



## 2007 Directors Conference

### **GENERAL SESSION**

# **Interactive Mock Board Dialogue**

*Stephen M. Klein, Graham & Dunn, PC  
John F. Stuart, Reitner, Stuart & Moore*

Saturday, November 10, 2007

8:45-10:30 am

## **WIB/AABD – NOVEMBER 10, 2007**

### **BACKGROUND INFORMATION FOR INTERACTIVE MOCK BOARD DISCUSSION**

**John F. Stuart  
Stephen M. Klein**

You are one of seven directors on the board of HARD-2-GET BANK. In addition to you and three other independent directors, the board is composed of JIM TRYINHARD, the CEO of the Bank, GEORGE MARKNTIME, the non-executive chairman of the board of the Bank and LARGO GORILLA, the Bank's largest shareholder with just over 11% of the outstanding shares (the other directors own a total of 20%).

Hard-2-Get Bank has been in existence for eight years and at September 30, 2007, had \$330 million in total assets. On an annualized basis, the Bank has an ROA of just under 1% and an ROE of 12%. Earnings for the first nine months of 2007 were flat compared to the same period in 2006. Earnings for the three months ended September 30, 2007 were down slightly from those for the previous quarter in '07. The Bank has a composite rating of 2 from the FDIC but has recently experienced some regulatory pressure relating to compliance. Credit quality has been consistent with your peer group but you did note an increase in the number and amount of delinquencies in the last board report. The Bank's stock is thinly traded but is quoted on the OTC Bulletin Board. The Bank has some 550 recorded shareholders and files reports with the FDIC pursuant to the Securities Exchange Act of 1934.

You are preparing for the monthly board meeting on November 10, 2007. As you begin to review your monthly board package, you notice an odd entry on the monthly agenda – "Review and discuss letter from Largo Gorilla dated October 31, 2007."

As you begin to work your way through the board materials, you come upon the October 31, 2007 letter. It reads:

“October 31, 2007

**Personal and Confidential**

Mr. George Markintime  
Chairman of the Board  
Hard-2-Get Bank

Dear George:

I would like you to add an agenda item for the board meeting on November 10.

I was paired up at a charitable golf tournament on Saturday October 27th with LARRY SLASHNBURN, the CEO of PREDATOR BANK. As you know Larry's bank has just crossed the \$2 billion level and is the biggest player in the contiguous market to our South. Larry thinks that we should put our two banks together. He is keenly interested in our market and believes that it would be a natural extension for Predator. Larry says that he spoke with Jim at a WIB/AABD meeting about eight months ago about how interested he was in us. He says that Jim never got back to him. I don't even recall Jim reporting the conversation to the board. Do you?

Like us, Larry's stock has been hit pretty hard but it is still a Nasdaq Global Market stock which would be a lot more liquid than ours. My guess is that we have a double 'pop' possibility since Larry hinted that he wished he had more time to devote to his game. He clearly needs the practice.

In any event, Larry says that he is prepared to make a written proposal to our board to acquire us for 2.5x book value or about 17x earnings. He says that it is a pity that Jim didn't talk to him eight months ago before all of our stock prices went down and acquisition multiples decreased. I know that the price isn't as good as the \$35.00 cash offer that we turned down last year from CASHCOW BANK but Larry says that Cashcow would never offer us that much now. In any event, given how much our stock price has fallen in the last two months, Larry's proposal sounds pretty darn good to me.

Larry's price sounds especially good in light of our performance. Jim's report at our last board meeting suggests that 2008 will be about the same as this year assuming that credit quality stays good. (Speaking of credit quality, did you see Citi's earnings release for the third quarter?) I am getting really tired of waiting for Jim to update our strategic plan and get us some hard budgets for '08 and '09 that we can chew on. Sometimes I think that Jim is just trying to keep us independent so that he can fully vest into his SERP. If we had agreed to his request to have the vesting of his SERP accelerate upon a change of control, I am sure that he would be looking for a buyer right now.

Larry was surprised that I was the largest shareholder of our Bank but seemed pretty aware that I owned a good chunk of his. He said that we could have one director position on their board and I was the logical candidate because of my large ownership position.

I told Larry that I was ready to dance and would raise the matter at our next board meeting. He says that he can have a non-binding term sheet delivered for our signature as soon as I say the word. Because I let it slip about Cashcow's offer, he will want a 60 day exclusivity period to do due diligence and get a definitive agreement signed-up. He says that the exclusivity clause will need to have a significant financial penalty so that it will have some teeth. Larry says that he can have his due diligence team in here on three days notice and will have his law firm of Larry, Curley & Moe start drafting the definitive as soon as we sign the term sheet.

Frank, so you are not surprised, I am really going to press for this at the board meeting. You know that I was lucky to sell 25,000 shares in July shortly before our stock started going into the tank. I don't think many of our shareholders had the same chance to cash in on some of their winning as I was lucky to do. I think it is time we give these people a chance to cash in big time. Incidentally, I bought 25,000 shares yesterday at \$8.00 less a share than I sold those shares in July.

See you on Saturday, November 10<sup>th</sup>.

Best regards,

Largo

p.s. Don't invite our investment banker, DAN NEEDSADEAL from Sell, Buy, Acquire. I don't think Dan likes Larry very much. During the cocktail party before the Sell, Buy, Acquire dinner at the WIB convention in Hawaii last year, Dan told me that he thought that the Predator Bank situation might be a classic case of the emperor not wearing any clothes. I am not sure what he meant by that but Larry strikes me as a very moral man.

p.s.+ Whatever you do don't invite our counsel, Fred Argue, to the meeting. The last time Fred had anything constructive or positive to say Truman was still president. You know he is forever bringing up issues for which there are not easy solutions."

Despite pleas from your wife and the opportunity to play PGA West, you decide to attend the board meeting.