis on the number of account relationships rather than growth of deposit dollars.

Peoples Bank offers personalized and flexible banking services to the communities in our market area and is able to react quickly to changes in those communities. Peoples Bank also offers products tailored to the specific needs of our communities. As a financial holding company, we can offer a wider variety of services.

Banking Operations

Peoples Bank’s services are retail-oriented and aimed at individuals and small to medium-sized owner-operated businesses located within our North Alabama market area. Peoples Bank provides a broad range of traditional banking and financial services to its customers, but its activities consist mostly of taking demand and time deposits and making secured and unsecured consumer and commercial loans.

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Market Area

Peoples Bank operates 25 offices within its primary market area in Blount, Cullman, Marshall and Morgan Counties, Alabama, as well as the northern portion of Jefferson County, Alabama. Our market area is largely comprised of rural and residential communities with related agricultural, retail and commercial development. As of December 31, 2003, the total population of Blount, Cullman, Marshall, Morgan and Jefferson Counties, Alabama was approximately 986,800.

Lending Activities

The principal lending activity of Peoples Bank has been the origination for its own portfolio of adjustable-rate and fixed-rate loans secured by various forms of collateral.

One- to Four-Family Residential Mortgage Loans. Peoples Bank's residential real estate lending activity consists of the origination of one- to four-family, owner-occupied, residential mortgage loans secured by property located in Peoples Bank's primary market area. Peoples Bank originates both adjustable-rate and fixed-rate residential, mortgage loans. Peoples Bank may from time to time sell residential mortgage loans in its loan portfolio in the secondary market.

Construction Lending. Peoples Bank engages in construction lending involving loans to qualified borrowers for construction of one- to four-family residential properties and, on a limited basis, for commercial properties. Almost all of Peoples Bank's construction loan properties are located in Peoples Bank's primary market area.

Commercial Loans. Most of Peoples Bank's commercial lending activities are in loans secured by commercial properties. These loans consist primarily of permanent loans secured by small office buildings, apartment buildings, churches, shopping centers and convenience stores. Commercial real estate secured loans are generally originated in amounts up to 75% of the appraised value of the property on an adjustable-rate basis with the interest rate adjusting annually and have terms of up to 20 years.

Consumer and Other Installment Loans. Consumer loans consist of savings account loans, personal secured and unsecured loans, automobile loans, watercraft loans, recreational vehicle loans, and home improvement loans. Almost all of Peoples Bank's consumer loans have fixed rates of interest.

Investment Activities

Peoples Bank invests in securities, principally U.S. government and agency securities, state, county and municipal securities, mortgage-backed securities, and other investment grade securities.

During the years ended December 31, 2004, 2003 and 2002 we sold \$14,433,438, \$0, and \$3,565,892, respectively, which resulted in gross realized gains of \$8,438, \$0, and \$149,757 respectively, of available for sale investment securities. All of our securities are classified as available for sale. See Note 2 of the audited financial statements for further discussion on investments.

The carrying value of investment securities pledged to secure public funds on deposit, advances from the Federal Home Loan Bank, and for other purposes as required by law was approximately \$107,103,000 and \$24,512,000, at December 31, 2004 and 2003, respectively.

Other investments include a restricted investment in Federal Home Loan Bank of Atlanta stock to comply with a membership requirement and to secure available lines of credit from the Federal Home Loan Bank. The amount of investment in this stock was \$4,896,500 and \$669,700 at December 31, 2004 and 2003, respectively. Other investments also include an investment in Banker's Bank stock of \$457,788 and \$208,392 at December 31, 2004 and 2003, respectively, and an investment in CBAA Services, Inc., a group purchasing entity organized by the Community Bankers Association of Alabama, of \$20,000 at December 31, 2004.

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Source of Funds

General. The major sources of Peoples Bank's funds for lending and other investment purposes are deposits, scheduled principal repayments, prepayment of loans and mortgage-backed securities, maturities of investment securities, certain borrowings, and operations. Scheduled loan principal repayments are a relatively stable source of funds, while deposit inflows and outflows and loan prepayments are significantly influenced by general interest rates and market conditions.

Deposits. We attract customer deposits principally from within our primary market area by offering a broad selection of deposit instruments, including demand deposit accounts, checking accounts, savings, money market deposit, term certificate accounts and individual retirement accounts. Deposit account terms vary according to the minimum balance required, the time period the funds must remain on deposit and the interest rate. All deposit accounts are insured by the FDIC up to the maximum amount permitted by law.

Borrowings. We may obtain advances from the Federal Home Loan Bank of Atlanta to supplement Peoples Bank's supply of lendable funds. Advances from the Federal Home Loan Bank of Atlanta may be secured by a pledge of Peoples Bank's stock in the Federal Home Loan Bank of Atlanta, a portion of Peoples Bank's first mortgage loans, and any securities obtained through leveraged transactions. The Federal Home Loan Bank of Atlanta has agreed to make advances to us up to a total amount equal to 30 percent of our total assets, which equated to approximately \$118 million at December 31, 2004. To maintain our eligibility to borrow up to 30 percent of our assets, we must (i) maintain a CAMELS rating of 1 or 2, including an asset quality rating of 1 or 2, (ii) have a satisfactory collateral audit performed by the Federal Home Loan Bank of Atlanta, and (iii) maintain an advances-to-assets ratio of greater than 20 percent. At December 31, 2004, Peoples Bank had outstanding Federal Home Loan Bank advances of \$96.4 million which we have utilized to purchase certain securities which are now classified as "available for sale" in our investment portfolio.

Peoples Bank also has unsecured lines of credit with correspondent banks. First Tennessee Bank has extended to Peoples Bank an accommodation to make advances of federal funds to Peoples Bank in an amount up to \$15 million. This accommodation is subject to Peoples Bank maintaining a demand deposit account with First Tennessee Bank. As of December 31, 2004, Peoples Bank had no amounts outstanding under this accommodation.

The Bankers Bank also has extended to Peoples Bank an accommodation to make advances of federal funds in an amount up to \$11 million. Peoples Bank must maintain a demand deposit account with The Bankers Bank and may not have an advance balance outstanding for more than 14 days. Upon a default in payment by Peoples Bank, The Bankers Bank has the right to offset the amount of that default against any other obligations it may owe Peoples Bank. As of December 31, 2004, Peoples Bank did not have any amounts outstanding under The Bankers Bank accommodation.

National Bank of Commerce also extended an accommodation for federal fund advances in an amount up to \$4 million. No amounts were outstanding to National Bank of Commerce at December 31, 2004.

Subsidiary Activity. Altrust has three wholly-owned subsidiaries, all incorporated under the laws of the State of Alabama. These include Peoples Bank, Southern Insurance, and Southern Appraisal. Southern Insurance is an approved agent for Chicago Title Insurance Company, Chicago, Illinois, and Stewart Title Insurance Company, Houston, Texas. Southern Insurance acts as an agent for obtaining title insurance for Peoples Bank's real estate customers. No other products or services are offered by Southern Insurance. Southern Insurance receives commissions on title policy premiums as compensation for its services. Southern Appraisal provides real estate appraisal services to bank customers.

Peoples Bank does not have a significant portion of commercial banking loans concentrated within a single industry or group of related industries.

Seasonality, Cycles

We do not consider our banking operations to be seasonal in nature. Most cities and counties in which Peoples Bank has branch locations have diversified industries with a mix of farming and industry.

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Other than the poultry industry in Cullman County, one of the largest poultry producing counties in the country, there is no other single industry that we believe has a material economic, seasonal or cyclical effect on Peoples Bank or its branches. While Cullman County does have a singular industry focus, Peoples Bank has been making poultry-related loans in Cullman County for nearly 25 years which has allowed Peoples Bank to study the poultry industry's demand cycles and price fluctuations. Management believes it has the knowledge and experience necessary to deal with the poultry industry's cycles and risks.

Competition

Peoples Bank operates in highly competitive markets. Peoples Bank competes directly for deposits in its commercial banking market with other commercial banks, savings and loan associations, credit unions, mortgage brokers and mortgage companies, mutual funds, securities brokers, and insurance companies, locally, regionally and nationally, some of which compete with offerings by mail, telephone, computer and the Internet. In its commercial and consumer lending activities, Peoples Bank competes with other financial institutions as well as consumer finance companies, mortgage companies and other lenders engaged in the business of extending credit to customers located in our market area. Interest rates, both on loans and deposits, and prices of services are significant competitive factors among financial institutions generally. Important competitive factors, such as office location, types and quality of services and products, office hours, customer service, a local presence, community reputation and continuity of personnel, among others, are and continue to be a focus of Peoples Bank.

Many of the largest banks operating in Alabama, including some of the largest banks in the region, have offices in our markets. Many of these institutions have greater resources, broader geographic markets and higher lending limits and may offer various services we do not offer. In addition, these institutions may be able to better afford and make broader use of media advertising, support services, and electronic technology than we may. To offset these competitive disadvantages, Peoples Bank depends on its reputation as an independent and locally-owned community bank, its personal service, its greater community involvement and its ability to make credit and other business decisions quickly and locally.

Employees

On December 31, 2004, we had approximately 150 full-time equivalent (FTE) employees. We consider our employee relations to be good, and we have no collective bargaining agreements with any employees.

SUPERVISION AND REGULATION

The banking and financial services industry is extensively regulated under both federal and state law. The following discussion summarizes certain statutes, rules and regulations affecting our business and operations. This summary is qualified in its entirety by reference to the statutory and regulatory provisions referred to below and elsewhere and is not intended to be an exhaustive description of the statutes or regulations applicable to us. Changes in the laws and regulations that apply to us can affect our operations in substantial and unpredictable ways. We cannot accurately predict whether legislation will be enacted, and, if enacted, the ultimate effect that it or any implementing regulations will have on our business, financial condition or results of operations.

The following summary describes our regulatory environment in the absence of any restrictive memoranda, orders or agreements with our regulators and therefore is further subject to, and does not address, the regulatory restrictions to which we have been subject. You should refer to and carefully review these restrictions, which are described below in this report. To the extent that the limitations imposed by those regulatory restrictions on our business activities are different than as described in this summary, then the regulatory restrictions govern.

Supervision, regulation, and examination of holding companies and banks by bank regulatory agencies are intended primarily for the protection of depositors rather than holders of our securities, including our common stock.

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Holding Company Regulation

General

Altrust is a bank holding company within the meaning of the Bank Holding Company Act (the “BHC Act”) and a financial holding company within the meaning of the Gramm-Leach-Bliley Financial Services Modernization Act of 1999 (the “GLB Act”), and is subject to supervision, examination, and reporting by the Federal Reserve. The State of Alabama does not currently regulate bank holding companies, but does regulate Altrust’s bank subsidiary, Peoples Bank. Altrust is required to file with the Federal Reserve periodic reports and any additional information as the Federal Reserve may require. The Federal Reserve regularly examines Altrust and may examine its subsidiaries.

Investment Activities

The BHC Act requires prior Federal Reserve approval for, among other things:

the acquisition by a bank holding company of direct or indirect ownership or control of more than 5% of the voting shares or substantially all of the assets of any bank; and

a merger or consolidation of a bank holding company with another bank holding company.

The Change in Bank Control Act and Federal Reserve regulations also generally require a notice and prior action thereon if anyone not subject to the BHC Act application acquires 10% or more of a bank’s or its parent holding company’s securities where the bank or holding company has a class of securities registered under the Exchange Act.

A bank holding company may acquire direct or indirect ownership or control of voting shares of any company that is engaged directly or indirectly in banking, managing or controlling banks, or performing services for its authorized subsidiaries. A bank holding company may also engage in or acquire an interest in a company that engages in activities that the Federal Reserve has determined by regulation or order to be so closely related to banking as to be a proper incident to those activities.

The GLB Act, made substantial revisions to the statutory restrictions separating banking activities from certain other financial activities. Under the GLB Act, bank holding companies that are well-capitalized and well-managed and meet other conditions can elect to become “financial holding companies.” Financial holding companies and their subsidiaries are permitted to acquire or engage in previously impermissible activities such as insurance underwriting, securities underwriting and distribution, travel agency activities, board insurance agency activities, merchant banking, and other activities that the Federal Reserve determines to be financial in nature or complementary to those activities. In addition, under the merchant banking authority added by the GLB Act and Federal Reserve regulations, financial holding companies are authorized to invest in companies that engage in activities that are not financial in nature, as long as the financial holding company makes its investment with the intention of limiting the investment in duration, does not manage the company on a day-to-day basis, and the investee company does not cross-market with any of the financial holding company’s controlled depository institutions. Financial holding companies continue to be subject to the overall oversight and supervision of the Federal Reserve, but the GLB Act applies the concept of functional regulation to the activities conducted by subsidiaries. For example, insurance activities would be subject to supervision and regulation by state insurance authorities. Altrust received approval as a financial holding company on April 23, 2000.

Source of Financial Strength

Federal Reserve policy requires a bank holding company to act as a source of financial and managerial strength to its subsidiary banks. This means that a bank holding company must be prepared to use available resources to provide adequate capital funds to its bank subsidiaries during periods of financial stress and must have sufficient financial flexibility and capital-raising capacity to provide ongoing support to the banks. In addition, under the Financial Institutions Reform, Recovery and Enforcement Act of 1989, or “FIRREA,” if a bank holding company has more than one bank or thrift subsidiary, each of the bank holding company’s subsidiary depository institutions are responsible for any losses to the FDIC as a result of an affiliated depository institution’s failure. As a result, a bank holding company

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may be required to loan money to its subsidiaries in the form of capital notes or other instruments which qualify as capital under regulatory rules. Any loans from a bank holding company to its subsidiary banks likely will be unsecured and subordinated to the bank's depositors and perhaps to other creditors of that bank.

Transactions With Affiliates

Altrust is a legal entity separate and distinct from Peoples Bank. Various legal limitations restrict Peoples Bank from lending or otherwise supplying funds to Altrust or its other affiliates. Section 23A of the Federal Reserve Act limits a bank's "covered transactions," which include extensions of credit with any affiliate, to 10% of the bank's capital and surplus. All covered and exempt transactions between a bank and its affiliates must be on terms and conditions consistent with safe and sound banking practices, and banks and their subsidiaries are prohibited from purchasing low-quality assets from the bank's affiliates. Finally, all of a bank's extensions of credit to an affiliate must be appropriately secured by acceptable collateral, generally United States government or agency securities.

Section 23B of the Federal Reserve Act requires that covered and exempt transactions among affiliates be on terms and under circumstances, including credit standards, that are substantially the same, or at least as favorable to the bank or its subsidiary, as those prevailing at the time for transactions with unaffiliated companies.

Bank Regulation

General

Peoples Bank is an Alabama bank whose deposits are insured by the FDIC. Peoples Bank is subject to regulation and examination by the Alabama Superintendent of Banks and by the FDIC. The Alabama Superintendent of Banks and the FDIC regulate and examine all of Peoples Bank's operations, including its overall financial condition and resources, loan loss reserves, the quality of its loan portfolio, mortgages, payments of dividends, interest rates charged, the establishment of branches, the actions of its directors and management, the investment of its funds, and compliance with its charter and the law.

The powers of Alabama-chartered banks include provisions designed to provide these banks with competitive equality to the powers of national banks. In addition, the GLB Act permits banks to engage in "financial activities" through subsidiaries in a manner similar to financial holding companies.

Dividends

Dividends from Peoples Bank historically have been Altrust's primary source of funds for servicing debt and paying cash dividends to our stockholders.

Under Alabama law, a bank may not pay a dividend in excess of 90% of its net earnings until its surplus is equal to at least 20% of its capital. The prior approval of the FDIC and/or the Alabama Superintendent is required if the total of all dividends declared by a bank in any calendar year will exceed the sum of that bank's net earnings for the year and its retained net earnings for the preceding two calendar years, less any required transfers to surplus. In addition, a bank may not pay dividends from its surplus without the prior approval of the Alabama Superintendent. During 2004, Peoples Bank paid cash dividends to Altrust of \$1,043,819. During 2003, Peoples Bank paid no cash dividends to Altrust.

In addition, Altrust and Peoples Bank are subject to various regulatory policies and requirements that affect the payment of dividends, including requirements to maintain adequate capital. The appropriate federal and state regulatory authorities are authorized to determine, based on the financial condition of a bank or bank holding company, that the payment of dividends would be an unsafe or unsound practice and to prohibit payment of those dividends. The FDIC and the Alabama Superintendent have indicated that paying dividends that deplete a bank's capital base to an inadequate level would be an unsound and unsafe banking practice.

As to Altrust, the Federal Reserve may prohibit the payment of dividends to our stockholders if it determines that the payment would constitute an unsafe or unsound practice. The Federal Reserve' s position is that a bank holding

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company should not pay dividends if it is experiencing earnings weaknesses or other financial pressures and should not pay dividends that exceed its net income, that are inconsistent with its capital position or that could only be funded in ways that weaken its financial health, such as by borrowing or selling its assets. In addition, a bank holding company must not pay dividends if such payment would affect its ability to provide adequate financial support for its subsidiary banks.

Safety and Soundness

The FDIC has adopted the Federal Financial Institutions Examination Council's, or the "FFIEC," internal rating system for assessing the soundness of financial institutions on a uniform basis and for identifying those institutions requiring special supervisory attention. Each financial institution is assigned a confidential composite "CAMELS" rating based on an evaluation and rating of the following six components of an institution's financial condition and operations:

Capital adequacy;

Asset quality;

Management;

Earnings;

Liquidity; and

Sensitivity to market risk.

For most institutions, the FFIEC has indicated that market risk primarily reflects exposures to changes in interest rates. When regulators evaluate this component, consideration is expected to be given to the sensitivity of the financial institution's earnings or the economic value of its capital to adverse changes in interest rates, foreign exchange rates, commodity prices, or equity prices; management's ability to identify, measure, monitor and control exposure to market risk; the nature and complexity of interest rate risk exposure arising from non-trading positions; and the adequacy of its capital and earnings in relation to its level of exposure.

Capital Regulations

The federal bank regulatory agencies have adopted risk-based capital guidelines for bank holding companies and banks. The guideline for a minimum ratio of capital to risk-weighted assets, including certain off-balance-sheet activities, such as standby letters of credit, is 8.0%. At least half of the total capital must consist of "Tier 1 Capital," which includes common equity, retained earnings and a limited amount of qualifying preferred stock, less goodwill. The remainder may consist of "Tier 2 Capital," which includes non-qualifying preferred stock, qualifying subordinated, perpetual, and/or mandatory convertible debt, term subordinated debt, intermediate term preferred stock and up to 45.0% of the pretax unrealized holding gains on available-for-sale equity securities with readily determinable market values that are prudently valued, and a limited amount of any loan loss allowance.

All bank holding companies and banks are expected to hold capital commensurate with the level and nature of their risks, including the volume and severity of their problem loans. The federal agencies have established minimum leverage ratio guidelines for bank holding companies, national banks, and state banks, which provide for a minimum leverage ratio of Tier 1 Capital to adjusted average quarterly assets equal to 3.0%, plus an additional cushion of 1.0% to 2.0% if the institution has less than the highest regulatory rating. The guidelines also provide that institutions experiencing internal growth or making acquisitions will be expected to maintain capital positions substantially above the minimum supervisory levels. Higher capital may be required in individual cases, depending upon a bank holding company's risk profile. Lastly, the Federal Reserve's guidelines indicate that the Federal Reserve will continue to consider a "Tangible Tier 1 Leverage Ratio," calculated by deducting all intangibles, in evaluating proposals for expansion or new activity.

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The Federal Deposit Insurance Corporation Improvement Act (the “FDICIA”) requires the federal banking agencies to take “prompt corrective action” in respect of depository institutions that do not meet minimum capital requirements. FDICIA established five capital tiers:

well capitalized;
adequately capitalized;
undercapitalized;
significantly undercapitalized; and
critically undercapitalized.

A depository institution’s capital tier will depend upon how its capital levels compare to various measures and certain other factors, as established by regulation. The capital measures used by the federal banking regulators are:

the Total Capital ratio, which is the ratio of the total of Tier 1 Capital and Tier 2 Capital to total risk-weighted assets;
the Tier 1 Capital ratio; and
the Leverage Ratio.

Under these regulations, a bank will be:

“well capitalized” if it has a Total Capital ratio of 10.0% or greater, a Tier 1 Capital ratio of 6.0% or greater, and is not subject to any written agreement, order, capital directive, or prompt corrective action directive by a federal bank regulatory agency to meet and maintain a specific capital level for any capital measure;

“adequately capitalized” if it has a Total Capital ratio of 8.0% or greater, a Tier 1 Capital ratio of 4.0% or greater, and a leverage ratio of 4.0% or greater – or 3.0% in some circumstances – and is not well capitalized;

“undercapitalized” if it has a Total Capital ratio of less than 8.0% or a Tier 1 capital ratio of less than 4.0%, or 3.0% in some circumstances;

“significantly undercapitalized” if it has a Total Capital ratio of less than 6.0%, a Tier 1 Capital ratio of less than 3.0%, or a leverage ratio of less than 3.0%; or

“critically undercapitalized” if its tangible equity is equal to or less than 2.0% of average quarterly tangible assets.

CAPITAL ADEQUACY RATIOS

The following table sets forth the capital information of Altrust and Peoples Bank as of December 31, 2004.

CAPITAL ADEQUACY RATIOS

	Actual		Minimum Capital Requirement		Minimum to be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars in thousands)						
Total risk based capital to risk weighted assets:						
Peoples Bank	\$40,386	16.71%	\$19,335	8.0 %	\$24,169	10.0%
Consolidated	40,398	16.70%	19,350	8.0 %	24,187	10.0%

Tier 1 capital to risk weighted assets:

Peoples Bank	37,885	15.68	9,667	4.0	14,501	6.0
Consolidated	37,898	15.67	9,675	4.0	14,512	6.0 %

Tier 1 capital to average assets (leverage ratio):

Peoples Bank	37,885	9.78	15,492	4.0	19,365	5.0
Consolidated	37,898	9.78	15,499	4.0	19,374	5.0

Community Reinvestment Act

Altrust and Peoples Bank are subject to the Community Reinvestment Act, or the “CRA,” and the federal banking agencies’ related regulations. Under the CRA, all banks and thrifts have a continuing and affirmative obligation, consistent with their safe and sound operation, to help meet the credit needs for their entire communities, including low- and moderate-income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions, nor does it limit an institution’ s discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. The CRA requires a depository institution’ s primary federal regulator, in connection with its examination of the institution, to assess the institution’ s record of assessing and meeting the credit needs of the community served by that institution, including low- and moderate-income neighborhoods. The regulatory

agency' s assessment of the institution' s record is made available to the public. Further, such assessment is required of any institution that has applied to:

charter a bank;

obtain deposit insurance coverage for a newly-chartered institution;

establish a new branch office that accepts deposits;

relocate an office; or

merge or consolidate with, or acquire the assets or assume the liabilities of, a federally regulated financial institution.

A less than satisfactory CRA rating will slow, if not preclude, expansion of banking activities.

Current CRA regulations rate institutions based on their actual performance in meeting community credit needs. CRA performance is evaluated by the FDIC, Peoples Bank' s primary federal regulator using a lending test, an investment test, and a service test. The FDIC also will consider:

demographic data about the community;

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the institution' s capacity and constraints;

the institution' s product offerings and business strategy; and

data on the prior performance of the institution and similarly situated lenders.

The Federal bank regulators recently proposed changes to their CRA regulations. Financial holding company subsidiaries must receive "satisfactory" or better CRA ratings to engage in financial holding company or subsidiary activities permitted by the GLB Act. Peoples Bank received a "satisfactory" CRA rating on its most recent examination.

Consumer Regulations

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

the federal Truth-In-Lending Act governing disclosures of credit terms to consumer borrowers;

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;

the Equal Credit Opportunity Act prohibiting discrimination on the basis of race, creed, or other prohibited factors in extending credit;

the Fair Credit Reporting Act of 1978 governing the use and provision of information to credit reporting agencies;

the Fair Debt Collection Act governing the manner in which consumer debts may be collected by collection agencies;

The GLB Act, which requires banks and their affiliated companies to adopt and disclose privacy policies, including policies regarding the sharing of personal information they obtain from customers with third parties; and

the rules and regulations of the various federal agencies charged with the responsibility of implementing such federal laws.

FDIC Insurance Assessments

Peoples Bank' s deposits are primarily insured by the FDIC' s Bank Insurance Fund, or "BIF." The FDIC utilizes a risk-based deposit insurance premium schedule to determine the assessment rates for Bank Insurance Fund-insured depository institutions. Each financial institution is assigned to one of three capital groups:

well capitalized;

adequately capitalized; or

undercapitalized.

Each financial institution is further assigned to one of three subgroups within a capital group, on the basis of supervisory evaluations by the institution' s primary federal and, if applicable, state regulators and other information relevant to the institution' s financial condition and the risk posed to the applicable insurance fund. The actual

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assessment rate applicable to a particular institution will, therefore, depend in part upon the risk assessment classification so assigned to the institution by the FDIC. The FDIC is presently considering whether to charge deposit insurance premiums based upon management weaknesses and whether the bank's underwriting practices, concentrations of risk, and growth are undisciplined or outside industry norms.

The BIF assessment rates currently range from zero basis points on deposits for a financial institution in the highest category, to 27 basis points on deposits for an institution in the lowest category. In addition, the Deposit Insurance Funds Act of 1996 authorizes the FDIC to collect The Financing Corporation, or "FICO," deposit assessments on Bank Insurance Fund - and Savings Association Insurance Fund-assessable deposits at the same rate. FICO assessments are set quarterly, and in 2004 ranged from 1.46 to 1.54 cents per \$100 of assessable deposits. For the first quarter of 2005, the FICO assessment rate for such deposits will be 1.44 cents per \$100 of assessable deposits. Peoples Bank paid no insurance premiums in 2002, 2003 or 2004, and paid FICO assessments of approximately \$46,248, \$43,656 and \$29,940, in each of these years, respectively.

Enforcement Policies and Actions

The Federal Reserve, the FDIC, and the Alabama Superintendent monitor compliance with laws and regulations. Violations of laws and regulations, or other unsafe and unsound practices, may result in these agencies imposing fines or penalties, issuing cease and desist orders or memorandums of understanding, or taking other enforcement actions. Under certain circumstances, these agencies may enforce these remedies directly against officers, directors, employees and others participating in the affairs of a bank or bank holding company. The regulatory agencies have extensive powers to enforce their agreements with banks and bank holding companies, including, among other actions, civil money penalties, and possible proceedings to terminate FDIC insurance.

Fiscal and Monetary Policy

Banking is a business that depends on interest rate differentials. In general, the difference between the interest paid by a bank on its deposits and its other borrowings, and the interest received by a bank on its loans and securities holdings, constitutes the major portion of a bank's earnings. Thus, our earnings and growth will be subject to the influence of economic conditions generally, both domestic and foreign, and also to the monetary and fiscal policies of the United States and its agencies, particularly the Federal Reserve.

The Federal Reserve regulates the supply of money through various means, including open market dealings in United States government securities, the discount rate at which banks may borrow from the Federal Reserve, and the reserve requirements on deposits. The monetary policies of the Federal Reserve historically have had a significant effect on the operating results of commercial banks and will continue to do so in the future. The conditions in the national and international economies and money markets, as well as the actions and changes in policy by monetary and fiscal authorities, and their effect on us cannot be predicted.

USA PATRIOT Act

In the wake of the tragic events of September 11th, on October 26, 2001, the President signed the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, ("USA PATRIOT"). Under the USA PATRIOT Act, financial institutions are subject to prohibitions against specified financial transactions and account relationships as well as enhanced due diligence and "know your customer" standards in their dealings with foreign financial institutions and foreign customers. For example, the enhanced due diligence policies, procedures, and controls generally require financial institutions to take reasonable steps:

- to conduct enhanced scrutiny of account relationships to guard against money laundering and report any suspicious transaction;

- to ascertain the identity of the nominal and beneficial owners of, and the source of funds deposited into, each account as needed to guard against money laundering and report any suspicious transactions;

- to ascertain for any foreign bank, the shares of which are not publicly traded, the identity of the owners of the foreign bank, and the nature and extent of the ownership interest of each such owner; and

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to ascertain whether any foreign bank provides correspondent accounts to other foreign banks and, if so, the identity of those foreign banks and related due diligence information.

The USA PATRIOT Act requires financial institutions to establish anti-money laundering programs. The USA PATRIOT Act sets forth minimum standards for these programs, including:

the development of internal policies, procedures, and controls;

the designation of a compliance officer;

an ongoing employee training program; and

an independent audit function to test the programs.

In addition, the USA PATRIOT Act authorizes the Secretary of the Treasury to adopt rules increasing the cooperation and information sharing between financial institutions, regulators, and law enforcement authorities regarding individuals, entities and organizations engaged in, or reasonably suspected based on credible evidence of engaging in, terrorist acts or money laundering activities.

The International Money Laundering Abatement and Anti-Terrorism Funding Act of 2001 restricts money laundering by terrorists in the United States and abroad. This Act specifies new “know your customer” requirements that will obligate financial institutions to take actions to verify the identity of the account holders in connection with opening an account at any U.S. financial institution. Banking regulators will consider compliance with the act’s money laundering provisions in making decisions regarding approval of acquisitions and mergers. In addition, sanctions for violations of the act can be imposed in an amount equal to twice the sum involved in the violating transaction, up to \$1.0 million.

Insurance Regulation

Southern Insurance acts as an agent to obtain title insurance under various title insurance underwriters who are regulated by the Alabama Department of Insurance.

Legislative and Regulatory Changes

Legislative and regulatory proposals regarding changes in banking laws, the regulation of banks, thrifts and other financial institutions, as well as bank and bank holding company powers are being considered by the executive branch of the Federal government, Congress and various state governments, including Alabama. The FDIC has proposed comprehensive deposit insurance reform legislation. Other proposals pending in Congress would, among other things, allow banks to pay interest on checking accounts and to establish interstate branches *de novo*. The Alabama Banking Department has introduced legislation in the Alabama legislature that would, among other things, permit interstate *de novo* branching in Alabama by out-of-state banks, regulate bank holding companies and expand the enforcement powers of the Alabama Banking Department. Certain of these proposals, if adopted, could significantly change the regulation of banks and the financial services industry. It cannot be predicted whether any of these proposals will be adopted, and, if adopted, how these proposals will affect us.

Statistical Disclosure

Certain statistical and financial information (as required by Guide 3) is included in response to Item 2 of this Form 10 set forth in “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

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ITEM 2. FINANCIAL INFORMATION.

SELECTED FINANCIAL DATA

We have derived the selected financial data set forth below as of and for the five years ended December 31, 2004 from our audited financial statements. You should read the following selected financial data with our financial statements and the related notes included elsewhere in this registration statement and with “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” The information below is not necessarily indicative of the results of future operations.

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
	(Dollars in Thousands)				
Total interest income	\$17,084	\$15,558	\$15,622	\$16,228	\$15,391
Total interest expense	4,668	3,871	4,781	6,643	6,923
Net interest income	12,416	11,688	10,841	9,585	8,468
Provision for loan losses	(426)	(837)	(1,152)	(740)	(353)
Net interest income after provision for loan losses	11,989	10,851	9,688	8,845	8,115
Noninterest income:					
Service charges on deposits	5,083	3,864	3,279	2,287	1,914
Other income	1,105	1,062	610	667	632
Noninterest expense	13,263	11,633	9,215	7,120	6,399
Income before income taxes	4,914	4,143	4,362	4,679	4,262
Income tax expense	(1,551)	(1,387)	(1,295)	(1,645)	(1,619)

Net income	\$3,364	\$2,756	\$3,067	\$3,034	\$2,643
Per Share Data(1):					
Net income, basic	\$0.64	\$0.56	\$0.72	\$0.77	\$0.67
Net income, assuming dilution	\$0.64	\$0.56	\$0.72	\$0.72	\$0.63
Dividends declared	\$0.15	\$–	\$–	\$0.50	\$–
Book value	\$7.98	\$7.26	\$6.80	\$5.84	\$5.26
Financial Condition Data:					
Assets	\$393,690	\$279,450	\$276,996	\$201,820	\$193,043
Loans, net	\$192,939	\$182,677	\$185,263	\$145,380	\$152,081
Cash and cash equivalents	\$25,175	\$5,985	\$46,153	\$24,364	\$9,330
Investments	\$142,357	\$60,695	\$24,016	\$19,295	\$20,277
Deposits	\$241,642	\$216,244	\$230,941	\$172,471	\$154,968
Borrowed funds	\$96,400	\$–	\$451	\$139	\$398
Federal funds purchased	\$–	\$10,573	\$–	\$–	\$–
Company guaranteed debt of ESOP	\$2,546	\$3,096	\$3,596	\$3,742	\$4,855
Repurchase agreements	\$4,714	\$4,997	\$4,514	\$–	\$–
Shareholders' equity and redeemable common stock held by ESOP	\$43,366	\$40,269	\$33,257	\$23,158	\$20,867

Selected Average Balances

Total assets	\$345,655	\$282,828	\$249,431	\$201,125	\$185,224
Loans, net	\$192,504	\$186,088	\$170,920	\$152,598	\$146,945
Deposits	\$236,283	\$231,028	\$210,833	\$169,570	\$142,878
Shareholders equity	\$41,804	\$36,337	\$28,865	\$22,013	\$19,416

Selected Ratios

Return on average assets	0.97	%	0.97	%	1.23	%	1.51	%	1.43	%
Average loans to average deposits	81.47	%	80.55	%	81.07	%	89.99	%	102.85	%
Return on average equity	8.05	%	7.58	%	10.63	%	13.78	%	13.61	%
Average equity to average assets	12.09	%	12.85	%	11.57	%	10.94	%	10.48	%
Dividend Payout Ratio	23.44	%	0	%	0	%	64.94	%	0	%
Ratio of nonperforming assets to total assets	0.87	%	1.85	%	1.75	%	1.63	%	0.94	%
Ratio of allowance for loan losses to total loans, net of unearned income	1.28	%	1.26	%	1.17	%	1.18	%	0.86	%

(1) Per share data has been revised to reflect the effects of the 2-for 1 stock split on March 15, 2000.

RISK FACTORS

We may not be able to successfully manage our growth or implement our growth strategies, which may adversely affect our results of operations and financial condition.

During the last five years, we have experienced significant growth, and a key aspect of our business strategy is our continued growth and expansion. Our ability to continue to grow depends, in part, upon our ability to:

open new branch offices or acquire existing branches or other financial institutions;

attract deposits to those locations; and

identify attractive loan and investment opportunities.

We may not be able to successfully implement our growth strategy if we are unable to identify attractive markets, locations or opportunities to expand in the future. Our ability to manage our growth successfully also will depend on whether we can maintain capital levels adequate to support our growth, maintain cost controls and asset quality and successfully integrate any businesses we acquire into our organization.

We rely heavily on our management team and the unexpected loss of any of those personnel could adversely affect our operations; we depend on our ability to attract and retain key personnel.

We are a customer-focused and relationship-driven organization. We expect our future growth to be driven in a large part by the relationships maintained with our customers by our President and Chief Executive Officer, J. Robin Cummings, and our other executive and senior lending officers. We have not entered into employment agreements with any of our management team or key personnel, and have no assurance that we will be able to continue to retain their services. The unexpected loss of Mr. Cummings or other key employees could have a material adverse effect on our business and possibly result in reduced revenues and earnings. We maintain key man life insurance policies only on our CEO, Robin Cummings. We maintain bank owned life insurance (BOLI) on Mr. Cummings and various other senior officers.

The implementation of our business strategy will also require us to continue to attract, hire, motivate and retain skilled personnel to develop new customer relationships as well as new financial products and services. Many experienced banking professionals employed by our competitors are covered by agreements not to compete or solicit their existing customers if they were to leave their current employment. These agreements make the recruitment of these professionals by us more difficult. The market for these professionals is competitive, and we cannot assure you that we will be successful in attracting, hiring, motivating or retaining them.

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We may incur losses if we are unable to successfully manage interest rate risk.

Our profitability will depend in substantial part upon the spread between the interest rates earned on loans and investments and interest rates paid on deposits and other interest-bearing liabilities. We may pay above-the-market rates to attract depositors as we have done in some of our marketing promotions in the past. Changes in interest rates will affect our operating performance and financial condition in diverse ways including the pricing of securities, loans and deposits, the volume of loan originations in our mortgage banking business and the value we can recognize on the sale of mortgage and home equity loans in the secondary market. We attempt to minimize our exposure to interest rate risk, but we will be unable to eliminate it. Based on our asset/liability position at December 31, 2004, we anticipate that an increase in interest rates would benefit our net interest income in the short term. Our net interest spread will depend on many factors that are partly or entirely outside our control, including competition, federal economic, monetary and fiscal policies, and economic conditions generally.

Our leveraged investment strategy has risks of loss.

Our assets increased approximately \$114 million from December 31, 2003 to December 31, 2004. Approximately 85% of the increase in our assets from 2003 to 2004 was due to our borrowing of \$96.4 million of advances under our current line of approximately \$118 million with the Federal Home Loan Bank of Atlanta. With the proceeds of these advances we increased securities available for sale for 2004 approximately \$82 million and reduced Fed Funds purchased from \$10.6 million to zero.

Changes in the level of interest rates may negatively affect the value of our assets. Approximately \$119 million or 86% of our total securities portfolio are fixed-rate securities. Fixed rate securities are generally affected more negatively by increases in our interest rates. GAAP requires us to reduce our shareholders' equity, or book value, by the amount of any decrease in the market value of our securities available for sale. A decline in the market value of our assets may limit our ability to borrow additional funds or result in our lenders requiring additional collateral from us under our loan credit agreements. As a result, we could be required to sell some of our investments under adverse market conditions, upon terms that are not favorable to us, in order to maintain our liquidity. If those sales are made at prices lower than the amortized costs of the investments, we will incur losses.

Changes in interest rates also may affect our net interest income, which is the difference between the interest income that we earn on our interest-earning investments and the interest expense that we incur in financing our investments. In a period of rising interest rates, our interest expense could increase in different amounts and at different rates and times than the interest that we earn on our assets. If the net differential between our interest income on our assets and our interest expense to carry such securities was reduced, our net income would be reduced. Interest rate fluctuations resulting in our interest expense exceeding our interest income could result in operating losses for us and may limit or eliminate our ability to pay dividends to our shareholders. The return on our investments, the cash available for paying dividends to our shareholders and the amount of capital to support our capital adequacy may be reduced to the extent that changes in market conditions cause the costs of our financings to increase relative to the income that can be derived from the assets we hold in our portfolio. Further, the leverage we have incurred through our Federal Home Loan advances may exacerbate any losses we incur.

We may be adversely affected by economic conditions in our market area.

We are headquartered in northern Alabama, and our market includes Blount, Cullman, Marshall and Morgan Counties, Alabama, as well as the northern portion of Jefferson County, Alabama. Because our lending is concentrated in this market, we will be affected by the general economic conditions in north central Alabama. Changes in the economy may influence the growth rate of our loans and deposits, the quality of the loan portfolio and loan and deposit pricing and the performance of our bank and insurance subsidiaries. A significant decline in general economic conditions caused by inflation, recession, unemployment or other factors beyond our control would impact these local economic conditions and the demand for banking products and services generally could negatively affect our financial condition and performance.

Cullman county is a large poultry-producing area. Though we do not have significant credit exposure to the poultry business, the downturn in the poultry industry could have a negative impact on local economic conditions and real estate collateral values generally, which could negatively affect our profitability.

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Deterioration in local, regional, national or global economic conditions could result in, among other things, an increase in loan delinquencies, a decrease in property values, a change in housing turnover rate or a reduction in the level of bank deposits. Particularly, a weakening of the real estate or employment market in our primary market area could result in an increase in the number of borrowers who default on their loans and a reduction in the value of the collateral securing their loans, which in turn could have an adverse effect on our profitability. Substantially all of our real estate loans are collateralized by properties located in the northern Alabama market area, and substantially all of our loans are made to borrowers who live in and conduct business in this market area. Any material economic deterioration in this market area could have an adverse impact on our profitability.

If our allowance for loan losses becomes inadequate, our results of operations may be adversely affected.

We maintain an allowance for loan losses that we believe is a reasonable estimate of known and inherent losses in our loan portfolio. Through a periodic review and consideration of the loan portfolio, management determines the amount of the allowance for loan losses by considering general market conditions, credit quality of the loan portfolio, the collateral supporting the loans and performance of our customers relative to their financial obligations with us. The amount of future losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates, that may be beyond our control, and these losses may exceed our current estimates. Rapidly growing loan portfolios, like ours, are, by their nature, unseasoned. As a result, estimating loan loss allowances is more difficult for us, and may be more susceptible to changes and to losses exceeding estimates, than more seasoned portfolios. Although we believe the allowance for loan losses is a reasonable estimate of known and inherent losses in our loan portfolio, we cannot fully predict such losses or that our loan loss allowance will be adequate in the future. Excessive loan losses could have a material adverse effect on our financial performance. Because of our growth strategy, we expect that our earnings will be negatively affected by loan growth, which generally requires us to make additions to our allowance for loan losses. Consistent with our loan loss reserve methodology, we expect to make additions to our loan loss reserve levels as a result of our growth strategy, which may affect our short-term earnings.

Federal and state regulators periodically review our allowance for loan losses and may require us to increase our provision for loan losses or recognize further loan charge-offs, based on judgments different than those of our management. Any increase in the amount of our provision for loan losses or in loans charged-off as required by these regulatory agencies could have a negative effect on our operating results.

Our future success is dependent on our ability to compete effectively in the highly competitive banking industry.

We face vigorous competition from other banks and other financial institutions, including savings and loan associations, savings banks, finance companies and credit unions for deposits, loans and other financial services in our market area. A number of these banks and other financial institutions are significantly larger than we are and have substantially greater access to capital and other resources, as well as larger lending limits and branch systems, and offer a wider array of banking services.

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To a limited extent, we also compete with other providers of financial services, such as money market mutual funds, brokerage firms, consumer finance companies, insurance companies and governmental organizations which may offer more favorable financing than we can. Many of our non-bank competitors are not subject to the same extensive regulations that govern us. As a result, these non-bank competitors have advantages over us in providing certain services. This competition may reduce or limit our margins and our market share, and may adversely affect our results of operations and financial condition.

Our profitability may suffer because of rapid and unpredictable changes in the highly regulated environment in which we operate.

We are subject to extensive supervision by several governmental regulatory agencies at the federal and state levels. Recently enacted, proposed and future banking legislation and regulations have had, and will continue to have, or may have a significant impact on the financial services industry. These regulations, which are intended to protect our depositors and not our shareholders, and the interpretation and application of them by federal and state regulators, are beyond our control, may change rapidly and unpredictably and can be expected to influence our earnings and growth. Our success depends on our continued ability to maintain compliance with these regulations. Some of these regulations may increase our costs and thus place other financial institutions that are not subject to similar regulation in stronger, more favorable competitive positions.

If we need additional capital in the future to continue our growth, we may not be able to obtain it on terms that are favorable to us. This could negatively affect our performance and the value of our common stock.

Our business strategy calls for continued growth. We anticipate that we will be able to support this growth through the generation of additional deposits at existing and new branch locations as well as investment opportunities. However, we may need to raise additional capital in the future to support our continued growth and to maintain our capital levels. Our ability to raise capital through the sale of additional securities will depend primarily upon our financial condition and the condition of financial markets at that time. We may not be able to obtain additional capital in the amounts or on terms satisfactory to us. Our growth may be constrained if we are unable to raise additional capital as needed.

Our executive officers, directors and other five percent or greater shareholders and entities affiliated with them own a large percentage of our company, and could influence matters requiring approval by our shareholders.

As of December 31, 2004, our executive officers, directors, and other five percent or greater shareholders and entities affiliated with them, beneficially owned approximately 31.5% of our outstanding common stock (excluding ESOP shares). These shareholders, acting together, would be able to influence matters requiring approval by our shareholders, including the election of directors. Thus, actions might be taken even if other shareholders oppose them. This concentration of ownership might also have the effect of delaying or preventing a change of control even if such a transaction is favored by other shareholders.

Some of our loan concentrations present a business risk if segments of the economy suffer a downturn.

Our loan portfolio is concentrated in consumer finance loans, including real estate mortgages. Although we do not believe that the concentration of our loans in consumer finance lending areas currently pose an undue risk to us, a downturn in the local economy that negatively affects the ability of our consumer borrowers to repay their loans could have a significant adverse effect on our financial condition and performance.

A downturn in the real estate market could hurt our business.

A downturn in the real estate market could hurt our business because many of our loans are secured by real estate. Real estate values and real estate markets are generally affected by changes in national, regional or local economic conditions, fluctuations in interest rates and the availability of loans to potential purchasers, changes in tax laws and other governmental statutes, regulations and policies and acts of nature. If real estate prices decline, the value of real estate collateral securing our loans could be reduced. Our ability to recover on defaulted loans by

foreclosing and selling the real estate collateral would then be diminished and we would be more likely to suffer losses on defaulted loans. As of December 31, 2004, approximately 76.34% of our loan portfolio consisted of loans

collateralized by various types of real estate. Substantially all of our real property collateral is located in northern Alabama. If there is a significant decline in real estate values, especially in north central Alabama, the collateral for our loans will provide less security. Any such downturn could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We face credit quality risks and our credit policies may not be sufficient to avoid losses

We lend primarily to individuals and small- to medium- size businesses, which may expose us to greater risks than if we made loans principally to larger, better-capitalized businesses with longer operating histories. Although we maintain credit policies and underwriting and credit monitoring procedures to manage our risk of loss, these policies and procedures may not prevent losses as a result of unexpected defaults by our borrowers, which could harm our results of operations and financial condition.

If we are required to write down goodwill and other intangible assets, our financial condition and results of operations will be negatively affected.

When we acquire a business, a substantial portion of the purchase price of the acquisition is allocated to goodwill and other identifiable intangible assets. The amount of the purchase price which is allocated to goodwill and other intangible assets is determined by the excess of the purchase price over the net identifiable assets acquired. Under current accounting standards, if we determine goodwill or intangible assets are impaired, we will be required to write down the value of these assets. We conduct an annual review to determine whether goodwill and other identifiable intangible assets are impaired. We cannot assure you that we will not be required to take an impairment charge in the future. Any impairment charge would have a negative effect on our shareholders' equity and results of operations that could materially and adversely affect the value of our common stock.

We are required to maintain capital to meet regulatory requirements, and if we fail to maintain sufficient capital, our financial condition, liquidity and results of operations would be adversely affected.

We and our subsidiary bank must meet regulatory capital requirements. If we fail to meet these capital and other regulatory requirements, our financial condition, liquidity and results of operations would be materially and adversely affected. Our failure to remain "well capitalized" and "well managed" for regulatory purposes could affect customer confidence, our ability to grow, our costs of funds and FDIC insurance, our ability to raise brokered deposits, our ability to pay dividends on common stock, our ability to make acquisitions, and we would no longer meet the requirements for remaining a financial holding company.

Technological changes affect our business, and we may have fewer resources than many of our competitors to invest in technological improvements.

The financial services industry is undergoing rapid technological changes with frequent introductions of new technology-driven products and services. In addition to serving clients better, the effective use of technology may increase efficiency and may enable financial institutions to reduce costs. Our future success will depend, in part, upon our ability to use technology to provide products and services that provide clients convenience and to create additional efficiencies in our operations. We may need to make significant additional capital investments in technology in the future, and we may not be able to effectively implement new technology-driven products and services. Many of our competitors have substantially greater resources to invest in technological improvements.

Critical Accounting Policies

Our accounting and reporting policies are in accordance with accounting principles generally accepted in the United States of America and conform to general practices accepted within the banking industry. Our significant accounting policies are described in the notes to our consolidated financial statements. Certain accounting policies require management to make significant estimates and assumptions that have a material impact on the carrying value of certain assets and liabilities, and we consider these to be critical accounting policies. The estimates and assumptions used are based on historical experience and other factors that management believes to be reasonable under the circumstances. Actual results could differ significantly from these estimates and assumptions, which could have a material impact on the carrying value of assets and liabilities at the balance sheet dates and on our results of operations for the reporting periods.

We believe the following are the critical accounting policies that require the most significant estimates and assumptions and that are particularly susceptible to a significant change in the preparation of our financial statements.

Valuation of Investment Securities

Investment securities can be classified into three categories. Debt securities that we have the intent and ability to hold to maturity are classified as “held-to-maturity securities” and reported at amortized cost. As of December 31, 2004, we do not have any securities classified as “held to maturity.” Debt and equity securities that are bought and held with the intent to sell the securities in the near term are classified as “trading securities” and reported at their fair value, with unrealized gains and losses included in earnings. We did not have any securities classified as trading securities as of December 31, 2004. Debt securities not classified as either held-to-maturity securities or trading securities, and equity securities not classified as trading securities, are classified as “available-for-sale securities” and reported at fair value, with unrealized gains and losses excluded from earnings and reported as a separate component of other comprehensive income.

Premiums and discounts related to securities are amortized or accreted over the life of the related security as an adjustment to the yield using the effective interest method and considering prepayment assumptions. Dividend and interest income is recognized when earned.

Gains and losses on sales or calls of securities are recognized on the trade date based on the adjusted cost basis of the specific security. Declines in fair value of individual held-to-maturity and available-for-sale securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value.

Management conducts regular reviews to assess whether the values of our investments are impaired and whether any such impairment is other than temporary. If management determines that the value of any investment is other-than-temporarily impaired, we record a charge against earnings equal to the amount of the impairment. The determination of whether other-than-temporary impairment has occurred involves significant assumptions, estimates and judgments by management. Changing economic conditions – global, regional or related to industries of specific issuers – could adversely affect these values. We recorded no impairment of our investment securities during 2003 or 2004.

Allowance and Provision for Loan Losses

The allowance for loan losses is maintained at a level which, in management’s judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management’s evaluation of the collectibility of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, economic conditions and other risks inherent in the portfolio. Allowances for impaired loans are generally determined based on collateral values or the present value of the estimated cash flows. The allowance is increased by a provision for loan losses, which is charged to expense, and reduced by charge-offs, net of recoveries. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Company’s allowance for losses on loans. Such agencies may require the Company to recognize adjustments to the allowance based on their judgments about information available to them at the time of their examination.

MANAGEMENT' S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis addresses the major factors that affected our results of operations and financial condition reflected in our audited financial statements for the years ended December 31, 2004, 2003 and 2002. This discussion is intended to supplement and highlight information contained in, and should be read in conjunction with, Altrust' s consolidated financial statements and related notes and the selected financial data presented elsewhere in this report. For the purposes of the discussions in this Item 2, the words "we," "us," and "our" refer to the combined entities of Altrust and Peoples Bank.

Formation and Basis of Presentation

Altrust was incorporated on May 16, 1985 to become the parent holding company of Peoples Bank of Cullman County, which changed its name in 1994 to the Peoples Bank of North Alabama.

In May 1994, Peoples Bank opened its first branch outside of Cullman County through the purchase from the Resolution Trust Corporation of the Decatur, Alabama branch of Altrust Federal Savings Bank. Peoples Bank assumed approximately \$7.0 million total estimated fair value of deposits, accrued interest and other liabilities, and purchased approximately \$3.0 million of selected assets. We paid a premium of \$640,000 on the deposits assumed, which was assigned to core deposit intangible on our balance sheet and has been amortized on a straight-line basis over an estimated life of 15 years. As of December 31, 2004, the remaining unamortized core deposit intangible for the Altrust Federal Savings Bank transactions was \$188,432.

In February 1998, Peoples Bank acquired the Lacey' s Spring and Somerville branches of Banker' s Trust of Madison, Alabama. We purchased approximately \$3.0 million of selected assets and assumed substantially all of the deposit liabilities of the two branches, which liabilities had a total estimated fair market value of approximately \$18.7 million. We paid a \$1.4 million premium on the deposits assumed, which was assigned to core deposit intangible on our balance sheet and has been amortized on a straight-line basis over an estimated life of 15 years. As of December 31, 2004, the remaining unamortized core deposit intangible for the Banker' s Trust transaction was \$790,785.

In May 2002, Peoples Bank acquired six Marshall County branches of Community Bank, Blountsville, Alabama. We purchased approximately \$58.8 million of loans and approximately \$4.7 million of other assets (including capitalized leases on branch premises), and assumed approximately \$79.6 million of deposit liabilities. We paid Community Bank a \$4.9 million premium on the core deposit liabilities we assumed, purchased the performing loans at book value, purchased classified and other problem loans at negotiated values reflecting our estimates of realizable value, and purchased branch facilities at negotiated prices. Of the \$4.9 million core deposit premium we paid, we assigned \$4.0 million to goodwill and \$900,000 to core deposit intangible based on a valuation performed by an external consultant. The core deposit intangible from the Marshall County branch acquisition is being amortized on an accelerated basis over an estimated life of 7 years based on estimated deposit account attrition. As of December 31, 2004, the remaining unamortized core deposit intangible for the Marshall County branch acquisitions was \$52,000.

Altrust Financial Services, Inc. Savings and Employee Stock Ownership Plan

In February 1999, Altrust Financial Services, Inc. Savings and Employee Stock Ownership Plan (the "ESOP") purchased 330,975 shares of our common stock at fair market value, as established by an independent valuation firm. Of the total number of shares purchased, 205,844 shares were purchased from certain Altrust directors. The purchase of these shares increased the ESOP' s ownership percentage to 30.43% of Altrust' s outstanding capital stock, thereby requiring the filing of a change in bank control notice and resulting in the ESOP becoming a bank holding company because of its controlling interest in Peoples Bank through Altrust.

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The ESOP financed the acquisition of 330,975 shares of our common stock with a loan from First Tennessee Bank in the amount of \$5,212,856, secured by a pledge of the 330,975 shares of Altrust common stock acquired. Altrust guaranteed the loan from First Tennessee Bank. Altrust's guarantee is recorded as a liability on our balance sheet and as a reduction of Altrust's equity. Annual mandatory contributions, expensed by us as employee compensation, are made to the ESOP and are used for loan payments to First Tennessee. As loan principal payments are made, the capital is replenished by a like amount and shares of Altrust common stock are released from Altrust's pledge to First Tennessee for allocation among the ESOP participants. As of December 31, 2004, the outstanding balance of First Tennessee's loan to the ESOP was \$2.5 million.

In accordance with the ESOP, Altrust is expected to honor the rights of participants to liquidate their ownership of the common stock in the event of termination. To the extent that allocated shares of common stock held by the ESOP are not readily traded, a sponsor must reflect the maximum cash obligation related to those securities outside of shareholders' equity to liabilities. As of December 31, 2004 and 2003, the allocated shares held by the ESOP were 835,819 and 768,037, respectively, with a fair value and maximum cash obligation of \$8,023,862 and \$6,144,296, respectively.

RESULTS OF OPERATIONS

General

As of December 31, 2004, we had total consolidated assets of \$393.7 million, total loans of \$195.4 million, total deposits of \$241.6 million, and shareholders' equity of \$35.3 million. Net income for the 12 months ended December 31, 2004 was \$3.4 million and diluted earnings per common share were \$0.64.

Our principal source of revenue comes from net interest income, which is the difference between:

income we receive on our interest-earning assets, such as investment securities and loans; and

payments we make on our interest-bearing sources of funds, such as deposits and borrowings.

The level of net interest income is determined primarily by the average balances, or volume, of our interest-earning assets and the various rate spreads between these interest-earning assets and our funding sources. Changes in our net interest income from period to period result from, among other things:

increases or decreases in the volumes of interest-earning assets and interest-bearing liabilities;

increases or decreases in the average rates earned and paid on those assets and liabilities;

our ability to manage our interest-earning asset portfolio, which includes loans; and

the availability and costs of particular sources of funds, such as non-interest-bearing deposits, and our ability to "match" our interest-earning assets and interest-bearing liabilities.

Net Income

Our net income for the 12 month period ended December 31, 2004 was \$3.4 million, representing an increase of \$608,000 over net income of \$2.75 million for 2003. Diluted earnings per common share increased to \$0.64 for the fiscal year ended December 31, 2004, as compared to \$0.56 for the fiscal year ended December 31, 2003, based upon the weighted average of common shares and common share equivalents outstanding of 5,277,933 and 4,906,593, for 2004 and 2003 respectively.

The following table summarizes the components of our income and expense, and the changes in those components for the past three years.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2002, 2003 and 2004
(Dollars In Thousands)

	2004	Change from Prior Year		2003	Change from Prior Year		2002	Change from Prior Year	
		Amount	%		Amount	%		Amount	%
Interest Income	\$17,084	\$1,526	9.81 %	\$15,558	\$(64)	(.4)%	\$15,622	\$(607)	(3.74)%
Interest Expense	4,668	797	20.59	3,871	(911)	(19.05)	4,781	(1,862)	(28.03)
Net Interest Income	12,416	728	6.23	11,688	847	7.81	10,841	1,255	13.09
Provision for loan losses	426	(411)	(49.10)	837	(315)	(27.34)	1,152	412	55.68
Net Interest Income After Provision for Loan Losses	11,989	1,138	10.49	10,851	1,162	11.99	9,689	843	9.53
Non-interest Income	6,188	1,262	25.62	4,926	1,037	26.70	3,889	935	31.65
Non-interest Expense	13,263	1,629	14.00	11,633	2,418	26.23	9,215	2,096	29.44
Income before income taxes	4,914	771	18.61	4,143	(219)	(5.02)	4,362	(318)	(6.80)
Income tax provision	1,551	163	11.75	1,387	(92)	(7.10)	1,295	(350)	(21.28)
Net Income	\$3,364	\$608	22.06 %	\$2,756	\$(311)	(10.14)%	\$3,067	\$32	1.05 %

Volume-Rate Analysis

The following table shows a summary of the changes in interest income and interest expense resulting from changes in volume and changes in rate for each category of interest-earning assets and interest-bearing liabilities for 2004 to 2003 and 2003 to 2002.

2004 Versus 2003	2003 Versus 2002
Increase (decrease) Due to	Increase (decrease) Due to
Change in:	Change in:

(In Thousands)			Rate /				Rate /	
	Volume	Rate	Volume	Total	Volume	Rate	Volume	Total
Interest income on:								
Loans	\$492	\$(1,478)	\$(50)	\$(1,036)	\$1,295	\$(1,469)	\$(130)	\$(304)
Available for sale securities								
Taxable	1,280	460	590	2,330	371	57	40	468
Non - taxable	226	1	6	233	(7)	(11)	1	(17)
Other earning assets	39	(33)	(8)	(2)	(226)	33	(17)	(210)
Total interest income	2,037	(1,050)	538	1,525	1,433	(1,390)	(106)	(63)
Interest expense on:								
Interest bearing demand deposits	(142)	(147)	43	(246)	54	107	19	180
Savings deposits (includes MMDAs)	96	24	14	134	123	(378)	(91)	(346)
Time deposits < \$100	(446)	(155)	31	(570)	(8)	(441)	1	(448)
Time deposits > \$100	145	(162)	(37)	(54)	(117)	(351)	40	(428)
Federal Funds Purchased	(28)	6	(3)	(25)	–	–	49	49
Repurchase Agreements	5	(4)	–	1	71	(17)	(24)	30
Other borrowings	2,447	(89)	(801)	1,557	19	31	3	53
Total interest expense	2,077	(527)	(753)	797	142	(1,049)	(3)	(910)

Net interest income

\$ (40)	\$ (523)	\$ 1,291	\$ 728	\$ 1,291	\$ (341)	\$ (103)	\$ 847
_____	_____	_____	_____	_____	_____	_____	_____

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Altrust has experienced declines in net interest income during the last two years relating to the rate component because of its net asset sensitivity position. As interest rates have fallen, net interest income has been adversely affected. This trend is expected to reverse as the Federal Reserve increases interest rates, although competitive pressures relating to deposit rates may weaken the net interest margin in future periods. For additional information relating to our interest rate sensitivity, refer to the discussions under “Quantitative and Qualitative Disclosures about Market Risk.”

Net Interest Income

Net interest income is the principal component of our earnings and represents the difference between revenue generated by interest-earning assets and the interest costs related to funding those assets. Net interest income is affected by changes in the volume of and rates earned or paid on interest-earning assets and interest-bearing liabilities.

Net interest income increased 6.22% to \$12.4 million for the year ended December 31, 2004 compared to net interest income of \$11.7 million for the year ended December 31, 2003 and \$10.8 million for the year ended December 31, 2002. Net interest margin, which is computed by dividing net interest income by average interest-earning assets, was 4.12%, 4.93% and 4.96% for the three years ended December 31, 2004, 2003 and 2002, respectively. Competitive pressures, Federal Reserve Bank monetary policies, and the composition of interest-earning assets and interest-bearing liabilities affect the net interest margin. Net interest income during 2004 reflected a substantial increase of approximately \$728,000 when compared to 2003. The increase in net interest income was due to the substantial leveraged portfolio investments we made in 2004, financed through Federal Home Loan Bank borrowings. Although the leverage strategy increased net interest income, it also decreased our net interest margin because the interest rate spread on the leveraged investments was substantially lower than our historical net interest margin.

The significant increase in interest expense during 2004 was principally due to the over \$96 million in Federal Home Loan Bank advances we used to leverage the purchase of certain of the investment securities for our investment portfolio.

The following table details average balances (using daily averages) of interest-earning assets and interest-bearing liabilities, the amount of interest earned or paid thereon, and the yield or rate for the years ended December 31, 2004, 2003 and 2002.

Average Consolidated Balance Sheets and Net Interest Analysis

(In Thousands)	December 31, 2004			December 31, 2003			December 31, 2002		
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
ASSETS									
Earning Assets									
Loans, net of unearned income	\$192,504	\$13,246	6.88 %	\$186,088	\$14,282	7.67 %	\$170,920	\$14,587	8.53 %
Available for sale securities									
Taxable	87,214	3,327	3.81 %	38,194	997	2.61 %	22,452	529	2.36 %
Non - taxable	8,549	286	3.35 %	1,614	53	3.28 %	1,791	70	3.91 %
Other earning assets	13,260	225	1.69 %	11,362	226	1.99 %	23,562	436	1.85 %
Total earning assets	301,527	17,084	5.67 %	237,258	15,558	6.56 %	218,725	15,622	7.14 %
Allowance for loan losses	(2,502)			(2,454)			(2,110)		
Intangible assets	5,948			5,769			4,169		
Cash and due from banks	14,642			20,831			16,803		
Premises and equipment	12,688			10,793			9,068		
Other assets	13,344			10,631			2,776		
Total assets	\$345,647			\$282,828			\$249,431		

LIABILITIES AND SHAREHOLDERS' EQUITY

Interest-bearing Liabilities

Interest-bearing demand deposits	24,993	241	0.96 %	35,263	487	1.38 %	29,953	306	1.02 %
Savings deposits (includes MMDAs)	83,458	298	0.36 %	52,701	165	0.31 %	42,507	511	1.20 %
Time deposits < \$100	58,883	1,612	2.74 %	74,025	2,182	2.95 %	74,243	2,630	3.54 %
Time deposits > \$100	29,079	580	1.99 %	23,648	634	2.68 %	26,587	1,062	3.99 %
Federal funds purchased	1,328	24	1.80 %	3,069	49	1.60 %	–	–	0.00 %
Repurchase Agreements	5,647	82	1.45 %	5,315	81	1.52 %	2,224	51	2.29 %
Other borrowings	58,708	1,831	3.12 %	5,900	273	4.63 %	5,430	221	4.07 %
Total interest-bearing liabilities	262,096	4,668	1.78 %	199,921	3,871	1.94 %	180,944	4,781	2.64 %
Noninterest bearing demand deposits	39,869			45,392			37,543		
Accrued expenses and other liabilities	1,884			1,179			2,079		
Shareholders' equity and redeemable common stock held by ESOP	42,270			36,613			28,832		
Unrealized gain/loss on investment securities	(472)			(277)			33		
Total liabilities and shareholders' equity	\$345,647			\$282,828			\$249,431		

Net Interest income	\$12,416	\$11,687	\$10,841
Net interest spread	3.88 %	4.62 %	4.53 %
Net interest margin	4.12 %	4.93 %	4.96 %

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Provision for Loan Losses

The provision for loan losses is based on management's evaluation of the economic conditions, volume and composition of the loan portfolio, historical charge off experience, the level of nonperforming and past due loans, and other indicators derived from reviewing the loan portfolio. Management performs such reviews quarterly and makes appropriate adjustments to the provision for loan losses to maintain our allowance for loan losses at an appropriate level.

The provision for loan losses in 2004 was \$426,500 compared to \$836,900 in 2003. The decrease of \$410,400, or 49%, in our provision for loan losses in 2004 was primarily due to management's assessment of the risk of losses inherent in our loan portfolio, including the elimination of certain problem loans obtained in our 2002 acquisition of the Marshall County branches from Community Bank, Blountsville, Alabama. To validate management's internal loan review and rating processes, all loans over \$500,000 are also reviewed by an outside loan review consultant.

As a percentage of average outstanding loans, the provisions for loan losses recorded for 2004 and 2003 were .22% and .45%, respectively. Net loan charge-offs as a percentage of average outstanding loans were .13% for 2004 compared to .38% for 2003. Management was able to decrease the provisions for loan losses by 23% in 2004 relative to 2003 because we experienced a 53% decline in nonperforming loans and a 65% decrease in net loan charge-offs from the prior year. See "Statement of Financial Condition - Allowance for Loan Losses" below for additional information regarding loan quality and the allowance for loan losses.

Our management believes that its current credit-granting and administration processes follow a comprehensive and disciplined approach that mitigate risk and lower the likelihood of significant increases in charge-offs and non-performing loans, although all credit-granting processes require subjective judgments and estimates.

Non-interest Income

Total non-interest income for the 12 month period ended December 31, 2004 was \$6.2 million compared to \$4.9 million for the 12 month period ended December 31, 2003 and \$3.9 million for the 12 month period ended December 31, 2002. Our primary source of non-interest income is non-sufficient funds fees, service charges and other fees we earn on our deposit accounts. Total service charges, including non-sufficient funds fees, were \$5.1 million, or 82.14% of total non-interest income, for 2004 compared to \$3.9 million, or 78.44% of total non-interest income, for 2003. The \$12.7 million decrease in demand deposit accounts during 2004 resulted from a deposit reclassification program designed to shift certain checking account balances, which are subject to reserve requirements of the Federal Reserve, to linked savings accounts, which are not subject to reserve requirements. As a result of the reclassification program, we were able to reduce the volume of our deposits against which we are required to maintain reserves. Total deposits increased by \$25.4 million during 2004, which was largely driven by our High Performance Checking marketing program designed to attract consumer checking accounts. The increase in deposits attributable to our High Performance Checking program resulted in a \$1.2 million increase in the total non-sufficient funds charges and other service charges we earned in 2004, which accounted for most of our non-interest income improvement in 2004. Also contributing to our non-interest income growth in 2004 was a \$41,600 increase in insurance commissions we earned through Southern Insurance.

The following table presents the components of non-interest income for the past three years.

	For Years Ended December 31,					
	(Dollars In Thousands)					
	2004	% Change	2003	% Change	2002	
Service charges on deposit accounts	5,083	31.55 %	3,864	17.84 %	\$3,279	

Other income	1,104	3.95	%	1,062	74.10	%	610
Total non-interest income	6,187	25.60	%	4,926	26.66	%	\$3,889

With continued expansion of our branch network and the increasing numbers of new deposit accounts, management anticipates that service charges and fees on deposit accounts will continue to increase in the near term.

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Through non-bank subsidiaries of Altrust, we have diversified into limited non-banking services to enhance and complement our banking operations. Altrust owns Southern Insurance, which acts as an agent for obtaining title insurance for Peoples Bank's real estate loan customers. Southern Appraisal, another subsidiary, performs real estate appraisal services for Peoples Bank customers. Revenues and expenses for the non-bank subsidiaries accounted for less than 3% of our consolidated revenues and expenses for each year presented in our financial statements, with revenues from these operations included in other non-interest income and expenses included as other non-interest expense.

Non-interest Expense

Total non-interest expense for the year ended December 31, 2004 was \$13.3 million, compared to \$11.6 million for the year ended December 31, 2003 and \$9.2 million for the year ended December 31, 2002. The increase in non-interest expense in 2003 was primarily due to the inclusion of a full year of expenses related to the Marshall County branches of Community Bank we acquired in mid-2002.

The following table presents the components of non-interest expense for the years ended December 31, 2004, 2003 and 2002.

Other Non-interest Expense (In Thousands)

For the Years Ended December 31,

	Other Non-interest Expense (Dollars In Thousands)								
	For the Years Ended December 31,								
	2004	Percent Change		2003	Percent Change		2002	Percent Change	
Salaries & Benefits	\$6,165	5.42	%	\$5,848	45.44	%	\$4,021	14.27	%
Occupancy and Equipment Expense	1,792	-0.17	%	1,795	20.07	%	1,495	40.77	%
Professional Services	313	18.56	%	264	-28.65	%	370	150.00	%
Amortization Expense - Core Deposit Intangible	514	9.59	%	469	41.27	%	332	137.14	%
Postage	234	9.86	%	213	3.90	%	205	27.33	%
Telephone	581	38.33	%	420	30.03	%	323	41.67	%
ATM expense	409	107.61	%	197	29.61	%	152	102.67	%
Federal Reserve Charges	276	35.29	%	204	27.50	%	160	2.56	%

Supplies	274	-1.44 %	278	-2.11 %	284	51.06 %
Advertising	394	756.52%	46	39.39 %	33	-36.54 %
Overdraft Losses	546	80.79 %	302	38.53 %	218	41.56 %
Other Expense	1,765	10.52 %	1,597	-1.54 %	1,622	31.12 %
Total Non-interest Expense	\$13,263	14.01 %	\$11,633	26.24 %	\$9,215	29.42 %

Total salaries and benefits expenses for 2004 were \$6.17 million, an increase of approximately \$320,000, or 5.4%, from \$5.85 million for 2003. This increase was primarily due to group health insurance rate increases of over 20% from 2003 to 2004. We also incurred additional salary expenses in 2004 as we increased staffing in connection with the opening of two new branches – Morris in February of 2004 and Locust Fork in September of 2004 (for a total of 5 new employees). Total salaries and benefits increased \$1.83 million or 45.4% in 2003 over 2002 primarily due to the full year of salary and benefits expenses we incurred in 2003 relating to the Marshall County branches of Community Bank we acquired in mid-2002.

Total occupancy expense for 2004 was \$1.79 million, a slight decrease of .17% under occupancy expenses in 2003 due to both reductions in lease expenses from purchasing our leased Boaz branch property in December of 2003 but which was offset by increased lease renewals incurred for our ATM locations in North Cullman and West Town, at Baileyton, and new leases at Scant City and Locust Fork. In 2003, total occupancy expense increased \$300,000 or 20% over \$1.50 million for 2002.

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During 2004, other operating expenses increased \$1.2 million, or 37.52%, over the year ended December 31, 2003. This increase was primarily due to the following expenditures increases: \$161,000 in telecommunication costs (due to restructuring in preparation for Check 21 imaging), \$44,000 increase in depreciation due to new branches and various equipment acquisitions, \$244,000 increase in overdraft losses due to increased number of deposit accounts, \$212,000 increase in ATM charges due to a change in billing which was partially offset by increased ATM switch fee revenues of \$188,000, \$45,000 increase for core deposit intangible amortization due to the Morris branch acquisition in February, 2004, \$337,000 increase in business development cost attributable to our High Performance Checking deposit account acquisition marketing program, and a \$32,000 increase in internet banking costs.

Amortization of core deposit intangibles increased \$45,000 in 2004 due to amortization of our new Morris branch deposit premium and the methodology of accelerated amortization in earlier years. Total amortization of core deposit intangibles for the year ended December 31, 2004 was \$513,901 compared to \$468,804 for the year ended December 31, 2003. Under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 142, the value and estimated lives of these intangibles will be periodically evaluated and assessed for possible impairment. For more information, see Notes 1 and 5 to our Consolidated Financial Statements.

Our non-interest expenses include operating expenses attributable to Southern Insurance and Southern Appraisal accounted for less than 3% of consolidated non-interest expenses each year.

Income Taxes

Income tax expense increased \$163,044 or 11.75% to \$1,550,509 for the year ended December 31, 2004, and increased \$92,708 or 7.16% to \$1,387,465 for the year ended December 31, 2003. The effective tax rate as a percentage of pretax income was 31.55% in 2004, 33.48% in 2003 and 29.68% in 2002. The decrease in our effective tax rate from 2003 to 2004 was primarily due to increased tax-exempt interest income and dividends paid to the ESOP and used to reduce debt, giving rise to a deduction for income tax purposes. Altrust expects its effective tax rate in 2005 to remain relatively constant with its 2004 tax rate, with slight increases likely from decreased relative tax-exempt interest income.

We had a net deferred tax asset of \$964,723, \$831,689 and \$528,956 as of December 31, 2004, 2003 and 2002, respectively. The primary items affecting deferred taxes are depreciation, allowance for loan losses and net unrealized gains or losses on available for sale securities.

For further information concerning the provision for income taxes and income tax related matters, refer to Note 11, Income Taxes, of the "Notes to the Consolidated Financial Statements."

FINANCIAL CONDITION

As of December 31, 2004, our consolidated assets were \$393.7 million, an increase of 40.9% from \$279.5 million as of December 31, 2003. Consolidated total assets increased \$2.45 million, or 0.89% from \$277 million at December 31, 2002. Our asset growth during 2004 was primarily related to substantial acquisitions of investment securities, financed through over \$96 million in Federal Home Loan Bank advances. Total interest-bearing deposits have increased during 2004 by approximately \$38.9 million due to a new account reclassification program designed to reduce required Federal Reserve balance requirements. Total deposits increased \$25.4 million to \$241.6 million during 2004. Our increase in total assets of \$2.4 million during 2003 was primarily attributable to our acquisition of additional premises and equipment, including through our exercise of a \$1.7 million purchase option on our Boaz branch property and our expenditure of \$640,000 in the construction of our Guntersville, Crane Hill and Arab branches. Deposits decreased \$15.1 million during 2003 due largely to increased competition from a newly-formed community bank in our Cullman market, the general economic downturn, and a normal expected erosion of certain deposit accounts acquired in connection with the acquisition of our Marshall County branches. Our total assets increased over \$75 million during 2002, primarily due to our acquisition of the six branches in Marshall County from Community Bank. We acquired over \$59 million in loans and \$13.7 million in cash from the transaction, and recorded \$4.9 million of goodwill and intangibles premium. We also acquired over \$79 million in deposits in this transaction.

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Loans

As of December 31, 2004, total loans were \$195.4 million, an increase of \$10.4 million or 5.6% from \$185 million at December 31, 2003. This increase was primarily due to a large local church loan of almost \$7 million and increased emphasis on our commercial loan portfolio, which grew by over \$4.6 million. Total loans decreased by 1.31% during 2003 from \$187.5 million at December 31, 2002. This decrease was largely attributable to a loss of certain customers who were dedicated to several of our key personnel who left Peoples Bank in 2003. During 2004, our average loans outstanding were \$196.2 million, constituting 55.83% of our average earning assets. During 2003, our average loans outstanding were \$186.1 million, which constituted 75.3% of our average earning assets. During 2002, our average loans outstanding were \$170.9 million, or 82.53% of our average earning assets. The decline in the proportion of our earning assets composed of loans is primarily attributable to increased emphasis on our portfolio securities investments as a percentage of our balance sheet, including our use of substantial Federal Home Loan Bank advances to acquire additional investment securities, and is partially due to contraction of our loan portfolio. Notwithstanding our recent focus in growing our investment securities portfolio, we continue to employ most of our available funds in loan originations because we expect our commercial loans to produce higher yields than securities and other interest-earning assets.

The following table presents a summary of the loan portfolio by category for the past five years.

Loans Outstanding

	As of December 31,				
	(In Thousands)				
	2004	2003	2002	2001	2000
Commercial	\$26,776	\$22,563	\$30,887	\$17,907	\$16,108
Real estate - construction	26,649	25,320	3,927	3,106	4,791
Real estate - mortgage	122,556	113,253	126,664	104,458	108,518
Installment loans to individuals	19,458	23,865	25,983	21,657	24,040
Total loans	\$195,439	\$185,001	\$187,461	\$147,128	\$153,457

Substantially all of our loans are made to customers located in our primary market area. Recently we have increased our loan origination focus on loans secured by real estate because we view real estate lending as more secure than loans not secured by real property. Consequently, we have experienced a decrease in non-real estate loans over the last two years, both in terms of volume and the overall percentage of the loan portfolio. Notwithstanding our increased focus on real estate loans, as of December 31, 2004, our loans were not heavily concentrated in any one industry. Our management believes that our loan portfolio is diversified among loan collateral types as well, as reflected in the following table.

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Loans by Collateral Type

	As of December 31,													
	(Dollars In Thousands)													
	2004	% of Loans		2003	% of Loans		2002	% of Loans		2001	% of Loans		2000	% of Loans
Secured by Real estate:														
Construction and land development	\$26,650	13.64 %		\$25,320	13.69 %		\$3,927	2.09 %		\$3,106	2.11 %		\$4,791	3.12 %
Farmland	10,478	5.36 %		9,877	5.34 %		7,561	4.03 %		3,720	2.53 %		5,445	3.55 %
Home equity lines of credit	106	0.05 %		223	0.12 %		0	0.00 %		0	0.00 %		0	0.00 %
Residential first mortgage liens	53,276	27.26 %		50,316	27.20 %		58,806	31.37 %		52,008	35.35 %		57,910	37.73 %
Other residential liens	7,147	3.66 %		8,742	4.73 %		7,873,	4.20 %		8,620	5.86 %		8,498	5.54 %
Multi-family residential	304	0.16 %		270	0.15 %		165	0.09 %		165	0.11 %		363	0.24 %
Non-farm and non-residential	51,240	26.22 %		43,936	23.75 %		52,259	27.88 %		39,945	27.15 %		36,302	23.66 %
Total real-estate loans	149,201	76.34 %		\$138,684	74.96 %		\$130,591	69.66 %		\$107,564	73.11 %		\$113,309	73.84 %
Other loans:														
Commercial and industrial	25,747	13.17 %		21,105	11.41 %		27,310	14.57 %		16,343	11.11 %		13,342	8.69 %
Agricultural	1,027	0.53 %		1,380	0.75 %		3,154	1.68 %		1,063	0.72 %		1,396	0.91 %
Credit cards and other revolving credit	496	0.25 %		549	0.30 %		4,137	2.21 %		616	0.42 %		601	0.39 %

Consumer installment loans	16,190	8.28	%	19,288	10.43	%	19,531	10.42	%	19,585	13.31	%	22,771	14.84	%
Other	2,778	1.42	%	3,994	2.16	%	2,738	1.46	%	1,957	1.33	%	2,038	1.33	%
Total other loans	\$46,238	23.66	%	\$46,316	25.04	%	\$56,870	30.34	%	\$39,564	26.89	%	\$40,148	26.16	%
Total loans	\$195,439	100.00%		\$185,000	100.00%		\$187,461	100.00		\$147,128	100.00%		\$153,457	100.00%	

The following table sets forth the maturity distribution of our loan portfolio as of December 31, 2004. Our loan policy does not permit renewal of loans that are past due, loans where the interest due is not collected or to prevent delinquency.

SELECTED LOAN MATURITY AND INTEREST RATE ANALYSIS

Loan Type	Maturity			
	One Year or Less	Over One Year to Five Years	Over Five Years	Total
(In Thousands)				
Closed end 1-4 family residential loans	\$13,983	\$28,504	\$10,239	\$52,726
All other loans	58,788	71,099	12,826	142,713
Total	\$72,771	\$99,603	\$23,065	\$195,439
Maturity of Loan	Over One			
	One Year or Less	Year to Five Years	Over Five Years	Total
(In Thousands)				
Loans with predetermined interest rates	\$53,351	\$91,795	\$23,065	\$168,211
Loans with floating or adjustable rates	19,420	7,808	—	27,228
Totals	\$72,771	\$99,603	\$23,065	\$195,439

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Allowance for Loan Losses

The allowance for loan losses represents management's assessment of the risk associated with extending credit and its evaluation of the quality of the loan portfolio. We analyze the loan portfolio to determine the adequacy of the allowance for loan losses and the appropriate provision required to maintain a level considered adequate to absorb probable loan losses. In assessing the adequacy of the allowance, we review the size, quality and risk of loans in the portfolio. We also consider such factors as our loan loss experience, the amount of past due and non performing loans, specific known risks, the status and amount of nonperforming assets, underlying collateral values securing loans, current and anticipated economic conditions and other factors which affect the allowance for loan losses. An analysis of the credit quality of the loan portfolio and the adequacy of the allowance for loan losses is prepared by management and presented to the Executive Loan Committee on a monthly basis. We also engage outside loan review services for all credits over \$500,000.

As we continue to grow the loan portfolio through new loan accounts, these new loans have limited historical loss experience on which to base a specific reserve. As a result, management's determinations as to amounts that should be added to the general reserve with respect to new loan growth is necessarily imprecise. The following table presents a summary of changes in the allowance for loan losses for the past five years.

Analysis of Changes in Allowance for Loan Losses

	Year Ended December 31,				
	(In Thousands)				
	2004	2003	2002	2001	2000
Allowance for loan losses:					
Beginning of period	\$2,323	\$2,198	\$1,739	\$1,324	\$1,206
Provision for loan losses	426	837	1,152	740	353
Total	\$2,749	\$3,035	\$2,891	2,064	\$1,559
Amounts charged off:					
Commercial	160	215	56	142	191
Real estate - construction	26	0	100	0	0
Real estate - residential mortgage	47	243	232	37	31

Consumer	112	380	406	254	63
Total loans charged off	345	838	794	433	285
Recoveries of charged-off loans					
Commercial	19	36	19	7	1
Real estate - construction	3	0	0	0	0
Real estate - residential mortgage	25	22	35	7	5
Consumer	50	68	47	94	44
Total recoveries	97	126	101	108	50
Net charge-offs	248	712	693	325	235
Allowance for loan losses - end of period	\$2,501	\$2,323	\$2,198	\$1,739	\$1,324
Total loans - end of period	\$195,439	\$185,000	\$187,461	\$147,128	\$153,457
Average loans	\$196,218	\$186,107	\$170,920	\$151,304	\$146,945
	Year Ended December 31,				
	2004	2003	2002	2001	2000
As a percentage of average loans:					
Net charge offs	0.13 %	0.38 %	0.41 %	0.22 %	0.16 %

Provision for loan losses	0.22	%	0.45	%	0.67	%	0.49	%	0.24	%
Allowance as a percentage of year-end loans	1.28	%	1.26	%	1.17	%	1.19	%	0.87	%
Allowance as a percentage of non-performing loans	152.78%		65.57%		65.00%		94.67%		114.34%	

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Our allowance for loan losses is subject to regulatory examinations and determinations as to adequacy, which may take into account such factors as the methodology used to calculate the allowance for loan losses and the size of the allowance for loan losses in comparison to a group of peer banks identified by the regulators. During their routine examinations of banks, the FDIC and the Alabama Superintendent may require a bank to make additional provisions to its allowance for loan losses when, in the opinion of the regulators, credit evaluations and allowance for loan loss methodology differ materially from those of management. See "Supervision and Regulation."

While it is our policy to charge off in the current period loans for which a loss is considered probable, there are additional risks of future losses which cannot be quantified precisely or attributed to particular loans or classes of loans. Because these risks include the state of the economy, management's judgment as to the adequacy of the allowance is necessarily approximate and imprecise.

We estimate our allowance for possible loan losses based upon the type of loan and loan commitment, and whether or not the credit has been classified as special mention, substandard, doubtful or loss. An allowance equal to 5% of special mention, 15% of substandard, 14% of loans acquired at a discount from the Community Bank branches acquisition, 50% of doubtful loans and 100% of loss loans is made.

The following table sets forth the allocation of our allowance for loan losses by loan category:

	As of December 31, 2004	
	(Dollars in Thousands)	
	Amount	Percent of Loans in Each Category to Total Loans
Commercial and agricultural	\$354	14.16 %
Real estate- construction	654	31.21
Real estate- mortgage	1,231	44.14
Consumer	224	8.97
Unallocated portion of reserve	38	1.52
Balance end of period	\$2,501	100.00 %

In considering the adequacy of the allowance for possible loan losses, we, similar to the analysis used by our regulators, also consider the levels of the allowance for our peer institutions. As of December 31, 2004, this portion of the allowance, which is not allocated to any particular type of loan or loan commitments, was \$34,166, or approximately 1.7% of the total allowance of \$2.5 million. We believe that our allowance for loan losses at December 31, 2004 is sufficient to absorb probable losses inherent in our loan portfolio based on our assessment of the information available. Our assessment is based on management's judgment and involves some uncertainty. As a result, the adequacy of the allowance for loan losses cannot be determined with precision and may be subject to change in future periods. We also may be required to make additional charges to the provision for loan losses in future periods based on periodic examination by bank regulatory authorities.

Interest on loans is normally accrued from the date an advance is made. The performance of loans is evaluated primarily on the basis of a review of each customer relationship over a period of time and the judgment of lending officers as to the ability of borrowers to meet the repayment terms of loans. If there is reasonable doubt as to the repayment of a loan in accordance with the agreed terms, the loan may be placed on a nonaccrual basis pending the sale of any collateral or a determination as to whether sources of repayment exist. This action may be taken even though the financial condition of the borrower or the collateral may be sufficient ultimately to reduce or satisfy the obligation. Generally, when a loan is placed on a nonaccrual basis, all payments are applied to reduce principal to the extent necessary to eliminate doubt as to the repayment of the loan. Thereafter, any interest income on a nonaccrual loan is recognized only on a cash basis.

Non-Performing Assets

Non-performing assets include non-accrual loans, accruing loans contractually past due 90 days or more, restructured loans, other real estate, and other real estate under contract for sale. Loans are placed on non-accrual status when management has concerns about our ability to collect the loan's outstanding principal and interest, and generally when loans are 90 days or more past due. While non-performing assets represent potential losses to us, we do not expect them to result in any material losses because we believe most of our non-performing loans to be adequately secured. We do not have any commitments to lend additional funds to borrowers under loans on non-accrual status as of December 31, 2004.

Lending officers are responsible for the ongoing review and administration of loans assigned to them. As such, they make the initial identification of loans which present some difficulty in collection or where circumstances indicate that the possibility of loss exists. The responsibilities of the lending officers include the collection effort on a delinquent loan. To strengthen internal controls in the collection of delinquencies, senior management and our Executive Loan Committee are informed of the status of delinquent and "watch" or problem loans on a monthly basis. Senior management reviews the allowance for loan losses and makes recommendations to the Executive Loan Committee as to loan charge-offs on a monthly basis.

Generally, we evaluate loans for impairment when a loan is internally risk rated and included on our internal "watch list." The watch list includes all non-accrual loans and all loans contractually past due 90 days or more and still accruing interest. The watch list also includes other loans that have documentation deficiencies or where management has learned additional information about the borrower that calls into doubt the borrower's repayment ability. At the time a loan is placed on nonaccrual status, interest previously accrued but not collected is reversed and charged against current earnings. Loans that are contractually past due 90 days or more which are well secured and are in the process of collection generally are not placed on nonaccrual status. The aggregate amount of the watch list loans that may be partially impaired as of December 31, 2004, was approximately \$13.2 million (see Note 3 to the Consolidated Financial Statements). Even though borrowers of watch list loans, other than non-accrual and non-performing loans, are expected to make payments of principal and interest as contractually scheduled, these loans are still evaluated for impairment. Impairment with regard to substantially all of our impaired loans has been measured based on the fair value of the underlying collateral. As of December 31, 2004, the specific allowance for loan losses related to the remainder of these loans was \$1.16 million and the total allowance for loan losses was \$2.5 million.

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The table below summarizes our non-performing assets for the past five years.

Non-performing Assets

	As of December 31,				
	(In Thousands)				
	2004	2003	2002	2001	2000
Non-accrual loans	\$1,634	\$3,479	\$3,078	\$83	\$182
Loans past due 90 days and still accruing	—	31	304	1,754	976
Total nonperforming loans	\$1,634	\$3,510	\$3,382	\$1,837	\$1,158
Other real estate owned	1,808	1,648	1,476	1,437	655
Total nonperforming assets	\$3,442	\$5,158	\$4,858	\$3,274	\$1,813
Nonperforming loans as a percentage of total loans	0.84 %	1.90 %	1.81 %	1.25 %	0.76 %
Nonperforming assets as a percentage of total assets	0.87 %	1.85 %	1.75 %	1.63 %	0.94 %

The following table sets forth our nonaccrual and past-due loans and the amount of interest foregone in 2004 on our nonperforming assets.

	Nonaccrual	Restructured	Total
Year-Ended at December 31, 2004:			
Interest at contracted rates (a)	\$124,858	—	\$124,858
Interest recorded as income	—	—	—
Foregone Interest Income in 2004	\$124,858	—	\$124,858

(a) Interest income that would have been recorded, if the loans had been current and in accordance with original terms

We have no restructured loans or troubled debt restructurings. We have no other interest-bearing assets that would be required to be disclosed as nonperforming assets if they were loans.

Investment Securities

The composition of our securities portfolio reflects our investment strategy of maintaining an appropriate level of liquidity while providing a relatively stable source of income. Our securities portfolio also provides a balance to interest rate risk and credit risk in other categories of the balance sheet while providing a vehicle for investing available funds, furnishing liquidity, and supplying securities to pledge as required collateral for certain deposits and borrowed funds.

We use two categories to classify our securities: "held to maturity" and "available for sale." As of December 31, 2004, all of our investment securities were classified as available for sale. Our securities portfolio at December 31, 2004 consisted primarily of United States agency bonds and mortgage-backed securities. While we have no plans to liquidate a significant amount of any of our securities, these securities may be used for liquidity purposes should management deem it to be in our best interests. At December 31, 2004 we also held stock of the Federal Home Loan Bank of Atlanta with a book value of approximately \$4.90 million. There is no market value for stock of the Federal Home Loan Bank of Atlanta as the securities are not traded. We also held approximately \$458,000 of the common stock of The Bankers Bank, Atlanta, Georgia, and \$20,000 of CBAA Services, Inc. common stock as of December 31, 2004.

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The following table indicates the fair market value of our portfolio of investment securities available for sale at the end of the last three years:

	Fair Market Value December 31,		
	2004	2003	2002
	(In Thousands)		
Investment securities available for sale:			
U.S. government and agencies	\$26,476,247	\$39,423,167	\$17,440,358
Mortgage-backed securities	86,342,989	14,178,690	4,129,004
State and political subdivisions	6,003,750	3,997,392	1,423,759
Corporate bonds	18,160,084	2,217,328	–
Total investment securities available for sale	\$136,983,070	\$59,816,577	\$22,993,121

The following tables present the maturities and weighted average yields of investment securities at December 31, 2004:

Maturities of Available for Sale Investment Securities				
	Fair Market Value			
	One Year or Less	Over One Year to Five Years	Over Five Years to Ten Years	Over Ten Years
	(In Thousands)			
Investment securities available for sale:				
U.S. government and agencies	–	\$12,812,939	\$11,706,164	\$1,957,144
Mortgage-backed securities	–	1,562,943	24,557,583	60,222,462
State and political subdivisions	–	–	–	12,610,889
Corporate bonds	\$85,311	1,732,450	3,731,434	6,003,750

Total investment securities available for sale				
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Total investment securities available for sale	\$85,311	\$16,108,332	\$39,995,181	\$80,794,245
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Total investment securities available for sale	\$85,311	\$16,108,332	\$39,995,181	\$80,794,245
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Total investment securities available for sale	\$85,311	\$16,108,332	\$39,995,181	\$80,794,245
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Total investment securities available for sale	\$85,311	\$16,108,332	\$39,995,181	\$80,794,245
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	Weighted Average Yields of Available for Sale Investment Securities					
	Immediate	Over One Year to Five Years		Over Five Years to Ten Years		Over Ten Years
U.S. government and agencies	—	3.183	%	3.400	%	4.125%
Mortgage-backed securities	—	2.970	%	3.862	%	4.340%
State and political subdivisions	3.657	%	3.082	%	3.305	% 3.786%
Corporate bonds	—	—		—		4.670%

The above tables of maturities and weighted average yields do not include equity securities held by us, which consist of investments in the stock of the Federal Home Loan Bank of Atlanta, common stock of The Bankers Bank, Atlanta, Georgia, and CBAA Services, Inc., in the aggregate amount of \$5.37 million. Yields on tax exempt obligations have been computed on a fully taxable equivalent basis using a federal tax rate of 34%.

Deposits

Our total deposits were \$241.6 million and \$216.2 million at December 31, 2004 and December 31, 2003, respectively, representing an increase of 11.75% during 2004. This increase was primarily due to the success of our checking account acquisition program, High Performance Checking, which helped us acquire almost 1,700 demand deposit accounts and savings accounts, for an increase in almost \$15 million in deposits. In addition, we acquired the Morris and Locust Fork branches in 2004, which accounted for over an additional 1,200 deposit accounts totaling approximately \$10 million. During 2003, total deposits increased 0.8% over \$276.7 million at December 31, 2002. Total deposits averaged \$236.3 million in the 12 month period ended December 31, 2004 and \$231.0 million during the 12 month period ended December 31, 2003. Interest-bearing deposits represented 88.1% of total deposits at December 31, 2004 compared to 80.4% at December 31, 2003, and 75.01% at December 31, 2002. Certificates of deposit composed 39.75% of total interest-bearing deposits at December 31, 2004 compared to 48.66% at December 31, 2003 and 47.23% at December 31, 2002.

The composition of our deposits, including the increase in the proportion of interest-bearing deposits relative to total deposits, is indicative of the interest rate conscious market in which we operate. We cannot provide any assurance that we can maintain or increase our market share of deposits in our highly competitive market area in the future.

The average daily balance of deposits and rates paid on those deposits are summarized for the three years ended December 31, 2004 in the following table.

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	Years Ended December 31,					
	(Dollars In Thousands)					
	2004		2003		2002	
	Amount	Rate	Amount	Rate	Amount	Rate
Demand deposits:						
Non-interest-bearing	\$39,870		\$45,392		\$37,897	
Interest-bearing	29,994	1.11%	35,263	1.41%	29,953	1.03%
Savings deposits (includes MMDAs)	83,458	0.36%	52,701	0.31%	42,507	1.20%
Time deposits < \$100	58,882	2.68%	74,024	2.94%	74,260	3.64%
Time deposits > \$100	29,079	1.99%	23,648	2.68%	26,571	3.72%
Totals	\$236,283		\$231,028		\$211,188	

Liquidity

Liquidity involves our ability to raise funds to support asset growth, meet deposit withdrawals and other borrowing needs, maintain reserve requirements, and otherwise sustain our operations. This is accomplished through maturities and repayments of our loans and investments, our deposit growth, and our access to sources of funds other than deposits, such as the federal funds market and borrowings from the Federal Home Loan Bank of Atlanta and other lenders, as well as the ability to liquidate securities available for sale. As of December 31, 2004, we had access to advances of up to 30% of our assets, or a remainder of approximately \$22 million, after accounting for existing advances of \$96.4 million used in a leveraged transaction to purchase arbitrage securities for our portfolio. Advances from the Federal Home Loan Bank of Atlanta may be secured by a pledge of our holdings of Federal Home Loan Bank of Atlanta stock and a portion of our first mortgage loans, with the leveraged arbitrage securities primarily being pledged as collateral. In addition, we also have unsecured federal funds lines of credit with correspondent banks with no amount outstanding and \$30 million available as of December 31, 2004. See “Business - Source of Funds - Borrowings” for more information.

The table below sets forth certain maturity and rate information with respect to our Federal Home Loan Bank of Atlanta borrowings and the investment securities we purchased with the proceeds of those borrowings as of December 31, 2004.

FHLB Advances as of December 31, 2004	Leveraged Securities as of December 31, 2004
Average Maturity: 4.00 years	Average Maturity: 5.85 years

Average Interest Rate Paid	3.14	%	Average Interest Rate Earned:	4.04	%
Net Interest Expense for 2004:	\$1,559,448		Net Interest Income for 2004:	\$3,588,080	

Our average liquid assets consist of cash and amounts due from banks, interest-bearing deposits in other banks, federal funds sold, mortgage loans held for sale net of borrowings, investment securities and securities held for sale. These average liquid assets totaled \$148.7 million and \$60.7 million during the 12-month periods ended December 31, 2004 and December 31, 2003, representing 69.69% and 39.21% of average deposits for those periods, respectively.

We actively manage the levels, types and maturities of interest-earning assets in relation to the sources available to fund current and future needs. We maintain federal funds lines of credit totaling \$30 million, which serves as a source of liquidity. We believe our liquidity sources are adequate to meet our operating needs.

Capital Resources

Our capital adequacy is measured by risk-based and leverage capital guidelines. The risk-based capital guidelines assign weighted levels of risk to various asset categories. Among other things, these guidelines currently require us to maintain a minimum ratio of 8.0% of total capital to risk-adjusted assets. Under the guidelines, one-half of our required capital must consist of Tier 1 Capital, which would include such things as our tangible common shareholders' equity and any qualifying perpetual preferred stock. The leverage guidelines provide for a minimum ratio of Tier 1 Capital to total assets of 3.0% if we meet certain requirements, including having the highest regulatory rating, and cushion the ratio by an additional 1.0% to 2.0% otherwise. The guidelines also specify that bank holding companies that are experiencing internal growth or making acquisitions will be expected to maintain strong capital positions substantially above the minimum supervisory levels without significant reliance on intangible assets. Furthermore, the Federal Reserve continues to consider a "Tangible Tier 1 Leverage Ratio," calculated without the inclusion of intangible assets, in evaluating proposals for expansion or new activities. The Federal Reserve has not advised us, and the FDIC has not advised Peoples Bank, of any specific minimum leverage ratio or Tangible Tier 1 Leverage Ratio that we are required to meet. The Alabama Superintendent required us to have a Tier 1 Leverage Capital Ratio of at least 7% immediately following the Community Bank branch acquisition as a condition to its approval of our purchase of the Community Bank branches and this requirement is still in effect. As a result of the capital raised in our private placement on April 19, 2002 and our issuance of common stock pursuant to Commission Regulation A on July 31, 2003, we currently satisfy this requirement.

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FDICIA established five capital tiers: “well capitalized,” “adequately capitalized,” “undercapitalized,” “significantly undercapitalized,” and “critically undercapitalized.” A depository institution’s capital tier will depend upon how its capital levels compare to various measures and certain other factors, as established by regulation. Altrust and Peoples Bank both exceed the capital requirements established for well capitalized banks and bank holding companies under FDICIA guidelines. See “Business-Supervision and Regulation.”

At December 31, 2004, our total consolidated shareholders’ equity was \$35.3 million, or 8.97% of total consolidated assets, compared to \$34.1 million, or 12.1% of total consolidated assets, at December 31, 2003, \$27.9 million, or 10.10% of total consolidated assets at December 31, 2002 and \$17.4 million, or 8.6% of total consolidated assets at December 31, 2001. The decrease in the ratio of shareholders’ equity to total assets for 2004 resulted from an increase in over \$114 million in total assets, primarily due to the \$96.4 million in leveraged securities purchases we made for our securities investment portfolio in 2004. In addition, our shareholders’ equity fell during 2004 as a result of our reacquisition of almost \$382,000 of our outstanding shares of common stock, our payment of over \$817,000 in dividends to holders of our common stock, and a \$1.9 million decline in valuation of shares of our common stock allocated to the ESOP. Mitigating the reduction in shareholders’ equity relative to total consolidated assets in 2004 was our \$3.4 million in net income, the reduction by over \$550,000 of the principal amount outstanding of borrowings from First Tennessee, which was used to fund the purchase of shares for our ESOP, and payments of \$153,000 we received upon the exercise of outstanding stock options.

The increase in shareholders’ equity relative to total consolidated assets during 2003 was principally attributable to the \$4.7 million of proceeds we received in our offering of common stock pursuant to Commission Regulation A, our \$2.8 million in net income, and a \$500,000 reduction in principal outstanding of borrowings from First Tennessee relating to our ESOP.

The increase in shareholders’ equity relative to total consolidated assets during 2002 was primarily driven by proceeds to us of \$6.8 million from our sale of common stock pursuant to Commission Regulation D, our \$3.1 million in net income, and a \$145,000 reduction in principal outstanding of borrowings from First Tennessee relating to our ESOP. The contribution of these factors to improvements in our shareholders’ equity during 2002 more than offset the additional assets we acquired in the Community Bank branch acquisition.

At December 31, 2004, our total consolidated capital to risk-adjusted assets was 17.9% with 86.7% of total consolidated capital consisting of tangible shareholders’ equity. At December 31, 2003, our total consolidated capital to risk-adjusted assets was 19.8% with 86.3% consisting of tangible common shareholders’ equity. We paid dividends of \$.15 per share in 2004 and paid no dividends in 2003. As of December 31, 2002, total consolidated capital to risk-adjusted assets was 17.7%, with 82.0% comprised of tangible common shareholders’ equity, compared to a ratio of 16.3%, with 94.0% of tangible common shareholders’ equity, at December 31, 2001.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commercial banks and other financial institutions are subject to interest rate risk. Interest rate risk is the risk to earnings or market value of equity from the potential movement in interest rates. The primary purpose of managing interest rate risk is to reduce the effects of interest rate volatility, achieve reasonable stability of earnings and preserve the value of our equity. Changes in interest rate affect, among other things, our net interest income, volume of loan production and the fair value of financial instruments and our loan portfolio.

We manage our exposure to fluctuations in interest rates through policies established by our Asset/Liability Committee, or “ALCO.” The ALCO meets periodically to monitor interest rate risk exposure and to implement strategies to reduce the effects of interest rate fluctuations on our balance sheet and earnings. A key component of our interest rate risk management policy is the maintenance of an appropriate mix of interest-earning assets, which consists primarily of intermediate and long-term loans and investment securities, and interest-bearing liabilities, which consists primarily of customer deposits. To achieve an appropriate asset/liability mix, the ALCO uses interest rate sensitivity “gap” analysis to match the scheduled repricing and maturities of our interest-earning assets and our interest-bearing liabilities within defined time periods. The interest rate sensitivity gap is the difference between the interest-earning assets and interest-bearing liabilities scheduled to mature or reprice within a given period of time. A gap is considered positive when the amount of interest rate-sensitive assets exceeds the amount of interest rate sensitive liabilities. A gap is considered negative when the amount of interest rate sensitivity liabilities exceeds the amount of interest rate sensitive assets. A negative gap typically indicates that rising interest rates will negatively affect

net interest income while a positive gap typically indicates that rising interest rates will result in improvements in net interest income. Conversely, falling interest rates typically result in improvements to net interest income when a negative gap exists but have a negative effect on net interest income when a positive gap exists.

At December 31, 2004, our cumulative one-year gap was a negative \$85.8 million, or (24.88)%, which would tend to indicate that our interest-earning assets will reprice during 2005 at a rate slower than our interest-bearing liabilities. However, in our experience, not all liabilities shown in our gap analysis as being subject to repricing during a given period will in fact undergo significant repricing even as market interest rates change. For example, we have a base of core deposits consisting of interest-bearing checking and savings accounts whose average balances and interest rates paid generally fluctuate little with changes in the levels of market rates of interest. Consequently, these relatively static interest-bearing liabilities, while sensitive to market interest rates and therefore included in our interest rate sensitivity gap analysis, tend to have a much greater effect on our gap analysis than they do on our actual net interest margin. Because the effects of these interest-bearing liabilities tends to be overstated in our gap analysis, we believe that the spread between our interest-earning assets and interest-bearing liabilities will actually increase in the near term rising interest rate environment, notwithstanding our negative gap, as the rates we are required to pay on these more static interest-bearing deposit accounts fails to keep pace with the increases in interest rates we earn on loans as market rates rise.

The following table summarizes our interest-sensitive assets and liabilities as of December 31, 2004. Variable rate loans are shown in the category of due "One month to Three Months" because they re-price with changes in the prime-lending rate. Fixed rate loans are presented assuming the entire loan matures on the final due date. However, payments actually are made at regular intervals and are not reflected in this schedule. Additionally, demand deposits and savings accounts have no stated maturity, but it has been our experience that these accounts are not as highly rate sensitive as other of our interest-earning assets and interest-bearing liabilities. Accordingly, the following analysis assumes 30% of interest-bearing demand deposit accounts, 50% of money market deposit accounts, and 10% of savings accounts re-price within one year.

	As of December 31, 2004					
	Immediate	One Month	Over Three	Over One	Greater Than	
	Total	to Three	Months	Year to	Five Years and	Total
		Months	to One Year	Five Years	Non-Rate	
					Sensitive	
	(In Thousands)					
Assets						
Interest-earning assets:						
Interest-bearing Deposits					\$ 2,841	\$2,841
Federal funds sold					12,251	12,251
Securities	\$4,897	\$7,471	\$26,913	\$57,708	45,367	142,356
Loans	126	72,551	47,581	68,448	4,233	192,939
Cash	—	—	—	—	10,083	10,083

Total interest-earning assets	5,023	80,022	74,494	126,156	74,775	360,470
Other Assets	–	–	–	–	33,220	33,220
Total Assets	\$5,023	\$80,022	\$74,494	\$126,156	\$ 107,995	\$393,690
Liabilities and Shareholders' Equity						
Non-interest-bearing deposits						
Demand deposits	–	\$726	\$2,295	\$11,624	\$ 14,529	\$29,174
MMDA deposits	–	98,041	–	–	–	98,041
Savings deposits	–	26,974	–	–	–	26,974
Time deposits	–	25,829	37,092	24,532	–	87,453
Fed funds purchased						
Other liabilities	8,692	25,188	20,695	40,440	13,667	108,682
Shareholders' Equity	–	–	–	–	\$ 43,366	\$43,366
Total Liabilities and Equity	\$8,692	\$176,758	\$60,082	\$76,596	\$ 71,562	\$393,690
Interest sensitivity gap	\$-3,669	\$-96,736	\$14,412	\$49,920	\$ 36,433	
Cumulative sensitivity gap	\$-3,669	\$-100,405	\$-85,993	\$-36,073		

We measure our interest rate risk exposure using a gap analysis model that assumes an immediate 200 basis

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point increase or decrease in interest rates. Applying this model to our balance sheet as of December 31, 2004, our net interest income would improve in a rising interest rate environment and would decline in a falling interest rate environment. More specifically, the model forecasts a decline in net interest income of \$2.47 million, or 17.74%, as a result of 200 basis point drop in interest rates, and predicts a \$452,000, or 3.24%, increase in net interest income as a result of a 200 basis point increase in interest rates. The forecasted results of the model are within the limits specified by our ALCO. In 2004, the Federal Reserve raised the targeted federal funds rate and the discount rate five times, for a total of 1.25%. In February and March 2005, the Federal Reserve raised these rates by a total of 0.50% and indicated that further increases were likely in the future. We anticipate our net interest income to improve in the near term as market rates of interest continue to rise.

The following chart reflects our sensitivity to a 200 basis point increase or decrease in interest rates as of December 31, 2004. Numbers are based on a flat balance sheet and assume paydowns and maturities of assets and liabilities that are reinvested in like instruments at (i) current interest rates at December 31, 2004, (ii) rates of 200 basis points less than current interest rates at December 31, 2004, and (iii) rates of 200 basis points more than current interest rates at December 31, 2004.

Interest Rate Gap Sensitivity

	As of December 31, 2004		
	200 BP		200 BP
	Decrease	Current	Increase
(Dollars In Thousands)			
Net interest income	\$11,473	\$13,947	\$14,399
\$ Change net interest income	-2,474	—	452
% Change net interest income	17.74 %	—	3.24 %

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The preceding sensitivity analysis is a modeling analysis, which changes periodically and consists of hypothetical estimates based upon numerous assumptions including interest rate levels, shape of the yield curve, prepayments on loans and securities, rates on loans and deposits, reinvestments of paydowns and maturities of loans, investments and deposits, and others. In addition, there is no input for growth or a change in asset mix. While assumptions are developed based on the current economic and market conditions, management cannot make any assurances as to the predictive nature of these assumptions, including how customer preferences or competitor influences might change.

As market conditions vary from those assumed in the sensitivity analysis, actual results will differ. Also, the sensitivity analysis does not reflect actions that our ALCO might take in responding to or anticipating changes in interest rates.

A simple interest rate “gap” analysis by itself may not be an accurate indicator of how net interest income will be affected by changes in interest rates. Accordingly, we also evaluate how the repayment of particular assets and liabilities is affected by changes in interest rates. Income associated with interest-earning assets and costs associated with interest-bearing liabilities may not be affected uniformly by changes in interest rates. In addition, unpredictable variables such as the magnitude and duration of changes in interest rates may have a significant effect on net interest income. For example, although certain assets and liabilities may have similar maturities or periods of repricing, they may react in different degrees to changes in market interest rates, as described above. Interest rates on certain types of assets and liabilities fluctuate in advance of changes in general market rates, while interest rates on other types of assets and liabilities may lag behind changes in general market rates. In addition, certain assets, such as adjustable rate mortgage loans, have features (generally referred to as interest rate caps), that limit changes in the interest rates we earn on those assets. Prepayment and early withdrawal levels also could deviate significantly from those assumed in calculating the interest rate gap.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2004, we had no material unconditional purchase obligations that were not recorded on the balance sheet.

In the normal course of business, we are party to credit-related financial instruments with off-balance-sheet risk to meet the financing needs of our customers. These financial instruments include commitments to extend credit and standby letters-of-credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets.

Our exposure to credit loss is represented by the contractual amount of these commitments. We follow the same credit policies in making off-balance sheet commitments as we do for on-balance-sheet instruments.

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At December 31, 2004 and 2003, the following financial instruments were outstanding whose contract amounts represent credit risk:

	Contract Amount
	2004
	(In Thousands)
Commitments to grant loans	\$ 13,862
Standby letters-of-credit	2,153
Home Equity Lines	1,890
Credit Card Lines	2,312
	Contract Amount
	2003
	(In Thousands)
Commitments to grant loans	\$ 13,017
Standby letters-of-credit	801
Home Equity Lines	2,091
Credit Card Lines	2,263

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for equity lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements of our customers or amounts we will actually lend. The amount of collateral obtained, if it is deemed necessary by us, is based on management's credit evaluation of the customer.

Standby letters-of-credit are conditional lending commitments issued by us to guarantee the performance of a customer to a third party. These letters-of-credit are primarily issued to support public and private borrowing arrangements. Almost all letters-of-credit issued by us have expiration dates within one year, but the majority are automatically renewable for the beneficiary. The credit risk involved in issuing letters-of-credit is essentially the same as that involved in extending loan to customers.

CONTRACTUAL OBLIGATIONS

The following table summarizes payments due from us under specified long-term and certain other contractual obligations as of December 31, 2004. Obligations under deposit contracts and short-term Federal Home Loan Bank of Atlanta advances are not included. The

maturities of time deposits are scheduled in Note 6 to the consolidated financial statements. Note 7 to the consolidated financial statements provides information on short-term Federal Home Loan Bank of Atlanta advances outstanding at year-end 2004. Purchase obligations represent legal and binding contracts to purchase services or goods that cannot be settled or terminated without paying substantially all of the contractual amounts. Not included are a number of contracts entered into to support ongoing operations that either do not specify fixed or minimum amounts of goods or services or are cancelable on short notice without cause and without significant penalty.

CONTRACTUAL OBLIGATIONS

Payments due by period from December 31, 2004

(Dollars in Thousands)

	Total	Less Than One Year	Over One to Three Years	Over Three to Five Years	Over Five Years
Long-term FHLB advances (1)	\$78,350	\$ –	\$ 22,050	\$30,000	\$26,300
Other long-term debt obligations	2,546	600	1,500	446	–
Capital lease obligation	2,574	–	2,574	–	–
Operating lease obligations	484	205	223	50	6
Purchase obligations	–	–	–	–	–
Other long-term debt liabilities	–	–	–	–	–
Total	\$83,954	\$ 805	\$ 26,347	\$30,496	\$26,306

(1) Balances are included with borrowings in our consolidated financial statements.

ITEM 3. PROPERTIES.

We conduct our business primarily through our main office located at 811 2nd Avenue S.W., Cullman, Alabama and our 24 branch offices. We acquired six of these branches in May 2002 from Community Bank, Blountsville, Alabama. The main office is in a 6,000 square foot building that is owned by Peoples Bank. The main office has one automated teller machine (ATM) with 24-hour access. We also own a drive-in facility adjacent to the main office, consisting of 576 square feet and offering five drive-through lanes.

The Holly Pond branch of Peoples Bank is located on U.S. Highway 278E in Holly Pond, Alabama. This full-service branch is located in a 2,659 square foot building owned by Peoples Bank.

The Hanceville branch is a full service office located in a 2,200 square foot building owned by Peoples Bank on Main Street in Hanceville, Alabama. Peoples Bank's Dodge City branch is also located in Hanceville, Alabama on Alabama Highway 69S. The branch operates in a 1,040 square foot building owned by Peoples Bank and offers full service banking to its customers.

Peoples Bank's Good Hope branch is located on County Road 437 in Cullman, Alabama in a 1,900 square foot building owned by Peoples Bank. This branch offers full service banking to its customers.

The Vinemont branch of Peoples Bank is located on U.S. Highway 31S in Vinemont, Alabama. The 1,100 square foot building is leased by Peoples Bank, and offers our full line of banking services. Peoples Bank' s West Point branch is also located in Vinemont, Alabama. The branch offers full service banking and an ATM in this 2,000 square foot building owned by Peoples Bank.

Peoples Bank' s Baileyton branch is located in a 1,100 square foot space leased from Walker Brothers, Ltd., an entity owned and controlled by three directors of Altrust and Peoples Bank. The leased space is a unit in a commercial building located on Alabama Highway 69N in Baileyton, Alabama. The lease has an initial term of five years, with the option to renew every five years for an additional 15 years.

Peoples Bank' s Decatur branch is located on 6th Avenue in Decatur, Alabama. Peoples Bank owns the 1,600 square foot building in which Peoples Bank provides full-service banking to customers.

In Gardendale, Alabama, Peoples Bank owns and operates a 3,400 square foot full-service branch and an ATM on Fieldstown Road.

In Guntersville, Alabama, Peoples Bank leases two branches that were acquired from Community Bank in May

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2002 in the branch acquisition. The 1,600 square foot facility located on Gunter Avenue provides full-service banking to customers. The 1,000 square foot branch located on U.S. Highway 431 also offers full-service banking to its customers.

Peoples Bank's Lacey's Spring branch is located on Highway 36E in Lacey's Spring, Alabama. The branch offers full banking services and an ATM at this 1,728 square foot building owned by Peoples Bank.

Peoples Bank acquired branches in both Albertville and Boaz, Alabama from Community Bank in May 2002. Peoples Bank entered into a lease-purchase agreement for a 12,000 square foot building in Albertville, Alabama on North Broad Street. The branch offers full banking services to customers. Peoples Bank's Boaz branch is located at 190 Billy Dyar Boulevard in Boaz, Alabama. Peoples Bank leases the 8,000 square foot branch, which offers full-service banking to its customers.

Peoples Bank's Somerville branch is located in a 2,000 square foot space leased by Peoples Bank in Somerville, Alabama. The branch is located on Highway 67 and offers full-service banking and an ATM.

In Warrior, Alabama, Peoples Bank owns an 800 square foot branch on Caldwell Road, which offers full-service banking and an ATM.

Peoples Bank's Oneonta branch is located on 2nd Avenue in a 1,500 square foot building leased by Peoples Bank. The branch offers full-service banking to its customers.

Peoples Bank operates three branches in Arab, Alabama, two of which were acquired from Community Bank in the branch acquisition in May 2002. Two branches are located on North Brindlee Mountain Parkway in a 1,216 square foot building owned by Peoples Bank and a 2,500 square foot building leased by Peoples Bank. Peoples Bank also has a branch in Arab located on North Main Street in a 5,000 square foot building leased by Peoples Bank. The branches offer full-service banking to customers.

In February 2004, a 2,500 square foot full-service branch was acquired from The Bank, located at 585 Morris Majestic Road, Morris, Alabama. In September of 2004, Peoples acquired a 1,536 sq. ft. modular branch building in Locust Fork from a regional bank, with full-service banking services now offered.

ITEM 4. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Principal Shareholders

The following table sets forth information known to us regarding the beneficial ownership of our common stock as of December 31, 2004 by each of the following:

shareholders known by us to own beneficially more than 5% of our common stock;

executive officers of Altrust and Peoples Bank;

directors of Altrust and Peoples Bank; and

all of our executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. In calculating the number of shares beneficially owned by each person and the percentage of ownership held by that person, shares of common stock subject to options and warrants held by that person that are currently exercisable within 60 days after December 31, 2004 are deemed outstanding. Except as otherwise indicated in the footnotes below, the persons and entities named in the table have sole voting and investment power with respect to all shares beneficially owned. Unless otherwise indicated, the address of each beneficial owner listed below is: c/o Altrust Financial Services, Inc., 811 2nd Avenue S.W., Cullman, Alabama 35055-4222.

[Table of Contents](#)**Shares Beneficially Owned**

Name	Number	Percentage	
Altrust Financial Services, Inc. Savings & ESOP Trust (1)	1,087,819	20.01	%
Directors and Executive Officers:			
James Robin Cummings (2)	261,210	4.81	%
Thomas Edwin Drake (3)	237,390	24.38	%
George Whit Drake	25,000	0.46	%
Noel Jasper Estes (4)	51,956	0.96	%
Debra Brown Goble	1,500	0.03	%
Candace Nail Hooten	28,350	0.52	%
Raymond O' Neal Lindsey	12,951	0.24	%
Lionel James Powell	243	0.00	%
Roy Charles Shaw (5)	21,456	0.39	%
Morris Steven Stanford	0	0.00	%
Cecil Alan Walker (6)	355,541	6.54	%
Terry Neal Walker (7)	349,533	6.43	%
Timothy Dudley Walker (8)	318,996	5.87	%
Brian Clark Witcher	33,704	.62	%

Kenneth Howard Weldon (9)

7,660 .14 %

John Edwin Whitley

6,451 0.12 %

Shares Beneficially Owned

Number Percentage

All directors and executive officers as a group (16 persons) (excluding ESOP shares as to which beneficial ownership is disclaimed by the named individuals)

1,711,961 31.50 %

All directors and executive officers as a group (14 persons) (including all ESOP shares)

2,799,780 51.51 %

* Represents beneficial ownership of less than 1% of the outstanding shares of our common stock.

- (1) Brian Witcher, James Cummings, Tom Drake and Kenneth Weldon are trustees of the Altrust ESOP. As members of the ESOP Administrative Committee, Messrs. Cummings, T. Drake, Witcher and Weldon have certain voting rights with respect to all of the shares held by the ESOP and may be deemed to have beneficial ownership of all 1,087,819 shares held by the ESOP. However, each of Messrs. Cummings, T. Drake, Witcher and Weldon disclaims beneficial ownership in the shares held by the ESOP, except for the respective shares allocated to him under the ESOP.
- (2) Includes 75,681 shares held in the estate of Charlotte Cummings, spouse of Robin Cummings, and 38,400 shares subject to options that are currently exercisable within 60 days of December 31, 2004. Also excludes the 1,087,819 shares held by the ESOP of which Mr. Cummings disclaims beneficial ownership, except for 118,092 shares allocated to him under the ESOP.
- (3) Includes 7,384 shares held in Mr. Drake's IRA, 4,050 shares held in an IRA for Mr. Drake's wife, Christine Drake, 12,000 shares subject to options that are currently exercisable within 60 days of December 31, 2004 and excludes the 1,087,819 shares held by the ESOP of which Mr. Drake disclaims beneficial ownership.
- (4) Includes 18,372 shares held in Mr. Estes' IRA, 1,300 shares held as joint tenants with Mr. Estes' wife, Martha Estes and 7,400 shares held in joint tenancy with Mr. Estes' mother, Floye Estes.

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- (5) Includes 11,750 shares held in Mr. Shaw' s IRA, 8,061 shares held in an IRA for Mr. Shaw' s wife, Laudine, and no shares subject to options that are currently exercisable within 60 days of December 31, 2004.
- (6) Includes 56,029 shares held as joint tenants with Mr. Walker' s wife, Amy Walker, 12,200 shares held in an IRA for Mr. Walker, 6,500 shares held in an IRA for Amy Walker, 28,656 shares held in trust for Mr. Walker' s son, Lance Walker, 33,456 share held in trust for Mr. Walker' s son, Trent Walker, and 15,300 shares held of record by Mr. Walker' s wife, Amy Walker, and 38,400 shares subject to options that are currently exercisable within 60 days of December 31, 2004.
- (7) Includes 4,032 shares held in an IRA for Mr. Walker, 3,072 shares held in an IRA for Mr., Walker' s wife, Teresa Walker, 17,256 shares held in trust for Mr. Walker' s son, Tillman Walker, 28,456 shares held in trust for Mr. Walker' s daughter, Whitney Walker, and 5,700 shares held of record by Teresa Walker, and 20,400 shares subject to options that are currently exercisable within 60 days of December 31, 2004.
- (8) Includes 25,456 shares held in trust for Mr. Walker' s daughter, Chelsy Walker, 35,056 shares held in trust for Mr. Walker' s daughter, Heather Walker, and 20,400 shares subject to options that are currently exercisable within 60 days of December 31, 2004.
- (9) Excludes 1,087,819 shares held by the ESOP of which Mr. Weldon disclaims beneficial ownership.

ITEM 5. DIRECTORS AND EXECUTIVE OFFICERS.

Directors and Executive Officers

The following table sets forth certain information regarding our executive officers and directors as of December 31, 2004.

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>
James Robin Cummings	58	Chairman, President, CEO and Director of Altrust, President, CEO and Director of Peoples Bank
Roy Charles Shaw	74	Director and Chairman of the Board of Peoples Bank
Thomas Edwin Drake	74	Director and Vice Chairman of the Board of Peoples Bank
Noel Jasper Estes	68	Director and Secretary of the Board of both Altrust and Peoples Bank
Cecil Alan Walker	48	Director and Vice Chairman of the Board of Altrust and Director of Peoples Bank
Terry Neal Walker	39	Director of Altrust and Director of Peoples Bank
Timothy Dudley Walker	43	Director of Altrust and Director of Peoples Bank
George Whit Drake	40	Director of Altrust and Director of Peoples Bank
Brian Clarke Witcher	41	Director of Altrust and Director of Peoples Bank
Kenneth Howard Weldon	53	Executive Vice President of Peoples Bank - Legal and Collections
Lionel James Powell	51	Chief Financial Officer and Executive Vice President. of Peoples Bank
Morris Steven Stanford	42	Executive Vice President - Commercial Lending
John Edwin Whitley	47	Executive Vice President of Peoples Bank
Debra Brown Goble	43	Senior Operations Officer of Peoples Bank
Candace Nail Hooten	51	Executive Vice President of Peoples Bank
Raymond O' Neal Lindsey	67	Executive Vice President. of Peoples Bank

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J. Robin Cummings. Mr. Cummings currently serves as the President, Chief Executive Officer and Chairman of the Board of Altrust. He also serves as President, Chief Executive Officer and director of Peoples Bank. Mr. Cummings has served as President and CEO of Peoples Bank for almost 20 years. Mr. Cummings has served as a director of Peoples Bank since 1983 and has served as a director of Altrust since its inception in 1985.

Roy Shaw. Mr. Shaw serves as Chairman of the Board of Peoples Bank, a position he has held since 1977. Mr. Shaw has been a member of the board since 1977. Mr. Shaw is currently semi-retired. He was the owner of Shaw's Seafood Restaurant in Holly Pond, Alabama until November 1998. Mr. Shaw performs real estate evaluations for Southern Appraisal Services through Preferred Real Estate, Inc. He has performed these appraisals since 1995.

Tom Drake. Mr. Drake serves as Vice Chairman of the Board of Peoples Bank, a position he has held since 1977. He has served as a member of the board since 1977. He also was a member of the Board of Directors of Altrust until he resigned in 2002. Mr. Drake is an attorney at Drake & Drake Attorneys at Law. Mr. Drake has practiced law with Drake & Drake since 1982. Mr. Drake also served in the House of Representatives in the Alabama State Legislature. During his membership with the State Legislature, he served on the Ways and Means Committee and as Speaker of the House from 1983 to 1987. Along with his position on the Peoples Bank board, Mr. Drake is also a board member of Attorney's Insurance Mutual of Alabama, Inc. (AIMS), Cauliflower Alley Club, and the Wrestler's Museum and Hall of Fame, Inc. Mr. Drake currently serves on the finance committee of AIMS. Mr. Drake is the father of Whit Drake.

N. Jasper Estes. Mr. Estes serves as Secretary of the boards of both Altrust and Peoples Bank. Mr. Estes has been retired since 1996. Prior to his retirement, he served as the general manager for Meadow Gold Dairies in Huntsville, Alabama, a position which required Mr. Estes to oversee operations and sales in excess of \$75 million a year. Mr. Estes was appointed to the board in 2002.

Alan Walker. Mr. Alan Walker serves on the boards of both Altrust and Peoples Bank. Mr. Walker has served on the board since 1978. He is a partner of Walker Brothers, Ltd., a limited partnership located in Baileyton, Alabama. Mr. Walker gained management and supervision experience from his position as President of Walker Brothers, Ltd. since 1998 and also as operating manager for Shoreline Properties since March 1998. Mr. Walker is the brother of Mr. Terry Walker and Mr. Tim Walker.

Terry Walker. Mr. Terry Walker serves on the boards of both Altrust and Peoples Bank. Mr. Walker has served on the board since 1998. He has been a partner of Walker Brothers, Ltd., a limited partnership located in Baileyton, Alabama since 1998. Mr. Walker is the brother of Mr. Alan Walker and Mr. Tim Walker.

Tim Walker. Mr. Tim Walker serves on the boards of both Altrust and Peoples Bank. Mr. Walker has served on the board since 1998. He has been a partner of Walker Brothers, Ltd., a limited partnership located in Baileyton, Alabama since 1998. Mr. Walker is the brother of Mr. Terry Walker and Mr. Alan Walker.

Whit Drake. Mr. Whit Drake serves on the boards of both Altrust and Peoples Bank, a position he has held since February 2002. He is an attorney with Drake & Shaw in Birmingham, Alabama. He has been an attorney with Drake & Shaw since 1999. Prior to Drake & Shaw, Mr. Drake was an attorney with Lanny S. Vines & Associates. Mr. Whit Drake is the son of Mr. Tom Drake.

Brian Witcher. Mr. Witcher serves on the boards of both Altrust and Peoples Bank. He owns and operates South Park Auto Sales, Inc., a used automobile dealership located in Cullman, Alabama. Mr. Witcher was elected to the board of both companies in 2002.

Kenneth Weldon. Mr. Weldon, an attorney, currently serves as Executive Vice President of Peoples Bank and acts as in-house counsel for Peoples Bank, positions he has held since 1996.

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Lionel Powell. Mr. Powell is currently the Chief Financial Officer and Executive Vice President. of Peoples Bank, a position he has held since August 2002. Prior to joining Peoples Bank, Mr. Powell served as Controller and Chief Financial Officer of Elk River, Inc., a multinational manufacturer in the fall protection industry, from February 2001 to July 2002. Prior to his position with Elk River, Mr. Powell served as controller for R.E. Garrison Trucking, Inc. from November 1997 to January 2001. Mr. Powell is a Certified Public Accountant.

Steve Stanford. Mr. Stanford currently serves as Executive Vice President–Commercial Lending of Peoples Bank. Prior to joining Peoples Bank in September 2002, Mr. Stanford served as Vice President of Commercial Loans for Regions Bank, a position he held for six years.

John E. Whitley. Mr. Whitley currently serves as the Executive Vice President of Peoples Bank, a position he has held since March of 2004. From May 2003 through March of 2004, Mr. Whitley served as Vice President of Intercept, Inc. and from September of 1994 through November of 2002 he served as Executive Vice President of Heritage Bank.

Debra B. Goble. Ms. Goble currently serves as the Senior Operations Officer of Peoples Bank, a position she has held since February 9, 2004, when she was rehired from Community Bank. From 7/31/01 to 2/9/04, Ms. Goble held various operational and accounting positions with Community Bancshares in Blountsville. Prior to this, Ms. Goble had been an employee with Peoples Bank.

Candace N. Hooten. Is an Executive Vice President in charge of consumer lending and loan operations. Ms. Hooten returned to Peoples Bank in 2002 out of retirement from previous employ with Peoples, where she was one of the original founding employees at the bank's inception. Ms. Hooten has over 30 years of banking experience.

Raymond Lindsey. Mr. Lindsey currently serves as an Executive Vice President of Peoples Bank, a position he has held since 2002 Prior to this, Mr. Lindsey served as an Executive Vice President at 1st Commercial Bank in Cullman, where he served since 1993. Mr. Lindsey has over 35 years in banking and finance.

Board of Directors

The Altrust board of directors currently consists of seven members, and the Peoples Bank board of directors currently consists of nine members. All directors are elected to hold office until our next annual meeting of shareholders and until their successors have been elected.

Committees

Altrust Board Committees

Audit Committee. The audit committee, consisting entirely of independent, outside directors, has the responsibility of reviewing Altrust's financial statements, evaluating internal accounting controls, reviewing reports of regulatory authorities and determining that all audits and examinations required by law are performed. It recommends to the board of directors the appointment of the independent auditors for the next fiscal year, reviews and approves their audit plan and reviews with the independent auditors the results of the audit and management's response thereto. The Audit Committee also reviews the adequacy of the internal audit budget and personnel, the internal audit plan and schedule, and results of audits performed by the internal audit staff. The Audit Committee is responsible for overseeing the entire audit function and appraising the effectiveness of internal and external audit efforts. The Audit Committee periodically reports its findings to the board of directors. Messrs. T. Drake, W. Drake, Estes, Shaw, A. Walker, Terry Walker, Tim Walker and Witcher currently serve as the members of the audit committee.

ESOP Administrative Committee. The ESOP administrative committee has complete control over the administration of our ESOP, with all powers necessary to enable it to carry out properly the provisions of the ESOP. The committee currently consists of Messrs. Cummings, T. Drake and Weldon.

Compensation Committee. The compensation committee, consisting entirely of independent directors, sets the compensation of the executive officers of Altrust and Peoples Bank, administers Altrust' s Long-Term Incentive Plan and

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1995 Stock Option Plan for Outside Directors, and reviews and approves any stock option, stock awards or other benefits under any other plans of Altrust or Peoples Bank. The committee meets annually to review base salaries and incentive bonus levels of the executive officers of Altrust and Peoples Bank and stock options and stock awards under the stock option plans of Altrust. Messrs. Estes, A. Walker and Witcher currently serve as members of the compensation committee.

Peoples Bank Board Committees

Executive Loan Committee. The executive loan committee reviews loan applications which exceed the approval limits of Peoples Bank's loan officers. Upon review, the committee members determine whether the loan is advisable and approve or deny the loan application. The executive loan committee currently consists of Messrs. Estes, Shaw and A. Walker. The Executive Loan Committee members receive annual compensation of \$1,200 for their service on the committee.

Asset/Liability Management Committee. The asset liability management committee oversees Peoples Bank's financial position. The committee monitors the volume, mix and maturities of Peoples Bank's assets and liabilities and its funding sources, repricing opportunities and product pricing. Messrs. Estes, Shaw and Witcher currently serve on the asset/liability management committee.

EDP Steering Committee. The information systems steering committee monitors Peoples Bank's technology plans and operations, including the security of confidential customer information, software products and hardware needs. The information systems steering committee currently consists of Messrs. Estes, Tim Walker and Witcher.

Audit Committee. The audit committee of Altrust also serves as the Audit Committee for Peoples Bank.

Trust Committee. The trust committee is responsible for and supervises the Peoples Bank Trust Department. Messrs. Cummings, Shaw and Weldon currently serve on the trust committee.

Director Compensation

SUMMARY DESCRIPTION OF DIRECTOR COMPENSATION ARRANGEMENTS

Non-employee directors who serve on the board of directors of Altrust Financial Services, Inc. or on the board of directors of Peoples Bank receive \$500 per meeting held for their service on the board of directors of Altrust or Peoples Bank, plus reimbursement for reasonable travel expenses incurred in attending meetings. Directors who serve on both Altrust's and Peoples Bank's board of directors do not receive additional compensation for serving on both boards of directors because meetings of the boards of Altrust and Peoples Bank are held at the same times and dates. Non-employee directors may elect in writing, in lieu of cash, to receive their compensation for service on the board of directors of Altrust or Peoples Bank in the form of stock options issued under the Altrust's 2004 Stock Option Plan for Outside Directors.

In addition to the compensation arrangements described above, non-employee directors receive \$75 per meeting held for their service on committees of the Boards of Directors of the Company and the Bank.

Directors who are employees of Altrust or any of its subsidiaries and affiliates are not compensated for service on the Company's or the Bank's Board of Directors.

ITEM 6. EXECUTIVE COMPENSATION.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth certain elements of compensation for our two most highly compensated executive officers for each of the last three calendar years. None of our other executive officers had an annual salary and bonus in excess of \$100,000 during the years reported.

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SUMMARY COMPENSATION TABLE

Compensation Name and Principal Position	Annual Compensation			Long-Term Securities Underlying Options/SARs	
	Year	Salary	Other Annual Compensation		
J. Robin Cummings Chief Executive Officer	2004	\$206,426	*	8,400	(1)
	2003	\$189,673	*	8,400	(1)
	2002	\$165,384	*	8,400	(1)
John Whitley Executive Vice President			*	25,000	(2)
	2004	\$104,942			
	2003	N/A			
	2002	N/A			

- (1) Mr. Cummings receives 8,400 stock options yearly as part of his compensation package. Such options are governed by the Altrust Financial Services, Inc. 2004 Long Term Incentive Plan.
- (2) Mr. Whitley received 25,000 stock options at the time of his hiring. Such options are governed by the Altrust Financial Services, Inc. 2004 Long Term Incentive Plan.
- * Aggregate total of the dollar value of all other compensation for perquisites and other personal benefits does not exceed the lesser of \$50,000.00 or ten percent (10%) of the named individual's cash compensation.

Stock Options

In 2004, we issued incentive stock options under Altrust's Long-Term Incentive Plan to Mr. Cummings, our chief executive officer, and to Mr. Whitley, an executive vice president who was hired by Altrust in 2004. The following table sets forth certain information regarding the award of these incentive stock options Mr. Cummings and Mr. Whitley.

Option Grants in Last Fiscal Year

Name	Individual Grants		Exercise price	Expiration date	Potential realizable value at assumed annual rates of stock price appreciation for option term (1)	
	Number of securities underlying options granted (2)	Percent of total options granted to employees in fiscal year			5%	10%
J. Robin Cummings	8,400	25.15 %	\$ 8.00	11-1-14	\$ 49,140	\$ 118,020
John Whitley	25,000	74.85	\$ 8.00	3-11-14	\$ 146,250	\$ 351,250

- (1) Amounts represent hypothetical gains that could be achieved for the respective options at the end of the option term. The assumed 5% and 10% rates of annual stock appreciation are mandated by the rules of the Commission and may not accurately reflect the appreciation

of the price of the common stock from the grant date until the end of the option term. These assumptions are not intended to forecast future price appreciation of the Altrust' s common stock.

- (2) The options vest after five years.

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Our chief executive officer did not exercise any options during fiscal year 2004. Shown below is information with respect to unexercised options to purchase shares of our common stock granted in prior years to Mr. Cummings, our chief executive officer, and Mr. Whitley, executive vice president, held by each as of December 31, 2004.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND YEAR-END OPTION VALUES

Name	Number of Securities Underlying Unexercised Options At Fiscal Year-End		Value of Unexercised In-the-Money Options At Fiscal Year End (1)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
J. Robin Cummings	30,000	42,000	48,525	\$ 63,435
John Whitley	0	25,000	0	\$ 8,750

(1) Represents the value of the option shares (based on a market price of \$8.35 per share) less the exercise price of the options.

Employment Contracts

We have no employment contracts with any executive officer named in the Summary Compensation Table, all of whom are employees at will. Under the terms of our incentive plan, options previously awarded thereunder, but not yet vested for purposes of exercise, are subject to accelerated vesting in the event of a merger or other business combination giving rise to a change in control of Altrust.

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee of Altrust's board of directors are, and during the last fiscal year were, Alan Walker (Chairman), Jasper Estes and Brian Witcher. No member of the Compensation Committee is an officer or employee of Altrust or Peoples Bank.

Members of the Compensation Committee have been customers of or had banking and financial transactions with Peoples Bank in the ordinary course of business during the last fiscal year. All outstanding loans and other transactions with members of the Compensation Committee were made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and, when made, did not involve more than the normal risk of collectability or present other unfavorable features. It is expected that we will continue to have similar transactions in the ordinary course of our business with Compensation Committee members in the future.

Long Term Incentive Plan

Long-Term Incentive Plans - Awards in 2004

The following table sets forth certain information concerning stock options granted under Altrust's LTIP during 2004 to the Named Executive Officers.

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Name	Number of Shares	Performance or
	Underlying Options (#) (1)	Other Period Until Maturation or Payout
J. Robin Cummings	8,400	11/01/09
John E. Whitley	25,000	03/01/09

- (1) Represents the number of shares of Altrust common stock underlying stock options granted under the Altrust Financial Services, Inc. Long-Term Incentive Plan.

2004 Long-Term Incentive Plan

Our board of directors approved, and our shareholders have adopted, the Altrust Financial Services, Inc. 2004 Long-Term Incentive Plan (the “2004 Incentive Plan”). The 2004 Incentive Plan replaced the plan approved in 1995. The 2004 Incentive Plan is intended to promote our success and enhance our value by linking the personal interests of our employees, officers, directors and consultants to those of our shareholders, and by providing such persons with an incentive for outstanding performance.

The 2004 Incentive Plan authorizes the granting of awards to employees, officers, directors and consultants in the following forms:

options to purchase shares of our common stock, which may be nonstatutory stock options or incentive stock options under the U.S. tax code;

stock appreciation rights, which give the holder the right to receive the difference between the fair market value per share on the date of exercise over the grant price;

performance awards, which are payable in cash or stock upon the attainment of specified performance goals;

restricted stock, which is subject to restrictions on transferability and subject to forfeiture on terms set by our board of directors;

restricted stock unit awards, which is the right to receive shares of stock in the future;

dividend equivalents, which entitle the participant to payments equal to any dividends paid on the shares of stock underlying an award; and

other stock-based awards in the discretion of the board, including unrestricted stock grants.

The number of shares reserved and available for issuance under the 2004 Incentive Plan is 250,000 shares. In the event that any outstanding award expires for any reason or is settled in cash, any unissued shares subject to the award will again be available for issuance under the 2004 Incentive Plan. If a participant pays the exercise price of an option by delivering to us previously owned shares, only the number of shares we issue in excess of the surrendered shares will count against the 2004 Incentive Plan’s share limit. Also, if the full number of shares subject to an option is not issued upon exercise for any reason (other than to satisfy a tax withholding obligation), only the net number of shares actually issued upon exercise will count against the 2004 Incentive Plan’s share limit.

In the event of any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares, the authorization limits under the 2004 Incentive Plan will be adjusted proportionately and the committee may adjust awards to preserve the benefits or potential benefits of the awards. Without limiting the foregoing, in the event of a stock split, a dividend payable in shares of our common stock, or a combination or consolidation of our common stock into a lesser number of

shares, the share authorization limits under the 2004 Incentive Plan will automatically be adjusted proportionately, and the shares then subject to each award will automatically be adjusted proportionately without any change in the aggregate purchase price.

The 2004 Incentive Plan will be administered by the Compensation Committee of the board of directors. The Compensation Committee has the authority to designate participants, determine the type or types of awards to be granted to each participant and the number, terms and conditions of such awards, establish, adopt or revise any rules and regulations to administer the 2004 Incentive Plan, and make all other decisions and determinations that may be required under the 2004 Incentive Plan. The board of directors may at any time administer the 2004 Incentive Plan.

Unless otherwise provided in an award certificate, if a participant's employment is terminated without cause or the participant resigns for good reason within two years after the effective date of a change of control of Altrust (as such terms are defined in the 2004 Incentive Plan), all of such participant's outstanding options, stock appreciation rights, and other awards in the nature of rights that may be exercisable will become fully vested and exercisable and any restrictions on his or her outstanding awards will lapse. Unless otherwise provided in an award certificate, upon a participant's death, disability, or retirement, all of such participant's outstanding options, stock appreciation rights, and other awards in the nature of rights that may be exercisable will become fully vested and exercisable and all restrictions on his or her outstanding awards will lapse. The board also may in its discretion at any time accelerate the vesting of any award. The board may discriminate among participants or among awards in exercising its discretion.

The board of directors or the Compensation Committee, with the approval of the board of directors, may at any time terminate or amend the 2004 Incentive Plan, but any amendment would be subject to shareholder approval if, in the reasonable opinion of the board of directors, the amendment would materially increase the number of shares available under the plan; expand the types of awards available under the plan; materially expand the class of participants; materially extend the term of the plan; or otherwise constitute a material change requiring shareholder approval under applicable laws, policies or regulations or the applicable listing or other requirements of a securities exchange on which the common stock is listed or traded. The board of directors may condition any other amendment or modification on the approval of the shareholders of Altrust for any reason.

No termination or amendment of the 2004 Incentive Plan may adversely affect any award previously granted under the 2004 Incentive Plan without the written consent of the participant. The board may amend or terminate outstanding awards. However, such amendments may require the consent of the participant and, unless approved by our shareholders or otherwise permitted by the antidilution provisions of the 2004 Incentive Plan, the exercise price of an outstanding option may not be reduced, directly or indirectly, and the original term of an option may not be extended.

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As provided in the incentive plan, it is the compensation committee's intent to grant to our Chief Executive Officer, as long as our 2004 Stock Option Plan for Outside Directors is in effect, an option to purchase 8,400 shares on each November 1 if he is serving as a director of Altrust and elects in writing to receive options in lieu of director fees.

2004 Stock Option Plan for Outside Directors

Our board of directors approved, and our shareholders have adopted, the Altrust Financial Services, Inc. 2004 Stock Option Plan for Outside Directors (the "2004 Director Plan"). The 2004 Director Plan is intended to advance Altrust's interest by encouraging ownership of our common stock by non-employee directors of Altrust, thereby giving them an increased incentive to devote their efforts to the success of Altrust.

The 2004 Director Plan authorizes the grant of options to purchase shares of our common stock, which are nonstatutory stock options under the U.S. tax code. The number of shares of common stock reserved and available for issuance under the 2004 Director Plan is 750,000 shares. In the event that any outstanding award expires for any reason, any unissued shares subject to the award will again be available for issuance under the 2004 Director Plan.

In the event that the board of directors determines that any distribution, recapitalization, reclassification, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of common stock or other securities of Altrust, issuance of warrants or other rights to purchase common stock or other securities of Altrust, or other similar corporate transaction or event, in the board's sole discretion, affects the common stock such that an adjustment is determined by the board of directors to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the 2004 Director Plan or with respect to an award or awards under the 2004 Director Plan, then the board will, in such a manner as it may deem equitable, adjust the number and type of shares (or other securities or property) which may be granted under the 2004 Director Plan. Without limiting the foregoing, in the event of a stock split, a dividend payable in shares of our common stock, or a combination or consolidation of our common stock into a lesser number of shares, the share authorization limits under the 2004 Director Plan will automatically be adjusted proportionately, and any outstanding options will automatically be adjusted proportionately.

Grants under the 2004 Director Plan are automatic. However, the 2004 Director Plan will be administered and interpreted by the board of directors, or a committee of the board. The board, or such committee, has the authority to interpret the 2004 Director Plan and to make all other determinations necessary or advisable for the administration of the 2004 Director Plan.

Beginning on November 1, 2004, outside directors may elect in writing to receive an option to purchase shares of common stock of Altrust in lieu of his or her director fees. If the outside director makes such an election, he or she will receive an option to purchase 8,400 shares of common stock of Altrust on each November 1 during the term of the 2004 Director Plan. The exercise price at which each option granted under the 2004 Director Plan may be exercised will be 100% of the fair market value per share of the common stock covered by the option on the date of grant. Each option granted under the 2004 Director Plan will, unless earlier terminated, become exercisable on the fifth (5th) anniversary of the date of grant and will expire ten (10) years from the date of grant.

Upon the termination of an outside director's service on the board of directors for any reason other than cause or death, his or her outstanding options will be exercisable (to the extent exercisable immediately prior to such termination) for a period equal to ninety (90) days following the date of termination, or, if earlier, until the expiration date of such option. Upon the termination of an outside director's service on the board of directors for cause, any outstanding options held by such outside director will terminate on the date of termination. Upon the death of an outside director, his or her outstanding options will be exercisable by his or her beneficiary or representative, for a period ending at the earlier of one (1) year from the date of death or the expiration date of such option.

The board of directors may at any time terminate or amend the 2004 Director Plan, but any amendment would be subject to shareholder approval if, in the reasonable opinion of the board of directors, the amendment would materially increase the number of shares available under the plan; expand the types of awards available under the plan; materially extend the term of the plan; or otherwise constitute a material change

requiring shareholder approval under applicable laws, policies or regulations or the applicable listing or other requirements of a securities exchange on which the common stock is listed or traded. The board of directors may condition any other amendment or modification on the approval of the shareholders of Altrust for any reason.

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ITEM 7. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Three of our directors, Alan Walker, Terry Walker and Tim Walker, own a company, Walker Brothers, Ltd., which is engaged in the building and supplies business. Peoples Bank and Walker Brothers have an existing business relationship involving construction services, leasing services and commercial lending. Since 1977, Walker Brothers Ltd. has provided construction and remodeling of all of the offices owned by Peoples Bank. The amounts paid by Peoples Bank to Walker Brothers under this business relationship were \$375,586, \$305,676 and \$276,095 for the years ended December 31, 2004, 2003 and 2002, respectively, constituting less than 5% of Walker Brothers' annual gross revenue. Peoples Bank also leases its Baileyton branch office from Walker Brothers. The leased space is a unit in a commercial building located on Alabama Highway 69N in Baileyton, Alabama. The lease, entered into on April 1, 2004, has an initial term of two years, with the option to renew for an additional five years. The rent is \$1,400.00 per month during the initial two year term of the lease, which amount will be re-negotiated at a maximum 6% increase the time of the first five year renewal of the lease. Walker Brothers has had outstanding indebtedness owed to Peoples Bank pursuant to several commercial loans.

Certain of our directors, officers, and principal shareholders and their associates were customers of, or had banking and financial transactions with, Peoples Bank in the ordinary course of business. Some of Altrust's directors or the directors of Peoples Bank are directors, officers, trustees, or principal securities holders of corporations or other organizations which also were customers of, or had banking and financial transactions with, Peoples Bank in the ordinary course of business.

All outstanding loans and other transactions with the directors, officers, and principal shareholders of Altrust and Peoples Bank were made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and, when made, did not involve more than the normal risk of collectibility or present other unfavorable features. The aggregate amount of credit extended to directors, executive officers, and principal shareholders as of December 31, 2004 was \$7.886M million or 22.3% of our shareholders' equity. It is expected that Peoples Bank will continue to have similar transactions in the ordinary course of its business with such individuals and their associates in the future.

In 2004, Altrust paid fee to the Drake & Shaw law firm totaling \$1500. Director George Whit Drake is a principal of the law firm.

Preferred Real Estate Incorporated, a real estate appraisal firm owned by the daughter of Roy Shaw, Chairman of the Board of Peoples Bank, performs real estate evaluations for loans secured by real estate for Southern Appraisal and Peoples Bank on an as-requested basis. During the year ended December 31, 2002, 2003, and 2004, Peoples Bank paid Preferred Real Estate Incorporated \$41,200, \$9,400, and \$13,046, respectively, for services rendered. During the years ended December 31, 2003 and 2004, Southern Appraisal paid Preferred Real Estate Incorporated \$14,431 and \$6,765 respectively. The combined amount of fees paid to Preferred Real Estate Incorporated from Southern Appraisal and Peoples Bank represented 100% of Preferred Real Estate's consolidated gross revenues for the year.

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ITEM 8. LEGAL PROCEEDINGS.

We are involved in legal proceedings from time to time that arise in the ordinary course of our business. Although we cannot determine the ultimate disposition of these proceedings, we do not believe that adverse determinations in any of the claims and proceedings against us would have, individually or in the aggregate, a material adverse effect upon our consolidated financial condition, liquidity or results of operations.

ITEM 9. MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT' S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Our stock is not traded on any exchange or quoted on the Nasdaq or traded on any other established trading market. No market makers currently make a market in our stock, and we do not plan to engage a market maker.

The following table sets forth the estimated price range for sales of our common stock for each quarter of the last two years. The data is provided for information purposes only and should not be viewed as indicative of the actual or market value of our common stock.

	Estimated Price Range	
	High	Low
<u>2004:</u>		
First Quarter	\$ 10.00	\$ 7.75
Second Quarter	10.00	7.75
Third Quarter	10.00	7.75
Fourth Quarter	10.00	7.75
<u>2003:</u>		
First Quarter	\$ 10.00	\$ 7.75
Second Quarter	10.00	7.75
Third Quarter	10.00	7.75
Fourth Quarter	7.75	7.75

Since Altrust shares are not listed, and there is no ready market, sales are done on a negotiated basis between a willing buyer and seller. Limited actual sales transactions occurred during 2004, with prices ranging from \$7.75 to \$10.00 per share, based on amounts verbally reported to us by sellers at the point of transfer of shares on our stockholder ledger. We do not expect that an active trading market will develop in the near future.

As of December 31, 2004, there were approximately 520 holders of our common stock.

In 2000 and 2002, we did not pay any dividends on our common stock. During 2001 we paid cash dividends of \$.50 per share, and in 2004, we paid cash dividends of \$0.05 per share for three quarters, totaling \$1,982,822 for 2001 and \$817,433 for 2004, respectively. Payment of future dividends, if any, will be at the discretion of our board of directors and will depend upon our earnings, our financial condition, the capital adequacy of Altrust and Peoples Bank, our need for funds, and other relevant factors, including applicable restrictions and governmental policies and regulations.

Unless we diversify our business or acquire other financial institutions, we expect to continue to rely upon dividends that we receive from Peoples Bank as our primary source of funds to pay dividends to our shareholders. Additional information regarding restrictions on the ability of Peoples or Altrust to pay dividends is contained in this report under the section named "Supervision and Regulation."

The following table sets forth the dividends paid per share of Altrust common stock in 2004. No dividends were declared or paid in 2003. No stock dividends have been declared in the reported periods.

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	Dividends Declared Per Share of Altrust common stock
2004	
First Quarter	\$ 0.05
Second Quarter	0.05
Third Quarter	0.05
Fourth Quarter	—

Altrust has no common equity subject to outstanding options or warrants to purchase, or securities convertible into, common equity.

The following table sets forth information relating to the Company's equity compensation plans as of December 31, 2004:

EQUITY COMPENSATION PLAN INFORMATION

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	372,600	\$ 7.56	916,200
Equity compensation plans not approved by security holders	—	—	—
Total	372,600	\$ 7.56	916,200

ITEM 10. RECENT SALES OF UNREGISTERED SECURITIES.

None.

ITEM 11. DESCRIPTION OF REGISTRANT' S SECURITIES TO BE REGISTERED.

The following information concerning our common stock summarizes provisions of our articles of incorporation and bylaws and statutes regulating the rights of holders of our common stock. This information is not a complete description of these matters and is qualified in all respects by the actual provisions of our articles of incorporation and bylaws and the corporate laws of the State of Alabama.

Common Stock

General

Our articles of incorporation authorize our board of directors to issue a maximum of 10,000,000 shares of common stock, \$0.01 par value. As of December 31, 2004, approximately 5,432,426 shares of our common stock were issued and outstanding. In addition, a total of approximately 372,600 shares of our common stock are subject to outstanding employee stock options and director stock options.

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Voting Rights

The holders of our common stock are entitled to one vote per share, unless otherwise provided by law, and are not entitled to cumulative voting rights in the election of directors. As a result, the holders of more than 50% of the shares of our common stock voting in the election of directors, subject to the voting rights of any preferred shares then outstanding, can elect all of the directors then standing for election, if they choose to do so. In this event, the holders of the remaining less than 50% of the shares voting for the election of directors are not able to elect any person or persons to our board of directors.

The approval of any business combination, including any merger, exchange offer or sale of all or substantially all of our assets, requires the affirmative vote of the holders of two-thirds of our outstanding common stock. Our shareholders may remove directors with or without cause by majority of the votes cast.

Dividend Rights

Subject to any preferences for preferred shares then outstanding, each share of our common stock is entitled to participate equally in dividends as and when declared by the board of directors out of funds legally available. Generally, cash dividends may not render us insolvent. See “Market Information and Dividends.”

Preemptive Rights

The holders of our common stock do not have any preemptive or preferential rights to purchase or to subscribe for any additional shares of common stock or any other securities that we may issue.

Redemption and Conversion

There is no provision for redemption or conversion of our common stock.

Liquidation Rights

If we liquidate, dissolve, or wind-up, whether voluntarily or involuntarily, then the holders of our common stock, and the holders of any class or series of stock entitled to participate with our common stock in the distribution of assets, will be entitled to share ratably in any of the net assets or funds which are available for distribution to shareholders, after the satisfaction of all liabilities, or after adequate provision is made, and after distribution to holders of any class of stock having preference over our common stock in the case of liquidation.

Transfer Agent and Registrar

Peoples Bank is the transfer agent and registrar of our common stock.

Preferred Stock

Our articles of incorporation do not currently authorize the board of directors to issue any shares of preferred stock. Any amendment to the articles of incorporation authorizing the issuance of preferred stock will require the prior approval of the holders of a majority of our common stock then issued and outstanding.

ITEM 12. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The Alabama Business Corporation Act permits, under specified circumstances, the indemnification of officers, directors, employees and agents of a corporation with respect to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative and whether formal or informal, to which an officer, director, employee or agent was or is a party or is threatened to be made a party, by reason of his action in a capacity

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for, or at the request of, a corporation. To the extent that the officer, director, employee or agent is successful in defending any suit, Alabama law provides that he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the suit.

Our bylaws provide for the indemnification of our directors, officers, employees and agents in accordance with the Alabama Business Corporation Act. Alabama law also provides that, with specified exceptions, these rights will not be deemed exclusive of and shall be in addition to those indemnification rights which may be contained in our articles of incorporation, our bylaws or any resolution or agreement approved by a majority of our shareholders or a majority of disinterested directors. Our bylaws provide that we may purchase and maintain insurance on behalf of our directors, officers, employees and agents, as well as others serving at their request, against any liabilities asserted against these individuals whether or not we would have the power to indemnify these individuals against liability under the Alabama Business Corporation Act. We have purchased and maintain this insurance.

Any indemnification for liabilities arising under the Securities Act of 1933 for our directors, officers and controlling persons is, in the opinion of the SEC, against public policy as expressed in the Securities Act of 1933 and is therefore unenforceable.

Under our bylaws, we are required to indemnify our directors, officers, employees and agents against the obligation to pay expenses, including attorney's fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, if the actions of the party being indemnified met the standards of conduct specified therein. Determination concerning whether or not the applicable standard of conduct has been met shall be made by:

our board of directors by majority vote of a quorum consisting of disinterested directors;

independent legal counsel; or

an affirmative vote of the majority of the shareholders.

No indemnification may be made by or on behalf of a director, officer, employee or agent:

in connection with a proceeding by or in the right of the corporation in which the director was adjudged liable to the corporation;
or

in connection with any other proceeding charging improper personal benefit to the director, whether or not involving action in his official capacity, in which the director was adjudged liable on the basis that personal benefit was improperly received by him.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling Altrust pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

ITEM 13. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

See Financial Statements beginning on page F-1 and the Financial Statement Schedule on page S-1.

ITEM 14. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

[INSERT INFORMATION RE: ENGAGEMENT OF DIXON-HUGHES.]

ITEM 15. FINANCIAL STATEMENTS AND EXHIBITS.

(a) FINANCIAL STATEMENTS:

See the Index to the Financial Statements and the Financial Statements beginning on page F-1.

(b) EXHIBITS:

Exhibit Number	Description
3.1	Restated Articles of Incorporation of Altrust Financial Services, Inc.
3.2	Bylaws of Altrust Financial Services, Inc.
4.1	Form of Common Stock Certificate
10.1	Altrust Financial Services, Inc. 2004 Long-Term Incentive Plan
10.2	Altrust Financial Services, Inc. 2004 Stock Option Plan for Outside Directors
10.3	Altrust Financial Services, Inc. Savings and Employee Stock Ownership Plan
10.4	Altrust Financial Services, Inc. Director Compensation Arrangement
10.5	Altrust Financial Services, Inc. Named Executive Officer Compensation
16.1	Letter re Change in Certifying Accountant from Carr, Riggs & Ingram, LLC
21.1	Subsidiaries of Altrust Financial Services, Inc.
24.1	Power of Attorney (included on the signature page(s) of this registration statement)

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Cullman, State of Alabama, on May 2, 2005.

ALTRUST FINANCIAL SERVICES, INC.

By:

/s/ J. Robin Cummings

J. Robin Cummings

President and Chief Executive Officer

This offering statement has been signed by the following persons in the capacities and on the date indicated.

By:

/s/ J. Robin Cummings

J. Robin Cummings

President, Chief Financial Officer and Director

By:

/s/ Lionel Powell

Lionel Powell

Chief Financial Officer

By:

/s/ Whit Drake

Whit Drake

Director

By:

/s/ N. Jasper Estes

N. Jasper Estes

Director

By:

/s/ Alan Walker

Alan Walker

Director

By:

/s/ Terry Walker

Terry Walker

Director

By:

/s/ Tim Walker

Tim Walker

Director

By:

/s/ Brian Witcher

Brian Witcher

Director

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints J. Robin Cummings, his 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 under the Exchange Act of 1934, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the SEC, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposed as he might or could do in person, hereby ratifying and confirming that said attorney-in-fact, agent, or their substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Exchange Act of 1934, as amended, this registration statement has been signed below by the following persons in the capacities indicated as of May 2, 2005.

<u>Signature</u>	<u>Title</u>
/s/ J. Robin Cummings	President, Chief Executive Officer, and Chairman of the Board of Directors
/s/ J. Robin Cummings	Chief Financial Officer
/s/ Lionel Powell	Chief Operations Officer
/s/ Whit Drake	Director and Vice Chairman of the Board
/s/ N. Jasper Estes	Director
/s/ Alan Walker	Director
/s/ Terry Walker	Director
/s/ Tim Walker	Director
/s/ Brian Witcher	Director

/s/ Thomas Christopher Daniel

*By:

Attorney-in-fact

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**Altrust Financial Services, Inc.
and Subsidiaries**

Consolidated Financial Statements

Years Ended December 31, 2004, 2003 and 2002

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

BOARD OF DIRECTORS AND SHAREHOLDERS
ALTRUST FINANCIAL SERVICES, INC.

We have audited the accompanying consolidated balance sheet of Altrust Financial Services, Inc. and subsidiaries as of December 31, 2004, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of Altrust Financial Services, Inc. and subsidiaries as of December 31, 2003 and for each of the years in the two-year period then ended were audited by other auditors whose report dated January 30, 2004 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Altrust Financial Services, Inc. and subsidiaries as of December 31, 2004, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Dixon Hughes PLLC

Atlanta, Georgia
April 15, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
of Altrust Financial Services, Inc.
Cullman, Alabama

We have audited the accompanying consolidated balance sheet of Altrust Financial Services, Inc. and Subsidiaries as of December 31, 2003, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the two years in the period ended December 31, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. These consolidated financial statements were audited by Mackle, Splawn, Tindall & McDonald, LLP, whose practice was combined, effective October 1, 2004, with our Firm and whose report dated January 30, 2004, expressed an unqualified opinion on these financial statements.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Altrust Financial Services, Inc. and Subsidiaries as of December 31, 2003, and the consolidated results of their operations and their cash flows for each of the two years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States.

/s/ Carr, Riggs & Ingram, LLC
(as successor to Mackle, Splawn, Tindall & McDonald, LLP)

Birmingham, Alabama
January 30, 2004

ALTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2004 and 2003

	2004	2003
ASSETS		
Cash and due from banks	\$12,924,551	\$5,984,915
Federal funds sold	12,250,760	–
Cash and cash equivalents	25,175,311	5,984,915
Securities available for sale	136,983,070	59,816,577
FHLB, Bankers Bank and other stock	5,374,258	878,092
Loans, net of unearned interest	195,439,444	185,000,319
Less: Allowance for loan losses	(2,500,923)	(2,323,158)
Net loans	192,938,521	182,677,161
Premises and equipment, net	12,796,211	12,572,605
Accrued interest and dividends	2,237,100	1,908,687
Other real estate owned	1,807,840	1,647,519
Goodwill	4,716,947	4,024,011

Core deposit intangibles	1,031,496	1,500,295
Cash surrender value of life insurance	8,665,470	7,325,877
Deferred tax asset	964,723	831,689
Other assets	999,346	282,265
Total assets	\$393,690,293	\$279,449,693

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities

Deposits:		
Noninterest-bearing	\$29,174,508	\$42,703,110
Interest-bearing	212,467,704	173,540,738
Total deposits	241,642,212	216,243,848
Capitalized lease obligation	2,574,312	2,562,561
Company guaranteed debt of ESOP	2,545,973	3,096,000
Advances from the Federal Home Loan Bank	96,400,000	–
Federal funds purchased	–	10,573,383
Repurchase agreements	4,714,428	4,996,830

Accrued interest	594,611	329,213
Other liabilities	1,852,278	1,378,938
Total liabilities	350,323,814	239,180,773
Commitments and contingencies		
Redeemable common stock held by ESOP at fair market value	8,023,862	6,144,296
Shareholders' equity		
Common stock, par value \$.01 per share, 10,000,000 shares authorized, 5,435,260 and 5,546,613 shares issued as of December 31, 2004 and 2003, respectively	54,353	55,466
Capital surplus	15,923,622	16,759,733
Retained earnings	22,213,039	21,546,532
Accumulated other comprehensive loss	(279,431)	(509,534)
Unearned compensation related to ESOP debt	(2,545,973)	(3,096,000)
Treasury stock - at cost (2,834 shares and 83,101 shares as of December 31, 2004 and 2003)	(22,993)	(631,573)
Total shareholders' equity	35,342,617	34,124,624
Total liabilities and shareholders' equity	\$393,690,293	\$279,449,693

See accompanying notes to consolidated financial statements.

ALTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2004, 2003, and 2002

	2004	2003	2002
Interest income:			
Interest and fees on loans	\$13,245,457	\$14,281,960	\$14,586,449
Taxable securities	3,327,209	997,144	529,089
Nontaxable securities	286,199	52,953	70,025
Federal funds sold	120,792	193,010	389,877
Other interest and dividends	103,893	33,282	46,168
Total interest income	17,083,550	15,558,349	15,621,608
Interest expense			
Deposits	2,731,594	3,467,285	4,512,908
Borrowed funds	1,936,359	403,482	268,107
Total interest expense	4,667,953	3,870,767	4,781,015
Net interest income	12,415,597	11,687,582	10,840,593
Provision for loan losses	426,460	836,941	1,152,358

Net interest income after provision for loan losses	11,989,137	10,850,641	9,688,235
Noninterest income			
Service charges on deposits	5,083,451	3,863,799	3,278,667
Insurance commissions	235,714	194,069	195,404
Investment securities gains	8,438	–	149,757
Other operating income	860,130	868,043	264,923
Total noninterest income	6,187,733	4,925,911	3,888,751
Noninterest expense			
Salaries and employee benefits	6,165,286	5,847,943	4,020,940
Occupancy and equipment expense	1,791,989	1,795,451	1,494,845
Professional services	312,991	264,422	369,604
Core deposit intangible amortization	513,901	468,805	332,017
Other operating expenses	4,478,688	3,256,795	2,997,966
Total noninterest expense	13,262,855	11,633,416	9,215,372
Income before income taxes	4,914,015	4,143,136	4,361,614

Provision for income taxes	1,550,509	1,387,465	1,294,757
Net income	\$3,363,506	\$2,755,671	\$3,066,857
Earnings per share:			
Basic	\$0.64	\$0.56	\$0.72
Diluted	\$0.64	\$0.56	\$0.72

See accompanying notes to consolidated financial statements.

ALTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended December 31, 2004, 2003 and 2002

	2004	2003	2002
Net income	\$3,363,506	\$2,755,671	\$3,066,857
Other comprehensive income, net of tax:			
Current year holding gains (losses) on securities available for sale:			
Unrealized holding gains (losses) arising during period, net of tax of \$121,146, \$(234,359) and \$(36,445), respectively	235,166	(454,933)	(70,747)
Reclassification adjustment (gains included in net income, net of tax)	(5,063)	(535)	(89,854)
Other comprehensive income	230,103	(455,468)	(160,601)
Comprehensive income	\$3,593,609	\$2,300,203	\$2,906,256

See accompanying notes to consolidated financial statements.

ALTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Years ended December 31, 2004, 2003 and 2002

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Unearned Compensation Re: ESOP Debt	Treasury Stock	Total
Balance, December 31, 2001	\$39,658	\$4,885,111	\$16,100,565	\$ 106,535	\$(3,741,733)	\$-	\$17,390,136
Issuance of 32,400 shares upon exercise of options	324	278,676	-	-	-	-	279,000
Sale of 889,547 shares (refer to Note 9)	8,895	6,759,093	-	-	-	-	6,767,988
Net change in unrealized gains (losses) on securities	-	-	-	(160,601)	-	-	(160,601)
Net income	-	-	3,066,857	-	-	-	3,066,857
Change in fair value of allocated ESOP shares	-	-	387,163	-	-	-	387,163
Reduction of ESOP debt	-	-	-	-	145,733	-	145,733
Balance, December 31, 2002	48,877	11,922,880	19,554,585	(54,066)	(3,596,000)	-	27,876,276
Issuance of 18,000 shares upon exercise of options	180	136,620	-	-	-	-	136,800
Sale of 640,902 shares (refer to Note 9)	6,409	4,700,233	-	-	-	-	4,706,642
Purchase of 83,101 shares of treasury stock	-	-	-	-	-	(631,573)	(631,573)

Net change in unrealized gains (losses) on securities	–	–	–	(455,468)	–	–	(455,468)
Net income	–	–	2,755,671	–	–	–	2,755,671
Change in fair value of allocated ESOP shares	–	–	(763,724)	–	–	–	(763,724)
Reduction of ESOP debt	–	–	–	–	500,000	–	500,000
Balance, December 31, 2003	55,466	16,759,733	21,546,532	(509,534)	(3,096,000)	(631,573)	34,124,624
Issuance of 18,000 shares upon exercise of options	180	152,820	–	–	–	–	153,000
Purchase of 49,086 shares of treasury stock	–	–	–	–	–	(381,644)	(381,644)
Retirement of 129,353 shares of treasury stock	(1,293)	(988,931)	–	–	–	990,224	–
Dividends (\$.15 per share)	–	–	(817,433)	–	–	–	(817,433)
Net change in unrealized gains (losses) on securities	–	–	–	230,103	–	–	230,103
Net income	–	–	3,363,506	–	–	–	3,363,506
Change in fair value of allocated ESOP shares	–	–	(1,879,566)	–	–	–	(1,879,566)
Reduction of ESOP debt	–	–	–	–	550,027	–	550,027
Balance, December 31, 2004	\$54,353	\$15,923,622	\$22,213,039	\$(279,431)	\$(2,545,973)	\$(22,993)	\$35,342,617

See accompanying notes to consolidated financial statements.

ALTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2004, 2003, and 2002

	2004	2003	2002
Cash flows from operating activities			
Net income	\$3,363,506	\$2,755,671	\$3,066,857
Adjustments to reconcile net income to net cash provided by operating activities			
Provision for loan losses	426,460	836,941	1,152,358
Depreciation and amortization	1,511,867	1,280,221	811,590
Deferred tax (benefit) expense	(286,435)	73,000	78,000
Gain on sale of securities	(8,438)	(891)	(149,757)
Loss on disposition of other real estate	98,603	90,640	28,219
Loss (gain) on disposition of premises and equipment	125,731	–	(176)
Increase in cash surrender value of life insurance	(339,593)	(326,877)	–
(Increase) decrease in accrued interest and dividends receivable	(325,428)	128,746	189,540
Increase (decrease) in accrued interest payable	248,787	(279,792)	(328,819)
Net change in other assets, liabilities, and other operating activities	(193,910)	605,680	(393,519)

Net cash provided by operating activities	4,621,150	5,163,339	4,454,293
	<hr/>	<hr/>	<hr/>
Cash flows from investing activities			
Net cash received in acquisition of branches	6,625,831	–	14,348,611
Purchases of available-for-sale securities	(100,166,564)	(89,075,624)	(88,764,827)
Proceeds from sales of available-for sale securities	–	–	3,565,892
Proceeds from maturities/ calls of available-for-sale securities	23,085,684	51,315,482	80,430,468
Net (increase) decrease in loans	(11,753,729)	491,983	16,768,253
Purchases of premises and equipment, net	(914,973)	(2,537,218)	(980,451)
Proceeds from the disposition of premises and equipment	5,000	–	12,020
Proceeds from disposition of other real estate owned	1,476,341	991,973	840,007
Purchase of life insurance on officers	(1,000,000)	(6,999,000)	–
Net (increase) decrease FHLB, Bankers			
Bank and other stock	(4,496,166)	145,300	–
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Net cash (used in) provided by investing activities	(87,138,576)	(45,667,104)	26,219,973
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See accompanying notes to consolidated financial statements.

ALTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
Years ended December 31, 2004, 2003, and 2002

	2004	2003	2002
Cash flows from financing activities			
Net (decrease) increase in non-interest bearing deposits	\$(17,417,607)	\$3,946,831	\$875,653
Net increase (decrease) in interest bearing deposits	34,615,540	(19,094,337)	(21,312,691)
Net increase (decrease) in securities sold under agreement to repurchase	(282,402)	483,144	4,513,686
Increase in advances from FHLB	96,400,000	—	—
Net (decrease) increase in federal funds purchased	(10,573,383)	10,573,383	—
(Decrease) increase in capital lease obligation	11,751	10,960	(8,801)
Dividends paid	(817,433)	—	—
Purchase of treasury stock	(381,644)	(631,573)	—
Proceeds from sale of stock, net	153,000	5,047,242	7,046,988
Net cash provided by (used in) financing activities	101,707,822	335,650	(8,885,165)
Net increase (decrease) in cash and cash equivalents	19,190,396	(40,168,115)	21,789,101
Cash and cash equivalents, beginning of year	5,984,915	46,153,030	24,363,929

Cash and cash equivalents, end of period	\$25,175,311	\$5,984,915	\$46,153,030
Supplemental disclosures - cash and noncash			
Interest paid	\$4,402,555	\$4,150,559	\$4,773,243
Income taxes paid	1,173,794	990,511	1,681,111
Loans transferred to foreclosed real estate	1,780,164	1,257,295	988,803
Retirement of treasury stock	990,224	—	—
Land and building acquired under capitalized lease	—	—	2,560,402
Fair value of noncash assets acquired in branch acquisitions	1,591,710	—	65,779,988
Fair values of noncash liabilities assumed in branch acquisitions	8,217,541	—	79,554,804

See accompanying notes to consolidated financial statements.

ALTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004, 2003, and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation: The consolidated financial statements include the accounts of Altrust Financial Services, Inc. (the “Company”) and its wholly owned subsidiaries, Peoples Bank of North Alabama (the “Bank”), Southern Insurance of Cullman, Inc. and Southern Appraisal Services, Inc. All significant inter-company balances and transactions have been eliminated in consolidation.

Nature of operations: The Company is a bank holding company headquartered in Cullman, Alabama, which through its subsidiary Peoples Bank of North Alabama provides a full range of banking services to individual and corporate customers throughout central and north Alabama.

Use of Estimates: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and future results could differ. The allowance for loan losses, valuation of foreclosed real estate, and fair values of financial instruments are particularly subject to change.

Cash, Due from Banks and Cash Flows: For purposes of reporting cash flows, cash and due from banks includes cash on hand, cash items in process of collection and amounts due from banks. Cash flows from loans, mortgage loans held for sale, federal funds sold, interest-bearing deposits in banks, accounts receivable-brokers and escrow agents, deposits, drafts payable, other borrowings and federal funds purchased are reported net.

The Bank is required to maintain reserve balances in cash or on deposit with the Federal Reserve Bank based on a percentage of deposits. The total of those reserve balances were approximately \$50,000 and \$460,000 at December 31, 2004 and 2003, respectively.

Investment securities: Securities are classified as available-for-sale when they might be sold before maturity. Unrealized holding gains and losses, net of tax, on securities available for sale are reported as a net amount in a separate component of shareholders’ equity until realized. Gains and losses on the sale of securities available for sale are determined using the specific-identification method. The amortization of premiums and the accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity.

Declines in the fair value of individual available-for-sale securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as unrealized losses.

Investments in Equity Securities Carried at Cost: Investment in Federal Home Loan Bank (“FHLB”) stock, which is carried at cost because it can only be redeemed at par, is a required investment based on the Bank’s membership and amount of borrowing with the FHLB. The Bank also carries certain other equity securities at cost, which approximates fair value.

ALTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004, 2003, and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans: Loans are stated at unpaid principal balances, less the allowance for loan losses and unearned discounts.

Interest on all loans is recognized as income based upon the applicable rate applied to the daily outstanding principal balance of the loans. Interest income generally is not recognized on specific impaired loans unless the likelihood of further loss is remote. Interest payments received on such loans are generally applied as a reduction of the loan principal balance. Interest income on nonaccrual loans is recognized only to the extent of interest payments received.

Allowance for loan losses: The allowance for loan losses is maintained at a level which, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectibility of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, economic conditions and other risks inherent in the portfolio. Allowances for impaired loans are generally determined based on collateral values or the present value of the estimated cash flows. The allowance is increased by a provision for loan losses, which is charged to expense, and reduced by charge-offs, net of recoveries. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for losses on loans. Such agencies may require the Company to recognize adjustments to the allowance based on their judgments about information available to them at the time of their examination.

Foreclosed real estate: Foreclosed real estate includes both formally foreclosed property and in-substance foreclosed property. At the time of foreclosure, foreclosed real estate is recorded at fair value less cost to sell, which becomes the property's new basis. Any write downs based on the asset's fair value at date of acquisition are charged to the allowance for loan losses. After foreclosure, these assets are carried at the lower of their new cost basis or fair value less cost to sell. Costs incurred in maintaining foreclosed real estate and subsequent adjustments to the carrying amount of the property are included in other operating expenses.

Premises and equipment: Premises and equipment are stated at cost less accumulated depreciation. Expenditures for additions and major improvements that significantly extend the useful lives of the assets are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred. Assets which are disposed of are removed from the accounts and the resulting gains or losses are recorded in operations. Depreciation is calculated on a straight-line basis over the assets useful lives, which range from 3 to 10 years for furniture, fixtures and equipment, while buildings and components range from 10 to 30 years.

Bank owned life insurance: The Company has purchased life insurance policies on certain key executives. Company owned life insurance is recorded at its cash surrender value, or the amount that can be realized.

ALTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004, 2003, and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill and Other Intangible Assets: Goodwill results from prior business acquisitions and represents the excess of the purchase price over the fair value of acquired tangible assets and liabilities and identifiable intangible assets. Other intangible assets consist of core deposit intangibles arising from whole bank and branch acquisitions and are determined by an independent consulting firm. They are initially measured at fair value and then are amortized on an accelerated method considering estimated deposit account attrition, which ranges from seven to fifteen years. Goodwill and other intangible assets are assessed at least annually for impairment and any such impairment will be recognized in the period identified.

Income taxes: Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

Premises and equipment: Premises and equipment and other long-term assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value.

Repurchase Agreements: Substantially all repurchase agreement liabilities represent amounts advanced by various customers. Securities are required to be pledged to cover these liabilities, which are not covered by federal deposit insurance.

Stock Based Compensation: SFAS No. 123, *Accounting for Stock-Based Compensation*, encourages all entities to adopt a fair value based method of accounting for employee stock compensation plans, whereby compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. However, it also allows an entity to continue to measure compensation cost for those plans using the intrinsic value based method of accounting prescribed by Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, whereby compensation cost is the excess, if any, of the quoted market price of the stock at the grant date (or other measurement date) over the amount an employee must pay to acquire the stock. As prescribed by Opinion No. 25, no compensation cost is recognized for stock options issued under the Company's stock option plans that have no intrinsic value at grant date. Compensation cost is recognized ratably over the vesting period for stock options which do have intrinsic value at the grant date. The Company has elected to continue with the accounting methodology in Opinion No. 25 and, as a result, has provided pro forma disclosures of net income and earnings per share and other disclosures, as if the fair value based method of accounting had been applied.

ALTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004, 2003, and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock Based Compensation (Continued)

The following table illustrates the effect on net income and earnings per share as if the Company had applied the fair value recognition provisions of FASB Statement No. 123, *Accounting for Stock-Based Compensation*, to stock-based employee compensation.

	2004	2003	2002
Net income, as reported	\$3,363,506	\$2,755,671	\$3,066,857
Deduct: Total stock-based employee compensation based on fair value accounting for options, net of tax	(75,928)	(61,444)	(61,243)
Pro forma net income	\$3,287,578	\$2,694,227	\$3,005,614
Earnings per share:			
Basic - as reported	\$0.64	\$0.56	\$0.72
Basic - pro forma	\$0.63	\$0.55	\$0.71
Diluted - as reported	\$0.64	\$0.56	\$0.72
Diluted - pro forma	\$0.62	\$0.55	\$0.70

Earnings Per Common Share: Basic earnings per common share are net income divided by the weighted average number of common shares outstanding during the period. Diluted earnings per common share include the dilutive effect of additional potential common shares issuable under stock options. Pursuant to the requirements of AICPA Statement of Position (SOP) 93-6, *Employers' Accounting for Employee Stock Ownership Plans*, the weighted average number of common shares outstanding during the period excludes common shares that are restricted

and have not been released or committed to be released and allocated to plan participants of the Employee Stock Ownership Plan. The number of common shares excluded for the periods of December 31, 2004, 2003, and 2002 were 206,715, 275,289, and 343,071, respectively.

Employee stock ownership plan: The Company and its subsidiaries have an Employee Stock Ownership Plan (ESOP) which covers substantially all employees. Contributions to the ESOP are determined by the Board of Directors.

Loan Commitments and Related Financial Instruments: Financial instruments, which include credit card arrangements, commitments to make loans and standby letters of credit, are issued to meet customer financing needs. The face amount for these items represents the exposure to loss before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded. Instruments such as stand by letters of credit are considered financial guarantees in accordance with FASB Interpretation No. 45. The fair value of these financial guarantees is not material.

ALTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004, 2003, and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt cancellation contracts: The Bank issues debt cancellation contracts on certain loans of its customers. The contracts represent an agreement by the Bank to cancel the debt of the borrower upon said borrower's death. Contracts may not be written on loans in excess of \$30,000 per borrower. The Bank charges fees equivalent to that authorized by the state banking authorities, and sets aside 100% of all fees as a reserve for potential claims. At various intervals the reserve is analyzed by management for adequacy with adjustments for estimated earned portions recorded into income. The reserve for debt cancellation contracts, including amounts estimated as unearned, was \$199,223 and \$196,048 at December 31, 2004 and 2003, respectively.

Fair Value of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Comprehensive income: Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale which are also recognized as a separate component of equity.

Advertising: Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2004, 2003 and 2002 was \$394,008, \$45,885 and \$32,828, respectively.

Segments: Internal financial reporting is primarily reported and aggregated in three lines of business: banking, mortgage insurance and appraisal services. Banking accounts for nearly 100% of revenues for 2004.

Reclassifications: Certain items in prior year financial statements have been reclassified to conform to the 2004 presentation.

New accounting pronouncements: In March 2004, the Emerging Issues Task Force ("EITF") released EITF Issue 03-01, *The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments*. The Issue provides guidance for determining whether an investment is other-than-temporarily impaired and requires certain disclosures with respect to these investments. The recognition and measurement guidance for other-than-temporary impairment has been delayed by the issuance of FASB Staff Position EITF 03-1-1 on September 30, 2004. The adoption of Issue 03-1 did not result in any other-than-temporary impairment.

On March 9, 2004, the SEC Staff issued Staff Accounting Bulletin No. 105, *Application of Accounting Principles to Loan Commitments* ("SAB 105"). SAB 105 clarifies existing accounting practices relating to the valuation of issued loan commitments, including interest rate lock commitments ("IRLC"), subject to SFAS No. 149 and Derivative Implementation Group Issue C13, *Scope Exceptions: When a Loan Commitment is included in the Scope of Statement 133*. Furthermore, SAB 105 disallows the inclusion of the values of a servicing component and other internally developed intangible assets in the initial and subsequent IRLC valuation. The provisions of SAB 105 were effective for loan commitments entered into after March 31, 2004. The adoption of SAB 105 did not have a material impact on the consolidated financial statements.

ALTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004, 2003, and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In December 2003, the American Institute of Certified Public Accountants (AICPA) issued Statement of Position (SOP) 03-3, *Accounting for Loans or Certain Debt Securities Acquired in a Transfer*. The SOP addresses accounting for differences between contractual cash flows and cash flows expected to be collected from an investor's initial investment in loans or debt securities acquired in a transfer if those differences relate to a deterioration of credit quality. The SOP also prohibits companies from "carrying over" or creating a valuation allowance in the initial accounting for loans acquired that meet the scope criteria of the SOP. The SOP is effective for loans acquired in fiscal years beginning after December 15, 2004. The adoption of this SOP is not expected to have a material impact on the Company's financial position or results of operations.

In December 2004, the FASB issued SFAS No. 123(R), *Accounting for Stock-Based Compensation* (SFAS No. 123(R)). SFAS No. 123(R) establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. This Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123(R) requires that the fair value of such equity instruments be recognized as an expense in the historical financial statements as services are performed. Prior to SFAS No. 123(R), only certain pro forma disclosures of fair value were required. The provisions of this Statement are effective for the first fiscal year reporting period after December 15, 2005. Accordingly, the Company will adopt SFAS No. 123(R) commencing with the quarter ending March 31, 2006. If the Company had included the cost of employee stock option compensation in its consolidated financial statements, its net income for the fiscal years ended December 31, 2004, 2003 and 2002 would have decreased by approximately \$76,000, \$61,000, and \$61,000, respectively.

NOTE 2 - INVESTMENT SECURITIES

Securities are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
2004				
Securities available for sale				
U.S. Government and agency securities	\$26,986,566	\$-	\$510,319	\$26,476,247
Mortgage-backed securities	86,412,436	346,479	415,926	86,342,989
Corporate bonds	6,011,527	5,625	13,402	6,003,750
State and municipal securities	18,038,260	163,799	41,975	18,160,084

Totals		\$137,448,789	\$515,903	\$981,622	\$136,983,070
		Amortized	Gross	Gross	Estimated
		Cost	Unrealized	Unrealized	Fair
			Gains	Losses	Value
2003					
Securities available for sale					
U.S. Government and agency securities					
		\$40,085,699	\$59,220	\$721,752	\$39,423,167
Mortgage-backed securities					
		14,394,601	1,430	217,341	14,178,690
Corporate bonds					
		4,007,267	2,066	11,941	3,997,392
State and municipal securities					
		2,178,233	42,517	3,422	2,217,328
Totals		\$60,665,800	\$105,233	\$954,456	\$59,816,577

ALTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
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NOTE 2 - INVESTMENT SECURITIES (Continued)

Provided below is a summary of securities available-for-sale which were in an unrealized loss position at December 31, 2004 and 2003. Approximately 72% of the unrealized loss for 2004 was comprised of 14 securities in a continuous loss position for twelve months or more. The Bank has the ability and intent to hold these securities until such time as the value recovers or the securities mature. Further, the Bank believes the deterioration in value on these securities is attributable to changes in market interest rates and not credit quality of the issuer.

	2004					
	Less Than 12 Months		12 Months or More		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
U.S. Government and agencies	\$1,984,992	\$2,196	\$24,491,255	\$508,123	\$26,476,247	\$510,319
State, County, Municipal	6,670,614	41,935	—	—	6,670,614	41,935
Mortgage backed securities	44,325,623	233,795	10,573,881	182,171	54,899,504	415,966
Corporate bonds	—	—	2,998,125	13,402	2,998,125	13,402
	<u>\$52,981,229</u>	<u>\$277,926</u>	<u>\$38,063,261</u>	<u>\$703,696</u>	<u>\$91,044,490</u>	<u>\$981,622</u>
	2003					
	Less Than 12 Months		12 Months or More		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
U.S. Government and agencies	\$24,277,418	\$721,752	\$—	\$—	\$24,277,418	\$721,752
State, County, Municipal	418,816	3,422	—	—	418,816	3,422
Mortgage backed securities	14,117,685	217,341	—	—	14,117,685	217,341
Corporate bonds	3,000,000	11,941	—	—	3,000,000	11,941

Contractual maturities of securities available for sale at December 31, 2004 are shown below.

	Fair Value
Due in one year or less	85,311
Due after one year through five years	14,545,392
Due after five years through ten years	15,437,598
Due after ten years	20,571,780
Mortgage-backed securities	86,342,989
Total	\$136,983,070

Sales of securities available for sale during 2004, 2003 and 2002 were \$14,433,438, \$0, and \$3,565,892 and resulted in gross realized gains of \$8,438, \$0, and \$149,757, respectively.

The carrying value of investment securities pledged to secure public funds on deposit, advances from the Federal Home Loan Bank and for other purposes as required by law was approximately \$107,103,000 and \$24,512,000, at December 31, 2004 and 2003, respectively.

Other investments include a restricted investment in Federal Home Loan Bank stock for membership requirement and to secure available lines of credit. The amount of investment in this stock was \$4,896,500 and \$669,700 at December 31, 2004 and 2003, respectively. Other investments also include an investment in Bankers Bank stock of \$457,758 and \$208,392 at December 31, 2004 and 2003, respectively, and an investment in CBAA Services, Inc. of \$20,000 at December 31, 2004.

ALTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
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NOTE 3 - LOANS

The composition of loans as of December 31, 2004 and 2003 is summarized as follows:

	2004	2003
Commercial, financial and agricultural	\$26,775,980	\$22,562,617
Real estate - construction	26,649,437	25,319,648
Real estate - mortgage	122,556,102	113,253,015
Consumer	19,457,925	23,865,039
Total	195,439,444	185,000,319
Less: Allowance for loan losses	(2,500,923)	(2,323,158)
Net loans	\$192,938,521	\$182,677,161

Activity in the allowance for loan losses is as follows:

	2004	2003	2002
Balance, beginning of year	\$2,323,158	\$2,198,118	\$1,739,361
Loans charged off	(345,224)	(838,224)	(794,288)
Recoveries on loans previously charged off	96,529	126,323	100,687
Provision for loan losses	426,460	836,941	1,152,358

Balance, end of year	\$2,500,923	\$2,323,158	\$2,198,118
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Impaired loans were as follows:

	2004	2003	2002
Loans with allowance allocated	\$13,221,000	\$8,441,000	\$15,443,000
Amount of allowance allocated	1,158,505	1,362,928	1,602,253
Average balance during the year	10,831,000	11,942,000	11,617,000
Interest income not recognized during impairment	124,858	317,891	281,287

Nonperforming loans were as follows:

	2004	2003
Loans past due 90 days still on accrual	\$-	\$31,281
Nonaccrual loans	1,634,368	3,479,474
Total	\$1,634,368	\$3,510,755

ALTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
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NOTE 3 - LOANS (CONTINUED)

In the ordinary course of business, the Company has granted loans to certain related parties, including directors, executive officers, and their affiliates. The interest rates on these loans were substantially the same as rates prevailing at the time of the transaction and repayment terms are customary for the type of loan. Changes in related party loans for the year ended December 31, 2004 are as follows:

Balance, beginning of year	\$6,193,268
Advances	3,412,438
Repayments	(1,720,123)
Balance, end of year	\$7,885,583

NOTE 4 - PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows:

	2004	2003
Land	\$4,528,038	\$4,423,278
Buildings	7,379,115	6,768,270
Furniture and equipment	4,518,944	4,283,815
Automobiles	188,477	107,682
Leasehold improvements	388,475	426,118
Construction in process	531,201	651,962

	17,534,250	16,661,125
Accumulated depreciation	(4,738,039)	(4,088,520)
Total	\$12,796,211	\$12,572,605

The above schedule includes land and building covered by a capitalized lease obligation in connection with the acquisition of the Marshall County branches in 2002. Under the terms of the agreement, the Company is to pay sixty monthly payments of \$14,000 beginning June 1, 2002 and the balance of \$2,621,543 on June 1, 2007. As of December 31, 2004 the capitalized lease is summarized as follows:

Total Payments	\$3,027,543
Amount representing interest	(453,231)
Balance capitalized lease obligation	\$2,574,312

The provisions for depreciation charged to occupancy and equipment expense for the years ended December 31, 2004, 2003 and 2002 were \$691,636, \$632,953 and \$550,458 respectively.

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NOTE 4 - PREMISES AND EQUIPMENT (Continued)

The Bank leases land and building space under noncancellable operating leases. Future minimum lease payments under noncancellable operating leases are summarized as follows:

2005	\$204,570
2006	125,705
2007	97,202
2008	37,200
2009	13,300
Thereafter	6,400
	<u>\$484,377</u>

For the years ended December 31, 2004, 2003 and 2002, annual rental expense on operating leases was \$197,100, \$312,572, and \$192,705, respectively.

NOTE 5 - GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The change in the amount of goodwill is as follows:

	2004	2003
Beginning of year	\$4,024,011	\$4,024,011
Goodwill from acquisitions during year	692,936	—

End of year

\$4,716,947 \$4,024,011

Goodwill is no longer amortized and will be periodically evaluated for impairment. No impairment was recognized in 2004 or in 2003.

Core deposit and other intangibles

Core deposit intangibles had a gross carrying amount of \$3,053,069 and \$3,007,967 for years ended 2004 and 2003 and accumulated amortization of \$2,021,573 and \$1,507,672 for the same periods, respectively. Aggregate amortization expense was \$513,901 for year ended 2004, \$468,805 for year ended 2003 and \$332,017 for year ended 2002. Core deposit intangibles of approximately \$45,102 were recorded during 2004.

Estimated amortization expense for each of the next five years is as follows:

2005	\$152,343
2006	152,343
2007	152,343
2008	152,343
2009	120,483
	<u>\$729,855</u>

ALTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
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NOTE 6 - DEPOSITS

Deposits at year-end were as follows:

	2004	2003
Noninterest-bearing demand	\$29,174,508	\$42,703,110
Interest bearing checking	98,041,325	63,446,288
Savings	26,974,058	22,655,391
Time	56,109,125	60,310,499
Time, \$100,000 and over	31,343,196	27,128,560
Total	\$241,642,212	\$216,243,848

The scheduled maturities of time deposits at December 31, 2004 are as follows:

	\$100,000 or more	Less than \$100,000	Total
Three months or less	\$11,245,344	\$13,712,444	\$24,957,788
Over three through twelve months	11,421,403	25,563,404	36,984,807
Over one year through three years	5,760,960	14,025,234	19,786,194
Over three years	2,915,489	2,808,043	5,723,532

Total	\$31,343,196	\$56,109,125	\$87,452,321
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NOTE 7 - BORROWINGS

Advances from the Federal Home Loan Bank at December 31, 2004 are summarized as follows:

Type of advance	Balance	# of Advances	Weighted Rate
Convertible	\$31,800,000	6	3.51 %
Variable rate	8,000,000	1	2.75 %
Fixed rate	56,600,000	16	2.85 %
Total	\$96,400,000	23	3.10 %

Year	Convertible	Variable	Fixed	Total
2005	\$-	\$-	\$18,050,000	\$18,050,000
2006	-	8,000,000	12,050,000	20,050,000
2007	-	-	2,000,000	2,000,000
2008	-	-	4,000,000	4,000,000
2009	5,500,000	-	20,500,000	26,000,000
Thereafter	26,300,000	-	-	26,300,000
Total	\$31,800,000	\$8,000,000	\$56,600,000	\$96,400,000

ALTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7 - BORROWINGS (Continued)

The fixed rate advances with maturities in 2009 include \$22,500,000 of principal reducing credits requiring annual payments of principal.

The advances are collateralized by securities with a fair value of \$83,843,350 and by a blanket lien on the Company's 1-4 family mortgage loans and real estate loans. Qualifying real estate loans eligible as collateral for borrowings from the Federal Home Loan Bank amounted to approximately \$53,000,000 as of December 31, 2004.

Federal Funds Purchased

In addition to the above, at December 31, 2004 and 2003, the Company had available lines of credit totaling approximately \$49,000,000 with various financial institutions for borrowing on a short-term basis, with \$0 and \$10,573,383 outstanding, respectively. These lines are subject to annual renewals with varying interest rates.

NOTE 8 - STOCK OPTIONS

The Company has a qualified stock option plan for key employees (the "employee plan") and has reserved 250,000 shares of common stock. Options are granted at the fair market value of the Company's common stock on the date of grant. All options under the employee plan expire ten years from the date of grant and vest after five years. At December 31, 2004, 216,600 options were available for grant.

The Company also has non-qualified stock option plans for directors (the "director plans") and has reserved 750,000 shares of common stock. Options are granted at fair market value. All options under these plans expire ten years from the date of grant and vest after five years. At December 31, 2004, 699,600 options were available for grant.

The Company also had an employee and director plan that was implemented in 1995. Under that plan, a total of 520,000 shares were reserved of which 288,800 were issued and were outstanding at December 31, 2004. This plan was replaced by a new plan for 2004 as noted above.

Other pertinent information related to the options follows:

	2004		2003		2002	
	Number	Weighted-Average Exercise Price	Number	Weighted-Average Exercise Price	Number	Weighted-Average Exercise Price
Under option, beginning of year	306,800	\$ 7.26	266,000	\$ 7.00	256,000	\$ 6.28
Granted at market price	83,800	8.00	58,800	7.60	58,800	8.50
Exercised	(18,000)	4.45	(18,000)	4.46	(42,400)	3.51

Cancelled	—	—	—	—	(6,400)	7.75
Under option, end of year	372,600	7.56	306,800	7.26	266,000	7.00
Exercisable, end of year	104,000	6.18	98,000	5.44	90,000	4.56
Weighted-average fair value of options issued during the year	\$2.53		\$2.50		\$2.51	

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ALTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
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NOTE 8 - STOCK OPTIONS (Continued)

At December 31, 2004, the 372,600 options outstanding had a range of exercise prices of \$3.69 to \$8.50 per share and the weighted average remaining contractual life for those options was 7 years. Information pertaining to options outstanding at December 31, 2004 is as follows:

Range of Exercise Prices	Options Outstanding			Range of Exercise Prices	Options Exercisable		
	Number Outstanding	Average Remaining Contractual Life (years)	Weighted Average Exercise Price		Number Outstanding	Average Remaining Contractual Life (years)	Weighted Average Exercise Price
\$ 3.69 - \$ 4.40	31,600	0.9	\$ 4.16	\$ 3.69 - \$ 4.40	—	0.9	\$ 4.16
\$ 5.25 - \$ 7.60	80,000	7.1	6.98	\$ 5.25 - \$ 7.60	21,200	2.2	5.25
\$ 7.75 - \$ 8.50	261,000	7.1	8.16	\$ 7.75 - \$ 8.50	51,200	3.7	7.81
	372,600	6.6	\$ 7.56		104,000	2.5	\$ 6.18

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2004	2003	2002
Dividend yield (as a percent of the fair value of the stock)	.63 %	.66 %	.59 %
Expected life	7 years	7 years	7 years
Expected volatility	22.00 %	22.00 %	22.00 %
Risk-free interest rate	3.87 %	3.52 %	4.30 %

NOTE 9 - REGULATORY CAPITAL MATTERS

The Bank is subject to dividend restrictions set forth by the Alabama State Banking Department. Under such restrictions, the Bank may not, without the prior approval of the Alabama State Banking Department, declare dividends in excess of the sum of the current year's earnings

plus the retained earnings from the prior two years. The dividends as of December 31, 2004, that the Bank could declare, without the approval of the Alabama State Banking Department amounted to approximately \$8,233,000.

The Bank is subject to various regulatory capital requirements administered by the state and federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators, that if undertaken, could have a direct material effect on the Bank and the consolidated financial statements. Under regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines involving quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification under the prompt corrective guidelines are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

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NOTE 9 - REGULATORY CAPITAL MATTERS (Continued)

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total risk-based capital and Tier 1 capital to risk-weighted assets (as defined in the regulations), and Tier 1 capital to adjusted total assets (as defined). Management believes, as of December 31, 2004, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2004, the most recent notification from the Federal Deposit Insurance Corporation, categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To remain categorized as well capitalized, the Bank will have to maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as disclosed in the table below. There are no conditions or events since the most recent notification that management believes have changed the Bank's prompt corrective action category.

	<u>Actual</u>		<u>For capital adequacy purposes</u>			<u>To be well capitalized under prompt corrective action provisions</u>		
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>		<u>Amount</u>	<u>Ratio</u>	
(In thousands)								
As of December 31, 2004:								
Total Risk-Based Capital (to Risk-Weighted Assets)	\$40,386	16.71%	\$19,335	8.0	%	\$ 24,169	10.0	%
Tier 1 Capital (to Risk-Weighted Assets)	37,885	15.68%	9,667	4.0	%	14,501	6.0	%
Tier 1 Capital (to Average Total Assets)	37,885	9.78 %	15,492	4.0	%	19,365	5.0	%
As of December 31, 2003:								
Total Risk-Based Capital (to Risk-Weighted Assets)	37,544	18.44%	16,292	8.0	%	20,365	10.0	%
Tier 1 Capital (to Risk-Weighted Assets)	35,221	17.30%	8,146	4.0	%	12,219	6.0	%
Tier 1 Capital (to Average Total Assets)	35,221	12.61%	11,177	4.0	%	13,971	5.0	%
As of December 31, 2002:								

Total Risk-Based Capital (to Risk-Weighted Assets)

29,505 15.72% 15,016 8.0 % 18,770 10.0 %

Tier 1 Capital (to Risk-Weighted Assets)

27,307 14.55% 7,508 4.0 % 11,262 6.0 %

Tier 1 Capital (to Average Total Assets)

27,307 10.00% 10,926 4.0 % 13,657 5.0 %

The capital ratios for the holding company do not materially differ from those shown above and thus are not shown separately.

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ALTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
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NOTE 10 - OTHER OPERATING INCOME AND EXPENSES

The major components of other operating income and expense included in noninterest income and noninterest expense are as follows:

	Years ended December 31,		
	2004	2003	2002
Other Operating Income:			
Increase in cash surrender value of bank owned life insurance	\$339,593	\$326,877	\$—
Other	520,537	541,166	264,923
Total	\$860,130	\$868,043	\$264,923
Other Operating Expenses:			
Postage	\$234,126	\$213,283	\$205,030
Telephone	581,482	420,311	323,322
ATM expense	408,875	196,752	151,796
Federal Reserve charges	276,179	203,587	160,655
Supplies	273,748	277,783	284,405
Advertising	394,008	45,885	32,828
Overdraft losses	545,555	301,688	217,827

Other	1,764,715	1,597,506	1,622,103
Total	\$4,478,688	\$3,256,795	\$2,997,966

NOTE 11 - INCOME TAXES

The Components of income tax expense (benefit) are as follows:

	2004	2003	2002
Current:			
Federal	\$1,657,414	\$1,181,118	\$1,084,474
State	179,530	133,347	132,283
Deferred:			
Federal	(247,070)	54,000	73,000
State	(39,365)	19,000	5,000
Income tax expense	\$1,550,509	\$1,387,465	\$1,294,757

The Company' s total income tax expense differs from the amounts computed by applying the Federal income tax statutory rates to income before income taxes. A reconciliation of the differences is as follows:

	2004		2003		2002	
	Amount	% of Pre-tax Earnings	Amount	% of Pre-tax Earnings	Amount	% of Pre-tax Earnings
Tax at statutory federal rate:	\$1,670,765	34.0	\$1,408,666	34.0	\$1,482,949	34.0

Effect on rate of:

Tax-exempt securities	(97,308)	(2.0)	(18,004)	(0.4)	(23,808)	(0.5)
Tax-exempt loan interest	(9,901)	(0.2)	(3,833)	(0.1)	(8,222)	(0.2)
State income tax	92,509	1.9	152,347	3.6	137,283	3.1
Interest expense disallowance	8,425	0.2	1,679	0.1	3,976	0.1
Bank owned life insurance	(115,462)	(2.3)	(111,138)	(2.7)	–	–
Other	1,481	–	(42,252)	(1.0)	(297,421)	(6.8)
Effective income Tax and rate	\$1,550,509	31.6	\$1,387,465	33.5	\$1,294,757	29.7

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ALTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
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NOTE 11 - INCOME TAXES (Continued)

The components of the net deferred tax asset are as follows:

	2004	2003
Deferred compensation	\$16,153	\$43,300
Net unrealized (gains) losses on securities available for sale	186,288	339,689
Depreciation	(42,155)	(293,529)
Allowance for loan losses	759,483	696,283
Reserve for debt cancellation	14,920	13,652
Other	30,034	32,294
Total	\$964,723	\$831,689

Management of the Company believes its net deferred tax asset is recoverable.

NOTE 12 - COMMITMENTS AND CONTINGENCIESLoan Commitments

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, credit card arrangements, and standby letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheets. A summary of the Bank's commitments and contingent liabilities is approximately as follows:

	2004	2003
Commitments to extend credit	\$15,752,000	\$14,527,000

Credit card arrangements	2,312,000	2,263,000
Standby letters of credit	2,153,000	801,000

Commitments to extend credit, credit card arrangements, commercial letters of credit and standby letters of credit all include exposure to some credit loss in the event of nonperformance of the customer. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet financial instruments.

Because these instruments have fixed maturity dates, and because many of them expire without being drawn upon, they do not generally present any significant liquidity risk to the Bank.

Contingencies

In the normal course of business, the Company is involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material effect on the Company's financial statements.

ALTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
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NOTE 13 - CONCENTRATIONS OF CREDIT

The Company originates primarily commercial, residential, and consumer loans to customers in the Bank's market area. The ability of the majority of the Company's customers to honor their contractual loan obligations is dependent on the economy in this area.

The Company's loan portfolio is primarily concentrated in loans secured by real estate of which a substantial portion is secured by real estate in the Company's primary market area. In addition, a substantial portion of the other real estate owned is located in that same market. Accordingly, the ultimate collectibility of the loan portfolio and the recovery of the carrying amount of other real estate owned are susceptible to changes in market conditions in the Company's primary market area.

NOTE 14 - EMPLOYEE STOCK OWNERSHIP PLAN

The Company has adopted an Employee Stock Ownership Plan (the "ESOP") which enables eligible employees of the Bank to own Company common stock.

The ESOP is a noncontributory plan that provides retirement and disability benefits for eligible employees, and death benefits. Employees who are credited with one thousand hours of service in any twelve-month period or who have completed three consecutive months of service may become participants in the Plan.

Benefits under the Plan depend upon a participant's years of credited service with the Company or the Bank and the annual allocation of employer contributions based upon the ratio that the compensation of the participant bears to the total compensation of all participants. A participant is 20% vested in their accrued benefits after completion of three years of service. Vesting increases 20% per year for the next four years with the participant becoming fully vested upon completion of seven years of service.

During 1999, the ESOP borrowed \$5,212,856 from an unrelated financial institution. The funds were used to acquire 661,950 shares (after stock split) of the Company's stock. The Company, as plan sponsor, has guaranteed the loan, and in accordance with generally accepted accounting principles must account for the aforementioned leveraged transaction by recording the debt of the ESOP as a liability and recording an offsetting reduction of equity. As debt principal is paid, these accounts are correspondingly reduced.

The shares pledged against the ESOP loan are held in escrow. The restricted shares are released based upon a formula calculation of principal and interest paid as a percentage of the total principal and interest to be paid under terms of the loan agreement; however, the lender cannot hold more fair market value collateral than the outstanding loan principal. Dividends paid on unallocated shares are expensed as compensation.

In accordance with the ESOP, the company is expected to honor the rights of participants to liquidate their ownership of the common stock in the event of termination. To the extent that allocated shares of common stock held by the ESOP are not readily traded, a sponsor must reflect the maximum cash obligation related to those securities outside of stockholders' equity to liabilities. As of December 31, 2004 and 2003, the allocated shares held by the ESOP were 835,819 and 768,037 respectively, with a fair value and maximum cash obligation of \$8,023,862 and \$6,144,296 respectively.

ALTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004, 2003, and 2002

NOTE 14 - EMPLOYEE STOCK OWNERSHIP PLAN (Continued)

The following summarizes the applicable activity and balances regarding the ESOP:

	2004	2003	2002
ESOP expense:			
Amount representing compensation	\$648,128	\$609,511	\$566,499
Amount representing interest	88,596	92,190	128,154
Total	\$736,724	\$701,701	\$694,653

The accrued and unpaid contribution amounts were \$620,631, \$579,539 and \$592,605 at December 31, 2004, 2003 and 2002, respectively.

	2004	2003	2002
ESOP obligation:			
Balance beginning of period	\$3,096,000	\$3,596,000	\$3,741,733
Principal reductions	(550,027)	(500,000)	(145,733)
Balance at end of period	\$2,545,973	\$3,096,000	\$3,596,000

Schedule of repayment of ESOP debt is as follows:

April 15, 2005	\$600,000
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April 15, 2006

700,000

April 15, 2007

800,000

April 15, 2008

445,973

Total

\$2,545,973

The indebtedness described above is included in liabilities and as a reduction of equity. As guarantor of the ESOP loan, the Company is subject to certain restrictive covenants (financial and other). The Company was in compliance or has received a waiver with regard to the covenants as of December 31, 2004, 2003 and 2002.

	2004	2003	2002
Summary of restricted shares:			
Held in escrow at beginning	\$343,071	\$403,138	\$432,551
Shares released	(67,782)	(60,067)	(29,413)
Balance at end of year	\$275,289	\$343,071	\$403,138

ALTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004, 2003, and 2002

NOTE 15 - EARNINGS PER SHARE

A reconciliation of the numerators and denominators of the earnings per common share and earnings per common share assuming dilution computations are presented below.

	2004	2003	2002
Basic Earnings Per Share:			
Net income	\$3,363,506	\$2,755,671	\$3,066,857
Weighted average common Shares outstanding	5,237,248	4,889,980	4,257,969
Basic earnings per share	\$.64	\$.56	\$.72
Diluted Earnings Per Share:			
Net income	\$3,363,506	\$2,755,671	\$3,066,857
Weighted average common Shares outstanding	5,237,248	4,889,980	4,257,969
Add: Dilutive effects of assumed conversions and exercises of stock options based on the treasury method using average market prices for the year	40,685	16,613	26,010
Weighted average common and dilutive potential common shares outstanding	5,277,933	4,906,593	4,283,979
Diluted earnings per share	\$.64	\$.56	\$.72

ALTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004, 2003, and 2002

NOTE 16 - RELATED PARTY TRANSACTIONS

Loans

As more fully described in Note 3, the Bank made loans to related parties during 2004 and 2003 which amounted to \$7,885,583 and \$6,193,268 at December 31, 2004 and 2003, respectively.

Leases

The Bank has a lease agreement with a director for the lease of a branch facility. The lease is of comparable terms and conditions as would be from an independent party. The lease is on a month-to-month basis with monthly rental payments of \$1,400.

Construction

During 2004, 2003 and 2002, the Bank contracted with Walker Brothers, Ltd., an affiliated business of certain directors, for the construction and remodeling of facilities. Total amounts paid to this related party during 2004, 2003 and 2002 amounted to \$375,586, \$305,676 and \$276,095, respectively.

Appraisal evaluation services

During 2004, 2003 and 2002, the Bank utilized the services of a real estate firm owned by a director's family member for evaluations on loans secured by real estate and not requiring independent certification. The director is an employee of the firm and performs the evaluations. The total amounts paid during 2004, 2003 and 2002 were \$13,046, \$9,400 and \$41,200, respectively. Additionally, Southern Appraisal Services, Inc. (one of the company's subsidiaries) paid this director \$6,765, and \$14,431 during 2004 and 2003 in fees and expenses for appraisal services.

NOTE 17 - SEGMENT INFORMATION

In addition to banking, the Company is engaged in other areas of operation through its non-bank subsidiaries offering services and products to enhance and compliment its banking operations. Southern Insurance of Cullman, Inc. acts as an agent for obtaining title insurance for the Bank's real estate loan customers and to offer various services to the Bank's customers. Southern Appraisal Services, Inc., formed in 2003, provides real estate appraisal services.

The Company's non-bank subsidiaries do not meet the quantitative threshold for disclosure on a separate basis. The combined revenue of these subsidiaries for 2004, 2003 and 2002 was less than 3% of consolidated revenues each year and has been included in non-interest income. The combined expenses of these subsidiaries for 2004, 2003 and 2002 was less than approximately 3% of consolidated expenses and has been included in non-interest expense.

ALTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004, 2003, and 2002

NOTE 18 - FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. SFAS No. 107, *Disclosures about Fair Values of Financial Instruments*, excludes certain financial instruments and all non financial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments.

Cash and cash equivalents: The carrying amounts reported in the consolidated statements of financial condition for cash and cash equivalents approximate those assets' fair values.

Investment securities: Fair values for investment securities are based on quoted market prices, where available. If a quoted market price is not available, fair value is based on quoted market prices of comparable instruments.

Other investments: Fair values for other investments are considered to be their cost as they are redeemed at par value.

Loans: For variable-rate loans that reprice frequently and with no significant change in credit risk, fair value is based on carrying amounts. The fair value of other loans (for example, fixed rate commercial real estate, mortgage loans, and industrial loans) is estimated using discounted cash flow analysis, based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Loan fair value estimates include judgments regarding future expected loss experience and risk characteristics. Fair value for impaired loans is estimated using discounted cash flow analysis, or underlying collateral values, where applicable.

Accrued interest and dividends receivable: The carrying amount of accrued interest and dividends receivable approximates its fair value.

Cash surrender value of life insurance: The carrying amount of bank owned life insurance approximates its fair value.

Deposits: The fair value disclosed for demand deposits is, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The carrying amounts of variable-rate, fixed-term money market accounts and certificates of deposit approximate their fair values. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Accrued interest payable: The carrying amount of accrued interest payable approximates its fair value.

ALTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004, 2003, and 2002

NOTE 18 - FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Federal funds purchased, FHLB advances, debt of ESOP and the capitalized lease obligation: The carrying amounts for the short-term portions of these borrowings approximate their fair values. The long term portions are estimated using a discounted cash flow calculation that applies interest rates currently available for similar terms.

Loan commitments: Fair values of the Company's off-balance sheet financial instruments are based on fees currently charged to enter into similar agreements. Since the majority of the Company's other off-balance sheet instruments consist of nonfee-producing, variable-rate commitments, the Company has determined they do not have a distinguishable fair value.

The carrying amounts and estimated fair values of the Company's financial instruments as of December 31, 2004 and 2003 are as follows:

	2004		2003	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
Financial assets				
Cash and short-term investments	\$25,175	\$25,175	\$5,985	\$5,985
Investment securities	136,983	136,983	59,817	59,817
Other investments	5,374	5,374	878	878
Loans, net	192,939	190,291	182,677	181,421
Accrued interest and dividends receivable	2,237	2,237	1,909	1,909
Cash surrender value of Life insurance	8,665	8,665	7,326	7,326
Total financial assets	\$371,373	\$368,725	\$258,592	\$257,336

Financial liabilities

Deposits	\$241,642	\$242,573	\$216,244	\$218,679
FHLB Advances	96,400	95,069	—	—
Capitalized lease obligation	2,574	2,574	2,563	2,563
Debt of ESOP	2,546	2,546	3,096	3,096
Federal funds purchased	—	—	10,573	10,573
Securities sold under agreement to repurchase	4,714	4,714	4,997	4,997
Accrued interest payable	595	595	329	329
Total financial liabilities	\$348,471	\$348,071	\$237,802	\$240,237

ALTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004, 2003, and 2002

NOTE 19 - BUSINESS COMBINATION' S

On September 22, 2003, the Company entered into an "Acquisition Agreement" with THE BANK, an Alabama banking corporation, whereby the Company acquired a branch operation in Morris, Alabama. The transaction was approved by the regulatory agencies and closed on February 6, 2004. The Company paid a deposit premium of 9% for the branch, which resulted in the Company recording intangible assets of \$738,038. The identifiable intangible asset associated with the fair value of the core deposit base, as determined by an independent consulting firm, was determined to be \$45,102 and is being amortized as expense on a straight-line method over a seven-year period. The remaining intangible asset of \$692,936 has been classified as goodwill, and thus will not be systematically amortized, but rather will be subject to an annual impairment test. The amortization of the identifiable intangible asset is included in the accompanying Consolidated Statements of Income beginning on the acquisition date of February 6, 2004. The operating results of these branches would be immaterial to the results of the Company and therefore pro forma results of operations have not been presented.

The following table summarizes the fair value of assets acquired and liabilities assumed at the date of acquisition.

Cash	\$6,625,831
Loans, net	717,240
Premises and equipment	131,000
Goodwill	692,936
Core deposit intangible	45,102
Other assets	5,432
Total assets acquired	\$8,217,541
Deposits	\$8,217,041
Other liabilities	500

Total liabilities assumed

\$8,217,541

On February 25, 2002, the Company entered into an agreement with Community Bank, Blountsville, Alabama to purchase six bank branches and the related assets and deposits located in Marshall County, Alabama. The Company received the necessary regulatory approvals for the transaction and the transaction was closed as of May 31, 2002. As a result of the acquisition of the branches, Peoples Bank acquired approximately \$58.8 million of loans and approximately \$4.7 million of other assets (including capitalized leases on branch premises), and assumed approximately \$79.6 million of deposit liabilities. The Company has paid the seller a premium of 8% of the core deposit liabilities or approximately \$4.9 million. The identifiable intangible asset associated with the fair value of the core deposit base, as determined by an independent consulting firm, was determined to be \$908,463 and is being amortized as expense on an accelerated basis over a 7 year period.

Following is a summary of the assets purchased and the liabilities assumed:

Cash and cash items

\$573,795

Premises and equipment

1,080,565

Prepaid and accrued expenses-net

5,368

Loans:

Gross

59,186,797

Accrued interest receivable on loans

361,049

Less credit discount

(393,620)

Net loans

59,154,226

Other assets (primarily repossessed assets)

33,560

Goodwill

4,024,011

Core deposit intangible

908,463

Additional cash provided by seller

13,774,816

Total assets recorded	\$79,554,804
Deposits and accrued interest payable	
Demand (includes Now and MM accounts)	\$22,957,158
Savings	7,287,804
Certificates of deposit under \$100,000	30,890,456
Total core deposits	61,135,418
Accrued interest payable	336,591
Certificates of deposit over \$100,000 and Public	
Funds time deposits	18,082,795
Total deposits and liabilities recorded	\$79,554,804

Values have been allocated and assigned based on estimated fair value of the respective asset or liability.

Additionally, the Company entered into a lease-purchase agreement on one of the branch facilities. The agreement provides that the Company will pay monthly rent of \$14,000 for sixty months and purchase the property for \$2,621,543. The present value of the payments at 2004 and 2003 totaled \$2,574,312 and \$2,562,561 respectively. The lease obligation is being accounted for as a capital lease.

ALTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004, 2003, and 2002

NOTE 20 - PARENT COMPANY CONDENSED FINANCIAL STATEMENTS

Balance Sheets

Years ended December 31, 2004 and 2003

	2004	2003
Assets		
Cash and due from banks	\$122,232	\$202,025
Investment in subsidiaries	45,965,825	43,379,942
Other assets	25,940	98,926
Total assets	\$46,113,997	\$43,680,893
Liabilities and shareholders' equity		
Liabilities		
Company guaranteed debt of ESOP	\$2,545,973	\$3,096,000
Deferred compensation	—	180,525
Due to subsidiaries	135,433	135,448
Other liabilities	66,112	—
Total liabilities	2,747,518	3,411,973

Redeemable common stock held by ESOP at fair market value

8,023,862 6,144,296

Shareholders' equity

35,342,617 34,124,624

Total liabilities and shareholders' equity

\$46,113,997 \$43,680,893

Statements of Income

Years ended December 31, 2004, 2003, and 2002

	2004	2003	2002
Income			
Dividends from subsidiaries	\$1,043,819	\$-	\$-
Expenses			
Deferred compensation	-	76,700	(425,100)
Other expenses	59,656	54,358	171,275
Total expenses	59,656	131,058	(253,825)
Income (loss) before income taxes and equity in undistributed earnings of subsidiaries	984,163	(131,058)	253,825
Income tax expense (benefit)	(23,562)	-	132,227
Income (loss) before equity in undistributed earnings of subsidiaries	1,007,725	(131,058)	121,598
Equity in undistributed earnings of subsidiaries	2,355,781	2,886,729	2,945,259

NET INCOME

\$3,363,506 \$2,755,671 \$3,066,857

ALTRUST FINANCIAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004, 2003, and 2002

NOTE 20 - PARENT COMPANY CONDENSED FINANCIAL STATEMENTS (Continued)

Statements of Cash Flows

Years ended December 31, 2004, 2003, and 2002

	2004	2003	2002
Cash flows from operating activities			
Net income	\$3,363,506	\$2,755,671	\$3,066,857
Adjustments to reconcile net income to net cash provided (used) in operating activities			
Undistributed net income of subsidiaries	(2,355,781)	(2,886,729)	(2,945,259)
Deferred tax provision	27,136	—	130,000
Decrease (increase) in other assets	72,986	165,000	(162,772)
Increase (decrease) in other liabilities	(141,563)	74,316	(581,900)
Net cash provided by (used in) operating activities	966,284	108,258	(493,074)
Cash flows from investing activities			
Contribution of capital to subsidiary bank	—	(4,100,000)	(6,550,000)
Initial capital for Southern Appraisal Services, Inc. (subsidiary)	—	(1,000)	—
Purchase of treasury stock	(381,644)	(631,573)	—

Net cash used in investing activities	(381,644)	(4,732,573)	(6,550,000)
Cash flows from financing activities			
Proceeds from sale of stock	153,000	5,047,242	7,172,988
Paid expenses of sale of stock	–	(260,350)	(126,000)
Dividends paid	(817,433)	–	–
Net cash provided by (used in) financing activities	(664,433)	4,786,892	7,046,988
Net increase (decrease) in cash and cash equivalents	(79,793)	162,577	3,914
Cash and cash equivalents, beginning	202,025	39,448	35,534
Cash and cash equivalents, ending	\$122,232	\$202,025	\$39,448

RESTATED
ARTICLES OF INCORPORATION
OF
ALTRUST FINANCIAL SERVICES, INC.

The undersigned, acting as an incorporator under the Code of Alabama, 1975, as amended, adopts the following Articles of Incorporation:

ARTICLE I

NAME

The name of this corporation (the “Corporation”) shall be:

ALTRUST FINANCIAL SERVICES, INC.

ARTICLE II

DURATION

The Corporation shall have perpetual duration and existence.

ARTICLE III

OBJECTS AND PURPOSES

3.01 To purchase or otherwise acquire, to own, and to hold the stock of banks and other corporations, and to do every act and thing covered generally by the denominations “holding corporation” and “bank holding company”, and especially to direct the operations of other corporations through the ownership of stock therein.

3.02 To purchase, subscribe for, acquire, own, hold, sell, exchange, assign, transfer, mortgage, pledge, hypothecate, or otherwise transfer or dispose of stock, scrip, warrants, rights, bonds, securities or evidences of indebtedness created by any other corporation or corporations organized under the laws of any state, or any bonds or evidences of indebtedness of the United States or any state, district, territory, dependency or county or subdivision or municipality thereof, and to issue and exchange therefor cash, capital stock, bonds, notes or other securities, evidences of indebtedness, or obligations of the Corporation and while the owner thereof to exercise all rights, powers, and privileges of ownership, including the right to vote on any shares of stock, voting trust certificates or other instruments so owned; and

3.03 To transact any business not prohibited by law and to exercise all powers permitted to corporations by the Alabama Business Corporation Act.

The enumeration herein of the powers and purposes of the Corporation shall not be deemed to exclude or in any way limit by inference any powers, objects or purposes which the Corporation is empowered to exercise, whether expressly by purpose, or by any of the laws of the State of Alabama or any reasonable construction of such laws.

ARTICLE IV

4.01 The total number of shares of all classes of capital stock ("Shares") which the Corporation shall have the authority to issue is 10,000,000 shares of common stock, \$.01 par value per share ("Common Stock")

ARTICLE V

In furtherance and not in limitation of the powers conferred by law, the following provisions for the regulation of the Corporation, its directors and shareholders are hereby established:

5.01 The Corporation shall have the right to purchase, take, receive or otherwise acquire, hold, own pledge, transfer or otherwise dispose of its own Shares to the full extent of undivided profits, earned surplus, capital surplus or other funds lawfully available therefor.

5.02 No contract or other transaction between the Corporation and one or more of its directors or any other person, corporation, firm, association or entity in which one or more of its directors or officers are financially interested, shall be void or voidable because of such relationship or interest, or because such director or directors are present at the meeting of the Board of Directors or a committee thereof which authorizes, approves or ratifies such contract or transaction, if the contract or transaction is fair and reasonable to the Corporation, and if:

(a) The fact of such relationship or interest is disclosed to the Board of Directors or committee which authorizes, approves or ratifies the contract or transaction by a vote or consent sufficient for the purpose, without counting the votes or consents of such interested directors and without considering such interested directors as present for purposes of constituting a quorum; or

(b) The fact of such relationship or interest is disclosed to the shareholders entitled to vote and they authorize, approve or ratify such contract or transaction by vote or written consent.

5.03 The Corporation may from time to time enter into any agreement to which all, or less than all, holders of record of the issued and outstanding Shares of the Corporation, other securities or evidences of indebtedness are parties, restricting the transfer or registration of transfer of any or all of the Corporation's Shares, other securities or evidences of indebtedness, upon such reasonable terms and conditions as may be approved by resolution or resolutions adopted by the Corporation's Board of Directors.

ARTICLE VI

REGISTERED OFFICE AND AGENT

The address of the Corporation's initial registered office shall be 811 Second Avenue Southwest, P.O. Box 1677, Cullman, Alabama 35055, and its initial registered agent at such address shall be James Robin Cummings.

ARTICLE VII

DIRECTORS AND OFFICERS

The Corporation's initial Board of Directors shall consist of 6 persons, who shall serve until the first annual meeting of the shareholders and until their successors are elected and qualified. The names and addresses of the members of the initial Board of Directors are as follows:

Name	Address
James Robin Cummings	811 Second Avenue Southwest P.O. Box 1677 Cullman, Alabama 35055
Tom Drake	811 Second Avenue Southwest P.O. Box 1677 Cullman, Alabama 35055

Dane Estes

811 Second Avenue Southwest
P.O. Box 1677
Cullman, Alabama 35055

Dwight Scott

811 Second Avenue Southwest
P.O. Box 1677
Cullman, Alabama 35055

Roy Shaw

811 Second Avenue Southwest
P.O. Box 1677
Cullman, Alabama 35055

Alan Walker

811 Second Avenue Southwest
P.O. Box 1677
Cullman, Alabama 35055

ARTICLE XIII

INCORPORATOR

The incorporator' s name and address is:

Name _____

James Robin Cummings

Address _____

811 Second Avenue Southwest
P.O. Box 1677
Cullman, Alabama 35055

These Restated Articles of Incorporation were duly approved and adopted by unanimous written consent of the Board of Directors of Altrust Financial Services, Inc. This restatement does not include any amendments to the existing Articles of Incorporation of Altrust Financial Services, Inc. and the amendments thereto. These Restated Articles of Incorporation merely restate those provisions in the Restated Articles of Incorporation as filed with the Secretary of State of the State of Alabama on May 22, 1985 and as theretofore amended. The approval of the shareholders of Altrust Financial Services, Inc. was not required to adopt this restatement.

IN WITNESS WHEREOF, Altrust Financial Services, Inc. has caused these Restated Articles of Incorporation to be executed and its corporate seal affixed and has caused the foregoing to be attested, all by its duly authorized officers on this 20th day of August, 2002.

Dated as of August 20, 2002.

ALTRUST FINANCIAL SERVICES, INC.

By:

/s/ James Robin Cummings

James Robin Cummings

Chief Executive Officer

Attest:

/s/ Gwen B. Parker

Secretary

AMENDED AND RESTATED BYLAWS

OF

ALTRUST FINANCIAL SERVICES, INC.

ARTICLE I

OFFICES

Section 1.1. Registered Office. The registered office of the Corporation shall be located in the City of Cullman, County of Cullman, State of Alabama.

Section 1.2. Other Offices. The Corporation may also have offices at such other places both within and without the State of Alabama as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II

ANNUAL MEETINGS OF SHAREHOLDERS

Section 2.1. Annual Meetings. At the annual meeting, the shareholders shall elect a Board of Directors by plurality vote, and shall transact any other business as may properly come before the meeting.

Section 2.2. Place of Annual Meetings. All meetings of shareholders for the election of directors shall be held at the Corporation's registered office in Cullman, State of Alabama, or any other location determined by the Board of Directors and stated in the notice of the meeting.

Section 2.3. Date of Annual Meetings. Annual meetings of shareholders shall be held on the date and time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting.

Section 2.4. Notice of Annual Meeting. Written or printed notice of the annual meeting stating the date, time and place of the meeting shall be delivered not less than 10 nor more than 60 days before the date of the meeting, either personally or by mail, by or at the direction of the President, the Secretary, or the officer or persons calling the meeting, to each shareholder of record entitled to vote at such meeting; *provided, however*, that the capital stock or bonded indebtedness of the Corporation shall not be increased at the annual meeting unless 30 days' written notice has been given before the date of the meeting.

ARTICLE III

SPECIAL MEETINGS OF SHAREHOLDERS

Section 3.1. Special Meetings. Special meetings of shareholders for any purpose other than the election of directors, unless otherwise prescribed by statute or by the Articles of Incorporation, may be called by the Chairman or the President, a majority of the Board of Directors, or upon the written request of shareholders owning not less than 40% of all shares of capital stock of the Corporation issued and outstanding and entitled to vote at such meeting. Such request by the shareholders shall state specifically the purpose or purposes of the proposed meeting.

Section 3.2. Place of Special Meetings. Special meetings may be held at such time and place within or without the State of Alabama as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 3.3. Notice of Special Meetings. Written or printed notice of a special meeting stating the date, time and place of the meeting and the purpose or purposes for which the meeting is called, shall be delivered not less than 10 nor more than 60 days before the date of the meeting, either personally or by mail, by or at the direction of the President, the Secretary, or the officer or persons calling the meeting, to each shareholder of record entitled to vote at such meeting; *provided, however*, the capital stock or bonded indebtedness of the Corporation shall not be increased at a special meeting unless 30 days' written notice has been given before the date of such meeting.

Section 3.4. Business Transacted at Special Meetings. The business transacted at any special meeting of shareholders shall be limited to the purpose or purposes stated in the notice.

ARTICLE IV

QUORUM AND VOTING OF SHARES

Section 4.1. Quorum. A majority of the votes entitled to be cast on a matter by the shareholders constitutes a quorum for action on that matter, except as otherwise provided by statute or by the Articles of Incorporation, but in no event shall a quorum consist of less than one-third of the votes entitled to be cast on the matter. If, however, such quorum shall not be present or represented at any meeting of the shareholders, the shareholders present in person or represented by proxy shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than 30 days, or if after the adjournment a new record is fixed for the adjourned meeting, written

notice of the adjourned meeting shall be given to the shareholders entitled to vote at the meeting. Every meeting of the shareholders may be adjourned from time to time until its business is completed, and except as provided herein or by applicable law, no notice need be given of such adjourned meeting.

Section 4.2. Action by Shareholders. If a quorum is present at any meeting, the vote of the holders of a majority of the capital stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which the vote of a greater number of affirmative votes is required by law or the Articles of Incorporation.

Section 4.3. Voting. Each outstanding share shall be entitled to one vote on each matter submitted to a vote at a meeting of shareholders unless the Articles of Incorporation or law provide otherwise. A shareholder may vote either in person or by proxy executed in writing by the shareholder or by his or her duly authorized attorney-in-fact.

Section 4.4. Action without a Meeting. Any action required or permitted to be taken at a meeting of the shareholders may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by all of the shareholders entitled to vote with respect to the subject matter thereof and delivered to the Corporation for inclusion in the minutes or filing with corporate records.

ARTICLE V

BOARD OF DIRECTORS

Section 5.1. Number of Directors. The number of directors of the Corporation shall be not less than 3 and not more than 15 (the number of directors to be determined by resolution of the Board of Directors from time to time). Directors shall be elected at each annual meeting of the shareholders and shall hold office until the next annual meeting of shareholders or until a successor shall have been elected and qualified.

Section 5.2. Vacancies. Vacancies in the Board of Directors shall be filled by the affirmative vote of a majority of the shareholders or a majority of the remaining directors, even though such remaining directors constitute less than a quorum of the Board of Directors. A director elected to fill a vacancy shall be elected to serve until the next annual meeting of shareholders. Any vacancy occurring in the Board of Directors resulting from an increase in the number of directors shall be filled by election at an annual or special meeting of shareholders. If there are no directors in office, then the shareholders may hold a special meeting to elect directors.

Section 5.3. General Powers. The business, properties and affairs of the Corporation shall be managed by its Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts as are not by statute or by the

Section 5.4. Books of the Corporation. The directors may keep the books of the Corporation, except such as are required by law to be kept within the state, outside of the State of Alabama, at such place or places as they may from time to time determine.

Section 5.5. Compensation. The Board of Directors shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attending each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as directors. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

Section 5.6. Removal. The shareholders, by the affirmative vote of a majority of the votes cast, may remove one or more directors with or without cause at a meeting of the shareholders held in accordance with the requirements of Section 10-2B-8.08 of the Alabama Business Corporation Act.

Section 5.7. Transactions with Directors, etc. Insofar as not prohibited by applicable law, no contract or other transaction between the Corporation and one or more of its directors or any other corporation, firm, association or entity in which one or more of its directors or officers are financially interested, shall be either void or voidable because of such relationship or interest or because such director or directors are present at the meeting of the Board of Directors or a committee thereof which authorizes, approves or ratifies such contract or transaction if the contract or transaction is fair and reasonable to the Corporation and if either:

(a) The fact of such relationship or interest is disclosed to the Board of Directors or committee which authorizes, approves or ratifies the contract or transaction by a vote or consent sufficient for the purpose without counting the votes or consents of such interested directors and without considering such interested directors as present for purposes of constituting a quorum; or

(b) The fact of such relationship or interest is disclosed to the shareholders entitled to vote and they authorize, approve or ratify such contract or transaction by vote or written consent.

Section 5.8. Employee Stock Options. The Board of Directors may enter into stock option plans or agreements for the benefit of key officers and employees of the Corporation.

ARTICLE VI

MEETINGS OF THE BOARD OF DIRECTORS

Section 6.1. Place of Meetings. Meetings of the Board of Directors, regular or special, shall be held at the Corporation's registered office unless otherwise specified in the notice thereof, in which event the meeting shall be held where specified in the notice, either within or without the State of Alabama.

Section 6.2. Organizational Meeting. The first meeting of each newly-elected Board of Directors shall be held immediately after and in the same place as the annual meeting of shareholders. No notice of such meeting shall be necessary to the newly-elected directors in order to legally constitute the meeting, provided a quorum is present.

Section 6.3. Regular Meetings. Regular meetings of the Board of Directors shall be held on the day and time specified by resolution of the Board of Directors. No notice of regular meetings need be given, unless the time and place of such meetings are other than those stated herein.

Section 6.4. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman or President on twenty-four hours personal, telephonic, telegraphic or facsimile notice to each director, or on three days written notice to each director. Upon the written request of two or more directors, special meetings shall be called by the Chairman, President or Secretary, and appropriate notice shall be given. Any notice or waiver thereof of a special meeting, whether personal, written, telephonic, electronic or by facsimile, need not include a statement of the business to be transacted at, nor the purposes of, such special meeting. Meetings of any committee of the Board of Directors may be called by the Chairman, the President, or by the chairman of the committee, at any time upon personal, written, telephonic, electronic or facsimile notice to each member of such committee.

Section 6.5. Meetings by Conference Call, etc. Meetings of the Board of Directors and of any committee thereof may be held by means of a conference call or equivalent communications by which all persons participating in the meeting can hear each other simultaneously. Participation by such means shall constitute presence in person at any such meeting.

Section 6.6. Waiver of Notice. Attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except where a director attends for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the waiver of notice of such meeting.

Section 6.7. Quorum and Voting. At all meetings of the Board of Directors, a majority of the directors then holding office shall constitute a quorum for the transaction

of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may otherwise specifically be provided by the Constitution of Alabama, by statute, by the Articles of Incorporation or by these Bylaws. If a quorum shall not be present at any meeting of the Board of Directors, the directors present may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 6.8. Action without a Meeting. Any action required or permitted to be taken at a meeting of the Board of Directors or of any committee thereof may be taken without a meeting or vote if a written consent setting forth the action taken is signed by all members of the Board or committee, and such written consent or consents are filed with the minutes of the proceedings of the Board or committee.

ARTICLE VII

COMMITTEES

Section 7.1. Committees. The Board of Directors may, by resolution(s) passed by a majority of the Board, designate one or more committees, each committee to consist of two or more directors of the Corporation. Any such committee, to the extent provided in the resolution or resolutions of the Board of Directors and during intervals between meetings of the Board of Directors, shall have and may exercise all the power and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have any power or authority to: (1) declare a dividend or distribution from capital or earned surplus; (2) issue stock of the Corporation; (3) amend or recommend to the shareholders an amendment to the Articles of Incorporation; (4) adopt an agreement of merger or consolidation; (5) recommend to the shareholders the sale, lease, mortgage, or exchange or other disposition of all or substantially all of the Corporation's property and assets; (6) recommend to the shareholders a dissolution of the Corporation or a revocation thereof; (7) fill vacancies in the Board of Directors; or (8) amend these Bylaws. Such committee or committees shall have such name or names, shall consist of such number of directors, and shall have and may execute such powers as may be determined and specified in the respective resolution or resolutions adopted by the Board of Directors from time to time establishing or changing such committee. A majority of the Board of Directors shall have the power to change the membership of any such committee at any time, to fill vacancies therein, to discharge any committee or to remove any member thereof, with or without cause, at any time.

Section 7.2. Committee Meetings, Minutes and Reports. Meetings of any committee of the Board may be called by the Chairman, the President, or by the chairman of the committee, at any time upon person, written, telephonic, electronic, or facsimile notice to each member of such committee. A majority of the members of each committee may fix such committee's rules of procedure, determine its manner of acting, and fix the

time and place, whether within or without the State of Alabama, of its meetings. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors whenever required or requested.

ARTICLE VIII

CONSTITUENCY CONSIDERATION

Section 8.1. Discretionary Authority. In discharging the duties of their respective positions and in determining what is believed to be in the best interest of the Corporation, the Board of Directors, committees of the Board of Directors, and individual directors, in addition to considering the effects of any action on the Corporation or its shareholders, may consider the interests of the employees, customers, suppliers, and creditors of the Corporation and its subsidiaries, the communities in which offices or other establishments of the Corporation and its subsidiaries are located, and all other factors such directors consider pertinent; *provided, however*, that this Article shall be deemed solely to grant discretionary authority to the directors and shall not be deemed to provide to any constituency any right to be considered.

ARTICLE IX

NOTICES

Section 9.1. Form of Notice. Except as otherwise required by law, whenever notice is required to be given to any director or shareholder, such notice requirement can be satisfied by giving written notice by mail, addressed to such director or shareholder, at his or her address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Notice to directors may also be given in person, or by facsimile, electronic mail or telephone.

Section 9.2. Waiver of Notice. Whenever any notice is required to be given to any shareholder or director of the Corporation, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE X

OFFICERS

Section 10.1. Number. The Board of Directors shall elect the Corporation's officers, who shall consist of a Chairman of the Board, a President, one or more Vice Presidents, a Secretary and a Treasurer. The Board of Directors may elect a Vice Chairman of the Board and such additional Vice Presidents, and Assistant Vice Presidents, Assistant Secretaries and Assistant Treasurers as it deems necessary or desirable. The Board of Directors may in its discretion designate one or more of the Vice

Presidents as executive or senior Vice President. Any number of offices may be held by the same person, except that the offices of President and Secretary may not be held by the same person.

Section 10.2. Election. The Board of Directors, at its annual organizational meeting, shall choose a Chairman, Vice Chairman, President, one or more Vice Presidents, a Secretary, a Treasurer and such other officers as it deems necessary or desirable. If any of the officers should not be elected at the Board of Directors' organizational meeting for any reason, they may be elected at any regular or special meeting of the Board of Directors.

Section 10.3. Appointive Officers. The Board may from time to time appoint or delegate the appointment of such other officers as it may deem necessary, including one or more Assistant Secretaries and one or more Assistant Treasurers. Such officers shall hold office for such period, have such authority and perform such duties, subject to the control of the Board, as are in these Bylaws provided or as the Chairman of the Board, the President or the Board may from time to time prescribe. The Chairman of the Board and the President shall have authority to appoint and remove agents and employees and to prescribe their powers and duties, and may authorize any other officer or officers to also do so.

Section 10.4. Compensation. The salaries and other compensation of the Corporation's principal officers shall be fixed by the Board of Directors, after taking into account any recommendations by any committee which is authorized to advise the Board with respect to compensation. The Board may from time to time delegate to any principal officer or to any committee the power to fix the salaries and other compensation for all other Corporation officers, employees and agents. The action of the Board of Directors in so fixing officer compensation shall not be rendered invalid by reason of the fact that a director voted in favor of a resolution fixing his or her own salary or by reason of the fact that his or her presence was necessary to constitute a quorum of the Board.

Section 10.5. Term, Removal and Vacancies. The Corporation's officers shall hold office until their successors are elected and qualified. Any officer may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office of the Corporation shall be filled in the manner prescribed by these Bylaws for regular election or appointment to such office.

Section 10.6. Chairman of the Board. The Chairman of the Board shall, when present, preside at all meetings of the Board of Directors and of the shareholders. In general, he shall perform all the duties incident to the office of Chairman of the Board, and such other duties as the Board may from time to time determine or as may be prescribed by these Bylaws.

Section 10.7. Vice Chairman. The Vice Chairman, in the absence, inability or disability of the Chairman, shall perform the Chairman's duties. The Vice Chairman

shall have such other duties as may be prescribed by the Board of Directors from time to time.

Section 10.8. President. The President shall be the chief executive officer of the Corporation, and subject to the control of the Board of Directors, shall determine the Corporation's basic policies, have general supervision of its business and affairs and be responsible for all internal operations of the corporation. The President shall report to the Board of Directors, shall be responsible for personnel, and shall designate and assign the duties of the officers under his or her supervision, at the direction or with the approval of the Board of Directors.

The President shall have the authority to execute bonds, mortgages and other contracts and instruments requiring a seal, under the seal of the Corporation, to endorse, when sold, assigned, transferred, or otherwise disposed of, all certificates for shares of stock, bonds, securities or evidences of indebtedness issued by other corporations, associations, trusts, individuals or entities, whether public or private, or by any government or agency thereof, which are owned or held by the Corporation, and to make, execute and deliver all instruments of assignment or transfer of any stocks, bonds, securities, evidences of indebtedness, agreements, or other property owned or held by the Corporation in any capacity. He shall, under the supervision of the Board, be responsible for all investments of the Corporation and shall have full authority to do any and all things delegated to him by the Board of Directors or by any committee of the Board having authority.

Section 10.9. Vice Presidents. The Vice Presidents, in order of their seniority or as designated by the Board of Directors, shall, in the absence, inability or disability of the President, perform the duties and exercise the powers of said office, and when so acting shall be subject to all restrictions upon the President. At all other times the Vice Presidents shall perform such other duties and exercise such other powers as the Board of Directors may prescribe, or as the President may delegate.

Section 10.10. Treasurer. The Treasurer shall be the Corporation's chief financial officer and shall have the custody of such property and assets of the Corporation as may be entrusted to him by the Board of Directors or by the President. He shall, subject to the general supervision of the Board of Directors and any audit committee thereof, have general supervision and authority over the Corporation's books and accounts, its methods and systems of recording and keeping account of its business transactions and of its assets and liabilities, and within such authority, prepare and deliver all reports and returns required of the Corporation by law or by any governmental or regulatory authority pertaining to the condition of the Corporation and its assets and liabilities. He shall be responsible for preparing statements showing the Corporation's financial condition and results of operations, and shall furnish such reports and financial records as may be required or requested by the Board of Directors, the Chairman or the President. He shall receive and give receipt for funds due and payable to the Corporation, shall have charge and custody of all funds and securities of the Corporation and shall deposit all such funds in the Corporation's name in such banks and depositories

selected or authorized by the Board. The Treasurer shall perform or cause to be performed all duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board.

Section 10.11. Assistant Treasurers. The Assistant Treasurer, or if there are more than one, the Assistant Treasurers in the order designated by the Board of Directors, shall, in the absence of the Treasurer or in the event of his or her inability or refusal to act, perform the duties and exercise the powers of the Treasurer, and at all other times shall perform such duties and have such powers as the Board of Directors, the Chairman, the President or the Treasurer may prescribe from time to time.

Section 10.12. Secretary. The Secretary shall attend all meetings of the Board of Directors and of the shareholders, shall keep the minutes of all proceedings of such meetings in books kept for these purposes, and shall perform like duties for the standing committees of the Board when required. The Secretary shall give, or cause to be given, the notices required by law or these Bylaws of all meetings of the shareholders and of all meetings of the Board of Directors and its committees, and shall perform such other duties as may be prescribed by the Board of Directors, the Chairman or the President. He shall have responsibility for the custody of the corporate books, records, contracts and other corporate documents. He shall have the authority to affix the corporate seal of the Corporation to any instrument requiring it, and when so affixed, it may be attested by his or her signature or by the signature of any Assistant Secretary. The Secretary shall also keep a stock ledger containing the names of all persons who are now or hereafter become shareholders of the Corporation showing their places of residence, the respective number of shares held by them, and the time when they respectively became the holders of such shares.

Section 10.13. Assistant Secretary. The Assistant Secretary, or if there are more than one, the Assistant Secretaries in the order determined by the Board of Directors (or if there is no such determination, then in the order of their election), shall, in the absence of the Secretary or in the event of his or her inability or refusal to act, perform the duties and exercise the power of the Secretary, and at all other times shall perform such other duties and have such other powers as the Board of Directors, the Chairman, the President or the Secretary may from time to time prescribe.

Section 10.14. Corporation, Officer and Employee Bonds. The Board of Directors shall fix and prescribe the amount of bond, if any, that may be required of the Corporation, and of each officer and employee of the Corporation. Such bonds shall be made by a bonding company or companies authorized to make such bonds in Alabama or any other applicable jurisdiction, and in such form as may be approved by the Corporation's Board of Directors. The Board of Directors may, in their discretion, require an increase in the amount of such bond or other additional bond and security as the Board deems necessary, desirable or expedient for the better protection of the Corporation and those with which it does business.

Section 10.15. Execution of Instruments. The Chairman and the President are authorized, in their discretion and to the extent permitted herein and by law, to do and perform any and all corporate and official acts in carrying on the Corporation's business, including, but not limited to, the authority to make, execute, acknowledge and deliver all deeds, mortgages, releases, bills of sale, assignments, transfers, leases, powers of attorney or of substitution, proxies to vote stock, or any other instrument in writing that may be necessary in the purchase, sale, lease, assignment, transfer, management or handling in any way of property of any description held or controlled by the Corporation in any capacity. This shall include authority, from time to time, to borrow money in such amounts, for such lengths of time, at such rates of interest and upon such terms and conditions as any said officer may deem proper, and to evidence the indebtedness thereby created by executing and delivering promissory notes or other appropriate evidences of indebtedness in the Corporation's name. The enumeration herein of particular powers shall not restrict in any way the general powers and authority of said officers. The Board may authorize any other officer or officers, or agent or agents to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be delegated by the person so authorized; but unless so authorized by the Board of Directors or these Bylaws, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or to any amount. In addition to the Treasurer, the Secretary or any Vice President, Assistant Treasurer or Assistant Secretary is authorized to attest the signature of the President or Chairman and to affix the corporate seal to any and all instruments requiring such attestation or execution under seal.

Section 10.16. Receipts, Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, or agent or agents, as shall from time to time be determined by resolution of the Board. The President, any Vice President, the Treasurer, any Assistant Treasurer or any other officer or employee designated by the Board of Directors is authorized and empowered on behalf of the Corporation and in its name to endorse checks and warrants, to draw drafts, to give receipts for money due and payable to the Corporation, and to sign such other papers and do such other acts as are necessary or appropriate to perform his or her duties.

Section 10.17. Loans. No loan shall be contracted on behalf of the Corporation, and no negotiable paper shall be issued in its name, unless authorized by the Board. When so authorized, the Chairman of the Board, the President, the Treasurer, or a Vice President specifically designated by the Board may effect loans and advances at any time for the Corporation from any bank, trust company or other institution or from any firm, corporation or individual. In connection with such loans and advances, the Chairman of the Board, the President, the Treasurer or a designated Vice President may make, execute and deliver, with the counter-signature, unless otherwise authorized by the Board, of the Secretary or an Assistant Secretary, the Treasurer or an Assistant Treasurer, bonds, debentures, promissory notes or other evidences of indebtedness of the Corporation and, when so authorized may mortgage, pledge, hypothecate or transfer any real or personal property at any time held by the Corporation as security for the payment of any and all

loans, advances, indebtedness and liabilities of the Corporation, and to that end execute and deliver instruments of mortgage or pledge or which otherwise transfer such property or an interest therein. Any authority so granted by the Board may be general or confined to specific instances and, if the Board so provides, may be delegated by the person so authorized.

Section 10.18. Custodian Accounts. Any two of the following officers acting jointly, namely, the President or any Vice President, shall have the authority to establish such custodian accounts with such banks or other institutions as in their judgment are necessary or desirable in the conduct of the Corporation's business, and any two of them acting jointly shall have the authority to issue orders and instructions respecting transactions with respect to such accounts.

ARTICLE XI

CAPITAL STOCK

Section 11.1. Certificates. Every holder of shares of Corporation capital stock ("Shares") shall be entitled to have a certificate, signed in the Corporation's name by the Chairman, the President, the Treasurer or a Vice President designated by the Board of Directors, and by the Secretary or an Assistant Secretary of the Corporation, certifying the number and class of Shares of the Corporation owned by him. Certificates representing Shares of the Corporation shall be issued in numerical order, and the Corporation's seal or a facsimile thereof shall be affixed to each certificate. The certificates shall contain the minimum requirements as set forth in Section 6.25 of the Alabama Business Corporation Act. The signature of any of the specified officers may be a facsimile if actually countersigned by one of the other designated officers. The signatures of both officers may be facsimiles if the certificate is countersigned by a transfer agent, or registered by a registrar other than the Corporation or one of its employees. In the event any officer whose actual or facsimile signature is affixed to the certificate shall have ceased to serve as an officer before such certificate was issued, such certificate may be adopted and issued by the Corporation as though he was such officer on the issue date.

Section 11.2. Stock Records. A record shall be kept of the respective names of persons owning the Shares represented by certificates, the number of Shares represented by such certificates and the respective issue dates thereof, and in the case of cancellation, the respective dates of cancellation. Every certificate surrendered to the Corporation for exchange or transfer shall be canceled and a new certificate or certificates shall not be issued in exchange for any existing certificates until such existing certificate shall have been so canceled, except in cases otherwise provided for in this Article XI.

Section 11.3. Stock Transfer. Shares of the Corporation shall be transferred only upon the Corporation's books by the registered holder thereof, either in person, by his or her attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the Corporation, or with the Corporation's duly appointed transfer agent,

upon payment of all taxes on such transfer and surrender of properly endorsed certificates for such Shares. The Corporation shall be entitled to recognize the exclusive right of a person or entity registered on its books as the owner of Shares entitled to receive dividends and to vote as such owner, and the Corporation shall not be bound to recognize any equitable or other claim to, or interest in, such Share or Shares on the part of any other person, whether or not it shall have express or other notice thereof, except as may otherwise be required by the laws of the State of Alabama. The Corporation's obligation to effect a transfer of shares shall be subject to all provisions of the Articles of Incorporation and these Bylaws, and to any applicable restrictions on transfer imposed or permitted pursuant to such Articles of Incorporation, these Bylaws, or applicable law or agreement.

Section 11.4. Lost, Destroyed and Mutilated Certificates. The holder of any Shares shall immediately notify the Corporation of any loss, destruction or mutilation of the certificate therefor, and the Board may, in its discretion and after the expiration of such period of time as it may determine to be advisable, cause a new certificate or certificates for Corporation Shares to be issued upon the surrender of the mutilated certificate, or upon proof satisfactory to the Board of such loss or destruction of the certificate. The Board may, in its sole discretion, require the owner of the lost, destroyed or mutilated certificate, or his or her legal representatives, to give the Corporation a bond, in such sum and with such surety or sureties as it may direct, to indemnify the Corporation against any claim that may be made against it on account of the alleged loss, destruction or mutilation of any such certificate or the issuance of such new certificate.

Section 11.5. Transfer Restrictions. The Corporation shall have the right to impose restrictions upon the transfer of any or all Shares or any interest therein, or any securities or evidences of indebtedness, whether or not convertible or exchangeable into such Shares, from time to time issued, provided that notice of such restrictions as may from time to time be imposed shall be set forth conspicuously in full or in summary upon the face or back of the certificates representing such restricted Shares or other securities or evidences of indebtedness. The Corporation may, from time to time, enter into any agreement to which all, or less than all, of the holders of record of the issued and outstanding Corporation Shares shall be parties, restricting the transfer of any or all Shares represented by certificates therefor upon such reasonable terms and conditions as may be approved by the Board of Directors of the Corporation, provided notice of such transfer transactions is conspicuously set forth on the certificates representing such restricted stock.

Except where registered under the Securities Act of 1933, as amended, and applicable state securities acts, or where, in the Corporation's judgment, no transfer restrictions are imposed or required thereunder, all securities and all evidences of indebtedness which are convertible into or exchangeable for Corporation Shares or securities, shall be legended substantially as follows:

“THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE NOT REGISTERED PURSUANT TO THE SECURITIES

ACT OF 1933 OR ANY STATE SECURITIES ACT. SUCH SECURITIES SHALL NOT BE SOLD, PLEDGED, HYPOTHECATED, DONATED OR OTHERWISE TRANSFERRED OR DISPOSED OF ABSENT SUCH REGISTRATION, UNLESS, IN THE OPINION OF THE CORPORATION' S COUNSEL, SUCH REGISTRATION IS NOT REQUIRED."

This legend is non-exclusive and is in addition to other transfer restrictions which may be imposed. Other transfer restrictions and legends for purposes of complying with applicable securities laws and regulations may be imposed by action of the Board of Directors from time to time.

Section 11.6. Conditions to Transfer. As a condition to transferring Corporation Shares, or other securities or evidences of indebtedness, the Corporation shall have the right to demand from any holder requesting such transfer, evidence satisfactory in the Corporation' s sole judgment that the holder requesting the transfer has complied with any transfer restrictions imposed pursuant to Section 11.5 of this Article or otherwise lawfully imposed.

Section 11.7. Closing of Stock Transfer Books. To facilitate the Corporation' s determination of the shareholders entitled to notice of, or to vote at any meeting of shareholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of Corporation Shares, or for the purpose of any other lawful action, the Board of Directors may close the stock transfer books for a stated period, which shall not be less than 10 nor more than 50 days before the date of such meeting or other action. A determination of shareholders of record entitled to notice of or to vote at any meeting of shareholders shall apply to any adjournment of any such meeting; *provided, however*, that the Board of Directors may fix a new record date for the adjourned meeting if the stated period of closing has expired.

Section 11.8. Regulations. The Board may make such rules and regulations concerning the issue, transfer and registration of certificates for Shares of the Corporation as it may deem expedient and not inconsistent with these Bylaws. It may appoint, or authorize any principal officer or officers to appoint, one or more transfer agents and one or more registrars, and may require all certificates for Shares of the Corporation to bear the signature or signatures of any of them.

ARTICLE XII

GENERAL PROVISIONS

Section 12.1. Declaration of Dividends. Except as otherwise expressly provided by the Articles of Incorporation, dividends upon the Corporation' s Shares may be

declared by the Board of Directors at any regular or special meeting in accordance with the Company's Articles of Incorporation and with applicable law. Dividends may be paid in cash, property, or in Shares of the Corporation of any class or series.

Section 12.2. Statement of Business and Condition at Shareholders' Meetings. The Board of Directors shall present at each annual meeting, and at any special meeting of the shareholders, a clear statement of the business and condition of the Corporation.

Section 12.3. Annual Reports to Shareholders. The Board of Directors shall cause the Corporation to mail to each of its shareholders not later than 120 days after the close of each of its fiscal years, financial statements, which may be consolidated, including a balance sheet as of the end of such fiscal year and a statement of income for such fiscal year. Such financial statements shall be prepared in accordance with generally accepted accounting principles applicable to banks or in accordance with bank regulatory requirements. The financial statements shall be accompanied by a report of the Chairman of the Board or the President, the Cashier or a certified public accountant stating whether, in their opinion, the financial statements of the Corporation present fairly the financial position of the Corporation and the results of its operations.

Section 12.4. Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

Section 12.5. Corporate Seal. The corporate seal shall have inscribed thereon the name of the Corporation, the words "Seal" or "Corporate Seal," and "Alabama", as impressed in the margin hereof. The seal may be used by causing it or a facsimile thereof to be impressed, affixed, or reproduced or otherwise used on any document or instrument.

Section 12.6. Indemnification.

(a) The Corporation shall indemnify all persons who may be indemnified by the Corporation to the full extent required or permitted by law, including but not limited to the indemnification provided in Section 10-2B-8.50, *et. al.*, of the Alabama Business Corporation Act, as such Alabama Business Corporation Act or such Section 10-2B-8.50, *et. al.*, now or hereafter exists.

(b) In addition to the above, and without restricting the power or duty of the Corporation to provide indemnification, the Corporation shall:

(i) Indemnify any person who was, or is, a party, or is threatened to be made a party, to any threatened, pending or completed claim, action, suit or proceeding whether civil, criminal, administrative or investigative, including appeals, other than an action by or in the right of the Corporation, by reason of the fact that he is or was a director, officer, employee or agent of the Corporation or is, or was, serving at the request of the Corporation as a director, officer, partner, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including reasonable attorneys' fees), judgments,

finances and amounts paid in settlement actually and reasonably incurred by him in connection with such claim, action, suit, or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any claim, action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

(ii) Indemnify any person who was, or is, a party, or is threatened to be made a party, to any threatened, pending or completed claim, action or suit by, or in the right of, the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the Corporation as a director, officer, partner, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses, including attorneys' fees, actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his or her duty to the Corporation unless, and only to the extent that, the court in which such action was brought shall determine upon application that, despite the adjudication of liability, in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

(iii) Indemnify any director, officer, employee or agent of the Corporation against expenses, including reasonable attorneys' fees, actually and reasonably incurred by him in connection with any action, suit, or proceeding referred to in subsections (i) and (ii) of this Section or in defense of any claim, issue or matter therein, to the extent that he has been successful on the merits or otherwise in defense of any such action, suit or proceedings. Any indemnification under subsections (i) and (ii) of this Section, unless ordered by a court, shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in subsections (i) and (ii) of this subsection. Such determination shall be made (1) by the Board of Directors by majority vote of a quorum consisting of directors who were not parties to, or who have been wholly-successful on the merits or otherwise with respect to such claim, action, suit or proceeding; or (2) if such a quorum is not obtainable, or, even if obtainable, a quorum of disinterested

directors so directs, by independent legal counsel in a written opinion; or (3) by the shareholders.

(c) In addition to the above provisions of this section, and without restricting the power or duty of the Corporation to provide indemnification thereunder, unless prohibited by law, the Corporation may indemnify any director, officer, employee or agent under such circumstances and to the extent approved by the holders of a majority of the shares of stock of the Corporation; *provided, however*, that the shares of stock of the person or persons proposed to be indemnified shall not be included for the purpose of determining what constitutes a majority and such shares shall not be voted on the issue. Indemnification may be provided under this subsection (c) notwithstanding the fact that it has been denied, expressly or by implication, under subsections (a) or (b) of this Section.

(d) Expenses, including reasonable attorneys' fees, incurred in defending a civil or criminal claim, action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such claim, action, suit or proceeding as authorized in the manner provided in subsections (b) and (c) of this Section upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount if, and to the extent that, it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized in subsections (b) and (c) of this Section.

(e) The indemnification authorized by this Section shall not be deemed exclusive of, and shall be in addition to, any other rights to which those indemnified may be entitled under any statute, rule of law, provision of the Articles of Incorporation, these Bylaws, agreement or vote of shareholders or disinterested directors, or otherwise, both as to actions in his or her official capacity and as to actions in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent of the Corporation and shall inure to the benefit of the heirs, executors, administrators, and personal representatives of such a person.

(f) The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or who is or was serving at the request of the Corporation as a director, officer, partner, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and 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 Section or under Section 10-2B-8.50, *et. al.*, of the Alabama Business Corporation Act, as such Section 10-2B-8.50, *et. al.*, or such Act now or may hereafter exist.

ARTICLE XIII

AMENDMENT OF BYLAWS

Section 13.1. Amendment of Bylaws. These Bylaws may be altered, amended, added to, or repealed and new Bylaws adopted by the Board of Directors at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors if notice of such proposed action is contained in the notice of such special meeting. The Board of Directors may not alter, amend, add to, or repeal any Bylaw establishing what constitutes a quorum at meetings of the shareholders. These Bylaws also may be altered, amended, added to or repealed, and new Bylaws adopted by majority vote of the shareholders at any annual meeting thereof or at any special meeting if notice of such proposed action shall have been given to each shareholder.

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COMMON STOCK



COMMON STOCK



ALTRUST FINANCIAL SERVICES, INC.

Incorporated Under the Laws of the State of Alabama

CUSIP 230154 10 6

This Certifies that

SAM PLZ

is the registered owner of

FULLY PAID AND NONASSESSABLE SHARES
OF THE COMMON STOCK of
ALTRUST FINANCIAL SERVICES, INC.

(the "Corporation"), transferable on the books of the Corporation by the holder hereof in person or by duly authorized attorney upon surrender of this certificate properly endorsed. The par value of each share shall be as set forth from time to time in the Corporation's Articles of Incorporation. This Certificate and the shares represented hereby are issued and shall be held subject to all provisions

SEE REVERSE FOR CERTAIN
DEFINITIONS AND AVAILABILITY OF
A FULL STATEMENT DESCRIBING
THE CORPORATION'S CAPITAL
STOCK

Countersigned and Registered:
PEOPLES BANK OF NORTH ALABAMA
Transfer Agent and Registrar

By

Its Authorized Officer

of the Corporation's Articles of Incorporation and By-laws
and any amendments thereto, copies of which are on file in
the Corporation's main office, and to all provisions of
which the holder hereof assents.

This Certificate is not valid until countersigned by the
Transfer Agent and registered by the Registrar.

WITNESS the facsimile seal of the Corporation and the
signatures of its duly authorized officers.

Dated: _____

Secretary



President

VOID

**ALTRUST FINANCIAL SERVICES, INC.
2004 LONG-TERM INCENTIVE PLAN**

**ARTICLE 1
PURPOSE**

1.1 GENERAL. The purpose of the Altrust Financial Services, Inc. 2004 Long-Term Incentive Plan (the “Plan”) is to promote the success, and enhance the value, of Altrust Financial Services, Inc. (the “Company”), by linking the personal interests of employees, officers, directors and consultants of the Company or any Affiliate (as defined below) to those of Company shareholders and by providing such persons with an incentive for outstanding performance. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of employees, officers, directors and consultants upon whose judgment, interest, and special effort the successful conduct of the Company’s operation is largely dependent. Accordingly, the Plan permits the grant of incentive awards from time to time to selected employees, officers, directors and consultants of the Company and its Affiliates.

**ARTICLE 2
DEFINITIONS**

2.1 DEFINITIONS. When a word or phrase appears in this Plan with the initial letter capitalized, and the word or phrase does not commence a sentence, the word or phrase shall generally be given the meaning ascribed to it in this Section or in Section 1.1 unless a clearly different meaning is required by the context. The following words and phrases shall have the following meanings:

- (a) “Affiliate” means (i) any Subsidiary or Parent, or (ii) an entity that directly or through one or more intermediaries controls, is controlled by or is under common control with, the Company, as determined by the Committee.
- (b) “Award” means any Option, Stock Appreciation Right, Restricted Stock or Restricted Stock Unit Award, Performance Award, Dividend Equivalent Award, or Other Stock-Based Award, or any other right or interest relating to Stock or cash, granted to a Participant under the Plan.
- (c) “Award Certificate” means a written document, in such form as the Committee prescribes from time to time, setting forth the terms and conditions of an Award.
- (d) “Board” means the Board of Directors of the Company.
- (e) “Cause” as a reason for a Participant’s termination of employment shall have the meaning assigned such term in the employment agreement, if any, between such Participant and the Company or an Affiliate, provided, however that if there is no such employment agreement in which such term is defined, and unless otherwise defined in the applicable Award Certificate, “Cause” shall mean any of the following acts by the Participant, as determined by the Board: gross neglect of duty, prolonged absence from duty without the consent of the Company, intentionally engaging in any activity that is in conflict with or adverse to the business or other interests of the Company, or willful misconduct, misfeasance or malfeasance of duty which is reasonably determined to be detrimental to the Company.

(f) “Change of Control” means and includes the occurrence of any one of the following events but shall specifically exclude a Public Offering:

(i) individuals who, on the Effective Date, constitute the Board of Directors of the Company (the “Incumbent Directors”) cease for any reason to constitute at least a majority of such Board, provided that any person becoming a director after the Effective Date and whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors then on the Board shall be an Incumbent Director; provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to the election or removal of directors (“Election Contest”) or other actual or threatened solicitation of proxies or consents by or on behalf of any “Person” (such term for purposes of this definition being as defined in Section 3(a)(9) of the 1934 Act and as used in Section 13(d)(3) and 14(d)(2) of the 1934 Act) other than the Board (“Proxy Contest”), including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest, shall be deemed an Incumbent Director; or

(ii) any Person is or becomes a “beneficial owner” (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of either (A) 30% or more of the then-outstanding shares of common stock of the Company (“Company Common Stock”) or (B) securities of the Company representing 30% or more of the combined voting power of the Company’s then outstanding securities eligible to vote for the election of directors (the “Company Voting Securities”); provided, however, that for purposes of this subsection (ii), the following acquisitions shall not constitute a Change of Control: (v) an acquisition directly from the Company, (w) an acquisition by the Company or a Subsidiary of the Company, (x) an acquisition by a Person who is on the Effective Date the beneficial owner, directly or indirectly, of 50% or more of the Company Common Stock or the Company Voting Securities, (y) an acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary of the Company, or (z) an acquisition pursuant to a Non-Qualifying Transaction (as defined in subsection (iii) below); or

(iii) the consummation of a reorganization, merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company or a Subsidiary (a “Reorganization”), or the sale or other disposition of all or substantially all of the Company’s assets (a “Sale”) or the acquisition of assets or stock of another corporation (an “Acquisition”), unless immediately following such Reorganization, Sale or Acquisition: (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the outstanding Company Common Stock and outstanding Company Voting Securities immediately prior to such Reorganization, Sale or Acquisition beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Reorganization, Sale or Acquisition (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company’s assets or stock either directly or through one or more subsidiaries, the “Surviving Corporation”) in substantially the same proportions as their ownership, immediately prior to such Reorganization, Sale or Acquisition, of the outstanding Company Common Stock and the outstanding Company Voting Securities, as the case may be, and (B) no Person (other than (x) the Company or

any Subsidiary of the Company, (y) the Surviving Corporation or its ultimate parent corporation, or (z) any employee benefit plan (or related trust) sponsored or maintained by any of the foregoing is the beneficial owner, directly or indirectly, of 30% or more of the total common stock or 30% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Surviving Corporation, and (C) at least a majority of the members of the board of directors of the Surviving Corporation were Incumbent Directors at the time of the Board's approval of the execution of the initial agreement providing for such Reorganization, Sale or Acquisition (any Reorganization, Sale or Acquisition which satisfies all of the criteria specified in (A), (B) and (C) above shall be deemed to be a "Non-Qualifying Transaction"); or

(iv) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(g) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

(h) "Committee" means the committee of the Board described in Article 4.

(i) "Company" means Altrust Financial Services, Inc., an Alabama corporation.

(j) "Continuous Status as a Participant" means the absence of any interruption or termination of service as an employee, officer, consultant or director of the Company or any Affiliate, as applicable; provided however, that for purposes of an Incentive Stock Option, or a SAR issued in tandem with an Incentive Stock Option, "Continuous Status as a Participant" means the absence of any interruption or termination of service as an employee of the Company or any Parent or Subsidiary, as applicable. Continuous Status as a Participant shall not be considered interrupted in the case of any leave of absence authorized in writing by the Company prior to its commencement.

(k) "Disability" or "Disabled" has the same meaning as provided in the long-term disability plan or policy maintained by the Company or if applicable, most recently maintained, by the Company or if applicable, an Affiliate, for the Participant, whether or not such Participant actually receives disability benefits under such plan or policy. If no long-term disability plan or policy was ever maintained on behalf of Participant or if the determination of Disability relates to an Incentive Stock Option, Disability means Permanent and Total Disability as defined in Section 22(e)(3) of the Code. In the event of a dispute, the determination whether a Participant is Disabled will be made by the Committee and may be supported by the advice of a physician competent in the area to which such Disability relates.

(l) "Dividend Equivalent" means a right granted to a Participant under Article 11.

(m) "Effective Date" has the meaning assigned such term in Section 3.1.

(n) "Eligible Participant" means an employee, officer, consultant or director of the Company or any Affiliate.

(o) "Exchange" means any national securities exchange or, if applicable, the Nasdaq National Market on which the Stock may from time to time be listed or traded.

(p) “Fair Market Value”, on any date, means (i) if the Stock is listed on a securities exchange or is traded over the Nasdaq National Market, the closing sales price on the immediately preceding date on which sales were reported; (ii) if the Stock is not listed on a securities exchange or traded over the Nasdaq National Market, the mean between the bid and offered prices as quoted by Nasdaq for such immediately preceding trading date, provided that if it is determined that the fair market value is not properly reflected by such Nasdaq quotations, Fair Market Value will be determined by such other method as the Committee determines in good faith to be reasonable; or (iii) the fair market value of the Stock determined by such methods or procedures as may be established from time to time by the Committee, which may include the ESOP valuation of the Stock as of the end of the last fiscal year prior to such date.

(q) “Good Reason” has the meaning assigned such term in the employment agreement, if any, between a Participant and the Company or an Affiliate, provided, however that if there is no such employment agreement in which such term is defined, and unless otherwise defined in the applicable Award Certificate, “Good Reason” shall mean any of the following acts by the Company or an Affiliate without the consent of the Participant (in each case, other than an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company or an Affiliate promptly after receipt of notice thereof given by the Participant): (i) the assignment to the Participant of duties materially inconsistent with, or a material diminution in, the Participant’s position, authority, duties or responsibilities as in effect immediately prior to a Change of Control, (ii) a reduction by the Company or an Affiliate in the Participant’s base salary, (iii) the Company or an Affiliate requiring the Participant, without his or her consent, to be based at any office or location more than 35 miles from the location at which the Participant was stationed immediately prior to a Change of Control, or (iv) the continuing material breach by the Company or an Affiliate of any employment agreement between the Participant and the Company or an Affiliate after the expiration of any applicable period for cure.

(r) “Grant Date” means the date an Award is made by the Committee.

(s) “Incentive Stock Option” means an Option that is intended to be an incentive stock option and meets the requirements of Section 422 of the Code or any successor provision thereto.

(t) “Non-Employee Director” means a director of the Company who is not a common law employee of the Company or any Affiliate.

(u) “Nonstatutory Stock Option” means an Option that is not an Incentive Stock Option.

(v) “Option” means a right granted to a Participant under Article 7 of the Plan to purchase Stock at a specified price during specified time periods. An Option may be either an Incentive Stock Option or a Nonstatutory Stock Option.

(w) “Other Stock-Based Award” means a right, granted to a Participant under Article 12, that relates to or is valued by reference to Stock or other Awards relating to Stock.

(x) “Parent” means a corporation, limited liability company, partnership or other entity which owns or beneficially owns a majority of the outstanding voting stock or voting power of the Company. Notwithstanding the above, with respect to an Incentive Stock Option, Parent shall have the meaning set forth in Section 424(e) of the Code.

(y) “Participant” means a person who, as an employee, officer, director or consultant of the Company or any Affiliate, has been granted an Award under the Plan; provided that in the case of the death of a Participant, the term “Participant” refers to a beneficiary designated pursuant to Section 13.5 or the legal guardian or other legal representative acting in a fiduciary capacity on behalf of the Participant under applicable state law and court supervision.

(z) “Performance Award” means Performance Shares or Performance Units granted pursuant to Article 9.

(aa) “Performance Share” means any right granted to a Participant under Article 9 to a unit to be valued by reference to a designated number of Shares to be paid upon achievement of such performance goals as the Committee establishes with regard to such Performance Share.

(bb) “Performance Unit” means a right granted to a Participant under Article 9 to a unit valued by reference to a designated amount of cash or property other than Shares to be paid to the Participant upon achievement of such performance goals as the Committee establishes with regard to such Performance Unit.

(cc) “Person” means any individual, entity or group, within the meaning of Section 13(d)(3) or 14(d)(2) of the 1934 Act.

(dd) “Plan” means this 2004 Long-Term Incentive Plan, as amended from time to time.

(ee) “Public Offering” shall occur on the closing date of a public offering of any class or series of the Company’s equity securities pursuant to a registration statement filed by the Company under the 1933 Act.

(ff) “Restricted Stock Award” means Stock granted to a Participant under Article 10 that is subject to certain restrictions and to risk of forfeiture.

(gg) “Restricted Stock Unit Award” means the right to receive shares of Stock in the future, granted to a Participant under Article 10.

(hh) “Retirement” means a Participant’s termination of employment with the Company or an Affiliate with the Committee’s approval after attaining 75 years of combined age and service with the Company or an Affiliate.

(ii) “Shares” means shares of the Company’s Stock. If there has been an adjustment or substitution pursuant to Section 14.1, the term “Shares” shall also include any shares of stock or other securities that are substituted for Shares or into which Shares are adjusted pursuant to Section 14.1.

(jj) “Stock” means the \$0.01 par value common stock of the Company and such other securities of the Company as may be substituted for Stock pursuant to Article 14.

(kk) “Stock Appreciation Right” or “SAR” means a right granted to a Participant under Article 8 to receive a payment equal to the difference between the Fair Market Value of a Share as of the date of exercise of the SAR over the grant price of the SAR, all as determined pursuant to Article 8.

(ll) “Subsidiary” means any corporation, limited liability company, partnership or other entity of which a majority of the outstanding voting stock or voting power is beneficially owned directly or indirectly by the Company. Notwithstanding the above, with respect to an Incentive Stock Option, Subsidiary shall have the meaning set forth in Section 424(f) of the Code.

(mm) “1933 Act” means the Securities Act of 1933, as amended from time to time.

(nn) “1934 Act” means the Securities Exchange Act of 1934, as amended from time to time.

ARTICLE 3 TERM OF PLAN

3.1 EFFECTIVE DATE . The Plan was adopted by the Board on March 11, 2004. The Plan was approved by the shareholders of the Company on [_____], 2004. The Plan became effective as of the date it was approved by the shareholders of the Company.

3.2 TERMINATION OF PLAN. The Plan shall terminate on [_____], 2014, which is ten (10) years after the date on which the shareholders approved the Plan. The termination of the Plan on such date shall not affect the validity of any Award outstanding on the date of termination.

ARTICLE 4 ADMINISTRATION

4.1. COMMITTEE. The Plan shall be administered by a Committee appointed by the Board (which Committee shall consist of at least two directors) or, at the discretion of the Board from time to time, the Plan may be administered by the Board. It is intended that at least two of the directors appointed to serve on the Committee shall be “non-employee directors” (within the meaning of Rule 16b-3 promulgated under the 1934 Act) and that any such members of the Committee who do not so qualify shall abstain from participating in any decision to make or administer Awards that are made to Eligible Participants who at the time of consideration for such Award are persons subject to the short-swing profit rules of Section 16 of the 1934 Act. However, the mere fact that a Committee member shall fail to qualify under the foregoing requirements or shall fail to abstain from such action shall not invalidate any Award made by the Committee which Award is otherwise validly made under the Plan. The members of the Committee shall be appointed by, and may be changed at any time and from time to time in the discretion of, the Board. The Board may reserve to itself any or all of the authority and responsibility of the Committee under the Plan or may act as administrator of the Plan for any and all purposes. To the extent the Board has reserved any authority and responsibility or during any time that the Board is acting as administrator of the Plan, it shall have all the powers of the Committee hereunder, and any reference herein to the Committee (other than in this Section 4.1) shall include the Board. To the extent any action of the Board under the Plan conflicts with actions taken by the Committee, the actions of the Board shall control.

4.2 ACTION AND INTERPRETATIONS BY THE COMMITTEE. For purposes of administering the Plan, the Committee may from time to time adopt rules, regulations, guidelines and procedures for carrying out the provisions and purposes of the Plan and make such other determinations, not inconsistent with the Plan, as the Committee may deem appropriate. The

Committee's interpretation of the Plan, any Awards granted under the Plan, any Award Certificate and all decisions and determinations by the Committee with respect to the Plan are final, binding, and conclusive on all parties. Each member of the Committee is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of the Company or any Affiliate, the Company's or an Affiliate's independent certified public accountants, Company counsel or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

4.3 AUTHORITY OF COMMITTEE. Except as provided below, the Committee has the exclusive power, authority and discretion to:

- (a) Grant Awards;
- (b) Designate Participants;
- (c) Determine the type or types of Awards to be granted to each Participant;
- (d) Determine the number of Awards to be granted and the number of Shares to which an Award will relate;
- (e) Determine the terms and conditions of any Award granted under the Plan, including but not limited to, the exercise price, grant price, or purchase price, any restrictions or limitations on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, based in each case on such considerations as the Committee in its sole discretion determines;
- (f) Accelerate the vesting, exercisability or lapse of restrictions of any outstanding Award, in accordance with Article 13, based in each case on such considerations as the Committee in its sole discretion determines;
- (g) Determine whether, to what extent, and under what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Stock, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;
- (h) Prescribe the form of each Award Certificate, which need not be identical for each Participant;
- (i) Decide all other matters that must be determined in connection with an Award;
- (j) Establish, adopt or revise any rules, regulations, guidelines or procedures as it may deem necessary or advisable to administer the Plan;
- (k) Make all other decisions and determinations that may be required under the Plan or as the Committee deems necessary or advisable to administer the Plan;
- (l) Amend the Plan or any Award Certificate as provided herein; and

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- (m) Adopt such modifications, procedures, and subplans as may be necessary or desirable to comply with provisions of the laws of non-U.S. jurisdictions in which the Company or any Affiliate may operate, in order to assure the viability of the benefits of Awards granted to participants located in such other jurisdictions and to meet the objectives of the Plan.

Notwithstanding the above, the Board or the Committee may expressly delegate to a special committee consisting of one or more directors who are also officers of the Company some or all of the Committee's authority under subsections (a) through (i) above, except that no delegation of its duties and responsibilities may be made to officers of the Company with respect to Awards to Eligible Participants who are, or who are anticipated to become, subject to the short-swing profit rules of Section 16 of the 1934 Act. The acts of such delegates shall be treated hereunder as acts of the Committee and such delegates shall report to the Committee regarding the delegated duties and responsibilities.

4.4. AWARD CERTIFICATES. Each Award shall be evidenced by an Award Certificate. Each Award Certificate shall include such provisions, not inconsistent with the Plan, as may be specified by the Committee.

ARTICLE 5

SHARES SUBJECT TO THE PLAN

5.1. NUMBER OF SHARES. Subject to adjustment as provided in Section 14.1 and 5.2, the aggregate number of Shares reserved and available for issuance pursuant to Awards granted under the Plan shall be 250,000.

5.2. SHARE COUNTING.

(a) To the extent that an Award is canceled, terminates, expires, is forfeited or lapses for any reason, any unissued Shares subject to the Award will again be available for issuance pursuant to Awards granted under the Plan.

(b) Shares subject to Awards settled in cash will again be available for issuance pursuant to Awards granted under the Plan.

(c) Only the number of Shares issued and delivered upon exercise of a Stock Appreciation Right shall be considered for purposes of determining the number of Shares remaining available for issuance pursuant to Awards granted under the Plan.

(d) If the exercise price of an Option (but not the resulting tax obligation) is satisfied by delivering Shares to the Company (by either actual delivery or attestation), only the number of Shares issued in excess of the delivery or attestation shall be considered for purposes of determining the number of Shares remaining available for issuance pursuant to Awards granted under the Plan.

(e) To the extent that the full number of Shares subject to an Option is not issued upon exercise of the Option for any reason (other than Shares used to satisfy an applicable tax withholding obligation), only the number of Shares issued and delivered upon exercise of the Option shall be considered for purposes of determining the number of Shares remaining available

for issuance pursuant to Awards granted under the Plan. Nothing in this subsection shall imply that any particular type of cashless exercise of an Option is permitted under the Plan, that decision being reserved to the Committee.

5.3. STOCK DISTRIBUTED. Any Stock distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Stock, treasury Stock, or Stock purchased on the open market.

ARTICLE 6 ELIGIBILITY

6.1. GENERAL. Awards may be granted only to Eligible Participants; except that Incentive Stock Options may not be granted to Eligible Participants who are not employees of the Company or a Parent or Subsidiary as defined in Section 424(e) and (f) of the Code.

ARTICLE 7 STOCK OPTIONS

7.1. GENERAL. The Committee is authorized to grant Options to Participants on the following terms and conditions:

(a) EXERCISE PRICE. The exercise price per Share under an Option shall be determined by the Committee, subject to Section 7.2(a) with respect to an Incentive Stock Option.

(b) TIME AND CONDITIONS OF EXERCISE. The Committee shall determine the time or times at which an Option may be exercised in whole or in part, subject to Section 7.1(d). The Committee shall also determine the performance or other conditions, if any, that must be satisfied before all or part of an Option may be exercised or vested. The Committee may waive any exercise or vesting provisions at any time in whole or in part based upon factors as the Committee may determine in its sole discretion so that the Option becomes exercisable or vested at an earlier date. The Committee may permit an arrangement whereby receipt of Stock upon exercise of an Option is delayed until a specified future date.

(c) PAYMENT. The Committee shall determine the methods by which the exercise price of an Option may be paid, the form of payment, including, without limitation, cash, Shares, or other property (including “cashless exercise” arrangements), and the methods by which Shares shall be delivered or deemed to be delivered to Participants; provided, however, that if Shares are used to pay the exercise price of an Option, such Shares must have been held by the Participant for such period of time, if any, as necessary to avoid variable accounting for the Option.

(d) EXERCISE TERM. In no event may any Option be exercisable for more than ten years from the Grant Date.

7.2. INCENTIVE STOCK OPTIONS. The terms of any Incentive Stock Options granted under the Plan must comply with the following additional rules:

(a) EXERCISE PRICE. The exercise price of an Incentive Stock Option shall not be less than the Fair Market Value as of the Grant Date.

(b) LAPSE OF OPTION. An Incentive Stock Option shall lapse upon the earliest of the following circumstances; provided, however, that the Committee may, prior to the lapse of the

Incentive Stock Option under the circumstances described in subsections (3), (4), (5) and (6) below, provide in writing that the Option will extend until a later date, but if an Option is so extended and is exercised after the dates specified in subsections (3) and (4) below or more than three months after termination of employment for any other reason, it will automatically become a Nonstatutory Stock Option:

- (1) The expiration date set forth in the Award Certificate.
- (2) The tenth anniversary of the Grant Date.
- (3) Three months after termination of the Participant's Continuous Status as a Participant for any reason other than the Participant's Disability, death or termination by the Company for Cause.
- (4) One year after the termination of the Participant's Continuous Status as a Participant by reason of the Participant's Disability.
- (5) One year after the termination of the Participant's death if the Participant dies while employed, or during the three-month period described in paragraph (3) or during the one-year period described in paragraph (4) and before the Option otherwise lapses.
- (6) The date of the termination of the Participant's Continuous Status as a Participant if such termination is for Cause.

Unless the exercisability of the Incentive Stock Option is accelerated as provided in Article 13, if a Participant exercises an Option after termination of employment, the Option may be exercised only with respect to the Shares that were otherwise vested on the Participant's termination of employment. Upon the Participant's death, any exercisable Incentive Stock Options may be exercised by the Participant's beneficiary, determined in accordance with Section 13.5.

(c) INDIVIDUAL DOLLAR LIMITATION. The aggregate Fair Market Value (determined as of the Grant Date) of all Shares with respect to which Incentive Stock Options are first exercisable by a Participant in any calendar year may not exceed \$100,000.00.

(d) TEN PERCENT OWNERS. No Incentive Stock Option shall be granted to any individual who, at the Grant Date, owns stock possessing more than ten percent of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary unless the exercise price per Share of such Option is at least 110% of the Fair Market Value per Share at the Grant Date and the Option expires no later than five years after the Grant Date.

(e) EXPIRATION OF AUTHORITY TO GRANT INCENTIVE STOCK OPTIONS. No Incentive Stock Option may be granted pursuant to the Plan after the day immediately prior to the tenth anniversary of date the Plan was adopted by the Board, or the termination of the Plan, if earlier.

(f) RIGHT TO EXERCISE. During a Participant's lifetime, an Incentive Stock Option may be exercised only by the Participant or, in the case of the Participant's Disability, by the Participant's guardian or legal representative.

(g) ELIGIBLE GRANTEES. The Committee may not grant an Incentive Stock Option to a person who is not at the Grant Date an employee of the Company or a Parent or Subsidiary.

ARTICLE 8

STOCK APPRECIATION RIGHTS

8.1. GRANT OF STOCK APPRECIATION RIGHTS. The Committee is authorized to grant Stock Appreciation Rights to Participants on the following terms and conditions:

(a) RIGHT TO PAYMENT. Upon the exercise of a Stock Appreciation Right, the Participant to whom it is granted has the right to receive the excess, if any, of:

- (1) The Fair Market Value of one Share on the date of exercise; over
- (2) The grant price of the Stock Appreciation Right as determined by the Committee, which shall not be less than the Fair Market Value of one Share on the Grant Date in the case of any Stock Appreciation Right related to an Incentive Stock Option.

(b) OTHER TERMS. All awards of Stock Appreciation Rights shall be evidenced by an Award Certificate. The terms, methods of exercise, methods of settlement, form of consideration payable in settlement, and any other terms and conditions of any Stock Appreciation Right shall be determined by the Committee at the time of the grant of the Award and shall be reflected in the Award Certificate.

ARTICLE 9

PERFORMANCE AWARDS

9.1. GRANT OF PERFORMANCE AWARDS. The Committee is authorized to grant Performance Shares or Performance Units to Participants on such terms and conditions as may be selected by the Committee. The Committee shall have the complete discretion to determine the number of Performance Shares or Performance Units granted to each Participant and to designate the provisions of such Performance Awards as provided in Section 4.3.

9.2. PERFORMANCE GOALS. The Committee may establish performance goals for Performance Awards which may be based on any criteria selected by the Committee. Such performance goals may be described in terms of Company-wide objectives or in terms of objectives that relate to the performance of an Affiliate or a division, region, department or function within the Company or an Affiliate. If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company or the manner in which the Company or an Affiliate conducts its business, or other events or circumstances render performance goals to be unsuitable, the Committee may modify such performance goals in whole or in part, as the Committee deems appropriate. If a Participant is promoted, demoted or transferred to a different business unit or function during a performance period, the Committee may determine that the performance goals or performance period are no longer appropriate and may (i) adjust, change or eliminate the performance goals or the applicable performance period as it deems appropriate to make such goals and period comparable to the initial goals and period, or (ii) make a cash payment to the participant in amount determined by the Committee.

9.3. RIGHT TO PAYMENT. The grant of a Performance Share to a Participant will entitle the Participant to receive at a specified later time a specified number of Shares, or the equivalent cash value, if the performance goals established by the Committee are achieved and the other terms and conditions thereof are satisfied. The grant of a Performance Unit to a Participant will entitle the Participant to receive at a specified later time a specified dollar value in cash or other property, including Shares, variable under conditions specified in the Award, if the performance goals in the Award are achieved and the other terms and conditions thereof are satisfied. The Committee shall set performance goals and other terms or conditions to payment of the Performance Awards in its discretion which, depending on the extent to which they are met, will determine the number and value of the Performance Awards that will be paid to the Participant.

9.4. OTHER TERMS. Performance Awards may be payable in cash, Stock, or other property, and have such other terms and conditions as determined by the Committee and reflected in the Award Certificate. For purposes of determining the number of Shares to be used in payment of a Performance Award denominated in cash but payable in whole or in part in Shares or Restricted Stock, the number of Shares to be so paid will be determined by dividing the cash value of the Award to be so paid by the Fair Market Value of a Share on the date of determination by the Committee of the amount of the payment under the Award, or, if the Committee so directs, the date immediately preceding the date the Award is paid.

ARTICLE 10

RESTRICTED STOCK AND RESTRICTED STOCK UNIT AWARDS

10.1. GRANT OF RESTRICTED STOCK AND RESTRICTED STOCK UNITS. The Committee is authorized to make Awards of Restricted Stock or Restricted Stock Units to Participants in such amounts and subject to such terms and conditions as may be selected by the Committee. An Award of Restricted Stock or Restricted Stock Units shall be evidenced by an Award Certificate setting forth the terms, conditions, and restrictions applicable to the Award.

10.2. ISSUANCE AND RESTRICTIONS. Restricted Stock or Restricted Stock Units shall be subject to such restrictions on transferability and other restrictions as the Committee may impose (including, without limitation, limitations on the right to vote Restricted Stock or the right to receive dividends on the Restricted Stock). These restrictions may lapse separately or in combination at such times, under such circumstances, in such installments, upon the satisfaction of performance goals or otherwise, as the Committee determines at the time of the grant of the Award or thereafter. Except as otherwise provided in an Award Certificate, the Participant shall have all of the rights of a shareholder with respect to the Restricted Stock, and the Participant shall have none of the rights of a stockholder with respect to Restricted Stock Units until such time as Shares of Stock are paid in settlement of the Restricted Stock Units.

10.3. FORFEITURE. Except as otherwise determined by the Committee at the time of the grant of the Award or thereafter, upon termination of Continuous Status as a Participant during the applicable restriction period or upon failure to satisfy a performance goal during the applicable restriction period, Restricted Stock or Restricted Stock Units that are at that time subject to restrictions shall be forfeited; provided, however, that the Committee may provide in any Award Certificate that restrictions or forfeiture conditions relating to Restricted Stock or Restricted Stock Units will be waived in whole or in part in the event of terminations resulting from specified causes, and the Committee may in other cases waive in whole or in part restrictions or forfeiture conditions relating to Restricted Stock or Restricted Stock Units.

10.4. DELIVERY OF RESTRICTED STOCK. Shares of Restricted Stock shall be delivered to the Participant at the time of grant either by book-entry registration or by delivering to the Participant, or a custodian or escrow agent (including, without limitation, the Company or one or more of its employees) designated by the Committee, a stock certificate or certificates registered in the name of the Participant. If physical certificates representing shares of Restricted Stock are registered in the name of the Participant, such certificates must bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock.

ARTICLE 11

DIVIDEND EQUIVALENTS

11.1 GRANT OF DIVIDEND EQUIVALENTS. The Committee is authorized to grant Dividend Equivalents to Participants subject to such terms and conditions as may be selected by the Committee. Dividend Equivalents shall entitle the Participant to receive payments equal to dividends with respect to all or a portion of the number of Shares of Stock subject to an Award, as determined by the Committee. The Committee may provide that Dividend Equivalents be paid or distributed when accrued or be deemed to have been reinvested in additional Shares of Stock, or otherwise reinvested.

ARTICLE 12

STOCK OR OTHER STOCK-BASED AWARDS

12.1. GRANT OF STOCK OR OTHER STOCK-BASED AWARDS. The Committee is authorized, subject to limitations under applicable law, to grant to Participants such other Awards that are payable in, valued in whole or in part by reference to, or otherwise based on or related to Shares, as deemed by the Committee to be consistent with the purposes of the Plan, including without limitation Shares awarded purely as a “bonus” and not subject to any restrictions or conditions, convertible or exchangeable debt securities, other rights convertible or exchangeable into Shares, and Awards valued by reference to book value of Shares or the value of securities of or the performance of specified Parents or Subsidiaries. The Committee shall determine the terms and conditions of such Awards.

ARTICLE 13

PROVISIONS APPLICABLE TO AWARDS

13.1. STAND-ALONE, TANDEM, AND SUBSTITUTE AWARDS. Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or (subject to Section 15.2(c)) in substitution for, any other Award granted under the Plan. If an Award is granted in substitution for another Award, the Committee may require the surrender of such other Award in consideration of the grant of the new Award. Awards granted in addition to or in tandem with other Awards may be granted either at the same time as or at a different time from the grant of such other Awards.

13.2. TERM OF AWARD. The term of each Award shall be for the period as determined by the Committee, provided that in no event shall the term of any Incentive Stock Option or a Stock Appreciation Right granted in tandem with the Incentive Stock Option exceed a period of ten years from its Grant Date (or, if Section 7.2(d) applies, five years from its Grant Date).

13.3. FORM OF PAYMENT FOR AWARDS. Subject to the terms of the Plan and any applicable law or Award Certificate, payments or transfers to be made by the Company or an

Affiliate on the grant or exercise of an Award may be made in such form as the Committee determines at or after the Grant Date, including without limitation, cash, Stock, other Awards, or other property, or any combination, and may be made in a single payment or transfer, in installments, or on a deferred basis, in each case determined in accordance with rules adopted by, and at the discretion of, the Committee.

13.4. LIMITS ON TRANSFER. No right or interest of a Participant in any unexercised or restricted Award may be pledged, encumbered, or hypothecated to or in favor of any party other than the Company or an Affiliate, or shall be subject to any lien, obligation, or liability of such Participant to any other party other than the Company or an Affiliate. No unexercised or restricted Award shall be assignable or transferable by a Participant other than by will or the laws of descent and distribution or, except in the case of an Incentive Stock Option, pursuant to a domestic relations order that would satisfy Section 414(p)(1)(A) of the Code if such Section applied to an Award under the Plan; provided, however, that the Committee may (but need not) permit other transfers where the Committee concludes that such transferability (i) does not result in accelerated taxation, (ii) does not cause any Option intended to be an Incentive Stock Option to fail to be described in Code Section 422(b), and (iii) is otherwise appropriate and desirable, taking into account any factors deemed relevant, including without limitation, state or federal tax or securities laws applicable to transferable Awards.

13.5. BENEFICIARIES. Notwithstanding Section 13.4, a Participant may, in the manner determined by the Committee, designate a beneficiary to exercise the rights of the Participant and to receive any distribution with respect to any Award upon the Participant's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights under the Plan is subject to all terms and conditions of the Plan and any Award Certificate applicable to the Participant, except to the extent the Plan and Award Certificate otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Committee. If no beneficiary has been designated or survives the Participant, payment shall be made to the Participant's estate. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Participant at any time provided the change or revocation is filed with the Committee.

13.6. COMPLIANCE WITH LAWS. All Stock issuable under the Plan is subject to any stop-transfer orders and other restrictions as the Committee deems necessary or advisable to comply with federal or state securities laws, rules and regulations and the rules of any national securities exchange or automated quotation system on which the Stock is listed, quoted, or traded. The Committee may place legends on any Stock certificate or issue instructions to the transfer agent to reference restrictions applicable to the Stock.

13.7. ACCELERATION UPON DEATH, DISABILITY OR RETIREMENT. Except as otherwise provided in the Award Certificate, upon the Participant's death or Disability during his or her Continuous Status as a Participant, or upon the Participant's Retirement, all of such Participant's outstanding Options, SARs, and other Awards in the nature of rights that may be exercised shall become fully exercisable and all restrictions on his or her outstanding Awards shall lapse. Any exercisable Awards shall thereafter continue or lapse in accordance with the other provisions of the Plan and the Award Certificate. To the extent that this provision causes Incentive Stock Options to exceed the dollar limitation set forth in Section 7.2(c), the excess Options shall be deemed to be Nonstatutory Stock Options.

13.8. ACCELERATION UPON A CHANGE OF CONTROL. Except as otherwise provided in the Award Certificate, all of a Participant's outstanding Options, SARs and other Awards in the nature of rights that may be exercised shall become fully exercisable and all

restrictions on his or her outstanding Awards shall lapse if the Participant's employment is terminated without Cause or the Participant resigns for Good Reason within two years after the effective date of a Change of Control.

13.9. ACCELERATION FOR OTHER REASONS. Regardless of whether an event has occurred as described in Section 13.7 or 13.8 above, the Committee may in its sole discretion at any time determine that all or a portion of a Participant's Options, SARs and other Awards in the nature of rights that may be exercised shall become fully or partially exercisable, and/or that all or a part of the restrictions on all or a portion of a Participant's outstanding Awards shall lapse, in each case, as of such date as the Committee may, in its sole discretion, declare. The Committee may discriminate among Participants and among Awards granted to a Participant in exercising its discretion pursuant to this Section 13.9.

13.10 EFFECT OF ACCELERATION. If an Award is accelerated under Section 13.8 or Section 13.9, the Committee may, in its sole discretion, provide (i) that the Award will expire after a designated period of time after such acceleration to the extent not then exercised, (ii) that the Award will be settled in cash rather than Stock, (iii) that the Award will be assumed by another party to a transaction giving rise to the acceleration or otherwise be equitably converted or substituted in connection with such transaction, (iv) that the Award may be settled by payment in cash or cash equivalents equal to the excess of the Fair Market Value of the underlying Stock, as of a specified date associated with the transaction, over the exercise price of the Award, or (v) any combination of the foregoing. The Committee's determination need not be uniform and may be different for different Participants whether or not such Participants are similarly situated. To the extent that such acceleration causes Incentive Stock Options to exceed the dollar limitation set forth in Section 7.2(c), the excess Options shall be deemed to be Nonstatutory Stock Options.

13.11. TERMINATION OF EMPLOYMENT. Whether military, government or other service or other leave of absence shall constitute a termination of employment shall be determined in each case by the Committee at its discretion, and any determination by the Committee shall be final and conclusive. A Participant's Continuous Status as a Participant shall not be deemed to terminate (i) in a circumstance in which a Participant transfers from the Company to an Affiliate, transfers from an Affiliate to the Company, or transfers from one Affiliate to another Affiliate, or (ii) in the discretion of the Committee as specified at or prior to such occurrence, in the case of a spin-off, sale or disposition of the Participant's employer from the Company or any Affiliate. To the extent that this provision causes Incentive Stock Options to extend beyond three months from the date a Participant is deemed to be an employee of the Company, a Parent or Subsidiary for purposes of Sections 424(e) and 424(f) of the Code, the Options held by such Participant shall be deemed to be Nonstatutory Stock Options.

ARTICLE 14

CHANGES IN CAPITAL STRUCTURE

14.1. GENERAL. In the event of a corporate event or transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares), the authorization limits under Section 5.1 shall be adjusted proportionately, and the Committee may adjust Awards to preserve the benefits or potential benefits of the Awards. Action by the Committee may include: (i) adjustment of the number and kind of shares which may be delivered under the Plan; (ii) adjustment of the number and kind of shares subject to outstanding Awards; (iii) adjustment of the exercise price of outstanding Awards or the measure to be used to determine the amount of the benefit payable on an Award; and (iv)

any other adjustments that the Committee determines to be equitable. In addition, the Committee may, in its sole discretion, provide (i) that Awards will be settled in cash rather than Stock, (ii) that Awards will become immediately vested and exercisable and will expire after a designated period of time to the extent not then exercised, (iii) that Awards will be assumed by another party to a transaction or otherwise be equitably converted or substituted in connection with such transaction, (iv) that outstanding Awards may be settled by payment in cash or cash equivalents equal to the excess of the Fair Market Value of the underlying Stock, as of a specified date associated with the transaction, over the exercise price of the Award, or (v) any combination of the foregoing. The Committee's determination need not be uniform and may be different for different Participants whether or not such Participants are similarly situated. Without limiting the foregoing, in the event of a subdivision of the outstanding Stock (stock-split), a declaration of a dividend payable in Shares, or a combination or consolidation of the outstanding Stock into a lesser number of Shares, the authorization limits under Section 5.1 shall automatically be adjusted proportionately, and the Shares then subject to each Award shall automatically be adjusted proportionately without any change in the aggregate purchase price therefor.

ARTICLE 15

AMENDMENT, MODIFICATION AND TERMINATION

15.1. AMENDMENT, MODIFICATION AND TERMINATION. The Board or the Committee may, at any time and from time to time, amend, modify or terminate the Plan without shareholder approval; provided, however, that if an amendment to the Plan would, in the reasonable opinion of the Board or the Committee, (i) materially increase the number of Shares available under the Plan, (ii) expand the types of awards available under the Plan, (iii) materially expand the class of participants eligible to participate in the Plan, (iv) materially extend the term of the Plan, or (v) otherwise constitute a material change requiring shareholder approval under applicable laws, policies or regulations or the applicable listing or other requirements of an Exchange, then such amendment shall be subject to shareholder approval; and provided further, that the Board or Committee may condition any other amendment or modification on the approval of shareholders of the Company for any reason, including by reason of such approval being necessary or deemed advisable to (i) permit Awards made hereunder to be exempt from liability under Section 16(b) of the 1934 Act, (ii) to comply with the listing or other requirements of an Exchange, or (iii) to satisfy any other tax, securities or other applicable laws, policies or regulations.

15.2. AWARDS PREVIOUSLY GRANTED. At any time and from time to time, the Committee may, without additional consideration, amend, modify or terminate any outstanding Award without approval of the Participant; provided, however:

(a) Subject to the terms of the applicable Award Certificate, such amendment, modification or termination shall not, without the Participant's consent, reduce or diminish the value of such Award determined as if the Award had been exercised, vested, cashed in or otherwise settled on the date of such amendment or termination (with the per-share value of an Option or Stock Appreciation Right for this purpose being calculated as the excess, if any, of the Fair Market Value as of the date of such amendment or termination over the exercise or base price of such Award);

(b) The original term of an Option may not be extended without the prior approval of the shareholders of the Company;

(c) Except as otherwise provided in Article 14, the exercise price of an Option may not be reduced, directly or indirectly, without the prior approval of the shareholders of the Company; and

(d) No termination, amendment, or modification of the Plan shall adversely affect any Award previously granted under the Plan, without the written consent of the Participant affected thereby. An outstanding Award shall not be deemed to be “adversely affected” by a Plan amendment if such amendment would not reduce or diminish the value of such Award determined as if the Award had been exercised, vested, cashed in or otherwise settled on the date of such amendment (with the per-share value of an Option or Stock Appreciation Right for this purpose being calculated as the excess, if any, of the Fair Market Value as of the date of such amendment over the exercise or base price of such Award).

ARTICLE 16

GENERAL PROVISIONS

16.1. NO RIGHTS TO AWARDS; NON-UNIFORM DETERMINATIONS. No Participant or any Eligible Participant shall have any claim to be granted any Award under the Plan. Neither the Company, its Affiliates nor the Committee is obligated to treat Participants or Eligible Participants uniformly, and determinations made under the Plan may be made by the Committee selectively among Eligible Participants who receive, or are eligible to receive, Awards (whether or not such Eligible Participants are similarly situated).

16.2. NO STOCKHOLDER RIGHTS. No Award gives a Participant any of the rights of a shareholder of the Company unless and until Shares are in fact issued to such person in connection with such Award.

16.3. WITHHOLDING. The Company or any Affiliate shall have the authority and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes (including the Participant’s FICA obligation) required by law to be withheld with respect to any exercise, lapse of restriction or other taxable event arising as a result of the Plan. If Shares are surrendered to the Company to satisfy withholding obligations in excess of the minimum withholding obligation, such Shares must have been held by the Participant as fully vested shares for such period of time, if any, as necessary to avoid variable accounting for the Award. With respect to withholding required upon any taxable event under the Plan, the Committee may, at the time the Award is granted or thereafter, require or permit that any such withholding requirement be satisfied, in whole or in part, by withholding from the Award Shares having a Fair Market Value on the date of withholding equal to the minimum amount (and not any greater amount) required to be withheld for tax purposes, all in accordance with such procedures as the Committee establishes.

16.4. NO RIGHT TO CONTINUED SERVICE. Nothing in the Plan, any Award Certificate or any other document or statement made with respect to the Plan, shall interfere with or limit in any way the right of the Company or any Affiliate to terminate any Participant’s employment or status as an officer, director or consultant at any time, nor confer upon any Participant any right to continue as an employee, officer, director or consultant of the Company or any Affiliate, whether for the duration of a Participant’s Award or otherwise.

16.5. UNFUNDED STATUS OF AWARDS. The Plan is intended to be an “unfunded” plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award

Certificate shall give the Participant any rights that are greater than those of a general creditor of the Company or any Affiliate.

16.6. INDEMNIFICATION. To the extent allowable under applicable law, each member of the Committee shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense (including, but not limited to, attorneys fees) that may be imposed upon or reasonably incurred by such member in connection with or resulting from any claim, action, suit, or proceeding to which such member may be a party or in which he may be involved by reason of any action or failure to act under the Plan and against and from any and all amounts paid by such member in satisfaction of judgment in such action, suit, or proceeding against him provided he gives the Company an opportunity, at its own expense, to handle and defend the same before he undertakes to handle and defend it on his own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

16.7. RELATIONSHIP TO OTHER BENEFITS. No payment under the Plan shall be taken into account in determining any benefits under any pension, retirement, savings, profit sharing, group insurance, welfare or benefit plan of the Company or any Affiliate unless provided otherwise in such other plan.

16.8. EXPENSES. The expenses of administering the Plan shall be borne by the Company or its Affiliates.

16.9. TITLES AND HEADINGS. The titles and headings of the Sections in the Plan are for convenience of reference only, and in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

16.10. GENDER AND NUMBER. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

16.11. FRACTIONAL SHARES. No fractional Shares shall be issued and the Committee shall determine, in its discretion, whether cash shall be given in lieu of fractional Shares or whether such fractional Shares shall be eliminated by rounding up or down.

16.12. GOVERNMENT AND OTHER REGULATIONS.

(a) Notwithstanding any other provision of the Plan, no Participant who acquires Shares pursuant to the Plan may, during any period of time that such Participant is an affiliate of the Company (within the meaning of the rules and regulations of the Securities and Exchange Commission under the 1933 Act), sell such Shares, unless such offer and sale is made (i) pursuant to an effective registration statement under the 1933 Act, which is current and includes the Shares to be sold, or (ii) pursuant to an appropriate exemption from the registration requirements of the 1933 Act, such as that set forth in Rule 144 promulgated under the 1933 Act.

(b) Notwithstanding any other provision of the Plan, if at any time the Committee shall determine that the registration, listing or qualification of the Shares covered by an Award upon any Exchange or under any foreign, federal, state or local law or practice, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in

connection with, the granting of such Award or the purchase or receipt of Shares thereunder, no Shares may be purchased, delivered or received pursuant to such Award unless and until such registration, listing, qualification, consent or approval shall have been effected or obtained free of any condition not acceptable to the Committee. Any Participant receiving or purchasing Shares pursuant to an Award shall make such representations and agreements and furnish such information as the Committee may request to assure compliance with the foregoing or any other applicable legal requirements. The Company shall not be required to issue or deliver any certificate or certificates for Shares under the Plan prior to the Committee's determination that all related requirements have been fulfilled. The Company shall in no event be obligated to register any securities pursuant to the 1933 Act or applicable state or foreign law or to take any other action in order to cause the issuance and delivery of such certificates to comply with any such law, regulation or requirement.

16.13. GOVERNING LAW. To the extent not governed by federal law, the Plan and all Award Certificates shall be construed in accordance with and governed by the laws of the State of Alabama.

16.14 ADDITIONAL PROVISIONS. Each Award Certificate may contain such other terms and conditions as the Committee may determine; provided that such other terms and conditions are not inconsistent with the provisions of the Plan.

16.15. NO LIMITATIONS ON RIGHTS OF COMPANY. The grant of any Award shall not in any way affect the right or power of the Company to make adjustments, reclassification or changes in its capital or business structure or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets. The Plan shall not restrict the authority of the Company, for proper corporate purposes, to grant or assume awards, other than under the Plan, to or with respect to any person. If the Committee so directs, the Company may issue or transfer Shares to an Affiliate, for such lawful consideration as the Committee may specify, upon the condition or understanding that the Affiliate will transfer such Shares to a Participant in accordance with the terms of an Award granted to such Participant and specified by the Committee pursuant to the provisions of the Plan.

The foregoing is hereby acknowledged as being the Altrust Financial Services, Inc. 2004 Long-Term Incentive Plan as adopted by the Board on March 11, 2004 and approved by the shareholders on April 22, 2004.

ALTRUST FINANCIAL SERVICES, INC.
2004 STOCK OPTION PLAN FOR OUTSIDE DIRECTORS

1. PURPOSE. The purpose of the Altrust Financial Services, Inc. 2004 Stock Option Plan for Outside Directors (the “Plan”) is to advance the interests of Altrust Financial Services, Inc. (the “Company”) by encouraging ownership of the Company’s common stock (the “Common Stock”) by non-employee directors of the Company, thereby giving such directors an increased incentive to devote their efforts to the success of the Company.

2. ADMINISTRATION. Grants of options under this Plan are automatic. The Company’s Board of Directors (the “Board”) or a committee appointed by the Board composed of at least two members of the Board (which may be the Compensation Committee of the Board) shall have complete and conclusive authority to interpret the Plan and to make all other determinations necessary or advisable for the administration of the Plan.

3. ELIGIBILITY. All active Outside Directors shall automatically be participants in the Plan. For purposes of the Plan, an “Outside Director” means a director of the Company who is not an employee of the Company, or any of its subsidiaries or affiliates.

4. SHARES SUBJECT TO PLAN. Subject to adjustment in accordance with the provisions of Section 12, the maximum number of shares of Common Stock for which options may be granted under the Plan shall be 750,000, and the initial adoption of the Plan by the Board shall constitute a reservation of 750,000 authorized but unissued, or reacquired, shares of Common Stock for issuance only upon the exercise of options granted under the Plan. In the event that any outstanding option granted under the Plan for any reason expires or is terminated prior to the end of the period during which options may be granted under the Plan, the shares of Common Stock allocable to the unexercised portion of such option may again be subject in whole or in part to any option granted under the Plan.

5. GRANT OF OPTIONS. Subject to the availability of shares under the Plan, on November 1, 2004, each Outside Director shall, if he so elects in writing, be granted, in lieu of director fees for the 2004 term year, an option (“Option”) to purchase 8,400 shares of the Company’s Common Stock, subject to adjustment as provided in Section 12. On each subsequent November 1 during the term of this Plan, each Outside Director who is serving in such capacity as of such date shall, if he so elects in writing, be granted, in lieu of director fees for the then-current term year, an Option to purchase 8,400 shares of Common Stock, subject to adjustment pursuant to Section 12. Each such day that Options are to be granted under the Plan is referred to hereinafter as a “Grant Date.”

6. REDUCED GRANTS. If on any Grant Date, shares of Common Stock are not available under this Plan to grant to Outside Directors the full amount of a grant contemplated by Section 5, then each Outside Director shall receive an Option to purchase shares of Common Stock in an amount equal to the number of shares of Common Stock then available under the Plan divided by the number of Outside Directors as of the applicable Grant Date (a “Reduced Grant”). Fractional shares shall be ignored and not granted. If a Reduced Grant has been made and, thereafter, during the term of this Plan, additional shares of Common Stock become available for grant (e.g., because of the forfeiture or lapse of an Option), then each person who was an Outside Director both on the Grant Date on which the Reduced Grant was made and on the date additional shares of Common Stock become available (a “Continuing Outside Director”) shall receive an additional Option to purchase shares of Common Stock. The number of newly available shares shall be divided equally among the Options granted to the Continuing Outside Directors;

provided, however, that the aggregate number of shares of Common Stock subject to a Continuing Outside Director's additional Option plus any prior Reduced Grant to the Continuing Outside Director on the applicable Grant Date shall not exceed 8,400 shares of Common Stock (subject to adjustment pursuant to Section 12). If more than one Reduced Grant has been made, available Options shall be granted beginning with the earliest such Grant Date.

7. VESTING AND EXERCISE OF OPTIONS.

(a) Vesting and Exercisability. Each Option granted under the Plan shall, unless earlier terminated as provided hereinafter in Section 8, become exercisable on the fifth anniversary of the Grant Date and shall expire on the date ten (10) years after Grant Date of the Option.

(b) Exercise Price. The price for each Option (the "Exercise Price") granted under the Plan shall be the Fair Market Value of the shares of Common Stock subject to the Option on the Grant Date of the Option. For purposes of the Plan, "Fair Market Value" on any date, means (i) if the Common Stock is listed on a securities exchange or is traded over the Nasdaq National Market, the closing sales price on the immediately preceding date on which sales were reported; (ii) if the Common Stock is not listed on a securities exchange or traded over the Nasdaq National Market, the mean between the bid and offered prices as quoted by Nasdaq for such immediately preceding trading date, provided that if it is determined that the fair market value is not properly reflected by such Nasdaq quotations, Fair Market Value will be determined by such other method as the Board or a committee of the Board determines in good faith to be reasonable; or (iii) the fair market value of the Common Stock determined by such methods or procedures as may be established from time to time by the Board or a committee of the Board, which may include, among other things, the ESOP valuation of the Common Stock as of the end of the last fiscal year prior to such date.

(c) Method of Exercise. All Options granted under the Plan shall be exercised by an irrevocable written notice directed to the Secretary of the Company at the Company's principal place of business. Except in the case of a "cashless exercise" through a broker, such written notice shall be accompanied by payment in full of the Exercise Price for the shares for which such Option is being exercised; provided, however, that there shall be no such exercise at any one time as to fewer than one hundred (100) shares or all of the remaining shares then purchaseable by the person exercising the Option, if fewer than one hundred (100) shares. The Exercise Price shall be payable in United States dollars upon the exercise of the Option and may be paid in cash, by check, or in shares of Common Stock having a total fair market value on the date of exercise equal to the Exercise Price; provided that if the shares surrendered in payment of the exercise price were themselves acquired pursuant to the exercise of a stock Option, such shares must have been held by the Outside Director for such period of time, if any, as necessary to avoid variable accounting for the Option. To the extent permitted under Regulation T of the Federal Reserve Board, and subject to applicable securities laws and the authorization of the Board, the Option may be exercised through a broker in a so-called "cashless exercise" whereby the broker sells the Option shares and delivers cash sales proceeds to the Company in payment of the Exercise Price.

Subject to the terms of this Agreement, the Option may be exercised at any time and without regard to any other Option held by Outside Director to purchase Common Stock of the Company. No fractional shares of Common Stock shall be issued upon exercise of the Option.

All Common Stock issuable under the Plan is subject to any stop-transfer orders and other restrictions as the Board, or the committee administering the Plan, deems necessary or

advisable to comply with federal or state securities laws, rules and regulations and the rules of any national securities exchange or automated quotation system on which the Common Stock is listed, quoted, or traded. The Board, or the committee administering the Plan, may place legends on any Common Stock certificate or issue instructions to the transfer agent to reference restrictions applicable to the Common Stock.

8. EFFECT OF TERMINATION OF DIRECTORSHIP OR DEATH.

(a) Termination of Directorship. Upon termination of any Outside Director' s membership on the Board for any reason other than for cause or death, the Options held by the Outside Director under the Plan shall terminate ninety (90) days following the date of termination of the Outside Director' s membership on the Board or, if earlier, on the date of expiration of the Options as provided by Section 7(a) of the Plan. If the Outside Director exercises the Options after termination of the Outside Director' s service on the Board, the Outside Director may exercise the Options only with respect to the shares that were otherwise exercisable on the date of termination of the Outside Directors' service on the Board. Such exercise otherwise shall be subject to the terms and conditions of the Plan.

(b) Cause. If the Outside Director' s membership on the Board is terminated for cause (as determined by the Board), all Options granted to such Outside Director shall expire upon such termination.

(c) Death. In the event of the death of a Outside Director, the Outside Director' s beneficiaries (pursuant to Section 11), personal representatives, heirs or legatees may exercise the Options held by the Outside Director on the date of death, upon proof satisfactory to the Company of their authority. The Options must be exercised within one (1) year after the Outside Director' s death and in any event prior to the date on which the Options expire as provided by Section 7(a) of the Plan. Such exercise otherwise shall be subject to the terms and conditions of the Plan.

9. RESTRICTIONS ON TRANSFER AND PLEDGE. The Options may not be pledged, encumbered, or hypothecated to or in favor of any party other than the Company or an affiliate, nor shall they be subject to any lien, obligation, or liability of the Outside Director to any party other than the Company or an affiliate. The Options are not assignable or transferable by the Outside Director other than by will or the laws of descent and distribution. The Options may be exercised during the lifetime of the Outside Director only by the Outside Director.

10. AWARD AGREEMENT. All awards of Options under this Plan shall be evidenced by a written Award Agreement between the Company and the Outside Director, which shall include such provisions, not inconsistent with the Plan, as may be specified by the Board or the committee administering the Plan.

11. BENEFICIARIES. An Outside Director may, in the manner determined by the Board, designate a beneficiary to exercise the rights of the Outside Director and to receive any distribution with respect to any Option upon his or her death. A beneficiary, legal guardian, legal representative, or other person claiming any rights under the Plan is subject to all terms and conditions of the Plan and any Award Agreement applicable to the Outside Director, except to the extent the Plan and Award Agreement otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Board. If no beneficiary has been designated or survives the Outside Director, payment shall be made to the Outside Director' s estate. Subject to the

foregoing, a beneficiary designation may be changed or revoked by a Outside Director at any time provided the change or revocation is filed with the Secretary of the Company.

12. ADJUSTMENTS. In the event that the Board determines that any distribution (whether in the form of cash, Common Stock, other securities, or other property), recapitalization, reclassification, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Common Stock or other securities of the Company, issuance of warrants or other rights to purchase Common Stock or other securities of the Company, or other similar corporate transaction or event, in the Board's sole discretion, affects the Common Stock such that an adjustment is determined by the Board to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to an award or awards hereunder, then the Board shall, in such manner as it may deem equitable, adjust the number and type of shares (or other securities or property) which may be granted under the Plan. Any decision of the Board pursuant to the terms of this Section 12 shall be final, binding and conclusive upon the Outside Directors, the Company and all other interested parties. Without limiting the foregoing, in the event of a subdivision of the outstanding Common Stock (stock-split), a declaration of a dividend payable in shares of Common Stock, or a combination or consolidation of the outstanding Common Stock into a lesser number of shares, the authorization limit under Section 4 shall automatically be adjusted proportionately and any outstanding Options shall automatically be adjusted proportionately.

13. AMENDMENT, MODIFICATION AND TERMINATION OF PLAN. The Board may, at any time and from time to time, amend, modify or terminate the Plan without shareholder approval; *provided, however*, that if an amendment to the Plan would, in the reasonable opinion of the Board, (i) materially increase the number of shares of Common Stock available under the Plan, (ii) expand the types of awards available under the Plan, (iii) materially extend the term of the Plan, or (iv) otherwise constitute a material change requiring shareholder approval under applicable laws, policies, or regulations or the applicable listing or other requirements of a securities exchange on which the Common Stock is listed or traded, then such amendment shall be subject to shareholder approval; and *provided further*, that the Board may condition any other amendment or modification on the approval of the shareholders of the Company for any reason.

14. GENERAL PROVISIONS.

(a) Rights as Shareholder. Neither the Outside Director nor the Outside Director's successors shall have rights as a shareholder of the Company with respect to shares of Common Stock covered by the Outside Director's Option until the Outside Director or the Outside Director's successors become the holder of record of such shares.

(b) No Options after Ten Years. No Options shall be granted except within a period of ten (10) years after the Effective Date of the Plan.

(c) No Obligation to Exercise Option. The granting of an Option shall impose no obligation upon the Outside Director to exercise such Option.

(d) Duration of the Plan. The Plan shall remain in effect until the day immediately following the 2014 annual meeting of Company shareholders, unless terminated earlier by the Board.

(e) Expenses of the Plan. The expenses of administering the Plan shall be borne by the Company.

(f) Effective Date. The Plan was originally adopted by the Board on March 11, 2004 and was approved by the shareholders on April 22, 2004. The Plan became effective as of the date it was approved by the shareholders of the Company (the “Effective Date”).

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ALTRUST FINANCIAL SERVICES, INC.
SAVINGS AND EMPLOYEE STOCK OWNERSHIP PLAN
[Amendment 4; Effective 1/1/1997]

(As Amended and Restated January 1, 1987)

ARTICLE I
INTRODUCTION

1.01 History of the Plan.

Effective January 1, 1985, Peoples Bank of Cullman County adopted and established a qualified employee stock ownership plan ("Prior Plan") for the exclusive benefit of its eligible employees. Effective as of March 31, 1987, Cullman Bancshares, Inc. became the parent holding company of Peoples Bank of Cullman County and at the same time assumed sponsorship of the Prior Plan.

1.02 New Plan.

Effective January 1, 1987, the Prior Plan is continued in an amended, renamed and restated form as set forth in its entirety in this document for the purpose of complying with the provisions of the Employee Retirement Income Security Act of 1974 as amended and maintaining qualification under Sections 401(a) and 4975(e)(7) of the Internal Revenue Code of 1986, as amended. The Plan has been amended to permit a cash or deferred arrangement under Code Section 401(k). The provisions of the Plan relating to the cash or deferred arrangement shall become effective as of a date selected by the Employer. Cullman Bancshares, Inc. shall be the sponsor of the Plan and Peoples Bank of Cullman County will also adopt this document as an Affiliated Sponsor.

1.03 Effective Date.

Notwithstanding the fact that the Plan was amended and restated effective January 1, 1987, certain provisions of the Plan shall have effective dates prior to the date of the Plan's amendment and restatement.

1.04 Protection of Certain Rights.

Notwithstanding anything to the contrary in this Plan, this restatement shall not diminish the right of any Participant to an optional benefit that existed under the Plan as of December 31, 1989, but only to the extent that such optional benefit form must be protected under Section 411(d)(6) of the Code.

Composite Plan Incorporating Amendments 1 - 8 (*In Italics*)

1.05 Purposes of the Plan.

The purpose of this Plan is to enable participating Employees to share in the growth, prosperity and ownership of the Company and its Affiliates and to provide Participants with an opportunity to obtain beneficial interests in the stock of the Company and to accumulate capital for their future economic security. Accordingly, the Trust under the Plan is designed to be invested primarily in Company Stock and the Plan may be used to accomplish the following objectives:

- (a) To provide Participants with beneficial ownership of Company Stock;
- (b) To receive loans (or other extensions of credit) to finance the acquisition of Company Stock, with such loans secured primarily by a commitment by the Employer to make Employer Contributions to the Trust in amounts sufficient to enable principal and interest on such loans to be repaid; and
- (c) To encourage thrift on the part of Participants by allowing them to accumulate tax-deferred savings.

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Composite Plan Incorporating Amendments 1 - 8 (*In Italics*)

ARTICLE 2
DEFINITIONS

Certain terms in this Plan and the Trust Agreement have special meanings which are set forth in this Article and which shall govern unless the context in which they are used clearly indicates that some other meaning is intended.

- 2.01 Account shall mean the total of a Participant's Investment Account and ESOP Account.
- 2.02 Adjustment shall mean the pro rata allocation to a Participant's Account of the amount of net earnings or losses plus the amount of net appreciation or depreciation experienced by such Account as such amounts are determined by the Committee or the Trustee on a reasonable and non-discriminatory basis.
- 2.03 Affiliated Sponsor shall mean any corporation and any other entity that wishes to adopt this Plan; provided, however, that any such entity described in this paragraph must be designated by the Chief Executive Officer or Board as an Affiliated Sponsor under the Plan. See Section 13.07 for provisions related to an Affiliated Sponsor's adoption of the Plan.
- 2.04 Affiliates shall mean the Employer and any corporation which is a member of a controlled group of corporations (as defined in Code Section 414(b)) which includes the Employer; any trade or business which is under common control (as defined in Code Section 414(c)) with the Employer; any organization which is a member of an affiliated service group (as defined in Code Section 414(m)) which includes the Employer; and any other entity required to be aggregated with the Employer pursuant to regulations under Code Section 414(o).
- 2.05 Authorized Leave of Absence shall mean any layoff or any absence authorized by an Employer under that Employer's standard personnel practices provided that all persons under similar circumstances must be treated alike in the granting of such Authorized Leaves of Absence and provided that the Participant returns to employment within the period of authorized absence. An absence due to service in the Armed Forces of the United States shall be considered an Authorized Leave of Absence to the extent required by federal law.
- 2.06 Beneficiary shall mean for unmarried Participants, any individual(s), trust(s), estate(s), partnership(s), corporation(s) or other entity or entities designated by the Participant in accordance with procedures established by the Committee to receive any distribution to which the Participant is entitled under the Plan by reason of the death of the Participant. The Committee may require certification by a Participant in any form it deems appropriate of the Participant's marital status prior to accepting or honoring any Beneficiary designation. Any Beneficiary designation shall be void if the Participant

revokes the designation or marries. Any Beneficiary designation shall be void to the extent it conflicts with the terms of a qualified domestic relations order.

If an unmarried Participant fails to designate a Beneficiary or if the designated Beneficiary fails to survive the Participant and the Participant has not designated a contingent Beneficiary, the Beneficiary shall be the Participant's estate.

A married Participant's Beneficiary shall be his spouse at the time of his death unless the Participant has designated a nonspouse Beneficiary (or Beneficiaries) with the written consent of his spouse given in the presence of a Notary Public or Plan Representative on a form provided by the Committee, or unless the terms of a qualified domestic relations order require payment to a nonspouse Beneficiary. A married Participant's designation of a nonspouse Beneficiary in accordance with the preceding sentence shall remain valid until revoked by the Participant or until the Participant marries a spouse who has not consented to a designation in accordance with the preceding sentence. A married Participant may designate a new nonspouse Beneficiary without the written consent of his spouse only if the initial consent given by the spouse expressly permits designations by the Participant without further spousal consent.

2.07 Board shall mean the Board of Directors of the Company.

2.08 Code shall mean the Internal Revenue Code of 1986, as it may be amended from time to time.

2.09 Committee shall mean the Committee appointed by the Board under Article 8 to administer the Plan.

2.10 Company shall mean *Altrust Financial Services, Inc.* and its successors and assigns which adopt this Plan. **[Amendment 4; Effective 1/1/1997]**

2.11 Company Stock shall mean shares of any class of capital stock issued by the Company which constitute "employer securities" under Section 4975(e)(8) of the Code.

2.12 Compensation shall mean a Participant's earned income, wages, salaries and commissions reported on Form W-2 and other amounts received for personal services actually rendered in the course of employment with the Employer for any Plan Year and including Elective Deferrals under this Plan, or elective contributions that are not includible in the gross income of an Employee under Section 125. Effective for Plan Years beginning January 1, 1989, no more than \$200,000 (multiplied by the Cost of Living Factor) in Compensation shall be taken into account for any Participant under this Plan.

In addition to other applicable limitations set forth in the Plan, and notwithstanding any other provision of the Plan to the contrary, for Plan Years beginning on or after January 1, 1994, the annual compensation of each employee taken into account under the Plan shall not exceed the OBRA '93 annual compensation limit. The OBRA '93 annual

compensation limit is \$150,000, as adjusted by the Commissioner for increases in the cost of living in accordance with Section 401(a)(17)(B) of the Internal Revenue Code. The cost-of-living adjustment in effect for a calendar year applies to any period, not exceeding 12 months, over which compensation is determined (determination period) beginning in such calendar year. If a determination period consists of fewer than 12 months, the OBRA '93 annual compensation limit will be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator of which is 12.

For plan years beginning on or after January 1, 1994, any reference in this Plan to the limitation under Section 401(a)(17) of the Code shall mean the OBRA '93 annual compensation limit set forth in this provision.

[Amendment 2; Effective 1/1/1994]

For Plan Years beginning on or after January 1, 2001, "Compensation" shall include elective amounts that are not includible in the gross income of a Participant by reason of Code Section 132(f)(4).

[Amendment 7; Effective 1/1/2001]

- 2.13 Cost of Living Factor shall mean the cost of living factor prescribed by the Secretary of the Treasury under Section 415(d) of the Code, as applied to such items and in such manner as the Secretary may provide.
- 2.14 Credited Service shall mean the period of service as an Employee of the Employer which shall be measured in accordance with the following rules:
- (a) An Employee shall receive credit for all Credited Service under the terms of the Prior Plan. Any Participant in the Prior Plan who is not an Employee on the Effective Date shall have his Credited Service determined under the terms of the Prior Plan.
 - (b) An Employee shall receive one year of Credited Service for any Plan Year including the year in which employment commences and the year in which employment terminates, during which the Employee is credited with 1,000 or more Hours of Service.
 - (c) An Employee shall not receive any Credited Service for any period of employment during any Plan Year if the Employee is credited with less than 1,000 Hours of Service during such Plan Year.
 - (d) An Employee shall not receive Credited Service for any period of employment which precedes a Five-Year Break in Service, if:
 - (i) as of the first day of the Five-Year Break in Service, the Employee was not entitled to a vested benefit under the Plan; or

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- (ii) The Employee receives a distribution of the vested portion of his Account and fails to restore his Account within the periods described in Section 6.07.
- (e) An Employee shall not receive Credited Service following a Five-Year Break in Service for the purposes of determining his vested interest in his Account existing prior to the Five-Year Break in Service.
- (f) For purposes of determining Credited Service, periods of employment of an Employee with any Affiliate shall be deemed to be employment with the Employer and shall be credited subject to the rules of this Section.
- (g) *Credited Service shall include any period of employment with a predecessor employer prior to its acquisition by the Employer (regardless of whether such acquisition is a stock or asset acquisition) to the extent set forth in Schedule A. Schedule A may also include special rules or exceptions regarding Credited Service applicable to a predecessor employer. [Amendment 4; Effective 2/20/1998]*
- 2.15 Disability shall mean loss or loss of use of a member or bodily function or any other physical or mental condition which, in the judgment of the Committee, based upon medical reports and other evidence satisfactory to the Committee, presumably permanently prevents an Employee from engaging in any substantially gainful activity by reason of a medically determined physical or mental impairment which can be expected to result in death or be of long continuous and indefinite duration.
- 2.16 Effective Date shall mean January 1, 1987.
- 2.17 Elective Deferral Account shall mean the portion of a Participant's Account attributable to Elective Deferrals and the total of the Adjustments which have been credited to or deducted from a Participant's Account with respect thereto.
- 2.18 Elective Deferral shall mean contributions made to the Plan during the Plan Year by the Employer at the election of the Participant, in lieu of cash compensation and that are made pursuant to a salary reduction agreement. Such contributions are nonforfeitable when made and distributed only as specified in Article 6.
- 2.19 Employee. *Except for those Employees identified in the following sentence, "Employee" shall mean any person engaged in rendering personal services to and under the control or supervision of an Employer who is receiving Compensation from an Employer, and any person on an Authorized Leave of Absence. The following Employees shall not be eligible to participate in the Plan:*
- (i) *leased employees described in Code Section 414(n),*

(ii) *leased employees not described in Section 414(n) (e.g., a leased employee who has been employed for less than one year) shall not participate in the Plan, and*

(iii) *employees classified by the Employer as an independent contractor for purposes of withholding and payment of employment taxes, regardless of whether the Employer is required to make Social Security contributions on behalf of such individual, including any person the Employer classifies as an independent contractor with such individual's consent, but who later becomes reclassified as an Employee. For purposes of this subparagraph (iii), any individual who pays or agrees to pay self-employment tax in lieu of withholding shall be deemed to have consented to his or her designation as an independent contractor. Any independent contractor who subsequently becomes reclassified as an Employee may only participate in this Plan, subject to the terms of the Plan, prospectively from the date of such reclassification rather than from the effective date of such change.*

However, any leased employee identified in (i) and (ii) above shall accrue years of Credited Service (as described in Section 2.14) for vesting purposes only.

[Amendment 4; Effective 1/1/1997]

2.20 Employer shall mean the Company and any Affiliated Sponsor which may hereafter adopt this Plan for the benefit of its Employees.

2.21 Employer Contribution shall mean Matching Contributions, Profit Sharing Contributions or Qualified Nonelective Contributions.

2.22 Entry Date shall mean the first calendar day of any month of each Plan Year. **[Amendment 5; Effective 1/1/2000].**

2.23 ERISA shall mean the Employee Retirement Income Security Act of 1974, as it may be amended from time to time.

2.24 ESOP shall have the meaning set forth in Section 7.02.

2.25 ESOP Account shall have the meaning set forth in Section 7.02.

2.26 Five-Year Break in Service shall mean a period of five consecutive One-Year Breaks in Service. A period of an Authorized Leave of Absence shall not result in a Five-Year Break in Service if employment is resumed immediately upon expiration of such period.

2.27 Highly Compensated Employee. See Article 14. **[Amendment 4; Effective 1/1/1997]**

2.28 Hour of Service shall mean:

- (a) Each hour for which an Employee is paid, or entitled to payment, for performance of duties for an Employer or Employers.
- (b) Each hour for which an Employee is paid, or entitled to payment, by an Employer or Employers, on account of a period of time during which no duties are performed (irrespective of whether the employment relationship is terminated) due to vacation, holiday, illness, incapacity, layoff, jury duty, military duty, or leave of absence; provided that in no event shall an Employee receive credit for more than 501 Hours of Service for any single continuous period of non-working time.
- (c) Each hour for which an Employee is absent from work by reason of: (i) the pregnancy of the Employee, (ii) birth of a child of the Employee, (iii) placement of a child with the Employee in connection with the adoption of the child by the Employee, or (iv) caring for a child referred to in paragraphs (i) through (iii) immediately following birth or placement. Hours credited under this paragraph shall be credited at the rate of 8 hours per day, but shall not, in the aggregate, exceed the number of hours required to prevent the Employee from incurring a One-Year Break in Service (a maximum of 501 hours) during the first Plan Year in which a One-Year Break in Service would otherwise occur, provided, however, that this rule shall apply only to the Plan Year in which the absence from work begins and the immediately following Plan Year.
- (d) Each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Employer. These hours shall be credited to the Employee for the computation period or period to which the award or agreement pertains, rather than the computation period in which the award, agreement, or payment is made.
- (e) In lieu of the foregoing, an Employee who is not compensated on an hourly basis (such as salary, commission or piecework employees) shall be credited with 45 Hours of Service for each week in which such Employee would be credited with Hours of Service in hourly pay. However, this method of computing Hours of Service may not be used for any Employee whose Hours of Service is required to be counted and recorded by any Federal law, such as the Fair Labor Standards Act. Any such method must yield an equivalency of at least 1,000 hours per computation period.

The following rules shall apply in determination of whether an Employee completes an “Hour of Service”:

- 1. The same hours shall not be credited under subparagraphs (a), (b) or (c) above, as the case may be, and subparagraph (d) above, nor shall the same hours credited under subparagraphs (a) through (d) above be credited under subparagraph (e) above.

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2. The rules relating to determining hours of service for reasons other than the performance of duties and for crediting hours of service to particular periods of employment shall be those rules stated in Department of Labor regulations Title 29, Chapter XXV, Subchapter C, Part 2530, Sections 200b(2) and 200b2(d), respectively.
- 2.29 Investment Account shall mean the total non-ESOP Account established and maintained pursuant to Section 5.01(b) of this Plan by the Committee or Trustee for each Participant, former Participant or their Beneficiaries to which shall be allocated a portion of each Participant's interest in the Trust.
- 2.30 Investment Fund shall mean the separate funds under the Trust which are distinguished by their investment objectives, as more fully described in Section 5.03.
- 2.31 Matching Contribution shall have the meaning defined in Section 4.02(a).
- 2.32 Matching Contribution Account shall mean the portion of a Participant's total Account attributable to Matching Contributions, and the total of the Adjustments which have been credited to or deducted from a Participant's Account with respect to Matching Contributions.
- 2.33 Non-Highly Compensated Employee shall mean any Employee eligible to participate in the Plan who is not a Highly Compensated Employee.
- 2.34 Normal Retirement Date shall mean the last day of the calendar month coinciding with or next following the Participant's 65th birthday.
- 2.35 One-Year Break in Service shall mean any Plan Year during which a Participant fails to earn at least 501 Hours of Service.
- 2.36 Participant shall mean any Employee who has elected to participate in the Plan as provided in Section 3.01, and any former Employee for whom an Account is maintained under the Plan.
- 2.37 [RESERVED.]
- 2.38 Plan shall mean the *Altrust Financial Services, Inc. Savings and Employee Stock Ownership Plan* as set forth in its entirety in this document and as this document may be amended from time to time in the future. **[Amendment 4; Effective 1/1/1997]**
- 2.39 Plan Administrator or Administrator, within the meaning of Section 3(16) of ERISA, shall mean the Company.
- 2.40 Plan Year shall mean the period beginning January 1 and ending December 31.

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- 2.41 Prior Plan shall have the meaning set forth in Section 1.01.
- 2.42 Profit Sharing Contribution shall have the meaning set forth in Section 4.02(b).
- 2.43 Profit Sharing Contribution Account shall mean the portion of a Participant' s total Account attributable to Profit Sharing Contributions, and the total of the Adjustments which have been credited to or deducted from a Participant' s Account with respect to Profit Sharing Contributions.
- 2.44 Qualified, as used in "qualified plan" or "qualified trust", shall mean a plan and trust which are entitled to the tax benefits provided respectively by Sections 401 and 501 of the Code, and related provisions of the Code.
- 2.45 Qualified Nonelective Contribution shall have the meaning set forth in Section 4.02(c).
- 2.46 Qualified Nonelective Contribution Account shall mean the portion of a Participant' s Account attributable to Qualified Nonelective Contributions, and the total of the Adjustments which have been credited to or deducted from a Participant' s Account with respect to Qualified Nonelective Contributions.
- 2.47 Retirement shall mean the Termination of Employment of a Participant on or after his Normal Retirement Date.
- 2.48 Rollover Account shall mean the portion of a Participant' s Account attributable to Rollover Contributions or the total of the Adjustments attributable to such Rollover Contributions.
- 2.49 Rollover Contributions shall have the meaning defined in Section 4.05.
- 2.50 Termination of Employment shall mean the cessation of employment with the Employer for any of the following reasons:
- (i) Voluntary resignation; or
 - (ii) Discharge by the Employer; or
 - (iii) Retirement; or
 - (iv) Death; or
 - (v) Disability.

An Employee who ceases to be actively employed by reason of an Authorized Leave of Absence shall not be deemed to have a Termination of Employment nor shall the transfer of an Employee to employment with an Affiliate constitute Termination of Employment.

- 2.51 Treasury Regulation shall mean regulations pertaining to certain Sections of the Code as issued by the Secretary of the Treasury.
- 2.52 Trust Agreement or Trust shall mean the separate Agreement of Trust entered into between the Employer and the Trustee which governs the creation of the Fund and all amendments thereto which may hereafter be made.
- 2.53 Trust Fund or Fund shall mean the cash and other properties held and administered by the Trustee in accordance with this Plan and the Trust Agreement.
- 2.54 Trustee shall mean, the persons, corporation, association or a combination of them acting as Trustee under the Trust Agreement.
- 2.55 Valuation Date shall mean with respect to Employer Contributions, the last day of each Plan Year and any other day selected by the Committee.
- 2.56 Defined Terms in General. A defined term will normally govern the definitions of derivatives therefrom even though such derivatives are not specifically defined and even if they are or are not initially capitalized. The masculine gender, where appearing in the Plan, shall be deemed to include the feminine gender, unless the context clearly indicates to the contrary. Singular and plural nouns and pronouns shall be interchangeable as the factual context may allow or require. The words “hereof,” “herein,” “hereunder” and other similar compounds of the word “here” shall mean and refer to the entire Plan and not to any particular provision or Section. A reference to a Section means a Section of this Plan unless express reference is made to another source. References to “Participants, former Participants and Beneficiaries” shall include also those who may make claims through or on behalf of such persons.

ARTICLE 3
ELIGIBILITY AND PARTICIPATION

3.01 Eligibility and Participation.

- (a) An Employee who was a Participant in the Prior Plan on the day preceding the Effective Date shall be a Participant in this Plan on the Effective Date provided he is employed on the Effective Date.
- (b) *After the Effective Date, each Employee shall be eligible to participate on the earliest Entry Date (provided he is employed on such date) following the completion of a 3 consecutive month period of employment from such Employee's initial date of hire.*

Notwithstanding the foregoing, an Employee shall be eligible to participate not later than the first to occur of:

- (i) *the Entry Date (provided he is employed on such date) immediately following the completion of a 12 consecutive month period of employment from such Employee's initial date of hire during which such Employee has at least 1,000 Hours of Service; or*
- (ii) *if the Employee fails to complete 1,000 Hours of Service during the 12 month period following his initial date of hire, the earliest Entry Date (provided he is employed on such date) following the completion of a Plan Year during which such Employee has at least 1,000 Hours of Service.*

[Amendment 5; Effective 1/1/2000]

- (c) If an Employee is not employed on the earliest Entry Date on or after which such Employee satisfied the requirements described above, but returns to work before incurring a Five-Year Break in Service, such Employee shall commence participation on the date such Employee returns to work. If the Employee fails to return to work before incurring a Five-Year Break in Service, such Employee must again satisfy the requirements of Section 3.01(b).

3.02 Termination of Participation and Rehire.

- (a) A Participant's participation in the Plan shall continue until the Participant has a Termination of Employment. Any Participant who has a Termination of Employment shall cease to be a Participant and his benefits shall thereafter be governed by the provisions of Article 6.
- (b) An Employee who was a Participant at the time of his Termination of Employment and who is subsequently rehired shall be eligible to participate in the Plan immediately on the date of his rehire.

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Composite Plan Incorporating Amendments 1 - 8 (*In Italics*)

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- (c) Any Employee who becomes eligible to participate may be asked to complete certain forms provided by the Committee on which he will designate Beneficiaries and elect to make Elective Deferrals that will be delivered to the Trustee. An Employee's participation in the Plan shall be contingent upon execution of all such forms required by the Committee.

3.03 Not Contract for Employment.

Participation in the Plan shall not give any Employee the right to be retained in the Employer's employ, nor shall any Employee, upon dismissal from or voluntary termination of his employment, have any right or interest in the Fund, except as herein provided.

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ARTICLE 4
CONTRIBUTIONS

4.01 Participant Contributions. The provisions of this Article relating to Elective Deferrals shall become effective as of a date selected by the Employer. Except during periods of suspension described in Section 4.04 and after the date the Employer permits Elective Deferrals, a Participant may elect to make pre-tax contributions to the Plan in one percent increments which are to be known as "Elective Deferrals." During any Plan Year, a Participant may contribute from 1% to 15% of his Compensation (in whole percentage increments) as an Elective Deferral.

4.02 Employer Contributions.

Contributions to the Trust shall be made by the Employer as follows:

- (a) Matching Contributions. The Employer may, in its sole discretion, contribute to the Matching Contribution Account of each Participant who during such Plan Year made an Elective Deferral. A Participant's Matching Contribution shall be equal to a percentage of the Participant's Elective Deferrals for the Plan Year.
- (b) Profit Sharing Contributions. The Board will decide, at the end of each Plan Year, whether the Employer shall make a Profit Sharing Contribution to the Plan for that year. Such Profit Sharing Contribution, if any, shall be allocated as provided in Article 7.
- (c) Qualified Nonelective Contributions. In the sole discretion of the Employer, an additional Employer Contribution may be made to the Plan which shall be known as a "Qualified Nonelective Contribution." Such contribution shall be made in order to satisfy the requirements of Section 9.03(a) and 9.06(a), and shall be allocated in accordance with Treasury Regulations to the Qualified Nonelective Contribution Accounts of Non-highly Compensated Employees who are employed on the last day of the Plan Year.
- (d) Form and Timing of Contributions.
 - (i) Employer Contributions shall be made in cash or in property acceptable to the Trustee valued at the property's fair market value on the date the property is delivered to the Trustee. Employer Contributions shall be delivered to the Trustee on or before the date prescribed by the Code for filing the Employer's federal income tax return, including authorized extensions.
 - (ii) Except as provided in this paragraph, all Employer Contributions shall be irrevocable, shall never inure to the benefit of any Employer, shall be held for the exclusive purpose of providing benefits to Participants and their

Beneficiaries (and contingently for defraying reasonable expenses of administering the Plan), and shall be held and distributed by the Trustees only in accordance with this Plan.

- (iii) Upon an Employer's request and to the extent permitted by the Code and other applicable laws and regulations thereunder, a contribution which was made by a mistake of fact, or conditioned upon the initial qualification of the Plan under Code Section 401(a) or upon the deductibility of the contribution under Section 404 of the Code shall be returned to the Employer within one year after the payment of the contribution, the denial of the Plan's initial qualification, or the disallowance of the deduction (to the extent disallowed) whichever is applicable.

4.03 Elections Regarding Elective Deferrals.

- (a) Elections to make Elective Deferrals shall be made in writing on a form prescribed by the Committee and shall be effective no earlier than the first day of the Employee's normal payroll period beginning 20 days after the Employer receives such election form. The Committee may prescribe rules and regulations regarding the manner and timing of the Participant's election. Elective Deferrals shall be deducted each pay period by the Employer from the Employee's Compensation and shall be delivered by the Employer to the Trustee as soon as is reasonably possible. Elective Deferrals shall be subject to the limitations described in Article 9.
- (b) It is expressly intended that, to the extent allowable by law, Elective Deferrals to the Plan shall not be included in the gross income of the Employee for income tax purposes and shall be deemed contributions under a cash or deferred arrangement pursuant to Section 401(k) of the Code.
- (c) *Elective Deferrals shall be contributed and allocated to the Trust as promptly as possible after the end of each regular pay period but in no event later than the time period permitted by ERISA and the Code. [Amendment 4; Effective 1/1/1997]*

4.04 Change of Elective Deferrals or Suspension of Contributions.

- (a) Increases or Decreases in Contribution Percentage. A Participant may increase or decrease the percentage of his Compensation contributed as an Elective Deferral only on the January 1 or July 1 of each Plan Year by delivery of written notice to the Committee. In order to be effective, the Participant must notify the Committee at least 20 days prior to the date that the increase or decrease will become effective.
- (b) Suspension of Contributions.

- (i) A Participant may suspend his Elective Deferrals at any time by properly completing a form prescribed by the Committee. The suspension of Elective Deferrals will be effective on the first day of the Participant's normal payroll period that begins 20 days after the Participant delivers the completed form to the Committee. A Participant may resume making Elective Deferrals only on the January 1 or July 1 following the effective date of such suspension of contributions and only after informing the Committee in writing at least 20 days prior to the date on which the Elective Deferrals are to resume.
- (ii) A Participant's Elective Deferrals shall automatically be suspended beginning on the first payroll period that commences after such Participant's Authorized Leave of Absence.
- (iii) In order to satisfy the provisions of Sections 9.03(a) and 9.06(a), the Committee may from time to time either temporarily suspend the Elective Deferrals of Highly Compensated Employees or reduce the maximum permissible Elective Deferral that may be made to the Plan by Highly Compensated Employees.
- (c) Direction by Committee. Any reduction, increase, or suspension of Elective Deferrals described in this Section 4.04 shall be made in such manner as the Committee may prescribe from time to time consistent with the provisions of this Section.

4.05 Rollover Contributions.

Without regard to the limitations on Elective Deferrals set forth in Article 9, a Participant shall be permitted to transfer to the Trustee during any Plan Year additional property acceptable to the Trustee, provided such property:

- (i) was either received by the Participant from a Qualified plan maintained by a previous employer of the Participant and qualifies as a rollover amount within the meaning of Section 402(a)(5) of the Code, or was received by the Participant from an individual retirement account or individual retirement annuity, and qualifies as a rollover contribution within the meaning of Section 408(d)(3)(A)(ii) of the Code; and
- (ii) is not subject to the joint and survivor annuity or preretirement survivor annuity provisions described in Code Sections 401(a)(11) and 417.

Such property shall be held by the Trustee in a separate account for the Participant. All such amounts so held shall at all times be fully vested and non-forfeitable. Such amounts shall be distributed to the Participant upon his Termination of Employment in the manner provided in Article 6.

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ARTICLE 5
ALLOCATIONS TO ACCOUNTS

5.01 Participant Accounts.

The Trustee shall establish and maintain a separate Account for each Participant which shall be credited with Elective Deferrals, Employer Contributions and Rollover Contributions. The Account of each Participant shall be comprised of the following sub-accounts to the extent appropriate under the circumstances:

- (a) The ESOP Account which shall be credited with Employer Profit Sharing Contributions, Allocated Shares (as defined in Section 7.02) purchased with an Acquisition Loan, earnings, and expenses, appreciation or depreciation allocable to the ESOP Account, as further described in Article 7.
- (b) The Investment Account, which shall be comprised of the following sub-accounts:
 - (i) The Matching Contribution Account and Qualified Nonelective Contribution Account which shall reflect accumulated Matching Contributions and Qualified Nonelective Contributions;
 - (ii) The Elective Deferral Account which shall reflect accumulated Elective Deferrals; and
 - (iii) The Rollover Account which shall reflect Rollover Contributions transferred to the Fund pursuant to Section 4.05.

Although the amounts credited to each sub-account may be commingled for investment purposes, the sub-accounts shall be accounted for separately and shall be credited with their proportionate shares of any Adjustment.

5.02 Allocation of Adjustments and Contributions.

- (a) Adjustments. On each Valuation Date the Committee shall allocate Adjustments as of such Valuation Date among the Accounts (excluding the Accounts reflecting directed investments of each Participant and Beneficiary). The Adjustment shall be allocated to each Account in the proportion that the value of the Participant's Account bears to the value of the Accounts of all Participants in the Trust Fund, but (i) excluding Employer Profit Sharing Contributions which are allocated as of the Valuation Date; and (ii) taking into account in an appropriate, uniform and nondiscriminatory manner (as determined by the Committee in its sole discretion) contributions and transfers to, and distributions, withdrawals, and transfers from, a Participant's Account since the preceding Valuation Date.

- (b) Employee Contributions. Elective Deferrals shall be allocated to Employee Contribution Accounts as of each Valuation Date.
- (c) Employer-Matching Contributions. Allocations to an Employee's ESOP Account shall be governed by Article 7.
- (d) Matching and Nonelective Contributions. Employer Matching Contributions and Qualified Nonelective Contributions shall be allocated to the Employer Matching Contribution Account and Qualified Nonelective Contribution Account as of each Valuation Date.

5.03 Investment Funds and Elections.

- (a) Each Participant shall direct on a form provided by the Committee to have his Account allocated or reallocated as appropriate among the Investment Funds made available by the Committee provided that such increments shall always add up to one hundred percent (100%). In the event the Committee does not offer any Investment Funds, Participants shall not be entitled to invest their accounts and the Trustee shall invest all of the assets of the Plan. A Participant's initial investment election shall allocate his entire Account among the Investment Funds and all subsequent contributions to the Account for so long as the election remains in effect.
- (b) Investment elections will remain in effect until changed by a new election. New elections may be made by a Participant four times each Plan Year. The new election will be effective only on the January 1, April 1, July 1 and October 1 of each Plan Year and provided that new elections must be received at least 10 days prior to the desired effective date. New elections shall allocate the Participant's Account between the Investment Funds. All Trust transactions reflecting investment elections among the various Investment Funds will occur as of the January 1, April 1, July 1 or October 1 upon which the elections are to take effect and the values of the various funds shall be determined as of such dates.

5.04 Errors.

Where an error or omission is discovered in any Participant's Account, the Committee shall make appropriate corrective adjustments as of the end of the Plan Year in which the error or omission is discovered. If it is not practical to correct the error ab initio, then the Committee shall take such action in its sole discretion as may be necessary to make such corrective adjustments, provided that any such actions shall treat similarly situated Participants alike and shall not discriminate in favor of Highly Compensated Employees.

5.05 Valuation For Purposes of Distributions.

- (a) Upon a Participant' s Termination of Employment, the value of such Participant' s Account to be distributed in accordance with Article 6 shall be equal to:
 - (i) The value of the Participant' s Account as of the Valuation Date coinciding with or immediately preceding the date of distribution, plus
 - (ii) Any Elective Deferrals, Rollover Contributions and Employer Contributions made since such Valuation Date, minus
 - (iii) Any distributions from his Account since such Valuation Date.
- (b) Notwithstanding the immediately preceding paragraphs, upon a Participant' s Termination of Employment for any reason, the Committee shall be authorized, in its discretion, to direct the Trustee to cause the Fund to be valued as of the last day of the calendar month in which such Termination of Employment occurs. In such event, the Trustee shall determine the value of all Accounts in the Plan in the manner provided in Section 5.01 hereof. The value so determined in respect of the terminating Employee shall be relied upon for the purpose of determining the amount to be distributed to such Employee.
- (c) *All valuations of Company Stock, where such stock is not readily tradable and where such valuations relate to activities carried on by the Plan, shall be made by one or more independent appraisers who meet the requirements, if any, of the Code and applicable Treasury Regulations. [Amendment Three; Effective 1/1/1987]*

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ARTICLE 6
VESTING AND DISTRIBUTIONS

6.01 Retirement.

Upon a Participant's Termination of Employment on or after age 65 (Normal Retirement Age), all amounts credited to the Participant's Account shall become fully vested and nonforfeitable. Such Account will be distributed in accordance with this Article.
[Amendment Three; Effective 1/1/1987]

6.02 Disability.

In the event that a Participant experiences a Termination of Employment because of a Disability, the Participant shall become 100% vested in his Account and shall be entitled to a distribution of all amounts credited to the Participant's Account in accordance with this Article.

6.03 Death.

In the event of the death of a Participant, all amounts credited to the Account of such Participant as of the date of death, valued in accordance with Article 5, shall become fully vested and nonforfeitable and shall be distributed to the deceased Participant's Beneficiary in accordance with this Article.

6.04 Termination of Employment.

- (a) Upon a Participant's Termination of Employment for any reason other than Retirement, Disability or death, the Participant shall be entitled to the vested portion of his Account valued in accordance with Article 5. That portion of the Participant's Account which is not vested upon Termination of Employment shall be subject to forfeiture by such Participant in accordance with this Section 6.04 and Section 6.07(c).
- (b) The vested portion of any Participant's Account shall be determined as follows:
 - (i) A Participant who ceases to be an Employee of the Employer shall always be one hundred percent (100%) vested in his Elective Deferral Account, his Rollover Account and his Qualified Nonelective Contribution Account.

- (ii) A Participant who ceases to be an Employee of the Employer shall have a vested interest in his Matching Contribution Account and ESOP Account as follows:

Years of Credited Service as of Date of Termination of Employment	Vested Percentage	
Less than 3 years	0	%
3 years	20	%
4 years	40	%
5 years	60	%
6 years	80	%
7 years or more	100	%

6.05 Commencement of Distributions.

- (a) *Except as provided below, the payment of a Participant's or Beneficiary's benefits under this Plan shall commence on a date selected by the Participant or Beneficiary, provided the benefit commencement date selected is after the Participant's Termination of Employment and is at least 120 days after the Participant or Beneficiary properly completes and files a benefit claim form with the Committee. Notwithstanding the preceding sentence, the payment of the portion of a Participant's or Beneficiary's ESOP Account which is attributable to allocations to the ESOP Account after January 13, 1999 shall commence on a date selected by the Participant or Beneficiary, provided the benefit commencement date selected is after the Participant's Termination of Employment, is at least 60 days after the Participant or Beneficiary properly completes and files a benefit claim form with the Committee and is after the first to occur of the following (i) the Participant's incurring a One-Year Break in Service; (ii) the Participant's Disability; (iii) the Participant's Termination of Employment if the Participant was at least age 59 1/2 upon such Termination of Employment; or (iv) the Participant's death. However, unless the Participant otherwise elects, distribution shall commence no later than 60 days after the end of the Plan Year in which occurs the latest of the following:*

- (i) *the date on which the Participant attains age 65;*
- (ii) *the tenth anniversary of the year in which the Participant commenced participation in the Plan; or*
- (iii) *the Participant's Termination of Employment.*

[Amendment 4; Effective 1/1/1998]

- (b) *Notwithstanding the foregoing, under the following circumstances the Committee shall direct the Trustee to distribute a Participant's vested Account regardless of whether the Participant or Beneficiary consents to such distribution.*

(i) Small Accounts.

(A) *Except as otherwise provided in subparagraph (B) below, if the Participant incurs a Termination of Employment with a vested Account balance of \$3,500 or less (\$5,000 or less for Plan Years beginning on or after January 1, 1998), benefits will commence within 120 days after the end of the Plan Year coincident with or immediately following the Participant's Termination of Employment. [Amendment 4; Effective 1/1/1999]*

(B) *Effective for the Applicable Period described below, the provisions of subparagraph (A) shall not be applicable for (1) any Participant who terminates employment during the Applicable Period or (2) any Participant who terminated employment prior to the Applicable Period but who has not received a distribution of his vested Account. Any distributions to Participants during the Applicable Period shall be made in accordance with Section 6.05(a). For purposes of this subparagraph (B), "Applicable Period" shall mean the period beginning on January 13, 1999 and ending on the third anniversary of such date. [Amendment 4; Effective 1/1/1998]*

(ii) *Once the Participant attains his Normal Retirement Date, benefits shall commence within 120 days after the end of the Plan Year coincident with or immediately following the Participant's Termination of Employment; or [Amendment 4; Effective 1/1/1998]*

(iii) *If a distribution is required under Section 6.09, the Participant's Account shall be distributed as provided in such Section. [Amendment 4; Effective 1/1/1998]*

(c) In the event of a Participant's request for a hardship distribution, distribution shall commence no later than 120 days after the end of the Plan Year in which such request is made. [Amendment 4; Effective 1/1/1998]

(d) The Committee may establish, for administrative purposes, uniform and nondiscriminatory guidelines concerning the commencement of benefits. [Amendment 4; Effective 1/1/1998]

6.06 Method of Distribution.

(a) *The sole method of distribution of a Participant's Account (regardless of whether such distribution is made by reason of a withdrawal or a Termination of*

Employment) shall be payment in a single lump sum, except that a Participant who has experienced a Termination of Employment and is entitled to elect an immediate distribution under Section 6.05(a), but whose distribution is not mandatory under Section 6.05(b), may elect a partial immediate lump sum, in such dollar amount as the Participant shall specify, with the remainder of the benefit to be paid in another single lump sum at a later date specified by the Participant, provided that such later commencement date complies with Section 6.09(b). [Amendment 4; Effective 1/1/1998]

- (b) Distributions from a Participant's Investment Account may be made wholly or partly in cash or in kind (provided, however, that no distribution shall be made in the form of a life annuity), provided that no discrimination in value results therefrom. A Participant may request that Employer securities earmarked for a Participant's Investment Account be delivered in kind to him or his Beneficiary; partial shares of Employer securities shall always be distributed in cash.
- (c) Distributions from a Participant's ESOP Account shall be made as provided in Section 7.06(a).
- (d) The Committee shall issue directions to the Trustee concerning the recipient, the commencement date and the method of distribution of all benefits which are to be paid from the Trust Fund pursuant to the Plan.

6.07 Disposition of Forfeitures.

- (a) When a Participant has a Termination of Employment under circumstances which do not entitle him to 100% of his Account, the entire Account shall continue to be credited with Adjustments until distribution of the vested percentage of the Account commences. If the Participant incurs a Five-Year Break in Service after such Termination of Employment and has not received a distribution of the vested portion of his Account, then his non-vested Account balance shall be forfeited as of the Valuation Date which falls on the last day of the Plan Year coinciding with or next following the date the Five-Year Break in Service occurs. Forfeitures shall be applied as described in Section 6.07(c). If, prior to the distribution of the vested portion of the Account, the terminated Participant resumes employment for the Employer and does not incur a Five-Year Break in Service, then the entire Account, as adjusted, shall become his beginning Account on the date he resumes participation in the Plan. For purposes of this Section 6.07, if the value of a Participant's vested Account is zero, the Participant shall be deemed to have received a distribution of such Account.
- (b) Once the Plan has paid to a terminated Participant who is not 100% vested the vested portion of his Account, the non-vested portion of the Account, valued as of the Valuation Date preceding or coinciding with the date of such distribution, will be forfeited and applied as described in Section 6.07(c). Such non-vested Account

balance shall be forfeited on the last day of the Plan Year in which the distribution occurred.

If the Participant resumes employment for the Employer after receiving a distribution of the vested portion of his Account, but before he incurs a Five-Year Break in Service, the Participant may repay the entire distribution to his Account within a period ending on the earlier of:

- (i) The date five years after the date of resumption of employment, or
- (ii) The close of the first period of five consecutive One-Year Breaks in Service commencing after the date of the distribution.

If the Participant repays his prior distribution within the period described above, there shall be restored to the Participant's Account, as of the last day of the Plan Year in which the repayment is made, the amount previously forfeited by the Participant. Such restoration shall be made first from available forfeitures and then from a special contribution for this purpose. Repayment of any prior distribution must be made in an amount which equals the entire amount of the distribution including amounts attributable to Elective Deferrals. If an Employee is deemed to receive a distribution pursuant to Section 6.07(a), and the Employee resumes employment with the Employer before incurring a Five-Year Break in Service, upon such reemployment, the Employee's Employer Contribution Account shall be restored in an amount equal to the amount of such Account on the date of the deemed distribution.

- (c) All amounts forfeited from a Participant's Matching Contribution Account shall first be applied to restore any amounts previously forfeited from Matching Contribution Accounts pursuant to Section 6.07(b) and any amount then remaining shall then be used to reduced Matching Contributions in the current and succeeding Plan Years. All amounts forfeited from a Participant's ESOP Account shall first be applied to restore any amounts previously forfeited from an ESOP Account pursuant to Section 6.07(b) and any amount then remaining shall be allocated pursuant to the formula set forth in Section 7.05(b)(2)(B). If all or any portion of a Participant's ESOP Account is forfeited, Company Stock allocated to the ESOP Account shall be forfeited only after other assets from such Account have been forfeited.

6.08 Application for Benefits.

The Committee may require a Participant or Beneficiary to complete and file with the Committee certain forms as a condition precedent to the payment of benefits. The Committee may rely upon all such information given to it, including the Participant's current mailing address. It is the responsibility of all Participants in the Trust Fund to keep the Committee informed of their current mailing addresses.

6.09 Special Distribution Rules.

- (a) To the extent that the distribution rules described in this Section provide a limitation upon distribution rules stated elsewhere in this Plan, the distribution rules stated in this Section shall take precedence over such conflicting rules. However, under no circumstances shall the rules stated in this Section be deemed to provide distribution rights to Participants or their Beneficiaries which are more expansive or greater than the distribution rights stated elsewhere in this Plan (such as a later beginning date for distributions or a longer payout period for distributions).
- (b) *Effective as of January 1, 1997, distribution to a Participant shall begin not later than April 1 following the later of the calendar year in which he (i) attains age 70½ or (ii) incurs a Termination of Employment (the "Required Beginning Date"); provided, however, that for a Participant who is a 5% owner as defined in Code Section 401(a)(9) and Treasury Regulations thereunder, such Participant's Required Beginning Date shall be not later than the April 1 following the calendar year in which the Participant attains age 70½, regardless of whether the Participant consents to such distribution. Prior to January 1, 1997, a Participant's Required Beginning Date shall be not later than the April 1 following the calendar year in which the Participant attains age 70½.*

However, a Participant who is not a 5% owner and who attained age 70½ after December 31, 1995, may elect to defer distribution until the April 1 following the calendar year in which the Participant incurs a Termination of Employment.

If a Participant attained age 70½ prior to January 1, 1988 and is not a 5% owner of an Employer (as defined in Code Section 401(a)(9) and the Treasury Regulations thereunder), such Participant's Required Beginning Date shall be not later than April 1 following the calendar year in which he incurs a Termination of Employment. [Amendment 6; Effective 1/1/1997]

- (c) The entire interest of each Participant in this Plan will be distributed, beginning not later than the required beginning date described in paragraph (b) above, in a single lump sum.
- (d) If a Participant dies before distribution of the Participant's interest has begun in accordance with paragraph (b) above, the entire interest of the Participant must be distributed within five years after the death of the Participant.
- (e) Notwithstanding anything to the contrary herein, distributions under the Plan will comply with Treasury Regulations issued under Code Section 401(a)(9) and any other provisions reflecting Code Section 401(a)(9) as prescribed by the Commissioner of the Internal Revenue Service.

6.09A Minimum Distribution Requirements.

(a) General Provisions.

- (i) Effective Date. *This Section 6.09A shall apply for purposes of determining required minimum distributions for calendar years beginning January 1, 2003.*
- (ii) Rules Prior to 2003. *This Plan followed the terms of the 1987 proposed regulations prior to the 2003 calendar year.*
- (iii) Precedence. *The requirements of this Section will take precedence over any inconsistent provisions of the plan.*
- (iv) Requirements of Treasury Regulations Incorporated. *All distributions required under this Section will be determined and made in accordance with the Treasury regulations under Section 401(a)(9) of the Internal Revenue Code.*
- (v) TEFRA Section 242(b)(2) Elections. *Notwithstanding the other provisions of this Section 6.09A, distributions may be made under a designation made before January 1, 1984, in accordance with section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act (TEFRA) and the provisions of the plan that relate to section 242(b)(2) of TEFRA.*

(b) Time and Manner of Distribution.

- (i) Required Beginning Date. *The Participant's entire interest will be distributed, or begin to be distributed, to the Participant no later than the Participant's Required Beginning Date.*
- (ii) Death of Participant Before Distributions Begin. *If the Participant dies before distributions begin, the Participant's entire interest will be distributed, or begin to be distributed, no later than as follows:*
 - (A) *If the Participant's surviving Spouse is the Participant's sole designated Beneficiary, then, distributions to the surviving Spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70½, if later.*
 - (B) *If the Participant's surviving Spouse is not the Participant's sole designated Beneficiary, then, except as provided in subsection (f),*

distributions to the designated Beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.

- (C) *If there is no designated Beneficiary as of September 30 of the year following the year of the Participant's death, the Participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.*
- (D) *If the Participant's surviving Spouse is the Participant's sole designated Beneficiary and the surviving Spouse dies after the Participant but before distributions to the surviving Spouse begin, this paragraph (b)(ii), other than subparagraph (b)(ii)(A), will apply as if the surviving Spouse were the Participant.*

For purposes of this paragraph (b)(ii) and subsection (d), unless subparagraph (b)(ii)(D) applies, distributions are considered to begin on the Participant's Required Beginning Date. If subparagraph (b)(ii)(D) applies, distributions are considered to begin on the date distributions are required to begin to the surviving Spouse under subparagraph (b)(ii)(A). If distributions under an annuity purchased from an insurance company irrevocably commence to the Participant before the Participant's Required Beginning Date (or to the Participant's surviving Spouse before the date distributions are required to begin to the surviving Spouse under subparagraph (b)(ii)(A)), the date distributions are considered to begin is the date distributions actually commence.

- (iii) *Forms of Distribution. Unless the Participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the Required Beginning Date, as of the first distribution calendar year distributions will be made in accordance with subsections (c) and (d) of this Section 6.09A. If the Participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Section 401(a)(9) of the Code and the Treasury regulations.*

(c) *Required Minimum Distributions During Participant's Lifetime.*

- (i) *Amount of Required Minimum Distribution For Each Distribution Calendar Year. During the Participant's lifetime, the minimum amount that will be distributed for each distribution calendar year is the lesser of:*

(A)

the quotient obtained by dividing the Participant's Account balance by the distribution period in the Uniform Lifetime Table

set forth in Section 1.401(a)(9)-9 of the Treasury regulations, using the Participant's age as of the Participant's birthday in the distribution calendar year; or

(B) *if the Participant's sole designated Beneficiary for the distribution calendar year is the Participant's Spouse, the quotient obtained by dividing the Participant's Account balance by the number in the Joint and Last Survivor Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations, using the Participant's and Spouse's attained ages as of the Participant's and Spouse's birthdays in the distribution calendar year.*

(ii) *Lifetime Required Minimum Distributions Continue Through Year of Participant's Death.* Required minimum distributions will be determined under this subsection (c) beginning with the first distribution calendar year and up to and including the distribution calendar year that includes the Participant's date of death

(d) *Required Minimum Distributions After Participant's Death*

(i) *Death On or After Date Distributions Begin*

(A) *Participant Survived by Designated Beneficiary.* *If the Participant dies on or after the date distributions begin and there is a designated Beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the longer of the remaining life expectancy of the Participant or the remaining life expectancy of the Participant's designated Beneficiary, determined as follows:*

(I) *The Participant's remaining life expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.*

(II)

If the Participant's surviving Spouse is the Participant's sole designated Beneficiary, the remaining life expectancy of the surviving Spouse is calculated for each distribution calendar year after the year of the Participant's death using the surviving Spouse's age as of the Spouse's birthday in that year. For distribution calendar years after the year of the surviving Spouse's death, the remaining life expectancy of the surviving Spouse is calculated using the age of the surviving Spouse as of the Spouse's birthday in

the calendar year of the Spouse's death, reduced by one for each subsequent calendar year.

(III) If the Participant's surviving Spouse is not the Participant's sole designated Beneficiary, the designated Beneficiary's remaining life expectancy is calculated using the age of the Beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

(B) No Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is no designated Beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the Participant's remaining life expectancy calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(ii) Death Before Date Distributions Begin

(A) Participant Survived by Designated Beneficiary. Except as provided in subsection (f), if the Participant dies before the date distributions begin and there is a designated Beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the remaining life expectancy of the Participant's designated Beneficiary, determined as provided in subsection (d)(i).

(B) No Designated Beneficiary. If the Participant dies before the date distributions begin and there is no designated Beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(C) Death of Surviving Spouse Before Distributions to Surviving Spouse Are Required to Begin. If the Participant dies before the date distributions begin, the Participant's surviving Spouse is the Participant's sole designated Beneficiary, and the surviving Spouse dies before distributions are required to begin to the surviving Spouse under subparagraph (b)(ii)(A), this

subparagraph (d)(ii) will apply as if the surviving Spouse were the Participant.

(e) Definitions.

- (i) Designated Beneficiary. *The individual who is designated as the Beneficiary under Section 2.06 of the Plan and is the designated Beneficiary under section 401(a)(9) of the Internal Revenue Code and section 1.401(a)(9)-1, Q&A-4, of the Treasury regulations.*
- (ii) Distribution Calendar Year. *A calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant's required beginning date. For distributions beginning after the Participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin under subparagraph (b)(ii). The required minimum distribution for the Participant's first distribution calendar year will be made on or before the Participant's required beginning date. The required minimum distribution for other distribution calendar years, including the required minimum distribution for the distribution calendar year in which the Participant's required beginning date occurs, will be made on or before December 31 of that distribution calendar year.*
- (iii) Life Expectancy. *Life expectancy as computed by use of the Single Life Table in section 1.401(a)(9)-9 of the Treasury regulations.*
- (iv) Participant's Account Balance. *The account balance as of the last valuation date in the calendar year immediately preceding the distribution calendar year (valuation calendar year) increased by the amount of any contributions made and allocated or forfeitures allocated to the account balance as of dates in the valuation calendar year after the valuation date and decreased by distributions made in the valuation calendar year after the valuation date. The account balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the distribution calendar year if distributed or transferred in the valuation calendar year.*
- (v) Required Beginning Date. *The date specified in Section 6.09 of the Plan.*
- (f) Election to Allow Participants or Beneficiaries to Elect 5-Year Rule.

Participants or Beneficiaries may elect on an individual basis whether the 5-year rule or the life expectancy rule in subparagraphs (b)(ii) and (d)(ii) applies to

distributions after the death of a Participant who has a designated Beneficiary. The election must be made no later than the earlier of September 30 of the calendar year in which distribution would be required to begin under subparagraph (b)(ii), or by September 30 of the calendar year which contains the fifth anniversary of the participant's (or, if applicable, surviving spouse's) death. If neither the participant nor beneficiary makes an election under this paragraph, distributions will be made in accordance with subparagraphs (b)(ii) and (d)(ii). [Amendment 8 Effective 1/1/2003]

6.10 Hardship Withdrawal of Account.

- (a) Any Participant may request the Committee to distribute to him part or all of his Elective Deferral Account valued in accordance with Article to meet a hardship experienced by the Participant.
- (b) Notwithstanding the above, hardship distributions out of the Participant's Elective Deferral Account may not exceed the sum of the Participant's Elective Deferrals in such account at the time the hardship withdrawal is made. It is the purpose of this restriction to prevent a distribution of any income or gain that is allocated to the Participant's Elective Deferral Account when making a hardship distribution out of such account.
- (c) *For the purposes of this Section, hardship shall mean an immediate and heavy financial need experienced by reason of: (1) expenses of any accident to or sickness of such Participant, his spouse or his dependents or expenses necessary to provide medical care for such Participant, his spouse or his dependents; (2) purchase of a primary residence for such Participant; (3) payment of tuition and related educational fees for the next twelve months of post-secondary education for the Participant, his spouse, children or dependents; or (4) the need to prevent the eviction of the Participant from his principal residence or foreclosure on the Participant's principal residence. [Amendment 1; Effective 1/1/1987]*
- (d) A distribution based upon financial hardship cannot exceed the amount required to meet the immediate financial need created by the hardship and not reasonably available from other resources of the Participant. In order to ensure compliance with the provisions of Section 6.10(d), the Committee may require the Participant to satisfy any or all of the provisions described below in (i), (ii), or (iii) as a condition precedent to the Participant receiving a hardship distribution:
 - (i) Certification by the Participant on a form provided by the Committee for such purpose that the financial need cannot be relieved (1) through reimbursement or payment by insurance; (2) by reasonable liquidation of the Participant's assets; (3) by ceasing Elective Deferrals under the Plan; (4) by other in-service distributions (including loans) under the Plan and

under any other plan maintained by the Employer; or (5) by borrowing from commercial Lenders on reasonable commercial terms.

(ii) Receipt by the Participant of all distributions that he is eligible to receive (including loans) under this Plan and under any other plan maintained by the Employer. In addition, the Participant must agree to the following limitations and restrictions:

(A) The Participant's Elective Deferrals shall automatically be suspended beginning on the first payroll period that commences after such Participant requests and receives a hardship distribution. Such Participant may resume making Elective Deferrals only on the January 1, April 1, July 1, or October 1 which is at least 12 months after the effective date of such suspension and only after informing the Committee in writing at least 30 days prior to the date on which the Elective Deferrals are to resume.

(e) The request to receive a hardship distribution shall be made on such forms and following such procedures as the Committee may prescribe from time to time. Under no circumstances shall the Committee permit a Participant to repay to the Plan the amount of any withdrawal by a Participant under this Section.

(f) No more than two withdrawals per Plan Year may be made by a Participant under this Section.

6.11 Loans to Participants.

The Committee shall be authorized to administer the loan program. Any Participant may request the Committee to loan to him part of his Account. Loan proceeds will be distributed within a reasonable period of time after the Participant's loan application is approved and after the Participant completes any documents deemed necessary by the Committee. In addition, the following shall apply:

(a) A Participant may have a maximum of one loan outstanding at any time.

(b) The amount of a loan made pursuant to this Section shall not exceed 50% of a Participant's vested Account balance on the Valuation Date prior to his application for such loan. The minimum loan shall be \$1,000.00. The amount of any loan shall also be subject to the limits contained in Section 6.11(c).

(c) The total loans to a Participant may not exceed the lesser of (i) \$50,000, reduced by the excess (if any) of (A) the highest outstanding balance of loans from the Plan during the one-year period ending on the day before the date on which such loan was made, over (B) the outstanding loan balance of loans from the Plan on

the date on which the loan was made, or (ii) one-half of the nonforfeitable portion of the Participant' s Account.

- (d) Each loan shall be supported by the Participant' s promissory note for the amount of the loan, including interest, payable to the order of the Trustee. In addition, each loan shall be supported by an assignment of 50% of the Participant' s right, title and interest in and to his Account and supported by any other reasonable security required by the Trustee.
- (e) Interest shall be charged on any loan at a rate determined in the sole discretion of the Committee, but shall provide the Plan with a return commensurate with the interest rates charged by persons in the business of lending monies for loans which would be made under similar circumstances in accordance with DOL Reg. § 2550.408b-1(e).
- (f) The length and the terms of the repayment of any loan shall be determined by the Committee in its sole discretion. The length of any loan shall not exceed five years. However, if the loan is used to acquire any dwelling unit which within a reasonable time after the loan is made is to be used as the principal residence of the Participant, the length of such loan shall be for a reasonable time, as determined by the Committee that may exceed five years.
- (g) Each loan shall provide for level amortization with payments to be made at such regular intervals as the Committee determines in its discretion, but not less frequently than once every three months over the term of the loan. Repayment may be made through payroll deductions and the Participant may be required to authorize such payroll deduction as a condition to receiving the loan. A full prepayment of the outstanding principal of a loan may be made at any time.
- (h) A Participant who requests a loan shall be deemed to have directed the Committee to segregate assets in his Account equal to the amount of the loan and invest such assets in the Participant' s loan.
- (i) Loans shall be available to all Participants on a reasonably equivalent basis. Except as provided herein, loans shall not be made available to Participants who are Highly Compensated Employees, officers or shareholders of the Employer in an amount which is greater than is available to other Participants.
- (j) The Committee may establish such additional guidelines and rules as it deems necessary to carry out the provisions of this Section. Such loan rules, as set forth from time to time, are specifically incorporated into the Plan by this reference.
- (k) *Loan repayments will be suspended under this Plan as permitted under Section 414(u)(4) of the Code. [Amendment 4; Effective 12/12/1994]*

6.12 Distributions Pursuant to Qualified Domestic Relations Orders.

A “qualified domestic relations order”, as defined in Code Section 414(p), may provide that any amount to be distributed to an alternate payee may be distributed to the alternate payee immediately, even if at that time the Participant is not entitled to a distribution under the Plan. The intent of this provision is to modify the Plan as permitted by Treasury Regulations Section 1.401(a)-13(g)(3).

6.13 Direct Rollovers.

(a) *This Paragraph applies to distributions made on or after January 1, 1993. Notwithstanding any provision of the Plan to the contrary that would otherwise limit a Distributee’s election under this Paragraph, a Distributee may elect, at the time and in the manner prescribed by the Plan Administrator, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the Distributee in a direct rollover.*

(b) Definitions.

Eligible Rollover Distribution. *An Eligible Rollover Distribution is any distribution of all or any portion of the balance to the credit of the Distributee, except that an Eligible Rollover Distribution does not include (i) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee and the Distributee’s designated Beneficiary, or for a specified period of ten years or more; (ii) any distribution to the extent such distribution is required under Section 401(a)(9) of the Code; and (iii) the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities.*

Eligible Retirement Plan. *An Eligible Retirement Plan is an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, or a qualified trust described in Section 401(a) of the Code, that accepts the Distributee’s Eligible Rollover Distribution. However, in the case of an Eligible Rollover Distribution to the surviving spouse, an Eligible Retirement Plan is an individual retirement account or individual retirement annuity.*

Distributee. *A Distributee includes an Employee or former Employee. In addition, the Employee’s or former Employee’s surviving spouse and the Employee’s or former Employee’s spouse or former spouse who is an alternate payee under a qualified domestic relations order, as defined in Section 414(p) of*

the Code, are Distributees with regard to the interest of the spouse or former spouse.

Direct Rollover. A Direct Rollover is a payment by the Plan to the Eligible Retirement Plan specified by the Distributee.

- (c) *If a distribution is one to which Sections 401(a)(11) and 417 of the Internal Revenue Code do not apply, such distribution may commence less than 30 days after the notice required under Section 1.411(a)-11(c) of the Income Tax Regulations is given, provided that:*
- (1) *the Plan Administrator clearly informs the Participant that the Participant has a right to a period of at least 30 days after receiving the notice to consider the decision of whether or not to elect a distribution (and, if applicable, a particular distribution option), and*
 - (2) *the Participant, after receiving this notice, affirmatively elects a distribution.*

[Amendment2; Effective 1/1/1993]

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Composite Plan Incorporating Amendments 1 - 8 (*In Italics*)

ARTICLE 7
EMPLOYEE STOCK OWNERSHIP PLAN

7.01 Introduction.

The Plan provides that Employer Profit Sharing Contributions shall be invested primarily in Company Stock and the Accounts which receive Employer Profit Sharing Contributions are hereby designated as a stock bonus employee stock ownership plan (ESOP) forming a part of the Plan as described in Treasury Regulation Sections 54.4975-11(a)(5) and 54.4975-11(a)(2). The principal terms of the stock bonus ESOP are set forth in this Article 7. See Section 7.05(d) for special rules concerning the Employer Profit Sharing Contribution if the Plan has not incurred an Acquisition Loan.

7.02 Definitions.

- (a) Acquisition Loan shall mean a loan (or other extension of credit) used by the Trustee to finance the acquisition of Company Stock, which loan may constitute an extension of credit to the Trust from a party in interest (as defined in ERISA) and is intended to be an exempt loan under Section 408(b)(3) of ERISA.
- (b) Allocated Shares shall mean shares of Company Stock which have been allocated to a Participant's ESOP Account.
- (c) ESOP shall mean this Article 7 of the Plan and the aggregate of the ESOP Accounts under this Article 7. Although the primary terms of the ESOP are set forth in this Article 7 and the Trust, the other provisions of the Plan are incorporated by reference herein.
- (d) ESOP Account shall mean that Account under the Plan which receives allocations of Company Stock.
- (e) Financed Shares shall mean shares of Company Stock acquired under the Plan with the proceeds of an Acquisition Loan.

7.03 Investment of ESOP Assets.

- (a)

The ESOP will be invested by the Trustee primarily in Company Stock, as directed by the Committee, subject to the Trustee's determination that such purchase is for not more than "adequate consideration" as defined in Section 3(18) of ERISA. The ESOP portion of the Trust may also be invested in cash or cash equivalent investments (i) for the limited purpose of making distributions to Participants and Beneficiaries; (ii) pending the investment of contributions or other cash receipts in Company Stock; (iii) pending use to repay an Acquisition Loan; (iv) for the purposes of paying fees and expenses incurred with respect to

the ESOP or the Trust and not paid for by the Employer; or (v) in the form of de minimis cash balances.

- (b) The Trustee may incur an Acquisition Loan to finance the acquisition of Company Stock (Financed Shares). The Acquisition Loan shall be for a specific term, shall bear a reasonable rate of interest and shall not be payable on demand except in the event of default. The Acquisition Loan shall be secured by a pledge of the Financed Shares so acquired. No other assets of the ESOP or the Plan may be pledged as collateral for an Acquisition Loan, and no lender shall have recourse against assets of the ESOP or the Plan other than any Financed Shares remaining subject to pledge. If the lender is a "party in interest" as defined in ERISA, the Acquisition Loan must provide for a transfer of ESOP assets on default only upon and to the extent of the failure of the ESOP to meet the payment schedule of the Acquisition Loan. Any pledge of Financed Shares must provide for the pro rata release of the shares so pledged as payments on the Acquisition Loan are made by the Trustee and such Financed Shares are allocated to Participants' ESOP Accounts under Section 7.05.

Payments of principal and/or interest on any Acquisition Loan shall be made by the Trustee only from Employer Profit Sharing Contributions paid in cash to enable the Trust to repay such Acquisition Loan, from earnings attributable to such Employer Profit Sharing Contributions, from any cash dividends received by the Trust on Financed Shares, and from any cash dividends received by the Trust on Company Stock which has been allocated to a Participant's ESOP Account. In the event that the Trustee is unable to make payments of principal and/or interest on an Acquisition Loan when due, the Committee (with the approval of the Board of Directors) may direct the Trustee to sell any Financed Shares that have not yet been allocated to Participants' ESOP Accounts or to obtain an Acquisition Loan in an amount sufficient to make such payments.

7.04 Employer Profit Sharing Contribution.

Profit Sharing Contributions to the Trust shall be made by the Employer as follows:

- (a) Profit Sharing Contributions. Each Plan Year, the Employer shall contribute to the ESOP an amount, if any, determined in the sole discretion of the Board. If the Plan has incurred an Acquisition Loan, then the Employer Profit Sharing Contribution shall be used to repay any Acquisition Loan, and any Financed Shares which are available for allocation to Participants as a result thereof shall be allocated as provided in Section 7.05(a), (b), and (c). If the Plan has not incurred an Acquisition Loan, then the Employer Profit Sharing Contribution shall be allocated as described in Section 7.05(d).
- (b) Form and Timing of Contributions. Employer Profit Sharing Contributions for each Plan Year shall be paid to the ESOP Trustee not later than the due date

(including extensions) for filing the Employer's federal income tax return for the Plan Year. Profit Sharing Contributions may be paid in cash or in shares of stock, as determined by the Committee; provided, however, that such Profit Sharing Contributions shall be paid in cash to the extent needed to provide the Trust with cash sufficient to pay any currently maturing obligations under any Acquisition Loan. The aggregate Employer Contributions and Elective Deferrals for a Plan Year shall not exceed the amount of such aggregate contribution which is deductible by the Employer under Code Section 404 for the calendar year.

7.05 Allocations to Participants' Accounts.

- (a) *Release of Financed Shares from Loan Suspense Account. Any Financed Shares acquired by the Trust shall initially be credited to a "Loan Suspense Account" and will be released from the Loan Suspense Account and be allocated to the ESOP Accounts of Participants only as payments on the Acquisition Loan are made by the Trustee, which shall occur on an Annual basis. The date on which loan payment is made shall be referred to in this Article as the "Annual Repayment Date." The aggregate number of Financed Shares to be released from the Loan Suspense Account on each Annual Repayment Date for allocation to Participants' ESOP Accounts shall be determined by the Committee (as of such Annual Repayment Date) as follows:*

The number of Financed Shares held in the Loan Suspense Account immediately before the release of Financed Shares on the Annual Repayment Date shall be multiplied by a fraction. The numerator of the fraction shall be the amount of principal and interest paid on the Acquisition Loan for that Annual payment. The denominator of the fraction shall be the sum of the numerator plus the aggregate projected payments of principal and interest on the Acquisition Loan. For this purpose, the interest to be paid in future years is to be computed by using the interest rate in effect as of the current Annual Repayment Date. Notwithstanding the foregoing, however, the number of Financed Shares released with respect to the entire Plan Year shall not be less than the number of Financed Shares that would be released for such Plan Year assuming that the interest to be paid in future years is the interest rate in effect as of the last day of such Plan Year.

[Amendment 5; Effective 1/1/2000]

- (b) *Allocations of Financed Shares to a Participant's ESOP Account. Allocations to a Participant's ESOP Account shall be made as follows:*

- (1) *Stock dividends paid on shares of Company Stock allocated to a Participant's ESOP Account shall be allocated to such Participant's ESOP Account as of the last day of such calendar month;*

- (2) *Cash dividends on Allocated Shares, cash dividends on Financed Shares, and Profit Sharing Contributions (if any) shall be used to repay the*

Acquisition Loan. The first Financed Shares which are released from the Loan Suspense Account as a result of such payment shall be allocated as follows.

- (A) *Each Participant's ESOP Account shall receive Financed Shares which have a fair market value equal to (not more or less than) the amount of cash dividends on Allocated Shares in the Participant's ESOP Account which were used to pay the Acquisition Loan as of the Annual Repayment Date. However, if the fair market value of the Financed Shares allocated to the Participant's ESOP Account under this clause (A) is less than the dollar amount of such cash dividends on Allocated Shares used to repay an Acquisition Loan, then the Employer shall make a special contribution to the ESOP Trust in such an amount that, when used with all of the amounts described in this Section 7.06(b)(2) to pay principal and interest on the Acquisition Loan, shall result in the satisfaction of such condition.*
- (B) *Any Financed Shares which remain after the allocation described in clause (A) immediately above shall be allocated by multiplying the total number of Financed Shares which remain to be allocated by a fraction, the numerator of which is the Eligible Participant's Compensation for the calendar year which precede the Annual Repayment Date, and the denominator of which is the aggregate Compensation of all Eligible Participants for the calendar year which precede the Annual Repayment Date.*

[Amendment 5; Effective 1/1/2000]

- (c) Special Rule if Employer Profit Sharing Contribution Exceeds Amount Needed to Pay the Acquisition Loan. Notwithstanding paragraph (b) above, if all or any portion of the Employer Profit Sharing Contribution exceeds the amount necessary to make the required loan payment on an Acquisition Loan as of the *Annual Repayment Date* then the Committee may direct the Trustee to not apply such excess as a prepayment of the Acquisition Loan, but instead to use such excess to purchase Company Stock. Any Company Stock so purchased shall be allocated as though it constituted Financed Shares released as of the applicable *Annual Repayment Date*. **[Amendment 6; Effective 1/1/2000]**,
- (d) Allocation of Employer Profit Sharing Contribution if Plan Has Not Incurred an Acquisition Loan.
- (i) *Notwithstanding paragraphs (b) or (c) above, at any time when the Plan does not have an Acquisition Loan, any Employer Profit Sharing Contributions shall be allocated among the ESOP Accounts of Eligible Participants as of the last day of the Plan Year with respect to which the Profit Sharing Contribution is made by multiplying the total Employer Profit Sharing Contribution by a fraction, the numerator of which is the*

Eligible Participant's Compensation for the Plan Year with respect to which the Profit Sharing Contribution is made, and the denominator of which is the aggregate Compensation of all Eligible Participants for the Plan Year with respect to which the Profit Sharing Contribution is made.

- (ii) *For allocations which are effective as of any date prior to January 1, 1991, an Eligible Participant for purposes of this Section shall mean a Participant who is an Employee of the Employer on the last day of the Plan Year and who earned a Year of Service during the Plan Year with respect to which the Profit Sharing Contribution is made, or a Participant who died, became Disabled, or Retired during the Plan Year with respect to which the Profit Sharing Contribution is made.*
- (iii) *Effective January 1, 1991, an Eligible Participant shall mean a Participant who is an Employee of the Employer on the last day of the Plan Year with respect to which the Profit Sharing Contribution is made, or a Participant who died, became Disabled, or Retired during the Plan Year with respect to which the Profit Sharing Contribution is made.*
- (iv) *The Employer Profit Sharing Contribution described in this paragraph (d) shall either be made in Company Stock or shall be used primarily to purchase Company Stock.*

[Amendment 1; Effective 1/1/1987]

7.06 Distributions from ESOP Account.

- (a) The Trustee will make distributions from the ESOP portion of the Trust only as directed by the Committee generally pursuant to the distribution rules set forth in the Plan. Distribution of a Participant's vested ESOP Account will be made in whole shares of Company Stock, cash or a combination of both, as elected by the Participant or, in the case of death or Disability, the Beneficiary. In the event an election is not made, distribution will be made, to the extent possible, in whole shares of Company Stock and the remainder in cash.
- (b) In order to comply with Code Section 401(a)(28), a Participant who has attained age 55 and completed ten years of Credited Service (a "Qualified Participant") shall be entitled to elect to diversify the investment of his Account as follows:
 - (i) The diversification election shall be made in writing on a form provided by the Committee during the 90 day period following the last day of each of the six consecutive Plan Years beginning with the first Plan Year in which the individual first became a Qualified Participant.
 - (ii) The diversification election shall be made from among no less than three investment options offered on terms consistent with regulations issued

under Code Section 401(a)(28). If the Plan does not provide alternative investment options at the time a Qualified Participant acquires the right to make a diversification election, the Committee shall distribute the portion of the Account subject to the election to the Qualified Participant no later than 90 days after the end of the election period referred to in subsection (a), provided the Participant requests the distribution in writing.

- (iii) During the first five election periods, the amount subject to a diversification or distribution election shall be no less and no more than 25% of the Participant's Account, including any amount subject to a prior election. During the sixth election period, the amount subject to a diversification election shall not exceed 50% of the Participant Account, including any amount subject to a prior election.

7.07 Dividend Distributions.

If so determined by the Committee, any cash dividends on Company Stock allocated to the ESOP Accounts may be paid currently (or within ninety (90) days after the end of the Plan Year in which the dividends are paid to the Trust) in cash to such Participants on a nondiscriminatory basis, or the Employer may pay such dividends directly to Participants. Such distributions (if any) of cash dividends to Participants may be limited to Participants who are still Employees, may be limited to dividends on shares of Company Stock which are then vested or may be applicable to dividends on all shares allocated to Participants' ESOP Accounts.

7.08 Trustee's Right of First Refusal on Distributed Company Stock.

If the Company Stock is not readily tradeable on an established market, shares of Company Stock distributed by the Trustee shall be subject to a "right of first refusal." The right of first refusal shall provide that, prior to any transfer of Company Stock by a Participant receiving a distribution, the Stock must first be offered for purchase in writing to the Employer, and then, if refused by the Employer, to the Trustee, at the Company Stock's then fair market value. A bona fide written offer from an independent and unrelated buyer shall be deemed to be the fair market value of the Company Stock. The Employer and the Trustee shall have fourteen (14) days to exercise their rights of first refusal on the same terms offered by an independent and unrelated buyer. The Employer may require that a Participant (or Beneficiary) entitled to a distribution of Company Stock under the Plan execute an appropriate stock transfer agreement which recognizes and includes the terms of the right of first refusal prior to receiving Company Stock.

Shares of Company Stock held or distributed by the Trustee may include such legend restrictions on transferability as the Employer may reasonably require in order to assure compliance with applicable federal and state securities laws and legend restrictions reflecting the right of first refusal described in this Section. Aside from the restrictions described herein, no shares of Company Stock may be subject to restrictions on

transferability or call options, except to the extent that a Participant may agree to place restrictions upon any shares of Company Stock which he is entitled to receive from the Trust.

The provisions of this Section shall apply only to shares of Company Stock held or distributed by the Trustee during any period when such shares are not readily tradeable on an established market and shall continue to apply even if the Plan ceases to be an employee stock ownership plan under Section 4975(e)(7) of the Code.

7.09 Put Option on Distributed Company Stock.

If the Company Stock is not readily tradeable on an established market, the Employer shall issue a put option to any Participant who receives a distribution of Company Stock from the Trust. The put option shall permit the Participant to sell distributed Company Stock to the Employer at any time during two option periods, at the fair market value at the date of exercise of the option. The first put option period shall be a period of at least sixty (60) days beginning on the date of distribution of Company Stock to the Participant. The second put option period shall be a period of at least sixty (60) days the next determination beginning after value of Company Stock by the appraisal (and notice to the Participant) in the Plan Year following the distribution.

The Employer may permit the Trustee to purchase Company Stock tendered to the Employer under a put option. The payment for Company Stock sold pursuant to a put option shall be made in a lump sum within 30 days of exercise of the put option or in substantially equal, annual installments over a period not exceeding five (5) years, with interest payable at a reasonable rate on any unpaid installment balance and with the provision of adequate security for the installment payments. Installment payments made pursuant to the preceding sentence shall commence within 30 days of exercise of the put option.

For the purposes of this Section, fair market value shall mean the value of Company Stock as determined by independent appraisal on the Valuation Date preceding or coinciding with the date of exercise of the put option.

The Employer or the Trustee may offer to purchase any shares of Company Stock (which are not sold pursuant to a put option) from any former Participant at any time.

The provisions of this Section shall apply only to shares of Company Stock held or distributed by the Trustee during any period when the shares are not readily tradeable on an established market and shall continue to apply even if the ESOP ceases to be an employee stock ownership plan under Section 4975(e)(7) of the Code.

7.10 Voting of Company Stock.

- (a) *While Company Stock is not readily tradable, each Participant shall have the right to direct the Committee with respect to the exercise of voting rights attributable to any shares of Company Stock then allocated to his Account where the issue subject to vote involves approval of a Company merger, consolidation, recapitalization, reclassification, liquidation, dissolution, sale of substantially all of the Company's assets, and such other transactions as may be specified in Treasury Regulations.*
- (b) *While Company Stock is readily tradable, each Participant shall have the right to direct the Committee with respect to the exercise of voting rights attributable to shares then allocated to his Account.*
- (c) *The Committee shall establish procedures for giving adequate notice to Participants for the exercise of any voting rights they may have hereunder, and for transmitting such instructions to the Trustees. With respect to shares of Company Stock which are allocated to Participant's Accounts and for which no voting instructions are timely received, such shares shall not be voted. With respect to shares of Company Stock which are held in a Loan Suspense Account as described in Section 7.05, or otherwise unallocated, the Trustee shall vote such shares in its sole discretion.*

[Amendment Three; Effective 1/1/1987]

7.11 Code Section 1042 Transactions.

- (a) *Notwithstanding any other provision hereof, in the event Company Stock is sold to the Plan and the provisions of Code Section 1042 apply to such Company Stock, no portion of the assets of the Plan (or any other plan of any Plan Sponsor or an Affiliate meeting the requirements of Code Section 401(a)) attributable to Company Stock acquired by the Plan to which Code Section 1042 applied may be allocated during the "nonallocation period" to the Account or for the benefit of (i) any taxpayer who makes an election under Code Section 1042(a) with respect to such Company Stock, (ii) any individual related to a taxpayer described in Subparagraph (i) above under the provisions of Code Section 267(b), except as set forth in Section 7.11(b), or (iii) to any person who owns (after the application of Code Section 318(a)) more than 25% of any class of Company Stock or 25% of the total value of any class of Company Stock.*
- (b) *The nonallocation provisions under Section 7.11(a) shall not apply to an individual who is a lineal descendant of a taxpayer described in Section 7.11(a)(i) if the aggregate amount allocated to the Accounts and for the benefit of all such lineal descendants during the "nonallocation period" does not exceed more than 5% of the Company Stock (or amounts allocated in lieu thereof) held by the Plan which is sold to the Plan by any person related to such descendants (within the*

meaning of code Section 267(c)(4)) and for which such person elected Code Section 1042 treatment.

- (c) *A person shall be deemed to be described in Section 7.11(a)(iii) if the Participant satisfies the provisions thereof at any time during the one-year period ending on the date of the sale of Company Stock to the Plan to which Code Section 1042 applied or on the date on which any Company Stock acquired by the Plan to which Code Section 1042 applied is allocated to Participants.*
- (d) *To the extent that shares of Company Stock are acquired by the Plan in a transaction in which one or more sellers elect Code Section 1042 treatment with respect to some, but not all shares of Company Stock acquired, shares of Company Stock with respect to which a Code Section 1042 election has not been made by the sellers shall not be subject to the restrictions set forth in this Section 7.11.*
- (e) *To the extent that shares of Company Stock which are subject to the restrictions of paragraphs (a) and (b) are distributed to Plan Participants and repurchased by the Trustee under Section 7.08 or otherwise, or such shares are repurchased by the Trustee under Section 7.09, such shares of Company Stock which are repurchased shall not be subject to the restrictions of this Section.*

[Amendment Three; Effective 1/1/1987]

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ARTICLE 8
ADMINISTRATION OF THE PLAN

8.01 Named Fiduciaries.

- (a) The following parties are named as Fiduciaries of the Plan and shall have the authority to control and manage the operation and administration of the Plan:
 - (i) The Employer;
 - (ii) The Board of Directors;
 - (iii) The Trustee; and
 - (iv) The Committee (“Plan Administrator”).
- (b) The Fiduciaries named above shall have only the powers and duties hereinafter expressly enumerated and shall have no other powers and duties under the Plan. In discharging their powers and duties hereunder, the Fiduciaries shall act in accordance with the standard of fiduciary duty set forth in Section 8.05.

8.02 The Board of Directors.

- (a) The Board shall have the following powers and duties with respect to the Plan:
 - (i) to appoint and remove the Trustee and the members of the Committee;
 - (ii) to amend any or all of the provisions of the Plan; and
 - (iii) to terminate the Plan in whole or in part.
- (b) The Board shall have no other responsibilities with respect to the Plan.
- (c) The Board may delegate any or all of its responsibilities hereunder.

8.03 The Trustee.

The Trustee shall exercise all of the powers and duties assigned to the Trustee as set forth in the Trust Agreement. The Trustee shall have no other responsibilities with respect to the Plan.

- (a) The Committee shall consist of one or more individuals who shall be appointed by and serve at the pleasure of the Board. The Board may appoint the Committee by designating certain job titles or standing committees of the Employer whereupon the individual(s) serving in the designated positions or on the designated committees shall automatically be members of the Committee for as long as they retain the designated title or committee membership. Any Participant, officer, or director of the Employer shall be eligible to be appointed a member of the Committee and all members shall serve as such without compensation. No member of the Committee may participate in discussions or votes relating solely to himself or to his rights and benefits under the Plan. Upon termination of his employment with the Employer, or upon ceasing to be an officer or director, if not a Participant, a member of the Committee shall automatically cease to be a member of the Committee unless otherwise directed by the Board. The Board shall have the right to remove any member of the Committee at any time. A Committee member may resign at any time by written notice to the Committee or the Board. The Committee shall by written notice keep the Trustee notified of current membership of the Committee, its officers and agents. The Committee shall, on request, furnish to the Trustee a certified signature card for each member of the Committee and for all purposes hereunder the Trustee shall be conclusively entitled to rely upon such certified signatures.
- (b) Absent direction from the Board, the Committee may act at a meeting or, by written consent, without a meeting. All resolutions, determinations and other actions shall be by a majority vote of all members of the Committee, including actions in writing taken without a meeting. The Committee may appoint such agents, who need not be members of the Committee, as it deems necessary for the effective performance of its duties (including legal counsel and other professional advisors) and may delegate to such agents such powers and duties, whether ministerial or discretionary, as the Committee deems expedient or appropriate. The compensation of such agents shall be fixed by the Committee, provided, however, that in no event shall compensation be paid if such payment violates the provisions of Section 406 of ERISA and is not exempted from such prohibitions by Section 408 of ERISA. All usual and reasonable expenses of the Committee (or other Fiduciaries or agents) may be paid in whole or in part by the Employer and any expenses not so paid shall be paid by the Trustees out of the principal or income of the Trust Fund. The Committee may authorize in writing one member to sign on its behalf any instructions of the Committee for any party.
- (c) As Plan Administrator, the Committee (except as expressly otherwise provided herein) shall have complete control of the administration of the Plan with all powers necessary to enable it to carry out properly the provisions of the Plan. In addition to all implied powers and responsibilities necessary to carry out the objectives of the Plan and to comply with the requirements of ERISA and the

Code, the Committee shall have the following specific powers and responsibilities:

- (i) to construe the Plan and Trust Agreement and to determine all questions arising in the administration, interpretation and operation of the Plan and to adopt such rules and bylaws as it may find necessary for the proper administration, interpretations and operations of the Plan, provided that all interpretations, determinations and decisions of the Committee in respect of any matter hereunder shall be final, conclusive and binding upon the Employer, Participants, and all other persons claiming any interest under the Plan, subject only to the Claims Procedure described in Section 8.06 and rights granted under ERISA;
- (ii) to decide all questions relating to the eligibility of Employees to participate in the Employer Contributions, forfeitures and other benefits provided in the Plan and the Trust Agreement;
- (iii) to determine the benefits of the Plan to which any Participant, former Participant, Beneficiary, or any other person may be entitled, including commencement date and method of distribution as provided above;
- (iv) to administer the Claims Procedure established under Section 8.06;
- (v) to keep records of all acts and determinations of the Committee, and to keep all such records, books of accounts, data and other documents as may be necessary for the proper administration of the Plan, including reports from the Trustee concerning the financial condition of the Trust Fund and receipts and distributions thereto and therefrom;
- (vi) to prepare and distribute to all Employees, Participants, Beneficiaries, and other persons, information concerning the Plan and their rights under the Plan, including, but not limited to, all information which is required to be distributed by ERISA or the Code, the regulations issued thereunder, or by any other applicable law;
- (vii) to file with any government officials or agencies or other persons such reports and additional documents as may be required by ERISA and the Code and regulations issued thereunder;
- (viii) to do all things necessary to operate and administer the Plan in accordance with its provisions and in compliance with applicable laws and regulations; and
- (ix) to delegate certain administrative responsibilities to other responsible parties. Any such delegation of duties shall be evidenced in writing

specifically defining the administrative responsibilities being so delegated. The party to whom such responsibility is being delegated shall accept such responsibility in writing. The Committee shall not be liable for any act of omission or commission or the results of any action taken by a party to whom a specific responsibility has been delegated to the extent permitted by ERISA.

8.05 Standard of Fiduciary Duty.

- (a) Any Fiduciary, or any person designated by a Fiduciary to carry out fiduciary responsibilities with respect to the Plan, shall discharge his duties solely in the interests of the Participants, former Participants and Beneficiaries for the exclusive purpose of providing them with benefits and defraying the reasonable expenses of administering the Plan. Each Fiduciary shall discharge his duties with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Notwithstanding any other provisions of the Plan, no Fiduciary shall be authorized to engage in any transaction which is prohibited by Sections 406 and 2003(a) of ERISA or Section 4975 of the Code in the performance of its duties hereunder unless an exemption therefrom is provided for under the terms of ERISA and the Code.
- (b) Each Fiduciary warrants that any directions given, information furnished, or action taken by him shall be in accordance with the provisions of the Plan or the Trust Agreement, as the case may be, authorizing or providing for such direction, information or action. Furthermore, each Fiduciary may rely upon any such direction, information or action of another Fiduciary as being proper under this Plan or the Trust Agreement, and is not required under this Plan or the Trust Agreement to inquire into the propriety of any such direction, information or action. It is intended under this Plan and the Trust Agreement that each Fiduciary shall be responsible for the proper exercise of its own powers, duties, responsibilities and obligations under this Plan and the Trust Agreement and shall not be responsible for any act or failure to act of another Fiduciary. No Fiduciary guarantees the Trust Fund in any manner against investment loss or depreciation in asset value.

8.06 Claims Procedure.

The Committee, as provided above, shall make all determinations as to the right of any person to a benefit under the terms of the Plan. Any Participant, former Participant, or Beneficiary, or other person who claims to have an interest in the Fund (or the authorized representative thereof) may file a claim for benefits under the Plan by submitting to the Committee a written statement describing the nature of the claim and requesting a determination of its validity under the terms of the Plan. Within 90 days after the date

such claim is received by the Committee, it shall issue a ruling with respect to the claim. If the claim is wholly or partially denied, written notice shall be furnished to the claimant, which notice shall set forth in a manner calculated to be understood by the claimant:

- (a) the specific reason or reasons for denial;
- (b) specific reference to pertinent Plan provisions on which the denial is based;
- (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (d) an explanation of the claims review procedures. Any claimant (or his authorized representative) whose claim for benefits has been denied, may appeal such denial by re-submitting to the Committee a written statement requesting a further review of the decision within 60 days of the date the claimant receives notice of such denial. Such statement shall set forth the reasons supporting the claim, the reasons such claim should not have been denied, and any other issues or comments which the claimant deems appropriate with respect to the claim.

If the claimant shall request in writing, the Committee shall make copies of the Plan documents pertinent to his claim available for examination by the claimant.

Within 60 days after the request for further review is received, the Committee shall review its determination of benefits and the reasons therefor and notify the claimant in writing of its final decision. If upon such further review the claim is denied, such written notice shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, with specific references to the pertinent Plan provisions on which the decision is based. The Committee's decision on the appeal shall be final.

8.07 Review Only Upon Written Record.

Review by the Committee will be made only upon the written record. The Participant, his attorney, or his duly authorized representative may review or request copies of pertinent documents required to be disclosed under Title I of ERISA relating to the denial, and may submit written comments, a written statement of issues, and/or additional documentary evidence. The Committee may require payment of reasonable copying expenses as a precondition to the provision of copies of any pertinent documents requested.

8.08 Reliance Upon Professional Advice.

The Committee, the Employer and their officers and the Trustee, shall be fully protected in respect of any action taken by them in good faith in reliance upon the advice or opinion or certificates of any accountant or attorney, or other advisor, and all action taken in

reliance on such advice or opinion shall be conclusive upon each of the Fiduciaries and upon all other persons interested in the Plan.

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ARTICLE 9
SPECIAL DISCRIMINATION RULES

9.01 Definitions.

- (a) Actual Contribution Percentage or ACP shall mean the ratio (expressed as a percentage) of (i) the sum of the Matching Contributions and, to the extent permitted in Treasury Regulations and elected by the Employer, the Participant' s Qualified Elective Deferrals and Qualified Nonelective Contributions for the Plan Year to (ii) the Participant' s Compensation for the Plan Year. The Employer, on an annual basis, may elect to include or not to include Qualified Elective Deferrals and Qualified Nonelective Contributions in computing the ACP for a Plan Year.
- (b) Actual Deferral Percentage or ADP shall mean the ratio (expressed as a percentage) of (i) the sum of Elective Deferrals made to the Plan on behalf of a Participant for the Plan Year (excluding any Excess Deferrals by a Non-highly Compensated Employee) and, to the extent permitted in Treasury Regulations and elected by the Employer, the Participant' s Qualified Nonelective Contributions for the Plan Year to (ii) the Participant' s Compensation for the Plan Year. The Employer, on an annual basis, may elect to include or not include Qualified Nonelective Contributions in computing the ADP for a Plan Year. **[Amendment 4; Effective 1/1/1997]**
- (c) Average Actual Contribution Percentage shall mean the average (expressed as a percentage) of the Actual Contribution Percentages of the Participants in a group. The percentage shall be rounded to the nearest one-hundredth of one percent (four decimal places).
- (d) Average Actual Deferral Percentage shall mean the average (expressed as a percentage) of the Actual Deferral Percentages of the Participants in a group. The percentage shall be rounded to the nearest one-hundredth of one percent (four decimal places).
- (e) Combined ADP and ACP Test shall have the meaning as defined in Section 9.10(a).
- (f) Excess Deferrals shall have that meaning as defined in Section 9.02. **[Amendment 4; Effective 1/1/1997]**
- (g) Excess ACP Contributions shall have that meaning as defined in Section 9.08.
- (h) Excess ADP Deferrals shall have that meaning as defined in Section 9.05.
- (i) *[Reserved]* **[Amendment 4; Effective 1/1/1997]**

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- (j) Highly Compensated Employee. See Article 14. **[Amendment Three; Effective 1/1/1987]**
- (k) Maximum Contribution Percentage shall have the meaning as defined in Section 9.10(b).
- (l) Non-highly Compensated Employee shall mean an Employee of the Employer who is neither a Highly Compensated Employee nor a Family Member of a Highly Compensated Employee.
- (m) Qualified Elective Deferral shall mean Elective Deferrals designated by the Committee as Qualified Elective Deferrals. In addition, the following requirements must be satisfied:
- (i) The aggregate of all Elective Deferrals for the Plan Year, including the Qualified Elective Deferrals, must satisfy the requirements of Section 9.03(a);
 - (ii) The Elective Deferrals for the Plan Year, excluding the Qualified Elective Deferrals, must satisfy the requirements of Section 9.03(a);
 - (iii) If the Company elects to aggregate Qualified Elective Deferrals with Matching Contributions in order to avoid Excess ACP Contributions, such Qualified Elective Deferrals shall only be taken into account to the extent necessary to satisfy the provisions of Section 9.06(a)(ii); and
 - (iv) Qualified Elective Deferrals must satisfy all other provisions of this Plan applicable to Elective Deferrals and shall remain part of the Participant's Elective Deferral Account. Nevertheless, except for purposes of this Section 9.01(m), Qualified Elective Deferrals shall be excluded in determining whether any other contribution or benefit satisfies the nondiscrimination requirements of Code Sections 401(a)(4) and 401(k)(3).

9.02 Limit on Elective Deferrals. **[Amendment 4; Effective 1/1/1997]**

- (a) Notwithstanding any other provision of the Plan to the contrary, the aggregate of a Participant's Elective Deferrals during a calendar year may not exceed \$7,000 multiplied by the Cost of Living Factor. Any Elective Deferrals in excess of the foregoing limits ("Excess Deferral"), plus any income and minus any loss allocable thereto, may be distributed to the applicable Participant no later than April 15 following the Plan Year in which the Elective Deferrals were made. **[Amendment 4; Effective 1/1/1997]**
- (b) Any Participant who has an Excess Deferral during a calendar year may receive a distribution of the Excess Deferral during such calendar year plus

any income or minus any loss allocable thereto, provided (1) the Participant requests the distribution of the Excess Deferral, (2) the distribution occurs after the date the Excess Deferral arose, and (3) the Committee designates the distribution as a distribution of an Excess Deferral. **[Amendment 4; Effective 1/1/1997]**

- (c) If a Participant makes an Elective Deferral under this Plan and in the same calendar year makes a contribution to a Code Section 401(k) plan containing a cash or deferred arrangement (other than this Plan), a Code Section 408(k) plan (simplified employee pension plan) or a Code Section 403(b) plan (tax sheltered annuity) and, after the return of any Excess Deferral pursuant to Section 9.02(a) and (b), the aggregate of all such Elective Deferrals and contributions exceed the limitations contained in Code Section 402(g), then such Participant may request that the Committee return all or a portion of the Participant's Elective Deferrals for the calendar year plus any income and minus any loss allocable thereto. The amount by which such Elective Deferrals and contributions exceed the Code Section 402(g) limitations will also be known as an Excess Deferral. **[Amendment 4; Effective 1/1/1997]**
- (d) *Any request for a return of Excess Deferrals arising out of contributions to a plan described in Section 9.02(c) above which is maintained by an entity other than the Employer must:*
 - (i) *be made in writing;*
 - (ii) *be submitted to the Committee not later than the March 1 following the Plan Year in which the Excess Deferral arose;*
 - (iii) *specify the amount of the Excess Deferral; and,*
 - (iv) *contain a statement that if the Excess Deferral is not distributed, it will, when added to amounts deferred under other plans or arrangements described in Sections 401(k), 408(k), or 403(b) of the Code, exceed the limit imposed on the Participant by Section 402(g) of the Code for the year in which the Excess Deferral occurred.*

*In the event an Excess Deferral arises out of contributions to a plan (including this Plan) described in Section 9.02(c) above which is maintained by the Employer, the Participant making the Excess Deferral shall be deemed to have requested a return of the Excess Deferral. **[Amendment 1; Effective 1/1/1987] [Amendment 4; Effective 1/1/1997]***

- (e) *Elective Deferrals may only be returned to the extent necessary to eliminate a Participant's Excess Deferral. Excess Deferrals returned to the Participant under this Section 12.02 shall not be treated as annual additions*

under the Plan. In no event shall the returned Excess Deferrals for a particular calendar year exceed the Participant's aggregate Elective Deferrals for such calendar year. [Amendment 3; Effective 1/1/1987] [Amendment 4; Effective 1/1/1997]

- (f) The income or loss allocable to an Elective Deferral that is returned to a Participant pursuant to Section 9.02(a) or (c) shall be determined by multiplying the income or loss allocable to the Participant's Account for the calendar year in which the Excess Deferral arose by a fraction. The numerator of the fraction is the Excess Deferral. The denominator of the fraction is the value of the Participant's Account balance on the last day of the calendar year in which the Excess Deferral arose reduced by any income allocated to the Participant's Account for such calendar year and increased by any loss allocated to the Participant's Account for such calendar year. In addition, any Gap Period Income shall also be returned. **[Amendment 4; Effective 1/1/1997]**
- (g) *The income or loss allocable to an Excess Deferral that is returned to a Participant pursuant to Section 9.02(b) shall be determined using any reasonable method adopted by the Plan to measure income earned or loss incurred during the Plan Year or any other method authorized by the Internal Revenue Service to compute the income earned or loss incurred for the period commencing on January 1 of the calendar year in which the Pre-Tax Contribution was made and ending on the date the Excess Deferral was distributed. [Amendment 1; Effective 1/1/1987] [Amendment 4; Effective 1/1/1997]*
- (h) See Section 6.10 for circumstances under which a Participant's maximum annual Elective Deferral could be reduced as a result of such Participant receiving a hardship distribution.
- (i) *Any Matching Contribution allocable to an Excess Deferral that is returned to a Participant pursuant to this Section 9.02 shall be forfeited notwithstanding the provisions of Article 6 (vesting). For this purpose, however, the Elective Deferrals that are returned to the Participant as an Excess Deferral shall be deemed to be first those Elective Deferrals for which no Matching Contribution was made and second those Elective Deferrals for which a Matching Contribution was made. Accordingly, if the Elective Deferrals that are returned to the Participant as Excess Deferrals were not matched, no Matching Contribution will be forfeited. [Amendment Three; Effective 1/1/1987] [Amendment 4; Effective 1/1/1997]*

9.03 Average Actual Deferral Percentage.

- (a) *The Average Actual Deferral Percentage for Highly Compensated Employees for each Plan Year and the Average Actual Deferral Percentage for Nonhighly*

Compensated Employees for the same Plan Year must satisfy one of the following tests:

- (i) The Average Actual Deferral Percentage for Participants who are Highly Compensated Employees for the Plan Year shall not exceed the Average Actual Deferral Percentage for the preceding Plan Year for Participants who are Nonhighly Compensated Employees during the preceding Plan Year multiplied by 1.25; or*
 - (ii) The excess of the Average Actual Deferral Percentage for Participants who are Highly Compensated Employees for the Plan Year over the Average Actual Deferral Percentage for the preceding Plan Year for Participants who are Nonhighly Compensated Employees during the preceding Plan Year is not more than two percentage points, and the Average Actual Deferral Percentage for Participants who are Highly Compensated Employees is not more than the Average Actual Deferral Percentage for the preceding Plan Year for Participants who are Nonhighly Compensated Employees during the preceding Plan Year multiplied by two.*
- (b) The permitted disparity between the Average Actual Deferral Percentage for Highly Compensated Employees and the Average Actual Deferral Percentage for Nonhighly Compensated Employees may be further reduced as required by Section 9.10.*
- (c) If, at the end of the Plan Year, the Plan does not comply with the provisions of Section 9.03(a), the Employer may do any or all of the following, except as otherwise provided in the Code or in Treasury Regulations, in order to comply with such provision:*
- (i) Distribute Elective Deferrals to certain Highly Compensated Employees as provided in Section 9.05; or*
 - (ii) Make a Qualified Nonelective Contribution on behalf of the Nonhighly Compensated Employees and aggregate such contributions with the Nonhighly Compensated Employees' Elective Deferrals as provided in Section 9.01(b). Such Qualified Nonelective Contributions must satisfy the additional requirements described in (d) below.*

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- (d) *Qualified Nonelective Contributions used to satisfy the provisions of Section 9.03(a) must satisfy the following requirements:*
- (i) *All Qualified Nonelective Contributions for the Plan Year must satisfy the nondiscrimination requirements of Code Section 401(a)(4) (prohibition against discrimination in favor of Highly Compensated Employees); and*
 - (ii) *Qualified Nonelective Contributions used to satisfy the provisions of Section 9.03(a) must satisfy all other provisions of the Plan applicable to Elective Deferrals. Nevertheless, such Qualified Nonelective Contributions shall be excluded in determining whether any other contributions or benefit satisfies the nondiscrimination requirements of Code Section 401(a)(4) and shall be excluded in determining whether the provisions of Section 9.06(a) of this Plan are satisfied.*
- (e) *Notwithstanding anything contained in Sections 9.03(a)(i) or (ii) to the contrary, the Plan Administrator may elect to use the Average Deferral Percentage for Nonhighly Compensated Employees for the Plan Year, rather than the preceding Plan Year. If such an election is made, the Plan shall be amended accordingly.*
- (f) *Notwithstanding anything contained herein to the contrary, effective for Plan Years beginning on or after January 1, 1999, the Employer may, in determining whether the Plan satisfies Section 9.03(a), exclude from consideration all Employees (other than Highly Compensated Employees) who have not attained age 21 and completed one year of Credited Service, as described in Code Section 410(a)(1)(A).*

[Amendment 4; Effective 1/1/1997]

9.04 Special Rules For Determining Average Actual Deferral Percentage.

- (a) *The Actual Deferral Percentage for any Highly Compensated Employee for the Plan Year who is eligible to have elective deferrals allocated to his Account under two or more arrangements described in Section 401(k) of the Code that are maintained by an Employer or its Affiliates shall be determined as if such elective deferrals were made under a single arrangement.*
- (b) *If two or more plans maintained by the Employer or its Affiliates are treated as one plan for purposes of the nondiscrimination requirements of Code Section 401(a)(4) or the coverage requirements of Code Section 410(b) (other than for purposes of the average benefits test), all elective deferrals that are made pursuant to those plans shall be treated as having been made pursuant to one plan.*

- (c) *The determination and treatment of the Elective Deferrals and Actual Deferral Percentage of any Participant shall be in accordance with such other requirements as may be prescribed from time to time in Treasury Regulations.*

[Amendment 4; Effective 1/1/1997]

9.05 Distribution of Excess ADP Deferrals.

- (a) *Elective Deferrals exceeding the limitations of Section 9.03(a) ("Excess ADP Deferrals") and any income or loss allocable to such Excess ADP Deferrals shall be designated by the Committee as Excess ADP Deferrals and shall be distributed to Highly Compensated Employees whose Accounts were credited with Excess ADP Deferrals in the preceding Plan Year.*

To determine the aggregate amount of Excess ADP Deferrals to be distributed, the Committee shall first determine the aggregate dollar amount of the distribution as follows:

- (i) *Determine the dollar amount by which the Elective Deferrals of the Highly Compensated Employee(s) with the highest ADP must be reduced to equal the second highest ADP(s) under the Plan; then*
- (ii) *Determine the dollar amount by which the Elective Deferrals for the two (or more) Highly Compensated Employees with the highest ADP(s) under the Plan must be reduced to equal the third highest ADP(s) under the Plan; then*
- (iii) *Repeat the steps described in (i) and (ii) above with respect to the third and successive highest ADP levels under the Plan until the Average Actual Deferral Percentage does not exceed the amount allowable under Section 9.03(a); then*
- (iv) *Add the dollar amounts determined in each of steps (i), (ii) and (iii) above.*

The aggregate dollar amount of Excess ADP Deferrals determined under steps (i) through (iv) above shall be distributed as follows:

- (A) *First to those Highly Compensated Employee(s) with the highest amount of Elective Deferrals until each such Employee's Elective Deferrals equals the second highest Elective Deferrals under the Plan; then*
- (B) *Second, to the two (or more) Highly Compensated Employees with the next highest dollar amount of Elective Deferrals under the*

Plan, until each such Employee's Elective Deferrals equals the third highest amount of Elective Deferrals under the Plan; and

Then the steps described in (A) and (B) above shall be repeated with respect to the third and successive Highly Compensated Employees with the highest amount of Elective Deferrals until all Excess ADP Deferrals have been distributed.

- (b) To the extent administratively possible, the Committee shall distribute all Excess ADP Deferrals and any income or loss allocable thereto prior to 2½ months following the end of the Plan Year in which the Excess ADP Deferrals arose. In any event, however, the Excess ADP Deferrals and any income or loss allocable thereto shall be distributed prior to the end of the Plan Year following the Plan Year in which the Excess ADP Deferrals arose. Excess ADP Deferrals shall be treated as annual additions under the Plan.*
- (c) The income or loss allocable to Excess ADP Deferrals shall be determined by multiplying the income or loss allocable to the Participant's Account for the Plan Year in which the Excess ADP Deferrals arose by a fraction. The numerator of the fraction is the Excess ADP Deferral. The denominator of the fraction is the value of the Participant's Account balance on the last day of the Plan Year in which the Excess ADP Deferrals arose reduced by any income allocated to the Participant's Account for such Plan Year and increased by any loss allocated to the Participant's Account for the Plan Year.*
- (d) If an Excess Deferral has been distributed to the Participant pursuant to Section 9.02(a) or (b), then any Excess ADP Deferral allocable to such Participant for the same Plan Year shall be reduced by the amount of such Excess Deferral.*
- (e) Any Matching Contribution allocable to an Excess ADP Deferral that is returned to the Participant pursuant to this Section 9.05 shall be forfeited notwithstanding the provisions of Article 6 (vesting). For this purpose, however, the Elective Deferrals that are returned to the Participant shall be deemed to be first those Elective Deferrals for which no Matching Contribution was made and second those Elective Deferrals for which a Matching Contribution was made. Accordingly, unmatched Elective Deferrals shall be returned as an Excess ADP Deferral before matched Elective Deferrals.*

[Amendment 4; Effective 1/1/1997]

9.06 Average Actual Contribution Percentage.

- (a) The Average Actual Contribution Percentage for Highly Compensated Employees for each Plan Year and the Average Actual Contribution Percentage for Nonhighly Compensated Employees for the same Plan Year must satisfy one of the following tests:*
 - (i) The Average Actual Contribution Percentage for Participants who are Highly Compensated Employees for the Plan Year shall not exceed the Average Actual Contribution Percentage for the preceding Plan Year for Participants who are Nonhighly Compensated Employees during the preceding Plan Year multiplied by 1.25; or*

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- (ii) *The excess of the Average Actual Contribution Percentage for Participants who are Highly Compensated Employees for the Plan Year over the Average Actual Contribution Percentage for the preceding Plan Year for Participants who are Nonhighly Compensated Employees during the preceding Plan Year is not more than two percentage points, and the Average Actual Contribution Percentage for Participants who are Highly Compensated Employees is not more than the Average Actual Contribution Percentage for the preceding Plan Year for Participants who are Nonhighly Compensated Employees during the preceding Plan Year multiplied by two; or*
- (iii) *Any alternative test which satisfies Section 401(m)(2) and the regulations thereunder.*
- (b) *If at the end of the Plan Year, the Plan does not comply with the provisions of Section 9.06(a), the Employer may do any or all of the following, except as otherwise provided in the Code or in Treasury Regulations, in order to comply with such provision:*
- (i) *Aggregate Qualified Elective Deferrals of Nonhighly Compensated Employees with Matching Contributions of such Participants as provided in Section 9.01(a);*
- (ii) *Distribute vested Matching Contributions to certain Highly Compensated Employees as provided in Section 9.08;*
- (iii) *Forfeit non-vested Matching Contributions of certain Highly Compensated Employees as provided in Section 9.09; or*
- (iv) *Make a Qualified Nonelective Contribution on behalf of the Nonhighly Compensated Employees and aggregate such contributions with the Nonhighly Compensated Employees' Matching Contributions as provided in Section 9.01(a). Such Qualified Nonelective Contribution must satisfy the additional requirements described in (c) below.*

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- (c) *Qualified Nonelective Contributions used to satisfy the provisions of Section 9.06(a) must satisfy the following requirements:*
- (i) *All Qualified Nonelective Contributions for the Plan Year, whether or not used to satisfy the provisions of Sections 9.03(a) or 9.06(a) must satisfy the nondiscrimination requirements of Code Section 401(a)(4) (prohibition against discrimination in favor of Highly Compensated Employees); and*
 - (ii) *Qualified Nonelective Contributions used to satisfy the provisions of Section 9.06(a) shall be excluded in determining whether any other contribution or benefit satisfies the nondiscrimination requirements of Code Section 401(a)(4) and shall be excluded in determining whether the provisions of Section 9.03(a) of this Plan are satisfied.*
- (d) *Notwithstanding anything contained in Sections 9.06(a)(i) or (ii) to the contrary, the Committee may elect to use the Average Contribution Percentage for Non-Highly Compensated Employees for the Plan Year, rather than the preceding Plan Year, except that if such an election is made, it may not be changed except as provided by the Secretary of the Treasury.*
- (e) *Notwithstanding anything contained herein to the contrary, effective for Plan Years beginning on or after January 1, 1999, the Employer may, in determining whether the Plan satisfies Section 9.06(a), exclude from consideration all Employees (other than Highly Compensated Employees) who have not attained age 21 and completed one year of Credited Service, as described in Section 410(a)(1)(A).*

[Amendment 4; Effective 1/1/1997]

9.07 Special Rules For Determining Average Actual Contribution Percentages.

- (a) *The Actual Contribution Percentage for any Highly Compensated Employee for the Plan Year who is eligible to have Matching Contributions or Elective Deferrals allocated to his Account under two or more arrangements described in Sections 401(a) or 401(k) of the Code that are maintained by an Employer shall be determined as if such contributions were made under a single arrangement.*
- (b) *If two or more plans maintained by the Employer or its Affiliates are treated as one plan for purposes of the nondiscrimination requirements of Code Section 401(a)(4) or the coverage requirements of Code Section 410(b) (other than for purposes of the average benefits test), all Matching Contributions that are made pursuant to those plans shall be treated as having been made pursuant to one plan.*

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- (c) *In no event shall a Participant's Excess ACP Contributions for a Plan Year exceed the Participant's Matching Contributions for such Plan Year.*
- (d) *The determination and treatment of the Actual Contribution Percentage of any Participant shall satisfy such other requirements as may be prescribed by the Secretary of the Treasury.*

[Amendment 4; Effective 1/1/1997]

9.08 Distribution of Excess ACP Contributions.

- (a) *Matching Contributions exceeding the limitations of Section 9.06(a) ("Excess ACP Contributions") and any income or loss allocable to such Excess ACP Contribution may be designated by the Committee as Excess ACP Contributions and may be distributed in the Plan Year following the Plan Year in which the Excess ACP Contributions arose to those Highly Compensated Employees whose Accounts were credited with Excess ACP Contributions in the preceding Plan Year. The amount of Excess ACP Contributions to be distributed to a Highly Compensated Employee shall be determined using the procedure described in Section 9.05(a).*
- (b) *To the extent administratively possible, the Committee shall distribute all Excess ACP Contributions and any income or loss allocable thereto (for the Plan Year) prior to 2½ months following the end of the Plan Year in which the Excess ACP Contributions arose. In any event, however, the Excess ACP Contributions and any income or loss allocable thereto (for the Plan Year) shall be distributed prior to the end of the Plan Year following the Plan Year in which the Excess ACP Contributions arose.*
- (c) *The income or loss allocable to Excess ACP Contributions shall be determined by multiplying the income or loss allocable to the Participant's Account for the Plan Year in which the Excess ACP Contribution arose by a fraction. The numerator of the fraction is the Excess ACP Contributions. The denominator of the fraction is the value of the Participant's Account on the last day of the Plan Year reduced by any income allocated to the Participant's Account by such Plan Year and increased by any loss allocated to the Participant's Account for the Plan Year.*
- (d) *Amounts distributed to Highly Compensated Employees under this Section 9.08 shall be treated as annual additions with respect to the Employee who received such amount.*

[Amendment 4; Effective 1/1/1997]

9.09 Forfeiture of Excess ACP Contributions.

- (a) *Excess ACP Contributions and any income or loss allocable to the Excess ACP Contribution (including Gap Period Income) may be forfeited.*

- (b) The amount of any Excess ACP Contributions to be forfeited by a particular Highly Compensated Employee shall be determined pursuant to the procedure described in Section 9.05(a).
- (c) The income or loss allocable to Excess ACP Contributions shall be determined pursuant to the formula described in Section 9.08(c).
- (d) Participants described in Section 9.07(c) shall forfeit their Excess Contributions in accordance with Proposed Treasury Regulation § 1.401(m)-1(e)(4)(iii) or any successor Treasury Regulation thereto.
- (e) Amounts forfeited by Highly Compensated Employees under this Section shall be treated as annual additions with respect to the Employee who forfeited such amount.
- (f) Notwithstanding anything to the contrary contained herein, vested Matching Contributions may not be forfeited to correct an Excess ACP Contribution.

9.10 Combined ACP and ADP Test.

- (a) The Plan must satisfy the Combined ACP and ADP Test described in this Section 9.10 only if (1) the Average Actual Deferral Percentage of the Highly Compensated Employees exceeds 125% of the Average Actual Deferral Percentage of the Non-highly Compensated Employees and (2) the Average Actual Contribution Percentage of the Highly Compensated Employees exceeds 125% of the Average Actual Contribution Percentage of the Non-highly Compensated Employees.
- (b) The Combined ACP and ADP Test is satisfied if the sum of the Highly Compensated Employees' Average Actual Deferral Percentage and Average Actual Contribution Percentage is equal to or less than the Maximum Combined Percentage defined in paragraph (c) below.
- (c) The Maximum Combined Percentage shall be determined by adjusting the Non-Highly Compensated Employees' Average Actual Deferral Percentage and Average Actual Contribution Percentage in the following manner:
 - (i) The greater of the two percentages shall be multiplied by 1.25; and
 - (ii) The lesser of the two percentages shall be increased by two percentage points; however, in no event shall such adjusted percentage exceed twice the original percentage.

The sum of (i) and (ii) shall be the Maximum Combined Percentage.

Notwithstanding the foregoing, the Maximum Combined Percentage shall be determined in the following manner if such calculation results in a higher Maximum Combined Percentage than the formula directly above:

- (i) The lesser of the Average Actual Deferral Percentage and Average Actual Contribution Percentage of the Non-Highly Compensated Employees shall be multiplied by 1.25; and
- (ii) The greater of such two percentages shall be increased by two percentage points; however, in no event shall such percentage exceed twice the original percentage.

This alternative formula shall remain effective for the period described in Revenue Procedure 89-65, as the same may be extended from time to time.

- (d) In the event the Plan does not satisfy the Combined ADP and ACP Test, the Highly Compensated Employees' Average Actual Deferral Percentage shall be decreased by distributing Elective Deferrals to certain Highly Compensated Employees using the procedures described in Section 9.05 until the sum of such percentage and the Highly Compensated Employees' Average Actual Contribution Percentage equals the Maximum Combined Percentage.
- (e) The Highly Compensated Employees' Average Actual Contribution Percentage shall not be reduced in order to satisfy the Combined ADP and ACP Test.
- (f) *In addition to returning Pre-Tax Contributions to certain Highly Compensated Employees in order to satisfy the Combined ADP and ACP Test, income or loss allocable to such Pre-Tax Contributions (for the Plan Year) shall also be distributed. [Amendment 4; Effective 1/1/1997]*
- (g) *To the extent administratively possible, the Committee shall distribute the Pre-Tax Contributions and allocable income or loss (for the Plan Year) prior to 2% months following the end of the Plan Year for which the Combined ADP and ACP Test is computed. In any event, however, such Pre-Tax Contributions and allocable income or loss (for the Plan Year) shall be distributed by the end of the Plan Year following the Plan Year for which the Combined ADP and ACP Test is computed. Pre-Tax Contributions that are distributed pursuant to this Section 9.12 shall be treated as annual additions under the Plan. [Amendment 4; Effective 1/1/1997]*
- (h) The income or loss allocable to returned Elective Deferrals shall be determined using the same procedures as Section 9.05(c).

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- (i) To the extent the provisions of this Section 9.11 conflict with the requirements of Proposed Treasury Regulation Section 1.401(m)-2 or any successor regulation thereto, the provisions of such Treasury Regulation shall prevail.
- (j) *In applying the tests and correction methods set forth in this Section 9.10 to any Plan Year, the Average Actual Deferral Percentage for Highly Compensated Employees and the Average Actual Contribution Percentage for Highly Compensated Employees for each Plan Year shall be compared to the Average Actual Deferral Percentage and the Average Actual Contribution Percentage for Nonhighly Compensated Employees for the prior Plan Year, using the definition of Nonhighly Compensated Employee in effect for such prior Plan Year. [Amendment 4; Effective 1/1/1997]*

9.11 Order of Applying Certain Sections of Article.

In applying the provisions of this Article 9, the determination and distribution of Excess Deferrals shall be made first (to the extent possible), the determination and elimination of Excess ADP Deferrals shall be made second, followed by the determination and elimination of Excess ACP Contributions and finally by the determination and any necessary adjustment related to the Combined ADP and ACP Test. [Amendment 4; Effective 1/1/1997]

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ARTICLE 10
AMENDMENT AND TERMINATION

10.01 Right to Amend.

The Company reserves the right to modify, alter, or amend its Plan or the Trust Agreement, from time to time, to any extent that it may deem advisable, including, but not limited to any amendment (with or without retroactive effect) deemed necessary to insure the continued qualification of the Plan under Section 401(a) of the Code or to insure compliance with ERISA; provided, however, that the Plan shall not be amended in any manner which will:

- (a) Permit any part of the Trust Fund (other than such part as is required to pay taxes and administrative expenses) to be used for or diverted to purposes other than for the exclusive benefit of the Participants or their Beneficiaries;
- (b) Cause any reduction (except those resulting from Adjustments) in amounts previously allocated to any Participant or other person entitled to distributions unless such reduction is specifically permitted under the terms of this Plan (especially Section 5.02) or is for the purpose of maintaining the qualified status of the Plan under Section 401(a) of the Code;
- (c) Cause or permit any portion of the Trust Fund to revert to or become the property of an Employer (except as otherwise provided herein); or
- (d) Change the duties, liabilities, or responsibilities of the Trustees without their prior written consent.

10.02 Termination anti Discontinuance of Contributions.

The Company shall have the right at any time to terminate this Plan (hereinafter referred to as "Plan Termination"). Upon Plan Termination, all Participants' Accounts shall become fully vested and nonforfeitable; and the Committee shall direct the Trustee with reference to the disposition of the Fund, after payment of any expenses properly chargeable against the Fund. The Trustee shall, when directed by the Committee, distribute all amounts held in Trust to the Participants and others entitled to Distributions in proportion to the Accounts of such Participants and other Distributees as of the date of such Termination. In the event that this Plan is partially terminated, then the provisions of this Section 10.02 shall apply, but solely with respect to the Employees affected by the partial termination. The termination of sponsorship of the Plan by any Affiliated Sponsor shall not affect the sponsorship of the Plan by the Company or any other Affiliated Sponsor. [Amendment Three; Effective 1/1/1987]

10.03 IRS Approval of Termination.

The Trustees shall not be required to make any distribution from this Plan in the event of complete or partial termination until the authorized officials of the Internal Revenue Service shall have determined that there will be no liability against the Trustees by reason of such distribution.

10.04 Merger.

In the event of any merger or consolidation of the Plan with any other Plan, or the transfer of assets or liabilities by the Plan to another Plan, each Participant must receive (assuming that the Plan would terminate) the benefit immediately after the merger, consolidation, or transfer which is equal to or greater than the benefit such Participant would have been entitled to receive immediately before the merger, consolidation, or transfer (assuming that the Plan had then terminated), provided such merger, consolidation, or transfer took place after the date of enactment of ERISA. [Amendment Three; Effective 1/1/1987]

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ARTICLE 11
LIMITATION ON ALLOCATIONS

11.01 General Rule.

The amount of annual additions which may be credited to a Participant's Account for any limitation year shall not exceed the Maximum Permissible Amount. The term "Maximum Permissible Amount" means the lesser of:

- (i) 25 percent of the Participant's Compensation for such limitation year; or
- (ii) \$30,000 (as adjusted from time to time by the Cost of Living Factor).

11.02 Excess Allocations.

If the amount to be allocated to a Participant's Account exceeds the Maximum Permissible Amount, the excess will be disposed as follows. The excess shall be held unallocated in a suspense account for the limitation year and allocated and reallocated in the next limitation year to all of the Participants in the Plan. The excess amounts must be used to reduce Employer Contributions for the next limitation year (and succeeding limitation years, as necessary) for all of the Participants in the Plan. For purposes of this Section, excess amounts may not be distributed to Participants or former Participants. If the allocation or reallocation of the excess amounts pursuant to the provisions of the Plan causes the limitations of Code Section 415 to be exceeded with respect to each Plan Participant for the limitation year, then these amounts must be held unallocated in the suspense account. If the suspense account is in existence at any time during a particular limitation year, other than the limitation year described in the preceding sentence, all amounts in the suspense account must be allocated and reallocated to Participants' Accounts (subject to the limitations of Section 415) before any Employer Contributions and Elective Deferrals which would constitute annual additions may be made to the Plan for that limitation year.

11.03 Other Defined Contribution Plans.

If the Participant is covered under another qualified defined contribution plan maintained by an Employer during any limitation year, the annual additions which may be credited to a Participant's account under this Plan for any such limitation year shall not exceed the Maximum Permissible Amount reduced by the annual additions credited to a Participant's account under all such plans for the same limitation year. If a Participant's annual additions under this Plan and such other plans would result in an excess amount for a limitation year, the excess amount will be deemed to consist of the annual additions last allocated (and for this purpose, Employer Contributions shall be deemed to be allocated after Elective Deferrals). If an excess amount is allocated to a Participant on an allocation date of this Plan which coincides with an allocation date of another plan, the excess amount attributed to this Plan will be the product of

- (i) the total excess amount as of such date, times
- (ii) the ratio of (a) the annual additions allocated to the Participant for the limitation year as of such date under Plan to (B) the total annual additions allocated to the Participant for the limitation year as of such date under this and all the other qualified defined contribution plans maintained by the Employer.

Any excess amount attributed to this Plan will be disposed in the manner described in Section 11.02 above.

11.04 Other Defined Benefit Plans.

For Plan Years beginning before January 1, 2000, if the Employer maintains, or at any time maintained, a qualified defined benefit plan covering any Participant in this Plan, the sum of the Participant's defined benefit plan fraction and defined contribution plan fraction shall not exceed 1.0 in any limitation year and the annual benefit otherwise payable to the Participant under such defined benefit plan shall be frozen or reduced to the extent necessary so that the sum of such fractions shall not exceed 1.0. [Amendment 4; Effective 1/1/1997]

11.05 Definitions.

- (a) Except as hereafter specified, "Annual additions" means the sum of the following amounts credited to a Participant's account for the limitation year:
 - (i) Elective Deferrals;
 - (ii) Employer Contributions; and
 - (iii) Forfeitures (including any income allocable to forfeitures).

For this purpose, any excess amount applied under Section 11.02 above in the limitation year to reduce Employer Contributions will be considered Annual additions for such limitation year. In determining Annual additions, Employer Contributions in Company Stock shall be valued on the contribution date. Forfeitures of Company Stock shall be based upon the fair market value of Company Stock as of the last day of the Plan Year. Annual additions shall not include any amounts credited to the Participant's Account (i) resulting from Rollover Contributions; (ii) due to Employer Contributions relating to interest on an Exempt Loan, or (iii) attributable to a forfeiture of Company Stock acquired with the proceeds of an Exempt Loan. These rules shall be applicable only for a Plan Year in which not more than one-third (1/3) of the Employer Contributions applied to pay principal and/or interest on an Acquisition Loan are allocated to Participants who are Highly Compensated Employees, and the Committee shall

limit such Employer Contributions to the extent necessary to satisfy this special rule.

[Replaced by Amendment 8; Effective 1/1/2002]

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(b) *“Compensation”*

- (1) *For purposes of this Article 11, Compensation means a Participant’s earned income, wages, salaries, and fees for professional services and other amounts received for personal services actually rendered in the course of employment with the employer maintaining the plan (including, but not limited to, commissions paid salesmen, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips and bonuses), and excluding the following:*
- (i) *Employer contributions to a plan of deferred compensation which are not includible in the employee’s gross income for the taxable year in which contributed, or employer contributions under a simplified employee pension plan to the extent such contributions are deductible by the employee, or any distributions from a plan of deferred compensation;*
 - (ii) *Amounts realized from the exercise of a nonqualified stock option, or when restricted stock (or property) held by the employee either becomes freely transferable or is no longer subject to a substantial risk of forfeiture;*
 - (iii) *Amounts realized from the sale, exchange or other disposition of stock acquired under a qualified stock option; and*
 - (iv) *other amounts which received special tax benefits.*

Effective for Plan Years beginning on or after January 1, 1998, “Compensation” shall also include Pre-Tax Contributions made under this Plan or pre-tax contributions to any Code Section 125 plan maintained by the Employer.

For purposes of applying the limitations of this Article, compensation for a limitation year is the compensation actually paid or includible in gross income during such year. In no event may the compensation of each Participant taken into account under this Article exceed \$150,000 (as adjusted annually pursuant to Code Section 401(a)(17)).

(2) *Deemed Section 125 Compensation.*

- (i) *This Section 11.05(b)(2) shall apply to Plan Years and Limitation Years beginning on and after January 1, 2002.*
- (ii) *For purposes of the definition of Compensation under Section 2.12 and Article 11, amounts under Section 125 shall include any*

amounts not available to a Participant in cash in lieu of group health coverage because the Participant is unable to certify that he or she has other health coverage. An amount will be treated as an amount under Section 125 only if the Employer does not request or collect information regarding the Participant's other health coverage as part of the enrollment process for the health plan.

[Amendment 8; Effective 1/1/2002]

- (c) "Defined benefit fraction" means a fraction, the numerator of which is the sum of Participant's projected annual benefits under all the defined benefit plans (whether or not terminated) maintained by the Employer, and the denominator of which is the lesser of (i) 125 percent of the dollar limitation in effect for the limitation year under Section 415(b)(1)(a) of the Code or (ii) 140 percent of the highest average compensation.

Notwithstanding the foregoing, if the Participant was a Participant in one or more defined benefit plans maintained by the Employer which were in existence on July 1, 1982, the denominator of this fraction will not be less than 125 percent of the sum of the annual benefits under such plans which the Participant had accrued as of the end of the last limitation year beginning before January 1, 1983, but determined without regard to any changes in the Plan or cost-of-living increases occurring after July 1, 1982. The preceding sentence applies only if the defined benefit plans individually and in the aggregate satisfied the requirements of Section 415 for all limitation years beginning before January 1, 1983.

- (d) "Defined contribution fraction" means a fraction, the numerator of which is the sum of the annual additions to the Participant's account under all the defined contribution plans (whether or not terminated) maintained by the Employer for the current and all prior limitation years, and the denominator of which is the sum of the maximum aggregate amounts for the current and all prior limitation years of service with the Employer (regardless of whether a defined contribution plan was maintained by the Employer). The maximum aggregate amount in any limitation year is the lesser of (i) 125 percent of the dollar limitation in effect under Section 415(c)(1)(a) of the Code; or (ii) 35 percent of the Participant's compensation for such year.

If the Employee was a Participant in one or more defined contribution plans maintained by the Employer which were in existence on July 1, 1982, the numerator of this fraction will be adjusted if the sum of this fraction and the defined benefit fraction would otherwise exceed 1.0 under the terms of this Plan. Under the adjustment, an amount equal to the product of (i) the excess of the sum of the fractions over 1.0 times (ii) the denominator of this fraction, will be permanently subtracted from the numerator of this fraction. The adjustment is calculated using the fractions as they would be computed as of the end of the limitation year beginning before January 1, 1983.

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- (e) “Employer” means the employer that adopts this Plan, and all members of a controlled group of corporations (as defined in Section 414(b) of the Code as modified by Section 415(h)), all commonly controlled trades or businesses (as defined in Section 414(c) as modified by Section 415(h) or affiliated service groups (as defined in Section 414(m), of which the adopting employer is a part, and any other entity required to be aggregated with the Employer pursuant to regulations under Code Section 414(o).
 - (f) “Highest average compensation” means the average compensation for the three consecutive years of service with the employer that produces the highest average.
 - (g) “Limitation year” means the Plan Year.
 - (h) “Projected annual benefit” means the annual retirement benefit (adjusted to an actuarially equivalent straight life annuity if such benefit is expressed in a form other than a straight life annuity or qualified joint and survivor annuity) to which the Participant would be entitled under the terms of the plan assuming (i) the Participant will continue employment until normal retirement age under the plan (or current age, if later), and (ii) the Participant’s compensation for the current limitation year and all other relevant factors used to determine benefits under the plan will remain constant for all future limitation years.

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ARTICLE 12
TOP HEAVY PROVISIONS

12.01 General.

The provisions of this Article of the Plan shall become effective in any Plan Year in which the Plan is determined to be Top Heavy and shall supersede any conflicting provision of this Plan.

12.02 Definitions.

- (a) Top Heavy. The Plan shall be Top Heavy for the Plan Year if, as of the Valuation Date which coincides with or immediately precedes the Determination Date, the value of the Participant Accounts of Key Employees exceeds 60% of the value of all Participant Accounts. If the Employer maintains more than one plan, all plans in which any Key Employee participates (or participated at any time during the determination period regardless of whether the Plan terminated) and all plans which enable this Plan to satisfy the antidiscrimination requirements of Code Sections 401(a)(4) and 410 must be combined with this Plan ("required aggregation group") for the purposes of applying the 60% test described in the preceding sentence. Plans maintained by the Employer which are not in the required aggregation group may be combined at the Employer's election with this Plan for the purposes of determining Top Heavy status if the combined plan satisfies the requirements of Code Section 401(a)(4) and 410 ("permissive aggregation group"). In determining the value of Participant Accounts, all distributions made during the five-year period ending on the Determination Date shall be included and any unallocated Employer Contributions or forfeitures attributable to the Plan Year in which the Determination Date falls shall also be included. Any distributions from plans terminated within the five year period ending on the Determination Date must be included in determining the value of a Participant's Accounts. The Account of (i) any Employee who at one time was a Key Employee but who is not a Key Employee for any of the five Plan Years ending on the Determination Date; and (ii) any Employee who has not performed services for the Employer or a related employer maintaining a plan in the aggregation group for the five Plan Years ending on the Determination Date, shall be disregarded in determining Top Heavy status.

For the purposes of this subsection, a Participant Rollover Account shall be included in the value of Participant Accounts except to the extent that the Rollover Account balance was received in a transaction consummated after December 31, 1983 which was initiated by the Participant and the amount received is attributable to a distribution or transfer from the plan of an employer which is unrelated to the Employer.

If the Employer maintains a defined benefit plan during the Plan Year which is subject to aggregation with this Plan, the 60% test shall be applied after calculating the present value of the Participants' accrued benefits under the defined benefit plan in accordance with the rules set forth in that plan and combining the present value of such accrued benefits with the Participant's account balances under this Plan.

Solely for the purpose of determining if the Plan, or any other plan included in the required aggregation group, is Top-Heavy, a Non-Key Employee's accrued benefit in a defined benefit plan shall be determined under (i) the method, if any, that uniformly applies for accrual purposes under all plans maintained by the affiliates, or (ii) if there is no such method, as if such benefit accrued not more rapidly than the slowest accrual rate permitted under the fractional accrual rate of Code Section 411(b)(1)(C).

- (b) Key Employee. Any employee of the Employer or Beneficiary of such employee who, during the Plan Year or the four preceding Plan Years was an officer receiving Compensation in excess of 50% of the limit described in Code Section 415(b)(1)(a), one of the ten employees of the Employer owning the largest interests in the Employer and receiving Compensation equal to or greater than the dollar limit described in Code Section 415(c)(1)(a), a greater than 5% owner of the Employer, a greater than 1% owner of the Employer receiving Compensation in excess of \$150,000, or the Beneficiary of a Key Employee. The Code Section 415(c)(1)(a) and 415(b)(1)(a) limits referred to in the preceding sentence shall be the specified dollar limit plus any increases reflecting cost of living adjustments specified by the Secretary of the Treasury.
- (c) Compensation shall have that meaning given such term in Section 11.05(b).
- (d) Determination Date. The last day of the Plan Year immediately preceding the Plan Year for which Top Heavy status is determined.
- (e) Non-key Employee. Any Participant who is not a Key Employee.

12.03 Minimum Benefit.

- (a) Except as provided below, the Employer Contributions allocated on behalf of any Non-Key Employee who is employed by the Employer on the Determination Date shall not be less than the lesser of (i) 3% of such Non-Key Employee's Compensation, reduced by such Non-Key Employee's Elective Deferrals for such Plan Year; or (ii) the largest percentage of Employer Contributions and Elective Deferrals, as a percentage of the first \$200,000 of the Key Employee's compensation, allocated on behalf of any Key Employee for such Plan Year.

- (b) The minimum allocation is determined without regard to any Social Security contribution and shall be made even though, under other Plan provisions, the Non-Key Employee would have received a lesser allocation or no allocation for the Plan Year because of the Non-Key Employee's failure to complete 1,000 Hours of Service, his failure to make mandatory employee contributions, or his earning compensation less than a stated amount.
- (c) If the Employer maintains a defined benefit plan in addition to this Plan, the minimum contribution and benefit requirements for both plans in a Top Heavy Plan Year may be satisfied by location of Employer Contributions to the Account of each Non-Key Employee in the amount of 5% of the Non-Key Employee's compensation.
- (d) Notwithstanding anything to the contrary contained herein, Elective Deferrals allocated to the Accounts of Non-key Employees and Employer Contributions allocated to the Accounts of Non-key Employees (if used to satisfy the provisions of Sections 9.03 and 9.06) shall not be considered in determining whether the minimum contribution required by this Section 12.03 is satisfied. Nevertheless, Elective Deferrals and Employer Contributions allocated to the Accounts of Key Employees shall be considered in determining the amount of the required minimum contribution.

12.04 Combined Plan Limitation For Too Heavy Years.

In any Plan Year beginning before January 1, 2000 during which more than 90% of the Participant Account balances are attributable to Key Employees, 100% or an equivalent factor shall be substituted for 125% or an equivalent factor in the combined plan fraction denominators set forth in Article 11 of this Plan which limits maximum benefits pursuant to Section 415 of the Code. In any Plan Year beginning before January 1, 2000 during which more than 60% but not more than 90% of the Participant's Account balances are attributable to Key Employees, 100% or an equivalent factor shall be substituted for 125% or an equivalent factor in the combined plan fraction denominators unless the Account of each Non-Key Employee participating in the Plan receives an allocation which satisfies Section 12.03 above, except that for this purpose the figure "4%" shall be substituted for "3%" where appears in that Section and the figure "7.5%" shall be substituted for "5%" where it appears in that Section. [Amendment 4; Effective 1/1/1997]

12.05 Minimum Vesting.

If a Participant's employment is terminated while the Plan is Top Heavy, the following vesting schedule shall be applied with respect to such Participant (only to the extent this schedule is more favorable than the schedule set forth in Section 6.04.)

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Credited Service at Termination Date	Percent of Account Balance Vested	
Less than 2 years	0	%
2 years	20	%
3 years	40	%
4 years	60	%
5 years	80	%
6 years or more	100	%

The vesting schedule described above shall not apply to any Participant unless the Participant has accumulated at least one Hour of Service after the Plan becomes Top Heavy. If the Plan becomes a Top Heavy Plan and subsequently ceases to be such, the vesting schedule described above shall continue to apply in determining the deferred vested benefit of any Participant who has at least five Years of Service on the last day of the last Top Heavy Plan Year. Notwithstanding the foregoing, no change in the vesting schedule shall reduce the then vested percentage of any Participant's Account.

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ARTICLE 13
MISCELLANEOUS

13.01 Headings.

The headings and sub-headings in this Plan have been inserted for convenience of reference only and are to be ignored in any construction of the provisions hereof.

13.02 Action by Employer.

Any action by any Employer under this Plan may be by resolution of its Board of Directors, or by any person or persons duly authorized by resolution of said Board to take such action.

13.03 Spendthrift Clause.

Except as otherwise required by a “qualified domestic relations order” as defined in Code Section 414(p), none of the benefits, payments, proceeds or distributions under this Plan shall be subject to the claim of any creditor of any Participant or Beneficiary, or to any legal process by any creditor of such Participant or Beneficiary, and none of them shall have any right to alienate, commute, anticipate or assign any of the benefits, payments, proceeds or distributions under this Plan except to the extent expressly provided herein to the contrary.

13.04 Payment to Minors and Incapacitated Persons.

In the event that any amount is payable to a minor or to any person who, in the judgment of the Committee, is incapable of making proper disposition thereof, such payment shall be made for the benefit of such minor or such person in any of the following ways as the Committee, in its sole discretion, shall determine:

- (a) By payment to the legal representative of such minor or such person;
- (b) By payment directly to such minor or such person; or
- (c) By payment in discharge of bills incurred by or for the benefit of such minor or such person.

The Trustees shall make such payments as directed by the Committee without the necessary intervention of any guardian or like fiduciary, and without any obligation to require bond or to see to the further application of such payment. Any payment so made shall be in complete discharge of the Plan’s obligation to the Participant and his Beneficiaries.

13.05 Discrimination.

The Employer, the Committee, the Trustee and all other persons involved in the administration and operation of the Plan shall administer and operate the Plan and Trust in a uniform and consistent manner with respect to all Participants similarly situated and shall not permit discrimination in favor of Highly Compensated Employees.

13.06 Benefits Solely Out of Trust Fund.

Benefits under this Plan shall be payable only out of the Trust Fund and no Employer shall have a legal obligation, responsibility or liability to make any direct payment of benefits accrued under the Plan. Neither the Employer nor the Trustee guarantee the payment of any benefit hereunder. No persons shall have any rights under the Plan with respect to the Trust Fund, or against the Trustees or any Employer, except as specifically provided herein.

13.07 Adoption of the Plan by an Affiliated Sponsor.

- (a) The Board or the Chief Executive Officer (CEO) of the Company shall determine which employers shall become Affiliated Sponsors within the terms of the Plan. In order for the Board or CEO to designate an Employer as an Affiliated Sponsor, the Board or CEO must designate in writing that the business enterprise is an Affiliated Sponsor. The Board or CEO may also specify such terms and conditions pertaining to the adoption of the Plan by the Affiliated Sponsor as the Board or CEO deems appropriate. An Affiliated Sponsor is entitled to adopt the Plan with respect to certain of its Employees, while not adopting the Plan with respect to the remainder of its Employees.
- (b) The Plan of the Affiliated Sponsor and of the Company shall be considered a single plan for purposes of Section 1.414(l)-l(b)(1) of the Treasury Regulations. All assets contributed to the Plan by the Affiliated Sponsor shall be held in a single fund together with the assets contributed by the Company (and with the assets of any other Affiliated Sponsors); and so long as the Affiliated Sponsor continues to be designated as such, all assets held in such fund shall be available to pay benefits to all eligible employees and beneficiaries covered by the Plan irrespective of whether such Employees are employed by the Company or by the Affiliated Sponsor. Nothing contained herein shall be construed to prohibit the separate accounting of assets contributed by the Company and the Affiliated Sponsors for purposes of cost allocation if directed by the Committee or the holding of Plan assets in more than one Trust Fund with more than one Trustee.
- (c) So long as the Affiliated Sponsor's designation as such remains in effect, the Affiliated Sponsor shall be bound by, and subject to all provisions of the Plan and the Trust Agreement. The exclusive authority to amend the Plan and the Trust Agreement shall be vested in the Company and no Affiliated Sponsor shall have

any right to amend the Plan or the Trust Agreement. Any amendment to the Plan or the Trust Agreement adopted by the Company shall be binding upon every Affiliated Sponsor without further action by such Affiliated Sponsor.

- (d) Each Affiliated Sponsor shall be solely responsible for making an Employer Contribution with respect to the Elective Deferrals made by its Employees and solely responsible for making any contribution required by Article 9. Neither the Company nor any other Affiliated Sponsor is obligated to make an Employer Contribution on behalf of the Employees of a different Affiliated Sponsor.
- (e) The Company and each Affiliated Sponsor will be tested on a combined basis to determine whether the Company and Affiliated Sponsors satisfy the Average Actual Deferral Percentage Test described in Section 9.03, the Average Actual Contribution Percentage test described in Section 9.06 and the Combined ACP and ADP Test described in Section 9.10. Accordingly, it is the intent of this Section 13.07 that the Company and any Affiliated Sponsor shall satisfy the ADP and ACP tests on a combined basis.
- (f) No Affiliated Sponsor other than the Company shall have the right to terminate the Plan. However, any Affiliated Sponsor may withdraw from the Plan by action of its board of directors provided such action is communicated in writing to the Committee. The withdrawal of an Affiliated Sponsor shall be effective as of the December 31st following receipt of the notice of withdrawal (unless the Company consents to a different effective date). In addition, the Board may terminate the designation of an Affiliated Sponsor to be effective on such date as the Board specifies. Any such Affiliated Sponsor which ceases to be an Affiliated Sponsor shall be liable for all cost accrued through the effective date of its withdrawal or termination and any contributions owing as a result of Elective Deferrals by its Employees or any other contribution as provided in paragraphs (d) and (e). In the event of the withdrawal or termination of an Affiliated Sponsor as provided in this paragraph, such Affiliated Sponsor shall have no right to direct that assets of the Plan be transferred to a successor plan for its Employees unless such a transfer is approved by the Company in its sole discretion.

13.08 Release for Payment.

Any payment to a Participant, spouse, Beneficiary, or to their legal representatives, in accordance with the provisions of this Plan, may be delayed by the Committee until such Participant, spouse, Beneficiary, or legal representative executes a receipt and release therefor in such forms as shall be determined by the Committee.

13.09 No Right to Continued Employment.

Nothing in this Plan shall be deemed to give any Employee the right to be retained in the service of any Employer or to deny the Employer any right it may have to discharge him at any time.

13.10 Construction.

The Plan and Trust Agreement shall be governed by and construed (i) in accordance with the laws of the State of Alabama and (ii) in such a manner as to protect the qualified status of the Plan and Trust under Sections 401, 501, 4975(e)(7) and related provisions of the Code.

13.11 Totally Incompetent.

If any Participant, former Employee or Beneficiary is a minor or, in the judgment of the Committee is otherwise legally incapable of personally receiving and giving a valid receipt for any payment due him hereunder, the Committee may, unless and until a claim shall have been made by a duly appointed guardian or committee of such person, direct that such payment or any part thereof be made to such person's spouse, child, parent, brother, sister, or such other person deemed by the Committee to have incurred expense for or assumed responsibility for the expense of such person. Such payment shall fully discharge the Trustee, Employer, Committee and Plan Administrator from further liability on account thereof.

13.12 Location of Participant or Beneficiary Unknown.

In the event that all or any portion of the distribution payable to a Participant or his Beneficiary shall remain unpaid solely by reason of the Committee's inability to ascertain the whereabouts of such Participant or Beneficiary, the amount unpaid shall be forfeited. However, such forfeiture shall not occur until five (5) years after the amount first became payable. The Committee shall make a diligent effort to locate the Participant or Beneficiary including the mailing of a registered letter return receipt requested, to the last known address of such Participant or Beneficiary. In the event a Participant or Beneficiary is located subsequent to his benefit being forfeited, such benefit shall be restored and distributed.

13.13 Military Service.

Notwithstanding any provisions of this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Section 414(u) of the Code. " **[Amendment 4; Effective 12/12/1994]**

ARTICLE 14
HIGHLY COMPENSATED EMPLOYEES

14.01 In General.

For the purposes of this Plan, the term “Highly Compensated Employee” is any active Employee described in Section 14.02 below and any Former Employee described in Section 14.03 below. Various definitions used in this Article are contained in Section 14.04. A Non-Highly Compensated Employee is an Employee who is not a Highly Compensated Employee.

14.02 Highly Compensated Employees.

(a) *An Employee is a Highly Compensated Employee if during the Determination Year the Employee:*

- (1) is a 5 Percent Owner at any time during the current or preceding year; or*
- (2) receives Compensation in excess of \$80,000 and is a member of the Top Paid Group.*

The dollar amount described above shall be increased annually as provided in Code § 414(q)(1). The Employer may elect not to limit Highly Compensated Employees to those who are members of the Top Paid Group. Any election do so, however, must be made by an amendment to this Plan.

(b) *Calendar Year Election. The Employer hereby elects the calendar year calculation election described in Temporary Regulation § 1.414(q)-1T, Q&A-14(b) or any successor regulation thereto. Because the Plan uses the calendar year as its Plan Year, there is no separate Look Back Year calculation. This election is binding on all other qualified retirement plans maintained by the Employer until the election is withdrawn.*

14.03 Former Highly Compensated Employee.

A Former Employee is a Highly Compensated Employee if (applying the rules of Section 14.02) the Former Employee was a Highly Compensated Employee during a Separation Year or during any Determination Year ending on or after the Former Employee's 55th birthday.

The following special definitions shall apply to this Article 14:

Compensation for purposes of this Article 14 shall have the same meaning as defined in Article 2.

Determination Year shall mean the portion of the Plan Year for which an individual's status as a Highly Compensated Employee is determined.

Employer for purposes of this Article 14 shall mean the Employer and its Affiliates.

5 Percent Owner shall mean any Employee who owns or is deemed to own (within the meaning of Code § 318) more than five percent of the value of the outstanding stock of the Employer or stock possessing more than five percent of the total combined voting power of the Employer.

Former Employee shall mean an Employee (i) who has incurred a Termination of Employment or (ii) who remains employed by the Employer but who has not performed services for the Employer during the Determination Year (e.g., an Employee on Authorized Leave of Absence).

Look Back Year shall mean the Plan Year preceding the Determination Year, or if the Employer elects, the calendar year ending with or within the determination year.

Separation Year shall mean any of the following years:

- (1) *An Employee who incurs a Termination of Employment shall have a Separation Year in the Determination Year in which such Termination of Employment occurs;*
- (2) *An Employee who remains employed by the Employer but who temporarily ceases to perform services for the Employer (e.g., an Employee on Authorized Leave of Absence) shall have a Separation Year in the calendar year in which he last performs services for the Employer;*
- (3) *An Employee who remains employed by the Employer but whose Compensation for a calendar year is less than 50% of the Employee's average annual Compensation for the immediately preceding three calendar years (or the Employee's total years of employment, if less) shall have a Separation Year in such calendar year. However, such Separation Year shall be ignored if the Employee remains employed by the Employer and the Employee's Compensation returns to a level comparable to the Employee's Compensation immediately prior to such Separation Year.*

Top Paid Group shall mean the top 20% of all Employees ranked on the basis of Compensation received from the Employer during the applicable year. The number of Employees in the Top Paid Group shall be determined by ignoring Employees who are non-resident aliens and Employees who do not perform services for the Employer during the applicable year. The Employer elects to compute the Top Paid Group without the age and service exclusion provided in applicable Treasury Regulations.

14.05 Other Methods Permissible.

To the extent permitted by the Code, judicial decisions, Treasury Regulations and IRS pronouncements, the Committee may (without further amendment to this Plan) take such other steps and actions or adopt such other methods or procedures (in addition to those methods and procedures described in this Article 14) to determine and identify Highly Compensated Employees (including adopting alternative definitions of Compensation which satisfy Code § 414(q)(7) and are uniformly applied).

[Article 14 revised by Amendment 4; Effective 1/1/1997]

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Composite Plan Incorporating Amendments 1 - 8 (*In Italics*)

ARTICLE 15
EGTRRA AMENDMENTS

15.01 Background.

- (a) *Adoption and Effective Date of Amendment.* This Article 15 is adopted to reflect certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"). This amendment is intended as good faith compliance with the requirements of EGTRRA and is to be construed in accordance with EGTRRA and guidance issued thereunder. Except as otherwise provided, this Article 15 shall be effective as of the first day of the first Plan Year beginning after December 31, 2001.
- (b) *Supersession of Inconsistent Provisions.* This Article 15 shall supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions of this Article 15.

15.02 Limitations on Contributions (Note: This amendment is required; although the plan may through other amendments impose a lower limit on contributions and allocations.)

- (a) *Effective Date.* This Section shall be effective for Limitation Years beginning after December 31, 2001.
- (b) *Maximum Annual Addition.* Except to the extent permitted under Section 414(v) of the Code, if applicable, the Annual Addition that may be contributed or allocated to a Participant's Account under the Plan for any Limitation Year shall not exceed the lesser of:
 - (i) \$40,000, as adjusted for increases in the cost-of-living under Section 415(d) of the Code, or
 - (ii) 100 percent of the Participant's Compensation, within the meaning of Article 11 (Limitation on Allocations) for the Limitation Year. The Compensation limit referred to in this paragraph (ii) shall not apply to any contribution for medical benefits after separation from service (within the meaning of Section 401(h) or Section 419A(f)(2) of the Code) which is otherwise treated as an Annual Addition.

15.03 Increase in Compensation Limit.

The annual Compensation of each Participant taken into account in determining allocations for any Plan Year beginning after December 31, 2001, shall not exceed

\$200,000, as adjusted for cost-of-living increases in accordance with section 401(a)(17)(B) of the Code. Annual Compensation means Compensation during the Plan Year or such other consecutive 12-month period over which Compensation is otherwise determined under the Plan (the determination period). The cost-of-living adjustment in effect for a calendar year applies to annual Compensation for the determination period that begins with or within such calendar year.

15.04 Elective Deferrals – Contribution Limitation.

No Participant shall be permitted to have Elective Deferrals made under this Plan, or any other qualified plan maintained by the Employer during any taxable year, in excess of the dollar limitation contained in Section 402(g) of the Code in effect for such taxable year, except to the extent permitted under Section 414(v) of the Code, if applicable.

15.05 Vesting of Employer Matching Contributions.

(a) Applicability.

Except as provided in this paragraph, this Section shall apply to Participants with accrued benefits derived from employer matching contributions who complete an Hour of Service in a Plan Year beginning after December 31, 2001 (the “2002 Plan Year”). This Section shall not apply to such Participant’s Account balance attributable to employer matching contributions attributable to periods before the 2002 Plan Year. Instead, such contributions will be subject to the vesting schedule attributable to employer matching contributions in effect prior to the 2002 Plan Year. In addition, the employer matching contributions of Participants who do not complete an Hour of Service during or after the 2002 Plan Year shall be subject to the vesting schedule attributable to employer matching contributions in effect prior to the 2002 Plan Year.

(b) Vesting Schedule.

The accrued benefit derived from employer matching contributions of a Participant described in subsection (a) above, shall vest as provided below. If applicable, the election in Section 12.05 of the Plan shall apply.

The vesting of employer matching contributions shall be as follows:

The Participant's accrued benefit derived from employer matching contributions shall vest according to the following schedule:

<i>Years of vesting service</i>	<i>Nonforfeitable percentage</i>
2	20 %
3	40 %
4	60 %
5	80 %
6	100 %

15.06 Direct Rollovers of Plan Distributions.

- (a) Effective Date. *This section shall apply to distributions made after December 31, 2001.*
- (b) Modification of Definition of Eligible Retirement Plan. *For purposes of the direct rollover provisions in Section 6.13 (Direct Rollovers) of the Plan, an Eligible Retirement Plan shall also mean an annuity contract described in Section 403(b) of the Code and an eligible plan under Section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this plan. The definition of Eligible Retirement Plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relation order, as defined in Section 414(p) of the Code.*
- (c) Modification of Definition of Eligible Rollover Distribution to Exclude Hardship Distributions. *For purposes of the direct rollover provisions in Section 6.13 (Direct Rollovers) of the Plan, any amount that is distributed on account of hardship shall not be an Eligible Rollover Distribution and the Distributee may not elect to have any portion of such a distribution paid directly to an Eligible Retirement Plan.*

15.07 Rollovers Disregarded in Involuntary Cash-Outs.

- (a) Applicability and Effective Date. *This Section shall be effective as of the date set forth in subsection (c) below.*
- (b) Rollovers Disregarded in Determining Value of Account Balance for Involuntary Distributions. *For purposes of Section 6.05 (Commencement of Distributions) of the Plan, the value of a Participant's nonforfeitable Account balance shall be determined without regard to that portion of the Account balance that is attributable to Rollover Contributions (and earnings allocable thereto) within the meaning of Sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16) of the Code. If the value of the Participant's nonforfeitable Account balance as*

so determined is \$5,000 or less, the Plan shall distribute the Participant's entire nonforfeitable account balance in accordance with Section 6.05 (Commencement of Distributions) of the Plan.

- (c) Effective Date. This Section shall apply with respect to distributions made after December 31, 2001 with respect to Participants who separated from service after December 31, 2001.

15.08 Repeal of Multiple Use Test.

The multiple use test described in Treasury Regulation section 1.401(m)-2 and Article 9 of the Plan shall not apply for Plan Years beginning after December 31, 2001.

15.09 Distribution Upon Severance From Employment.

- (a) Effective Date. This Section shall apply for distributions and severances from employment occurring after the dates specified in subsection (c) below.
- (b) New distributable event. A Participant's Elective Deferrals qualified nonelective contributions, qualified matching contributions, and earnings attributable to these contributions shall be distributed on account of the Participant's severance from employment. However, such a distribution shall be subject to the other provisions of the Plan regarding distributions, other than provisions that require a separation from service before such amounts may be distributed.
- (c) This Section (Distribution upon Severance from Employment), shall apply for distributions after December 31, 2001, for severances from employment occurring after December 31, 2001.

15.10 Modification of Top-Heavy Rules.

- (a) Effective Date. This Section shall apply for purposes of determining whether the plan is a top-heavy plan under Section 416(g) of the Code for Plan Years beginning after December 31, 2001, and whether the Plan satisfies the minimum benefits requirements of Section 416(c) of the Code for such years. This Section amends Article 12 (Top Heavy Rules) of the Plan.
- (b) Determination of Top-Heavy Status.
- (i) Key Employee. Key Employee means any Employee or former Employee (including any deceased Employee) who at any time during the Plan Year that includes the determination date was an officer of the Employer having annual Compensation greater than \$130,000 (as adjusted under Section 416(i)(1) of the Code for Plan Years beginning after December 31, 2002), a 5-percent owner of the Employer, or a 1-percent owner of the

Employer having annual Compensation of more than \$150,000. For this purpose, annual Compensation means Compensation within the meaning of Section 415(c)(3) of the Code. The determination of who is a Key Employee will be made in accordance with Section 416(i)(1) of the Code and the applicable regulations and other guidance of general applicability issued thereunder.

(ii) *Determination of Present Values and Amounts. This paragraph (ii) shall apply for purposes of determining the present values of accrued benefits and the amounts of Account balances of Employees as of the determination date.*

(A) *Distributions during Year Ending on the Determination Date. The present values of accrued benefits and the amounts of account balances of an Employee as of the Determination Date shall be increased by the distributions made with respect to the Employee under the Plan and any plan aggregated with the Plan under Section 416(g)(2) of the Code during the 1-year period ending on the Determination Date. The preceding sentence shall also apply to distributions under a terminated plan which, had it not been terminated, would have been aggregated with the Plan under Section 416(g)(2)(A)(i) of the Code. In the case of a distribution made for a reason other than separation from service, death, or disability, this provision shall be applied by substituting "5-year period" for "1-year period."*

(B) *Employees Not Performing Services During Year Ending On The Determination Date. The accrued benefits and accounts of any individual who has not performed services for the Employer during the 1-year period ending on the determination date shall not be taken into account.*

(c) *Minimum Benefits*

(i) *Matching Contributions. Employer Matching Contributions shall be taken into account for purposes of satisfying the minimum contribution requirements of Section 416(c)(2) of the Code and the Plan. The preceding sentence shall apply with respect to matching contributions under the Plan or, if the Plan provides that the minimum contribution requirement shall be met in another plan, such other plan. Employer Matching Contributions that are used to satisfy the minimum contribution requirements shall be treated as matching contributions for purposes of the Actual Contribution Percentage test and other requirements of Section 401(m) of the Code.*

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- (ii) *Contributions Under Other Plans. If the Company desires to have the top heavy minimum benefit requirement met in another plan, the Company shall so indicate in this paragraph (ii) by identifying the name of the other plan, the minimum benefit that will be provided under such other plan and the employees who will receive the minimum benefit under such other plan. Unless so indicated in this paragraph (ii), the top heavy minimum benefit requirement will be satisfied by contributions to this Plan.*

[Article 15 Added by Amendment 8; Effective 1/1/2002]

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Composite Plan Incorporating Amendments 1 - 8 (*In Italics*)

IN WITNESS WHEREOF, the Company and the Affiliated Sponsor have caused this Plan to be duly executed as of the dates shown below, effective as of January 1, 1987.

CULLMAN BANCSHARES, INC.

By:

Title:

Date:

ATTEST:

By: _____

(Corporate Seal)

PEOPLES BANK OF CULLMAN COUNTY

By:

Title:

Date:

ATTEST:

By: _____

(Corporate Seal)

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Composite Plan Incorporating Amendments 1 - 8 (*In Italics*)

SCHEDULE A
CREDITED SERVICE RULES FOR PREDECESSOR EMPLOYERS

<i>Employer/ Group of Employees</i>	<i>Acquisition Date/ Date of Plan Affiliation</i>	<i>Special Rules</i>
<i>Bankers Trust banking centers located in Lacey's Spring, Alabama and Sommerville, Alabama</i>	<i>February 20, 1998</i>	<i>Service prior to February 20, 1998 counts for both vesting and eligibility purposes."</i>

[Amendment 4; Effective 1/1/1998]

Composite Plan Incorporating Amendments 1 - 8 (*In Italics*)

**SUMMARY DESCRIPTION OF DIRECTOR
COMPENSATION ARRANGEMENTS**

Non-employee directors who serve on the Board of Directors of Altrust Financial Services, Inc. (the “Company”) or on the Board of Directors of Peoples Bank (the “Bank”) receive \$500 per meeting held for their service on the Board of Directors of the Company or the Bank, plus reimbursement for reasonable travel expenses incurred in attending meetings. Directors who serve on both the Company’s and the Bank’s Board of Directors do not receive additional compensation for serving on both Boards of Directors because meetings of the Boards of the Company and the Bank are held at the same times and dates. Non-employee directors may elect in writing, in lieu of cash, to receive their compensation for service on the Board of Directors of the Company or the Bank in the form of stock options issued under the Company’s 2004 Stock Option Plan for Outside Directors.

In addition to the compensation arrangements described above, non-employee directors receive \$75 per meeting held for their service on committees of the Boards of Directors of the Company and the Bank.

Directors who are employees of Altrust or any of its subsidiaries and affiliates are not compensated for service on the Company’s or the Bank’s Board of Directors.

SUMMARY DESCRIPTION OF NAMED EXECUTIVE OFFICER COMPENSATION ARRANGEMENTS

As of December 31, 2004, James Robin Cummings, the President and Chief Executive Officer of both Altrust Financial Services, Inc. (the “Company”) and of Peoples Bank, the Company’s wholly owned banking subsidiary (the “Bank”), and John E. Whitley, Executive Vice President of the Bank, were the Company’s only “named executive officers,” which is defined in Securities and Exchange Commission (“Commission”) Regulation S-K, Item 402(a)(3) to include a company’s chief executive officer and the four other most highly compensated officers whose total annual salary and bonus exceeds \$100,000.

The compensation arrangements of Mr. Cummings and Mr. Whitley are composed of two types of compensation: (1) base salary, and (2) long-term equity-based compensation awarded under the Altrust Financial Services, Inc. Long-Term Incentive Plan (the “LTIP”). Neither Mr. Cummings nor Mr. Whitley is party to an employment agreement with the Company or the Bank.

Base Salary

Mr. Cummings’ and Mr. Whitley’s base salaries are determined annually by the joint Compensation Committee of the Company and the Bank (the “Compensation Committee”). During 2004, Mr. Cummings received \$206,426 in base salary and Mr. Whitley received \$104,942 in base salary. The Compensation Committee has set Mr. Cummings’ and Mr. Whitley’s base salaries for 2005 at \$210,000 and \$132,000, respectively. The Compensation Committee reviews the base salaries of each of the executive officers of the Company and the Bank annually and adjusts the amount based on individual annual performance and on comparisons of each executive officer’s total compensation relative to compensation levels paid to similar executive officers at peer institutions.

Long-Term Equity-Based Compensation

The Compensation Committee attempts to align the interests of key employees with those of the Company’s shareholders by awarding stock options and stock appreciation rights (“SARs”) under the Company’s LTIP. Various types of cash and equity-based incentive compensation can be awarded periodically upon the recommendation of the Compensation Committee. To date, the Compensation Committee has only awarded stock options.

Mr. Cummings was granted stock options to acquire 8,400 shares of Company common stock during the fiscal year ended December 31, 2004. These options were granted to Mr. Cummings as part of his overall compensation package. Mr. Whitley was granted stock options to acquire 25,000 shares of Company common stock during the fiscal year ended December 31, 2004. These options were granted to Mr. Whitley in connection with his initial employment compensation package. No stock options awards or other awards have been granted to Mr. Cummings or Mr. Whitley for 2005 as of May 2, 2005. The Company expects individual grants during 2005 under the LTIP to be determined using the same criteria as applied to determine grants in 2004. Additional information relating to the LTIP and grants of stock options during 2004 are included in the Company’s Registration Statement on Commission Form 10 filed with the Commission on May 2, 2005.

May 2, 2005

Office of the Chief Accountant
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Ladies and Gentlemen:

We have read the statements made by Altrust Financial Services, Inc. in Item 14 of its Form 10, which we understand will be filed with the Commission on May 2, 2005. We agree with the statements contained in the second and third paragraphs included therein. We have no basis to agree or disagree with other statements of the registrant contained therein.

/s/ Carr, Riggs & Ingram LLC
(as successor to Mackle, Splawn, Tindall & McDonald, LLP)

Subsidiaries of Altrust Financial Services, Inc.

Peoples Bank of North Alabama, Southern Insurance of Cullman, Inc. and Southern Appraisal Services, Inc. are wholly-owned subsidiaries of Altrust Financial Services, Inc.

Subsidiary	Jurisdiction
Peoples Bank of North Alabama	Alabama
Southern Insurance of Cullman, Inc.	Alabama
Southern Appraisal Services, Inc.	Alabama