Good morning. I am R. Daniel Blanton, President and CEO of Georgia Bank Financial Corporation, located in Augusta, Georgia. I am also CEO of Georgia Bank and Trust Company, a wholly-owned subsidiary of Georgia Bank Financial Corporation. I appreciate the opportunity to appear here today on behalf of the American Bankers Association. As the written statement sets out more fully, ABA is the largest banking trade association representing community, regional and money center banks and holding companies. As the CEO of a $770 million asset size bank with 5.3 million shares outstanding and 700 shareholders, I am one of the members of approximately 100 bankers that serve on ABA’s Community Bankers Council. Community banks represent over 90% of the banks and savings institutions in this country.

The ABA is on record in support of many of the important corporate governance measures adopted under the Sarbanes-Oxley Act. We have, however, long maintained that banks are different from the rest of corporate America in that they are already subject to extensive regulation and that the business of banking is unique, producing asset sizes (loans) that do not accurately reflect bank size relative to the assets of other types of businesses. For these reasons, ABA was instrumental in urging the Congress to craft an exemption for banks from the insider lending prohibitions of Section 402 of SOX as those loans are already subject to strict regulation and oversight.
The ABA has also strongly supported the NYSE and NASDAQ requirements that listed companies have a majority of independent directors seated on their boards. In this connection, we worked extensively with the NYSE and NASDAQ to ensure that a listed company’s directors will continue to be considered independent despite having an arm’s length lending or depository relationship with the bank or bank holding company on which board the director sits.

In connection with considering methods to reduce regulatory burdens for smaller public companies, the ABA would urge the Committee to consider our proposal, made earlier this year to Chairman Donaldson, to update the 500-shareholder threshold under Section 12(g) of the Exchange Act. As explained more thoroughly in our written statement, the $10 million asset test has little relevance for the banking industry as only 1% of all institutions (105 of 8,951) have assets of less than $10 million. We would encourage the Committee to consider raising the shareholder level to a number somewhere within the range of 1,500-3,000 shareholders.

It is well documented that the cost of compliance is relatively greater for smaller companies than for large issuers. This increase in cost is causing Georgia Financial’s Board of Directors to consider de-registering, as it would save our company at least $250,000 in auditing fees. De-registering would force the company to buy back the stock from more than 400 of our current stockholders.

We are reluctant to do this because the Bank was founded on the belief that the Augusta area needed a locally owned and operated, relationship-based bank. Most of our shareholders live within our market and all but a very few do some sort of business with the bank. This localized ownership is quite common at community banks across the U.S.
Often times, investing in the local bank is the only remaining investment members of a community can still make. If the 500 shareholder threshold were to be raised, thereby easing the burdens associated with Exchange Act reporting, we would not have to reduce community investment in our Bank.

Investor protection should not suffer under our proposal. Most community bank stock is held by members of the local community who are users of the bank’s services and tend to buy and hold their investment in their local financial institution. Like many community banks, Georgia Financial’s stock is traded very infrequently on the OTC Bulletin Board.

Moreover, banks and their holding companies are also subject to strict regulation and oversight. Georgia Financial is supervised and examined under the Federal Reserve System. Its subsidiary, Georgia Bank and Trust Company, is examined and supervised by the Federal Deposit Insurance Corporation and the Georgia State Banking Department.

In addition to raising the shareholder threshold, we would also urge that the definition of “small business issuer” eligible to use Forms 10-KSB and 10-QSB under Regulation S-B be revised. One of the criteria for using these abbreviated forms is that the “small business issuer” must have revenues of less than $25 million and a public float of less than $25 million. My company can no longer use this abbreviated form because our market capitalization is roughly $176.2 million, even though we had net income of $8.7 million in 2004. Ninety-six percent of all depository institutions have net income of less than $25 million. Adjusting these numbers upward would reduce the regulatory
burdens for those publicly-traded community banks that have a public float greater than $25 million.

Finally, we would urge that the 75 and 40 day time periods for filing Forms 10-K and 10-Q, respectively, not be reduced further to 60 and 35 days as currently contemplated for those smaller public companies that have in excess of $75 million in public float.

In conclusion, many of my community bank peers have expressed concern that the significant costs associated with complying with the Commission’s periodic reporting requirements may cause them to expend significant resources to de-register or, alternatively, put their institution on the selling block. Either way, local communities suffer because less cash is available to lend or the larger acquiring bank is not equipped to bank local small businesses. Making targeted adjustments to the definitions laid out in the Exchange Act can, the ABA believes, alleviate some of the significant regulatory costs for community banks and allow those companies to continue to serve their local communities.

Thank you for the opportunity to speak on these important issues.