



January 2005

To Our Clients and Friends:

May 2005 Be Your Best Year Ever!

It is once again that time of year when we reflect on what has transpired and look forward to the new year. This is true for our Financial Institutions Group just as it is in your businesses.

2004 was a year in which community banks continued to demonstrate the growing sophistication of their business and operations. Earnings and credit quality by and large remained excellent, and many banks took significant steps to manage their capital, their costs and their shareholder base. Regulatory concerns migrated from their normal focus on credit quality and earnings to a near "fixation" on Bank Secrecy and compliance issues.

2004 was also an excellent year for our Financial Institutions Group.

Merger and Acquisition Activity. Our M&A activity continued to be very strong. We were active participants in a variety of bank acquisitions, peer mergers, branch transactions and "non-bank" business acquisitions. We continued to be a law firm leader at the state, regional and national level in the number of deals we handled during 2004. We foresee this activity level continuing or increasing in 2005 so long as bank stock price multiples remain strong.

Shareholder Management. 2004 continued to reflect bankers' concerns about the costs and distractions of SEC compliance, and a number of clients took affirmative steps to control their own destiny in this regard. A review of national filings with the SEC by the Midwestern Investment Banking firm, Stifel Nicolas, reported that Powell Goldstein represented roughly 15% of all financial institutions that had gone private since 1996 (and that total did not include three pending transactions).

Several other clients took steps to ensure that they did not exceed the SEC's 500-shareholder threshold by reducing or reclassifying their shareholders. We continued to be a national leader for banks across the country with respect to these issues.

Capital Management. We also continued to be in the forefront of efforts to raise new capital for community banks as our community bank clients took advantage of excellent market pricing to issue common stock and trust preferred securities and to utilize

other forms of capital. We appear to be in the best market since 1998, and demand for the shares of good community banks has never been higher.

De Novo Banks. During 2004 we continued to see significant interest in the formation of de novo banks throughout the United States, but particularly in our high-growth markets. The ready availability of capital for de novo banks, the robust small-business economy and the continued turnover of more mature community banks (as well as the sale of mega-banks like Fleet and SouthTrust) were all significant factors in this growth. Our practice took us from California to Boston to the Southeast, as our experience and reputation continued to spread beyond our home bases of Atlanta and Washington.

S Corp. Our leadership in demonstrating the benefits of S Corporation taxation for many banks also helped us to be the leading provider of S Corp legal advice in the Eastern United States. Our Annual S Corp Conference (our third) was oversubscribed again, and in November, we further strengthened our leadership in community bank taxation by adding Mark Baran to our Group (see page 3).

Using Our Experience. 2004 once again saw bankers seeking creative ways to accomplish their strategic objectives. From initiating interstate transactions, to addressing problem shareholders, to dealing with difficult regulatory stalemates and issues, our clients continued to find the aggregate experience of our attorneys to be a differentiating benefit.

Compliance/Bank Secrecy. Our Compliance Group, headed by John ReVeal in our Washington office, has continued to be in the forefront of dealing with the massive regulatory initiatives under the Bank Secrecy Act. John's hands-on experience in dealing with these issues represents a tremendous opportunity for community banks to understand and deal with this issue in a pragmatic way. Please see the enclosed *Client Alert* dealing with this issue.

Speaking/Conferences/Etc. 2004 saw speakers from Powell Goldstein's Financial Institutions Group appearing at national, regional and local events, giving back some of our expertise to the industry that has been so good for us. This will continue in 2005 as we plan additional events.

In February, we will again be participating in the Tenth Annual Southeastern Bank Management and Directors Conference, and we believe that this year's program will be extremely valuable. We are proud of our association with The University of Georgia's Terry College of Business and Dr. Jim Verbrugge, our helping to organize this program, and our participation in it for the past ten years. Please review the enclosed brochure and encourage your directors to join you in attending.

Our Group co-sponsored two significant conferences in 2004 – our Annual S-Corp Conference and a special Going Private/Staying Private Conference. If you missed either of those conferences, we would be happy to provide you with conference materials for your review and consideration. We plan to hold our 4th Annual S Corp Conference in May, and our attorneys will be speaking at numerous national and state trade association meetings during the year. We hope to see many of you at these programs.

Staffing. 2004 turned out to be an excellent year for our staffing. Jim Wheeler, who had assisted us for many years with lending and non-bank acquisition work, officially joined our Group as a partner mid-year. Jim's savvy business experience has already proven extremely valuable to us. Lyn Schroeder helped to expand our group by giving birth to her second child, and she rejoined us from maternity leave in December. Lyn's background as a CPA who audited banks prior to attending law school continues to be a great resource for us and our clients.

In November, we were delighted to have Mark Baran join us from the American Bankers Association. Mark's intimate knowledge of the nuts and bolts of community banking, based on his nine years of tax consulting with community banks at ABA, gives him unparalleled insight into the day-to-day operations, needs, and expectations of community bankers. Mark operates out of our Washington office, where Carolyn Lindsey has joined John ReVeal in working on Compliance matters.

Jim McAlpin continues to spend the majority of his time as Chairman of Powell Goldstein. While we miss his day-to-day participation, Jim's support of our practice group and its growth is a source of great encouragement for us.

Resources. One of our greatest strengths is our ability to utilize the vast legal resources of Powell Goldstein to provide specialized legal advice to community bankers by attorneys who represent community bankers as a significant segment of their practice. As a result, in areas like taxation, estate planning for bank executives and directors, employment law, ERISA and benefit plans, lending and workout, data processing, other technology contract review and strategic advice, dispute resolution, litigation, branch acquisitions, purchases of other businesses, and the other myriad issues facing our clients on a daily basis, we not only have technical expertise, we also have attorneys who are experienced in representing community bankers and who understand their concerns as to responsiveness, pricing and value, plus real-world practical advice.

Enclosed for your quick reference is a chart reflecting a portion of that depth. Listing all of the attorneys involved in these areas is not practical; however, all of the listed attorneys know that if they get a call from one of you, they will be prepared to respond, and you are always welcome to contact any of these attorneys directly.

As we enter 2005, we extend our grateful appreciation to those of you who are clients and to those of you who have considered Powell Goldstein for some portion of your legal needs in the past. We realize we have to earn your business every day, and we look forward to the opportunities to do so in 2005.

Very truly yours,

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