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GREENE COUNTY BANCSHARES INC
Form 10-K
March 30, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTIONS 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the fiscal year ended December 31, 2000

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-14289

GREENE COUNTY BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

Tennessee

62-1222567

(State or other jurisdiction of
incorporation or organization)

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

100 North Main Street, Greeneville, Tennessee

37743-4992

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (423) 639-5111.

Securities registered pursuant to Section 12(b) of the Act: None.

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

Common Stock, par value \$10.00 per share

(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO _____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

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The registrant's voting stock is not regularly and actively traded in any established market, and there are no regularly quoted bid and asked prices for the registrant's common stock. Based upon recent negotiated trading of the common stock at a price of \$150 per share, the registrant believes that the aggregate market value of the voting stock on March 30, 2001 was \$204.6 million. For purposes of this calculation, it is assumed that directors, officers and beneficial owners of more than 5% of the registrant's outstanding voting stock are not affiliates. On such date, 1,363,778 shares of the common stock were issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The following lists the documents incorporated by reference and the Part of the Form 10-K into which the document is incorporated:

1. Portions of the Annual Report to Shareholders for the fiscal year ended December 31, 2000. (Parts I and II)
2. Portions of Proxy Statement for 2001 Annual Meeting of Shareholders. (Part III)

PART I

FORWARD-LOOKING STATEMENTS

THIS ANNUAL REPORT ON FORM 10-K, INCLUDING ALL DOCUMENTS INCORPORATED HEREIN BY REFERENCE, CONTAINS FORWARD-LOOKING STATEMENTS. ADDITIONAL WRITTEN OR ORAL FORWARD-LOOKING STATEMENTS MAY BE MADE BY THE COMPANY FROM TIME TO TIME IN FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION OR OTHERWISE. THE WORDS "BELIEVE," "EXPECT," "SEEK," AND "INTEND" AND SIMILAR EXPRESSIONS IDENTIFY FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE THE STATEMENT IS MADE. SUCH FORWARD-LOOKING STATEMENTS ARE WITHIN THE MEANING OF THAT TERM IN SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INCLUDE, BUT ARE NOT LIMITED TO, PROJECTIONS OF INCOME OR LOSS, EXPENDITURES, ACQUISITIONS, PLANS FOR FUTURE OPERATIONS, FINANCING NEEDS OR PLANS RELATING TO SERVICES OF THE COMPANY, AS WELL AS ASSUMPTIONS RELATING TO THE FOREGOING. FORWARD-LOOKING STATEMENTS ARE INHERENTLY SUBJECT TO RISKS AND UNCERTAINTIES, SOME OF WHICH CANNOT BE PREDICTED OR QUANTIFIED. FUTURE EVENTS AND ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN, CONTEMPLATED BY OR UNDERLYING THE FORWARD-LOOKING STATEMENTS.

ITEM 1. BUSINESS

ALL DOLLAR AMOUNTS SET FORTH BELOW, OTHER THAN PER-SHARE AMOUNTS AND PERCENTAGES, ARE IN THOUSANDS, UNLESS OTHERWISE NOTED.

THE COMPANY

Greene County Bancshares, Inc. (the "Company") was formed in 1985 and serves as the bank holding company for Greene County Bank (the "Bank"), which is a Tennessee-chartered commercial bank that conducts the principal business of the Company. The Bank wholly owned American Fidelity Bank, whose operations were combined into the Bank during 1996, and Premier Bank of East Tennessee, whose operations were combined into the Bank in 1998. In addition to its commercial banking operations, the Bank conducts separate businesses through three wholly-owned subsidiaries: Superior Financial Services, Inc. ("Superior Financial"), a consumer finance company; GCB Acceptance Corporation ("GCB Acceptance"), a consumer finance company specializing in subprime automobile lending; and Fairway Title Co., a title company. The Bank also operates a trust and money management function, doing business as President's Trust, in Wilson

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County, Tennessee and also operates a mortgage banking function headquartered in Knoxville, Tennessee.

The Company's assets consist primarily of its investment in the Bank, liquid investments and fixed assets. Its primary activities are conducted through the Bank. At December 31, 2000, the Company's consolidated total assets were \$789,117, its consolidated net loans, including loans held for sale, were \$657,065, its total deposits were \$648,641 and its total stockholders' equity was \$63,010.

The principal executive offices of the Company are located at 100 North Main Street, Greeneville, Tennessee 37743-4992 and its telephone number is (423) 639-5111.

THE BANK

The Bank is a Tennessee-chartered commercial bank established in 1890 and which has its principal executive offices in Greeneville, Tennessee. The principal business of the Bank consists of attracting deposits from the general public and investing those funds, together with funds generated from operations and from principal and interest payments on loans, primarily in commercial, commercial and residential real estate loans, and installment consumer loans. The Bank also provides collection and other banking services, including separate finance, acceptance and title corporations. At December 31, 2000, the Bank had twenty-five full service banking offices located in East Tennessee, including Greene County, Washington County, Blount County, Hamblen County, McMinn County, Loudon County, Hawkins County, Sullivan County, Cocke County, Knox County and Monroe County. Further, the Bank operates a trust and money management function located in Wilson County, Tennessee and doing business as President's Trust, and also operates a mortgage loan operation in Knox County, Tennessee.

The Bank also conducts separate business through three wholly owned subsidiaries. Through Superior Financial Services, Inc., the Bank operates fourteen consumer finance company offices located in Greene, Blount, Hamblen, McMinn, Washington, Sullivan, Sevier, Knox, Hamilton and Loudon Counties, Tennessee. The Bank also operates a mortgage banking operation through its main office in Knox County, Tennessee and it also has representatives located throughout the Company's branch system. Through GCB Acceptance Corporation, the Bank operates a subprime automobile lending company with a sole office in Johnson City, Tennessee. Through Fairway Title Co., the Bank operates a title company headquartered in Knoxville, Tennessee and an office in Johnson City, Tennessee.

Deposits of the Bank are insured by the Bank Insurance Fund ("BIF") of the Federal Deposit Insurance Corporation ("FDIC") to a maximum of \$100,000 for each insured depositor. The Bank is subject to supervision and regulation by the Tennessee Department of Financial Institutions (the "Banking Department") and the FDIC. See "Regulation, Supervision and Governmental Policy."

BRANCH PURCHASES AND SALE

On March 8, 2001, the Bank acquired a bank branch located in Hot Springs, North Carolina (the "North Carolina Branch") from Wachovia Bank, N.A. ("Wachovia") and sold its bank branch located in Farragut, Tennessee (the "Farragut Branch") to Wachovia. The purchase of the North Carolina Branch and the sale of the Farragut Branch were pursuant to two separate Purchase and Assumption Agreements between the Bank and Wachovia as entered into on September 20, 2000.

BRANCH EXPANSION

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During the early part of 2000, the Company continued the expansion of its branch network, opening new branches in Hawkins, Loudon and Sullivan Counties, Tennessee. Further, the Company opened an additional branch in Blount County, Tennessee in the fall of 2000.

LENDING ACTIVITIES

General. The loan portfolio of the Company is comprised of commercial, commercial and residential real estate and installment consumer loans. Such loans are originated within the Company's market area of East Tennessee and are generally secured by residential or commercial real estate or business or personal property located in the counties of Greene, Washington, Hamblen, Sullivan, Hawkins, Blount, Knox, McMinn, Loudon, Monroe and Cocke Counties, Tennessee.

Loan Composition. The following table sets forth the composition of the Company's loans for the periods indicated.

	2000 ----	1999 ----	1998 ----	1997 ----
Commercial.....	\$ 87,680	\$ 68,793	\$ 57,860	\$ 51,600
Commercial real estate.....	288,254	242,574	185,063	182,800
Residential real estate.....	204,202	170,299	135,515	134,000
Loans held for sale.....	1,725	1,210	5,043	7,200
Consumer.....	88,687	71,169	76,077	68,600
Other.....	12,493	16,774	27,349	12,000
	-----	-----	-----	-----
Total.....	683,041	570,819	486,907	456,400
Less:				
Unearned Income.....	(14,248)	(13,590)	(9,993)	(5,930)
Allowance for loan losses.....	(11,728)	(10,332)	(10,253)	(9,150)
	-----	-----	-----	-----
Net loans.....	\$657,065	\$ 546,897	\$ 466,661	\$ 441,390
	=====	=====	=====	=====

Loan Maturities. The following table reflects at December 31, 2000 the dollar amount of loans maturing or subject to rate adjustment based on their contractual terms to maturity. Loans with fixed rates are reflected based

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upon the contractual repayment schedule while loans with variable interest rates are reflected based upon the contractual repayment schedule up to the contractual rate adjustment date. Demand loans, loans having no stated schedule of repayments and loans having no stated maturity are reported as due within three months.

	Due in One Year or Less -----	Due After One Year Through Five Years -----	Due After Five Years -----
Commercial.....	\$ 59,307	\$ 26,418	\$ 1,955
Commercial real estate.....	134,951	146,058	7,245
Residential real estate.....	85,185	98,114	20,903
Loans held-for-sale.....	1,725	--	--
Consumer.....	18,947	69,155	585

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Other.....	5,139	1,740	5,614
	-----	-----	-----
Total.....	\$305,254	\$341,485	\$36,302
	=====	=====	=====

The following table sets forth the dollar amount of the loans maturing subsequent to the year ending December 31, 2001 between those with predetermined interest rates and those with floating, or variable, interest rates.

	Fixed Rate	Variable Rate	Total
	-----	-----	-----
	(In thousands)		
Commercial	\$ 28,372	\$ 13,602	\$ 41,974
Commercial real estate	150,301	39,746	190,047
Residential real estate	109,892	62,337	172,229
Loans held-for-sale	1,725	--	1,725
Consumer	69,740	305	70,045
Other	1,811	53	1,864
	-----	-----	-----
Total	\$361,841	\$116,043	\$477,884
	=====	=====	=====

Commercial Real Estate Loans. The Company originates commercial loans, generally to existing business customers, secured by real estate located in the Company's market area. At December 31, 2000, commercial real estate loans totaled \$288,254, or 43.87%, of the Company's net loan portfolio. The terms of such loans are generally for ten to twenty years and are priced based in part upon the prime rate, as reported in The Wall Street Journal. Commercial real estate loans are generally underwritten by addressing cash flow (debt service coverage), primary and secondary source of repayment, financial strength of any guarantor, strength of the tenant (if any), liquidity, leverage, management experience, ownership structure, economic conditions and industry specific trends and collateral. Generally, the Company will loan up to 80-85% of the value of improved property, 65% of the value of raw land and 75% of the value of land to be acquired and developed. A first lien on the property and assignment of lease is required if the collateral is rental property, with second lien positions considered on a case by case basis.

Commercial Loans. Commercial loans are made for a variety of business purposes, including working capital, inventory and equipment and capital expansion. At December 31, 2000, commercial loans outstanding totaled \$87,680, or 13.34%, of the Company's net loan portfolio. The terms for commercial loans are generally one to seven years. Commercial loan applications must be supported by current financial information on the borrower and, where appropriate, by adequate collateral. Commercial loans are generally underwritten by addressing cash flow (debt service coverage), primary and secondary sources of repayment, financial strength of any guarantor, liquidity, leverage, management experience, ownership structure, economic conditions and industry-specific trends and collateral. The loan to value ratio depends on the type of collateral. Generally speaking, accounts receivable are financed at 70% of accounts receivable less than 90 days past due. If other collateral is taken to support the loan, the loan to value of accounts receivable may approach 85%. Inventory financing will range between 50% and 60% depending on the borrower and nature of inventory. The Company requires a first lien position for such loans. These types of loans are generally considered to be a higher credit risk than other loans originated by the Company.

Residential Real Estate. The Company also originates one-to-four family,

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owner-occupied residential mortgage loans secured by property located in the Company's primary market area. The majority of the Company's residential mortgage loans consists of loans secured by owner-occupied, single-family residences. At December 31, 2000, the Company had \$204,202, or 31.08%, of its net loan portfolio in residential real estate loans. The Company also originates, to a limited extent, installment real estate loans for other types of real estate acquisitions. Residential real estate loans generally have a loan to value ratio of 85%. These loans are underwritten by giving consideration to the ability to pay, stability of employment or source of income, credit history and loan to value ratio.

Mortgage loans originated by the Bank are not underwritten in conformity with secondary market guidelines and therefore are not readily salable. Beginning in April 1997, the Company began selling one-to-four family mortgage loans in the secondary market to Freddie Mac through the Bank's mortgage banking operation. Sales of such loans totaled \$31,220 during 2000, and the related mortgage servicing rights were sold together with the loan.

Installment Consumer Loans. At December 31, 2000, the Company's installment consumer loan portfolio totaled \$88,687, or 13.50%, of the Company's total net loan portfolio. The Company's consumer loan portfolio is comprised of secured and unsecured loans originated by the Bank, Superior Financial and GBC Acceptance. The consumer loans of the Bank generally have a higher risk of default than other loans originated by the Bank. Further, consumer loans originated by Superior Financial and GBC Acceptance, finance companies rather than a bank, generally have a greater risk of default than such loans originated by commercial banks and accordingly carry a higher interest rate. The performance of consumer loans will be affected by the local and regional economy as well as the rates of personal bankruptcies, job loss, divorce and other individual-specific characteristics.

Past Due, Special Mention, Classified and Non-Accrual Loans. The Company classifies its problem loans into three categories: past due loans, special mention loans and classified loans (both accruing and non-accruing interest).

When management determines that a loan no longer satisfies the criteria for performing loans and that collection of interest appears doubtful, the loan is placed on non-accrual status. All loans that are 90 days past due are considered non-accrual, unless they are adequately secured and there is reasonable assurance of full collection of principal and interest. Management closely monitors all loans that are contractually 90 days past due, treated as "special mention" or otherwise classified or on non-accrual status. Non-accrual loans that are 120 days past due without assurance of repayment are charged off against the allowance for loan losses.

The following table sets forth information with respect to the Company's non-performing assets at the dates indicated. At these dates, the Company did not have any restructured loans within the meaning of Statement of Financial Accounting Standards No. 15.

	At December 31,			
	2000	1999	1998	1997
	(In thousands)			
Loans accounted for on a non-accrual basis.....	\$4,813	\$2,952	\$4,159	\$2,000
Accruing loans which are contractually past due 90 days or more as to interest or principal payments.....	475	996	872	1,000

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Total non-performing loans.....	5,288	3,948	5,031	3,
Real estate owned:				
Foreclosures.....	1,937	1,546	920	
Other real estate held and repossessed assets.....	350	826	607	
Total non-performing assets.....	\$ 7,575	\$6,320	\$6,558	\$4,
	=====	=====	=====	=====

Non-accrual loans increased \$1,861, or 63.04%, from \$2,952 at December 31, 1999 to \$4,813 at December 31, 2000.

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The Company's continuing efforts to resolve non-performing loans occasionally include foreclosures, which result in the Company's ownership of the real estate underlying the mortgage. If non-accrual loans at December 31, 2000 had been current according to their original terms and had been outstanding throughout 2000, or since origination if originated during the year, interest income on these loans would have been approximately \$324. Interest actually recognized on these loans during 2000 was not significant.

Foreclosed real estate increased \$391, or 25.29%, to \$1,937 at December 31, 2000 from \$1,546 at December 31, 1999. The real estate consists of 14 properties, of which four are commercial properties valued at \$688. Management expects to liquidate these properties during 2001 at a minimal loss. The remaining properties are residential properties and management believes they will be liquidated in an orderly manner with minimal losses. Other real estate held and repossessed assets decreased \$476, or 57.62%, to \$350 at December 31, 2000 from \$826 at December 31, 1999. This decrease is primarily due to orderly liquidations of repossessed vehicles at Superior Financial.

At December 31, 2000, the Company had approximately \$4,090 in loans that are not currently classified as non-accrual or 90 days past due or otherwise restructured and where known information about possible credit problems of borrowers caused management to have serious concerns as to the ability of the borrowers to comply with present loan repayment terms. Such loans were considered classified by the Company and comprised various commercial and commercial real estate loans, including one commercial loan for \$1,363 secured by a blanket lien on the land, plant and equipment of the business as well as significant additional collateral. Management believes the value of the collateral is presently sufficient to cover the full amount of the loan, plus accrued interest. This loan was considered classified based upon cash flows of the business deemed insufficient to cover debt service. In addition, such loans included approximately \$1,330 in loan balances, consisting of approximately 75 loans, which were in bankruptcy status.

Allowance for Loan Losses. The allowance for loan losses is maintained at a level which management believes is adequate to absorb all potential losses on loans then present in the loan portfolio. The amount of the allowance is affected by: (1) loan charge-offs, which decrease the allowance; (2) recoveries on loans previously charged-off, which increase the allowance; and (3) the provision of possible loan losses charged to income, which increases the allowance. In determining the provision for possible loan losses, it is necessary for management to monitor fluctuations in the allowance resulting from actual charge-offs and recoveries, and to periodically review the size and composition of the loan portfolio in light of current and anticipated economic conditions in an effort to evaluate portfolio risks. If actual losses exceed the amount of the allowance for loan losses, earnings of the Company could be

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adversely affected. The amount of the provision is based on management's judgment of those risks and therefore the allowance represents general, rather than specific, reserves. During the year ended December 31, 2000, the Company's provision for loan losses increased by \$4,876 to \$8,009 to reflect the increase in potential losses arising from the loan portfolio.

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The following is a summary of activity in the allowance for loan losses for the periods indicated:

	Year Ended Decem		
	2000 ----	1999 ----	1998 ----
			(In thousand)
Balance at beginning of year	\$ 10,332	\$ 10,253	\$ 9,154
Charge-offs:			
Commercial	(429)	(298)	(440)
Commercial real estate	(537)	(302)	(87)
Subtotal	(966)	(600)	(527)
Residential real estate	(800)	(407)	--
Consumer	(6,022)	(3,010)	(2,707)
Other	--	--	--
Total charge-offs	(7,788)	(4,017)	(3,234)
Recoveries:			
Commercial	43	295	216
Commercial real estate	137	--	24
Subtotal	180	295	240
Residential real estate	69	93	--
Consumer	926	575	673
Other	--	--	3
Total recoveries	1,175	963	916
Net charge-offs	(6,613)	(3,054)	(2,318)
Provision for loan losses	8,009	3,133	3,417
Balances acquired in acquisition of Premier Bank	--	--	--
Balance at end of year	\$ 11,728	\$ 10,332	\$ 10,253
Ratio of net charge-offs to average loans outstanding, net of unearned discount, during the period.....	1.09%	0.60%	0.52%
Ratio of allowance for loan losses to			

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non-performing loans.....	221.79%	261.70%	203.80%
	=====	=====	=====
Ratio of allowance for loan losses to			
total loans.....	1.72%	1.81%	2.11%
	=====	=====	=====

(a) Includes a \$500 charge-off against the Company's \$1,100 participation in a \$3,500 commercial loan to a nonprofit entity for a hotel development project, secured by a hotel building and underlying commercial real estate in Greeneville, Tennessee. In 1998, the loan was paid off and the Bank received \$788 in net loan proceeds.

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The following table presents an allocation among the listed categories of the Company's allowance for loan losses at the dates indicated and the percentage of loans in each category to the total amount of loans at the respective year-ends:

Breakdown of allowance for loan losses by category:	At December 31,			
	2000		1999	
	----		----	
			(Dollars in thousands)	
Balance at end of period applicable to:	Amount	Percent of loan in each category to total loans	Amount	Percent of loan in each category to total loans
	-----	-----	-----	-----
Commercial	\$ 1,602	12.84%	\$ 2,168	12.05%
Commercial real estate	6,901	42.20%	3,234	42.50%
Residential real estate	947	29.90%	3,299	29.83%
Loans held-for-sale	4	0.25%	--	0.21%
Consumer	2,042	12.98%	1,305	12.47%
Other	232	1.83%	326	2.94%
	-----	-----	-----	-----
Totals	\$11,728	100.00%	\$10,332	100.00%
	=====	=====	=====	=====

INVESTMENT ACTIVITIES

General. The Company maintains a portfolio of investments to provide liquidity and an additional source of income.

Securities by Category. The following table sets forth the amount of securities by major categories held by the Company at December 31, 2000, 1999 and 1998.

At December 31,	
2000	1999
----	----
(In thousands)	

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Securities Held to Maturity:		
Obligations of state and political subdivisions	\$ 1,866	\$ 3,321
	-----	-----
Total	\$ 1,866	\$ 3,321
	=====	=====
Securities Available for Sale:		
U.S. Treasury securities and obligations of U.S.		
Government, corporations and agencies	\$45,242	\$19,191
Obligations of state and political subdivisions	1,416	1,535
	-----	-----
Total	\$46,658	\$20,726
	=====	=====

For information regarding the amortized cost of securities at December 31, 2000, 1999 and 1998, see Note 2 of Notes to Consolidated Financial Statements.

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Maturity Distributions of Securities. The following table sets forth the distributions of maturities of securities at amortized cost as of December 31, 2000.

	Due in One Year or Less	Due After One Year through Five Years	Due After Five Ye through Ten Year
	-----	-----	-----
	(Dollars in t		
U.S. treasury securities - available for sale ...	\$ 1,004	\$ --	\$ --
Federal agency obligations - available for sale	2,044	33,480	2,922
Obligations of state and political subdivisions - available for sale	--	524	--
Obligations of state and political subdivisions - held to maturity	827	592	--
Other securities - available for sale	--	--	--
	-----	-----	-----
Total	\$ 3,875	\$34,596	\$ 2,922
Market value adjustment on available for sale securities	\$ (10)	\$ 25	\$ 27
	-----	-----	-----
Total	\$ 3,865	\$34,621	\$ 2,949
	=====	=====	=====
Weighted average yield (a)	6.31%	7.00%	7.30%
	=====	=====	=====

(a) Actual yields on tax-exempt obligations do not differ materially from yields computed on a tax equivalent basis.

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commercial activity; personal contacts by its directors, officers, other employees and shareholders; personalized services; and its reputation in the communities it serves.

According to data as of June 30, 2000 supplied by the FDIC, the Bank ranked as the largest independent commercial bank in its market area, which includes Greene, Hamblen, Hawkins, Sullivan, Washington, Madison, Loudon, Blount and McMinn Counties and portions of Cocke, Monroe, Jefferson and Knox Counties. In Greene County, there are six commercial banks and one savings bank, operating 22 branches and holding an aggregate of approximately \$694 million in deposits as of June 30, 2000.

Under the federal Bank Holding Company Act of 1956 (the "Holding Company Act"), as amended by the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Riegle-Neal Act"), Tennessee banks and their holding companies may be acquired by out-of-state banks or their holding companies, and Tennessee banks and their holding companies may acquire out-of-state banks without regard to whether the transaction is prohibited by the laws of any state. In addition, the federal banking agencies may approve interstate merger transactions without regard to whether such transactions are prohibited by the law of any state, unless the home state of one of the banks opts out of the Riegle-Neal Act by adopting a law that applies equally to all out-of-state banks and expressly prohibits merger transactions involving out-of-state banks. The effect of the Riegle-Neal Act may be to increase competition within the State of Tennessee among banking institutions located in Tennessee and from banking companies located anywhere in the country.

EMPLOYEES

As of December 31, 2000 the Company employed 388 full-time equivalent employees. None of the Company's employees are presently represented by a union or covered under a collective bargaining agreement. Management of the Company considers relations with employees to be good.

REGULATION, SUPERVISION AND GOVERNMENTAL POLICY

The following is a brief summary of certain statutes, rules and regulations affecting the Company and the Bank. A number of other statutes and regulations have an impact on their operations. The following summary of applicable statutes and regulations does not purport to be complete and is qualified in its entirety by reference to such statutes and regulations.

Bank Holding Company Regulation. The Company is registered as a bank holding company under the Holding Company Act and, as such, subject to supervision, regulation and examination by the Board of Governors of the Federal Reserve Board (the "FRB").

Acquisitions and Mergers. Under the Holding Company Act, a bank holding company must obtain the prior approval of the FRB before (1) acquiring direct or indirect ownership or control of any voting shares of any bank or bank holding company if, after such acquisition, the bank holding company would directly or indirectly own

or control more than 5% of such shares; (2) acquiring all or substantially all of the assets of another bank or bank holding company; or (3) merging or consolidating with another bank holding company. Also, any company must obtain approval of the FRB prior to acquiring control of the Company or the Bank. For purposes of the Holding Company Act, "control" is defined as ownership of more than 25% of any class of voting securities of the Company or the Bank, the

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ability to control the election of a majority of the directors, or the exercise of a controlling influence over management or policies of the Company or the Bank.

The Holding Company Act, as amended by the Riegle-Neal Act, generally permits the FRB to approve interstate bank acquisitions by bank holding companies without regard to any prohibitions of state law. See "Competition."

The Change in Bank Control Act and the related regulations of the FRB require any person or persons acting in concert (except for companies required to make application under the Holding Company Act), to file a written notice with the FRB before such person or persons may acquire control of the Company or the Bank. The Change in Bank Control Act defines "control" as the power, directly or indirectly, to vote 25% or more of any voting securities or to direct the management or policies of a bank holding company or an insured bank.

Bank holding companies like the Company are currently prohibited from engaging in activities other than banking and activities so closely related to banking or managing or controlling banks as to be a proper incident thereto. The FRB's regulations contain a list of permissible nonbanking activities that are closely related to banking or managing or controlling banks. A bank holding company must file an application or notice with the Federal Reserve prior to acquiring more than 5% of the voting shares of a company engaged in such activities. Financial modernization legislation enacted on November 12, 1999, however, will greatly broaden the scope of activities permissible for bank holding companies. Effective March 11, 2000, this legislation permits bank holding companies, upon classification as financial holding companies, to engage in a broad variety of activities "financial" in nature. See "--Financial Modernization Legislation."

Capital Requirements. The Company is also subject to FRB guidelines that require bank holding companies to maintain specified minimum ratios of capital to total assets and capital to risk-weighted assets. See "-- Capital Requirements."

Dividends. The FRB has the power to prohibit dividends by bank holding companies if their actions constitute unsafe or unsound practices. The FRB has issued a policy statement expressing its view that a bank holding company should pay cash dividends only to the extent that the company's net income for the past year is sufficient to cover both the cash dividends and a rate of earning retention that is consistent with the company's capital needs, asset quality, and overall financial condition. The Company does not believe this policy statement will limit the Company's activity to maintain its dividend payment rate.

Support of Banking Subsidiaries. Under FRB policy, the Company is expected to act as a source of financial strength to its banking subsidiaries and, where required, to commit resources to support each of such subsidiaries. Further, if the Bank's capital levels were to fall below minimum regulatory guidelines, the Bank would need to develop a capital plan to increase its capital levels and the Company would be required to guarantee the Bank's compliance with the capital plan in order for such plan to be accepted by the federal regulatory authority.

Under the "cross guarantee" provisions of the Federal Deposit Insurance Act (the "FDI Act"), any FDIC-insured subsidiary of the Company such as the Bank could be liable for any loss incurred by, or reasonably expected to be incurred by, the FDIC in connection with (i) the default of any other FDIC-insured subsidiary also controlled by the Company or (ii) any assistance provided by the FDIC to any FDIC-insured subsidiary of the Company in danger of default.

Transactions with Affiliates. The Federal Reserve Act imposes legal restrictions on the quality and amount of credit that a bank holding company or

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its non bank subsidiaries ("affiliates") may obtain from bank subsidiaries of the holding company. For instance, these restrictions generally require that any such extensions of credit by a bank to its affiliates be on nonpreferential terms and be secured by designated amounts of specified collateral. Further, a bank's ability to lend to its affiliates is limited to 10% per affiliate (20% in the aggregate to all affiliates) of the bank's capital and surplus.

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Bank Regulation. As a Tennessee banking institution, the Bank is subject to regulation, supervision and regular examination by the Banking Department. The deposits of the Bank are insured by the FDIC to the maximum extent provided by law (a maximum of \$100,000 for each insured depositor). Tennessee and federal banking laws and regulations control, among other things, required reserves, investments, loans, mergers and consolidations, issuance of securities, payment of dividends, and establishment of branches and other aspects of the Bank's operations. Supervision, regulation and examination of the Company and the Bank by the bank regulatory agencies are intended primarily for the protection of depositors rather than for holders of the Common Stock of the Company.

Extensions of Credit. Under joint regulations of the federal banking agencies, including the FDIC, banks must adopt and maintain written policies that establish appropriate limits and standards for extensions of credit that are secured by liens or interests in real estate or are made for the purpose of financing permanent improvements to real estate. These policies must establish loan portfolio diversification standards, prudent underwriting standards, including loan-to-value limits, that are clear and measurable, loan administration procedures and documentation, approval and reporting requirements. A bank's real estate lending policy must reflect consideration of the Interagency Guidelines for Real Estate Lending Policies (the "Interagency Guidelines") that have been adopted by the federal bank regulators. The Interagency Guidelines, among other things, call upon depository institutions to establish internal loan-to-value limits for real estate loans that are not in excess of the loan-to-value limits specified in the Guidelines for the various types of real estate loans. The Interagency Guidelines state that it may be appropriate in individual cases to originate or purchase loans with loan-to-value ratios in excess of the supervisory loan-to-value limits. The aggregate amount of loans in excess of the supervisory loan-to-value limits, however, should not exceed 100% of total capital and the total of such loans secured by commercial, agricultural, multifamily and other non-one-to-four family residential properties should not exceed 30% of total capital.

Federal Deposit Insurance. The Bank is subject to FDIC deposit insurance assessments. The FDIC has established a risk-based deposit insurance assessment system for insured depository institutions, under which insured institutions are assigned assessment risk classifications based upon capital levels and supervisory evaluations. Insurance assessment rates for BIF-insured banks such as the Bank depend on the capital category and supervisory category to which a bank is assigned and currently range from \$0.00 to \$0.27 per \$100 of insured deposits.

Safety and Soundness Standards. The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") required the federal bank regulatory agencies to prescribe, by regulation, non-capital safety and soundness standards for all insured depository institutions and depository institution holding companies. The FDIC and the other federal banking agencies have adopted guidelines prescribing safety and soundness standards pursuant to FDICIA. The safety and soundness guidelines establish general standards relating to internal controls and information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, and compensation, fees and benefits. Among other things, the guidelines require banks to maintain

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appropriate systems and practices to identify and manage risks and exposures identified in the guidelines.

Capital Requirements. The FRB has established guidelines with respect to the maintenance of appropriate levels of capital by registered bank holding companies, and the FDIC has established similar guidelines for state-chartered banks that are not members of the FRB. The regulations of the FRB and FDIC impose two sets of capital adequacy requirements: minimum leverage rules, which require the maintenance of a specified minimum ratio of capital to total assets, and risk-based capital rules, which require the maintenance of specified minimum ratios of capital to "risk-weighted" assets. At December 31, 2000, the Company and the Bank satisfied the minimum required regulatory capital requirements. See Note 10 of Notes to Consolidated Financial Statements.

The FDIC has issued final regulations that classify insured depository institutions by capital levels and require the appropriate federal banking regulator to take prompt action to resolve the problems of any institution that fails to satisfy the capital standards. Under such regulations, a "well-capitalized" bank is one that is not subject to any regulatory order or directive to meet any specific capital level and that has or exceeds the following capital levels: a total risk-based capital ratio of 10%, a Tier 1 risk-based capital ratio of 6%, and a leverage ratio of 5%. As of December 31, 2000, the Bank was "well-capitalized" as defined by the regulations. See Note 10 of Notes to Consolidated Financial Statements for further information.

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Financial Modernization Legislation. On November 12, 1999, the Gramm-Leach-Bliley Act of 1999 (the "GLBA") was signed into law. The Act includes a number of provisions intended to modernize and to increase competition in the American financial services industry, including authority for bank holding companies to engage in a wider range of nonbanking activities, including securities underwriting and general insurance activities. Under the GLBA, a bank holding company that elects to be deemed a "financial holding company" will be permitted to engage in any activity that the Federal Reserve, in consultation with the Secretary of the Treasury, determines by regulation or order is (i) financial in nature, (ii) incidental to any such financial activity, or (iii) complementary to any such financial activity and does not pose a substantial risk to the safety or soundness of depository institutions or the financial system generally. The GLBA identifies certain activities that are deemed to be financial in nature, including those nonbanking activities currently authorized for bank holding companies by the Federal Reserve as well as insurance and securities underwriting, insurance agency and merchant banking activities. In order to take advantage of this new authority, a bank holding company's depository institution subsidiaries must be well-capitalized and well-managed and have at least a satisfactory examination rating under the Community Reinvestment Act.

In addition, the GLBA authorizes national banks to engage, through "financial subsidiaries," in any activity that is permissible for a financial holding company (as described above) and any activity that the Secretary of the Treasury, in consultation with the Federal Reserve, determines is financial in nature or incidental to any such financial activity, except (i) insurance underwriting, (ii) real estate development or real estate investment activities (unless otherwise permitted by law), (iii) insurance company portfolio investments and (iv) merchant banking. In order to invest in a financial subsidiary, a national bank must be well-managed and well-capitalized (after deducting from capital the bank's outstanding investments in financial subsidiaries) and have at least a "satisfactory" examination rating under the Community Reinvestment Act.

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The GLBA provides that state banks, such as the Bank, may invest in financial subsidiaries (assuming they have the requisite investment authority under applicable state law) that engage as principal in activities that would only be permissible for a national bank to conduct in a financial subsidiary. This authority is generally subject to the same conditions that apply to investments made by a national bank in financial subsidiaries. Since a Tennessee-chartered bank is authorized by state law to exercise any power or engage in any activity that it could exercise or engage in if it were a national bank located in Tennessee, the financial subsidiary authority under the GLBA could result in the expansion of activities permissible for Tennessee bank subsidiaries.

Most of the GLBA's provisions have delayed effective dates and require the adoption of federal banking regulations to implement the statutory provisions. The Federal Reserve and the FDIC have yet to issue final regulations under the GLBA, and the effect of such regulations, when adopted, cannot be predicted. However, the legislation is expected to present opportunities to the Company and the Bank for new business activities, although no such activities are presently planned, and may also have the effect of increasing competition for the Company and the Bank.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth information regarding the executive officers of the Company.

Name	Age At December 31, 2000	Title
----	-----	-----
R. Stan Puckett	44	President and Chief Executive Officer
William F. Richmond	51	Senior Vice President and Chief Financial Officer

R. STAN PUCKETT currently serves as President and Chief Executive Officer of the Company and has held that position since 1990. He has served as President and Chief Executive Officer of the Bank since February 1989. He is a graduate of Bristol University with a degree in business administration. He served as President of First American National Bank of Johnson City, Tennessee from December 1987 to February 1989 and as its Vice President from June 1986 to December 1987. He was Assistant Vice President of First Union National Bank in Asheville, North Carolina from September 1983 to June 1986 and served as commercial loan officer of Signet Bank in Bristol, Virginia from September 1977 to June 1983.

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WILLIAM F. RICHMOND joined the Company in February 1996 and currently serves as Senior Vice President and Chief Financial Officer of the Company and the Bank. Prior to joining the Company, Mr. Richmond served, subsequent to the acquisition of Heritage Federal Bancshares, Inc. ("Heritage") by First American Corporation (now a part of AmSouth Bancorporation), as transition coordinator for various financial matters from November 1995 through January 1996. Heritage was the parent of Heritage Federal Bank for Savings located in Kingsport, Tennessee. He served as Senior Vice President and Chief Financial Officer for Heritage from June 1991 through October 1995 and as controller from April 1985 through May 1991. He has been active in community activities in the Tri-Cities, Tennessee area, having served on the Board of Directors of Boys and Girls Club, Inc. and as President of the Tri-Cities Estate Planning Council. He has served in various capacities with the United Way of Greater Kingsport and is a Paul

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Harris Fellow in Rotary International. He is licensed as a Certified Public Accountant in Virginia and Tennessee and is also a Certified Financial Planner.

ITEM 2. PROPERTIES

The Company's principal executive offices are located at 100 North Main Street, Greeneville, Tennessee in facilities owned by the Bank. At December 31, 2000, the Company maintained a main office in Greeneville, Tennessee and 25 bank branches (of which seven are in leased operating premises) and 19 separate locations operated by the Bank's subsidiaries.

ITEM 3. LEGAL PROCEEDINGS

From time to time, the Company and its subsidiaries are parties to various legal proceedings incident to its business. At December 31, 2000, there were no legal proceedings which management anticipates would have a material adverse effect on the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders of the Company through a solicitation of proxies or otherwise.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The information contained under the section captioned "Market and Dividend Information" in the Company's 2000 Annual Report to Shareholders (the "Annual Report") filed as Exhibit 13 hereto is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

The information contained in the table captioned "Selected Financial Highlights" in the Company's Annual Report is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information contained in the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information set forth under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Interest Rate Sensitivity" is incorporated herein by reference.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements contained in the Company's Annual Report are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

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The information contained in the section captioned "Change in Accountants" in the Company's Annual Report is incorporated herein by reference.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

For information concerning the Board of Directors of the Company, the information contained under the section captioned "Election of Directors" in the Company's definitive proxy statement for the Company's 2001 Annual Meeting of Shareholders (the "Proxy Statement") is incorporated herein by reference.

Information regarding executive officers of the Company is contained in the section captioned "Executive Officers of the Registrant" under Part I hereof and is incorporated herein by reference.

Information regarding delinquent Form 3, 4 or 5 filers is incorporated herein by reference to the section entitled "Beneficial Ownership Reports" in the Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The information contained under the section captioned "Election of Directors -- Executive Compensation and Other Benefits" in the Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Security Ownership of Certain Beneficial Owners

Information required by this item is incorporated herein by reference to the section captioned "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement.

(b) Security Ownership of Management

Information required by this item is incorporated herein by reference to the sections captioned "Security Ownership of Certain Beneficial Owners and Management" and "Election of Directors" in the Proxy Statement.

(c) Changes in Control

Management of the Company knows of no arrangements, including any pledge by any person of securities of the Company, the operation of which may at a subsequent date result in a change in control of the registrant.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated herein by reference to the section captioned "Election of Directors" in the Proxy Statement. PART IV

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ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a)(1) The following consolidated financial statements of the Company included in the Annual Report are incorporated herein by reference from Item 8 of this Report. The remaining information appearing in the Annual Report to

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Shareholders is not deemed to be filed as part of this Report, except as expressly provided herein.

1. Report of Independent Accountants.
2. Consolidated Balance Sheets - December 31, 2000 and 1999.
3. Consolidated Statements of Income for the Years Ended December 31, 2000, 1999 and 1998.
4. Consolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 2000, 1999 and 1998.
5. Consolidated Statements of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998.
6. Notes to Consolidated Financial Statements.

(a)(2) All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

(a)(3) The following exhibits either are filed as part of this Report or are incorporated herein by reference:

Exhibit No. 3. Articles of Incorporation and Bylaws

- (i) Amended and Restated Charter, effective June 18, 1998 -- incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.
- (ii) Amended and Restated Bylaws

Exhibit No. 10. Employment Agreements

- (i) Employment agreement between the Company and R. Stan Puckett -- incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1995.

Exhibit No. 11. Statement re Computation of Per Share Earnings

Incorporated by reference to Note 12 of the Notes to Consolidated Financial Statements.

Exhibit No. 13. Annual Report to Shareholders

Except for those portions of the Annual Report to Shareholders for the year ended December 31, 2000, that are expressly incorporated herein by reference, such Annual Report is furnished for the information of the Commission and is not to be deemed "filed" as part of this Report.

Exhibit No. 21. Subsidiaries of the Registrant

A list of subsidiaries of the Registrant is included as an exhibit to this Report.

Exhibit No. 23.1. Consent of PricewaterhouseCoopers LLP

Exhibit No. 23.2. Consent of Crowe, Chizek and Company LLP

- (b) Reports on Form 8-K. During the last quarter of the year ended December 31, 2000, the Company filed two separate reports on Form 8-K. The first report, filed on October 5, 2000, disclosed that the Bank entered into two separate agreements pursuant to which the Bank would acquire two branches from Wachovia Bank, N.A., and sell one of its branches to Wachovia Bank, N.A. The second report, filed on October 24, 2000, disclosed that the Company had changed its independent auditors from PriceWaterhouseCoopers to Crowe, Chizek and Company LLP. No financial statements were filed with either report.
- (c) Exhibits. The exhibits required by Item 601 of Regulation S-K are either filed as part of this Annual Report on Form 10-K or incorporated herein by reference.
- (d) Financial Statements and Financial Statement Schedules Excluded From Annual Report. There are no financial statements and financial statement schedules which were excluded from the Annual Report pursuant to Rule 14a-3(b)(1) which are required to be included herein.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on behalf by the undersigned, thereunto duly authorized.

GREENE COUNTY BANCSHARES, INC.

Date: March 30, 2001

By: /s/ R. Stan Puckett

R. Stan Puckett
Director, President and
Chief Executive Officer
(Duly Authorized Representative)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated and on the dates indicated.

SIGNATURE AND TITLE:

DATE:

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/s/ R. Stan Puckett March 30, 2001

R. Stan Puckett
Director, President and Chief
Executive Officer
(Principal Executive Officer)

/s/ William F. Richmond March 30, 2001

William F. Richmond
Senior Vice President and
Chief Financial Officer
(Principal Financial and Accounting Officer)

/s/ Ralph T. Brown March 30, 2001

Ralph T. Brown
Chairman of the Board

/s/ Phil M. Bachman, Jr. March 30, 2001

Phil M. Bachman, Jr.
Director

/s/ Charles S. Brooks March 30, 2001

Charles S. Brooks
Director

/s/ Bruce Campbell March 30, 2001

Bruce Campbell
Director

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/s/ W.T. Daniels March 30, 2001

W.T. Daniels
Director

/s/ J.W. Douthat March 30, 2001

J.W. Douthat
Director

/s/ James A. Emory March 30, 2001

James A. Emory
Director

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/s/ Jerald K. Jaynes

March 30, 2001

Jerald K. Jaynes
Director

/s/ Terry Leonard

March 30, 2001

Terry Leonard
Director

/s/ H.J. Moser, III

March 30, 2001

H.J. Moser, III
Director

/s/ Davis Stroud

March 30, 2001

Davis Stroud
Director

/s/ Charles Whitfield

March 30, 2001

Charles Whitfield
Director