

“Whether we’re talking about socks or stocks, I like buying quality merchandise when it is marked down.”

– Warren Buffet, Chairman, Berkshire Hathaway

Mr. Buffet’s quote succinctly describes the opportunity inherent in our holding company’s planned private placement of stock. Owing to a combination of market and economic conditions, select investors have a unique opportunity to purchase Cherokee Banking Company stock at a fraction of its book value per share.

Like so many other banks, Cherokee has seen its risk profile increase over the last two years as the area’s real estate market and overall economy have suffered. Our bank has always been rated as “well capitalized” by our primary federal regulator; that is, its total risk-based capital ratio has remained 10% or higher. However, because of our increased risk profile, our regulator has requested that we maintain a total risk-based capital ratio of 12%.

Rather than receiving “bail out” money from the federal government or incurring debt, Cherokee Banking Company has decided that we should increase our capital through a stock offering to select investors in order to meet our required capital ratio, as well as help fund our bank’s future growth.

In fact, we have raised capital through stock offerings twice before. In 1999, we raised \$6.5 million to begin operations, and in 2004 we raised another \$6.02 million to support the growth of the bank. Now, another five years on, we see a need to increase capital by a planned \$6.0 million.

Approximately \$2.5 million would be utilized to increase our capital ratio to the desired level of 12%. The remaining \$3.5 million would support further loan and deposit growth and allow us to consider other opportunities.

In short, the new capital generated would allow the bank to emerge from this cycle well-positioned to fully leverage its market advantages and economic growth opportunities.

Cherokee Bank is a well-managed institution with deep roots in Cherokee County, including being the only bank headquartered in Canton, Ga. The area we serve is one of the fastest growing markets in the Southeast.

As the economy rebounds and our market recovers, we plan to grow a safe, diversified loan portfolio, increase market share, bank earnings, and shareholder value.



Dennis W. Burnette
President & Chief Executive Officer