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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM D

**NOTICE OF SALE OF SECURITIES
PURSUANT TO REGULATION D,
SECTION 4(6), AND/OR
UNIFORM LIMITED OFFERING EXEMPTION**

RECEIVED DEC 03 2003 181

Name of Offering (☐ check if this is an amendment and name has changed, and indicate change.)
Common Stock

Filing Under (Check box(es) that apply): ☒ Rule 504 ☐ Rule 505 ☐ Rule 506 ☐ Section 4(6) ☐ ULOE
Type of Filing: ☒ New Filing ☐ Amendment

A. BASIC IDENTIFICATION DATA

1. Enter the information requested about the issuer
FIRST BOAZ BANCORPORATION

Name of Issuer (☐ check if this is an amendment and name has changed, and indicated change.)

Address of Executive Offices (Number and Street, City, State, Zip Code)	Telephone Number (Including Area Code)
124 S. Main Street, Boaz, AL 35957	**(256) 593-8670**
Address of Principal Business Operations (Number and Street, City, State, Zip Code) (if different from Executive Offices)	Telephone Number (Including Area Code)

PROCESSED
DEC 04 2003
THOMSON FINANCIAL

Brief Description of Business

Bank Holding Company

Type of Business Organization
☒ corporation ☐ limited partnership, already formed ☐ other (please specify)
☐ business trust ☐ limited partnership, to be formed

	Month	Year	
Actual or Estimated Date of Incorporation or Organization:	**09**	**81**	☒ Actual ☐ Estimated

Jurisdiction of Incorporation or Organization: (Enter two-letters U.S. Postal Service abbreviation for State:
CN for Canada; FN for other foreign jurisdiction) **AL**

GENERAL INSTRUCTIONS
Federal:
Who Must File: All issuers making an offering of securities in reliance on an exemption under Regulation D or Section 4(6), 17 CFR 230.501 et seq. Or 15 U.S.C. 77d(6).

When to File: A notice must be filed no later than 15 days after the first sale of securities in the offering. A notice is deemed filed with the U.S. Securities and Exchange Commission (SEC) on the earlier of the date it is received by the SEC at the address given below or, if received at that address after the date on which it is due, on the date it was mailed by United States registered or certified mail to that address.

Where to File: U.S. Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549.

Copies Required: Five (5) copies of this notice must be filed with the SEC, one of which must be manually signed. Any copies not manually signed must be photocopies of manually signed copy or bear typed or printed signatures.

Information Required: A new filing must contain all information requested. Amendments need only report the name of the issuer and offering, any changes thereto, the information requested in Part C, and any material changes from the information previously supplied in Parts A and B. Part E and the Appendix need not be filed with the SEC.

Filing Fee: There is no federal filing fee.

State: **$250.00**

This notice shall be used to indicate reliance on the Uniform Limited Offering Exemption (ULOE) for sales of securities in those states that have adopted ULOE and that have adopted this form. Issuers relying on the ULOE must file a separate notice with the Securities Administrator in each state where sales are to be, or have been made. If a state requires the payment of a fee as a precondition to the claim for the exemption, a fee in the proper amount shall accompany this form. This notice shall be filed in the appropriate states in accordance with state law. The Appendix in the notice constitutes a part of this notice and must be completed.

ATTENTION

Failure to file notice in the appropriate states will not result in a loss of the federal exemption. Conversely, failure to file the appropriate federal notice will not result in a loss of an available state exemption unless such exemption is predicated on the filing of a federal notice.

FORM D

A. BASIC IDENTIFICATION DATA

2. Enter the information requested for the following:
   - Each promoter of the issuer, if the issuer has been organized within the past five years;
   - Each beneficial owner having the power to vote or dispose, or direct the vote or disposition of, 10% or more of a class of equity securities of the issuer;
   - Each executive officer and director of corporate issuers and of corporate general and managing partners of partnership issuers; and
   - Each general and managing partner of partnership issuers.

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☒ Executive Officer ☒ Director ☐ General and/or Managing Partner

Full Name (Last name, first, if individual)
Ray, Ricky D.

Business or Residence Address (Number and Street, City, State, Zip Code)
124 S. Main Street, Boaz, AL 35957

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☒ Director ☐ General and/or Managing Partner

Full Name (Last name, first, if individual)
Abercrombie, W.M.

Business or Residence Address (Number and Street, City, State, Zip Code)
1015 U.S. Highway 431, Boaz, AL 35957

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☒ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)
Alexander Jr., Leon J.

Business or Residence Address (Number and Street, City, State, Zip Code)
685 Highway 431 South, Boaz, AL 35957

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☒ Director ☐ General and/or Managing Partner

Full Name (Last name, first, if individual)
Johnson, Cary Dale

Business or Residence Address (Number and Street, City, State, Zip Code)
307 E Mill Avenue, Boaz, AL 35957

(Use blank sheet, or copy and use additional copies of this sheet, as necessary)

FORM D

A. BASIC IDENTIFICATION DATA

2. Enter the information requested for the following:
   - Each promoter of the issuer, if the issuer has been organized within the past five years;
   - Each beneficial owner having the power to vote or dispose, or direct the vote or disposition of, 10% or more of a class of equity securities of the issuer;
   - Each executive officer and director of corporate issuers and of corporate general and managing partners of partnership issuers; and
   - Each general and managing partner of partnership issuers.

Check Box(es) that Apply: ☐ Promoter ☒ Beneficial Owner ☐ Executive Officer ☒ Director ☐ General and/or Managing Partner

Full Name (Last name, first, if individual)
Kilpatrick, Gary

Business or Residence Address (Number and Street, City, State, Zip Code)
1134 Highway 431 North, Boaz, AL 35957

Check Box(es) that Apply: ☐ Promoter ☒ Beneficial Owner ☐ Executive Officer ☒ Director ☐ General and/or Managing Partner

Full Name (Last name, first, if individual)
Kilpatrick, Horace E.

Business or Residence Address (Number and Street, City, State, Zip Code)
1282 Grove Hill Road, Auburn, Alabama 36830

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☒ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)
Martin, Gerald

Business or Residence Address (Number and Street, City, State, Zip Code)
1070 Martin Road, Boaz, AL 35957

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☒ Director ☐ General and/or Managing Partner

Full Name (Last name, first, if individual)
McGee, J. Ralph

Business or Residence Address (Number and Street, City, State, Zip Code)
11450 Alabama Highway 168, Boaz, AL 35957

(Use blank sheet, or copy and use additional copies of this sheet, as necessary)

FORM D

A. BASIC IDENTIFICATION DATA

2. Enter the information requested for the following:
   - Each promoter of the issuer, if the issuer has been organized within the past five years;
   - Each beneficial owner having the power to vote or dispose, or direct the vote or disposition of, 10% or more of a class of equity securities of the issuer;
   - Each executive officer and director of corporate issuers and of corporate general and managing partners of partnership issuers; and
   - Each general and managing partner of partnership issuers.

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☒ Director ☐ General and/or Managing Partner

Full Name (Last name, first, if individual)
Rigsby, Craig

Business or Residence Address (Number and Street, City, State, Zip Code)
138 N. Main Street, Boaz, AL 35957

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☒ Director ☐ General and/or Managing Partner

Full Name (Last name, first, if individual)
Terrell, Neal

Business or Residence Address (Number and Street, City, State, Zip Code)
124 S. Main Street, Boaz, AL 35957

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☐ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☐ Director ☐ General and/or Managing Partner

Full Name (Last name, first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

(Use blank sheet, or copy and use additional copies of this sheet, as necessary)

FORM D

B. INFORMATION ABOUT OFFERING

		Yes	No
1.	Has the issuer sold, or does the issuer intend to sell, to non-accredited investors in this offering? ..... Answer also in Appendix, Column 2, if filing under ULOE.	☒	☐
2.	What is the minimum investment that will be accepted from any individual?	$ N/A	
		Yes	No
3.	Does the offering permit joint ownership of a single unit?	☒	☐

4. Enter the information requested for each person who has been or will be paid or given, directly or indirectly, any commission or similar remuneration for solicitation of purchasers in connection with sales of securities in the offering. If the person to be listed is an associated person or agent of a broker or dealer registered with the SEC and/or with a state or states, list the name of the broker or dealer. If more than five (5) person to be listed are associated persons of such a broker or dealer, you may set forth the information for that broker or dealer only.

Full Name (Last name first, if individual)

N/A

Business or Residence Address (Number and Street, City, State, Zip Code)

Name of Associated Broker or Dealer

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers
(Check "All States" or check individual States) .... ☐ All States

[AL]✓	[AK]	[AZ]	[AR]	[CA]	[CO]	[CT]	[DE]	[DC]	[FL]	[GA]	[HI]	[ID]
[IL]	[IN]	[IA]	[KS]	[KY]	[LA]	[ME]	[MD]	[MA]	[MI]	[MN]	[MS]	[MO]
[MT]	[NE]	[NV]	[NH]	[NJ]	[NM]	[NY]	[NC]	[ND]	[OH]	[OK]	[OR]	[PA]
[RI]	[SC]	[SD	[TN]	[TX]	[UT]	[VT]	[VA]	[WA]	[WV]	[WI]	[WY]	[PR]

FORM D

C. OFFERING PRICE, NUMBER OF INVESTORS, EXPENSES AND USE PROCEEDS

1. Enter the aggregate offering price of securities included in this offering and the total amount already sold. Enter "0" if answer is "none" or "zero." If the transaction is an exchange offering, check this box ☐ and indicate in the columns below the amounts of the securities offered for exchange and already exchanged.

Type of Security	Aggregate Offering Price	Amount Already Sold
Debt	$ 0	$ 0
Equity	$ 999,400	$ 0
☒ Common ☐ Preferred		
Convertible Securities (including warrants)	$ 0	$ 0
Partnership Interest	$ 0	$ 0
Other (Specify)	$ 0	$ 0
Total	$ 999,400	$ 0

Answer also in Appendix, Column 3, if filing under ULOE.

2. Enter the number of accredited and non-accredited investors who have purchased securities in this offering and the aggregate dollar amounts of their purchases. For offerings under Rule 504, indicate the number of persons who have purchased securities and the aggregate dollar amount of their purchases on the total lines. Enter "0" if answer is "none" or "zero."

	Number Investors	Aggregate Dollar Amount of Purchases
Accredited Inestors	0	$ 0
Non-accredited Investors	0	$ 0
Total (for filings under Rule 504 only)	0	$ 0

Answer also in Appendix, Column 4, if filing under ULOE.

3. If this filing is for an offering under Rule 504 or 505, enter the information requested for all securities sold by the issuer, to date, in offerings of the types indicated, the twelve (12) months prior to the first sale of securities in this offering. Classify securities by type listed in Part C-Question 1.

Type of offering	Type of Security	Dollar Amount Sold
Rule 505	0	$ 0
Regulation A	0	$ 0
Rule 504	0	$ 0
Total	0	$ 0

4. a. Furnish a statement of all expenses in connection with the issuance and distribution of the securities in this offering. Exclude amounts relating solely to organization expenses of the issuer. The information may be given as subject to future contingencies. If the amount of an expenditure is not known, furnish an estimate and check the box to the left of the estimate.

Transfer Agent's Fees	☐	$

Printing and Engraving Costs	☐	$	
Legal Fees	☒	$	10,000
Accounting Fees	☐	$	
Engineering Fees	☐	$	
Sales Commissions (specify finders' fees separately)	☐	$	
Other Expenses (identify) Placement Agent Services Fees	☐	$	
Total	☒	$	10,000

b. Enter the difference between the aggregate offering price given in response to Part C - Question 1 and total expenses furnished in response to Part C- Question 4.a. This difference is the "adjusted gross proceeds to the issuer." .... $ 989,400

5. Indicate below the amount of the adjusted gross proceeds to the issuer used or proposed to be used for each of the purposes shown. If the amount for any purposes is not known, furnish an estimate and check the box to the left of the estimate. The total of the payments listed must equal the adjusted gross proceeds to the issuer set forth in response to Part C - Question 4.b above.

		Payment to Officers, Directors, & Affiliates		Payments To Others
Salaries and fees	☐	$	☐	$
Purchase of real estate	☐	$	☐	$
Purchase, rental or leasing and installation of machinery and equipment	☐	$	☐	$
Construction or leasing of plant buildings and facilities	☐	$	☐	$
Acquisition of other businesses (including the value of securities involved in this offering that may be used in exchange for the assets or securities of another issuer pursuant to a merger)	☐	$	☐	$
Repayment of indebtedness	☐	$	☐	$
Working capital	☐	$	☐	$ 989,400
Other (specify)	☐	$	☐	$
	☐	$	☐	$
Column Totals	☐	$	☐	$
Total Payments Listed (column totals added)	☐	$	☐	$ 989,400

FORM D

D. FEDERAL SIGNATURE

The issuer has duly caused this notice to be signed by the undersigned duly authorized person. If this notice is filed under Rule 505, the following signature constitutes an undertaking by the issuer to furnish to the U.S. Securities and Exchange Commission, upon written request of its staff, the information furnished by the issuer to any non-accredited investor pursuant to paragraph (b)(2) of Rule 502.

Issuer (Print or Type)	Signature	Date
FIRST BOAZ BANCORPORATION	Ricky Ray	11-6-03
Name of Signer (Print or Type) Ricky Ray	Title of Signer (Print or Type) President and Chief Executive Officer	

ATTENTION

Intentional misstatements or omissions of fact constitute federal criminal violations. (See 18 U.S.C. 1001.)

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

No. ________
Distributed to: ________

FIRST BOAZ BANCORPORATION

A Private Placement Offering
of
52,600 Shares
of
Common Stock, par value $0.06

Private Placement Memorandum

THE COMMON STOCK HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS AND, UNLESS SO REGISTERED, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

THE COMMON STOCK IS OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER THE ALABAMA SECURITIES ACT. A REGISTRATION STATEMENT RELATING TO THE COMMON STOCK HAS NOT BEEN FILED WITH THE ALABAMA SECURITIES COMMISSION. THE COMMISSION DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF ANY SECURITIES, INCLUDING THE COMMON STOCK, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF THIS PRIVATE PLACEMENT MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

SEE "RISK FACTORS" BEGINNING ON PAGE 1 FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED IN EVALUATING AN INVESTMENT IN THE COMMON STOCK.

The date of this Memorandum is November 5, 2003.

A purchase of the Common Stock offered hereby will be subject to the provisions of the stock purchase agreement (the "Stock Purchase Agreement"), to be entered into by the Company and each purchaser of the Common Stock, which contains certain representations, warranties, terms and conditions. Any decision with respect to an investment in the Common Stock should be made only after a careful review of the Stock Purchase Agreement, the form of which is attached as Exhibit A to this Memorandum.

THIS MEMORANDUM SUPERSEDES IN ALL RESPECTS ANY AND ALL INFORMATION (WHETHER WRITTEN OR ORAL) WHICH MAY HAVE BEEN PREVIOUSLY PROVIDED TO AN OFFEREE OR AN OFFEREE'S PURCHASER REPRESENTATIVE OR ANY OTHER PERSON. THE COMPANY EXPRESSLY DISCLAIMS ANY RESPONSIBILITY FOR ANY SUCH PREVIOUSLY PROVIDED INFORMATION AND SUCH INFORMATION SHOULD NOT BE RELIED UPON. OFFEREES SHOULD ONLY RELY UPON INFORMATION PROVIDED HEREIN.

THE COMMON STOCK OFFERED HEREBY IS BEING OFFERED TO A LIMITED NUMBER OF INVESTORS IN THE STATE OF ALABAMA. THE COMMON STOCK IS OFFERED IN RELIANCE UPON EXEMPTIONS FROM REGISTRATION UNDER SECTION 4(2) OF THE SECURITIES ACT, IN COMPLIANCE WITH RULE 504 PROMULGATED THEREUNDER, AND SECTION 8-6-11(a)(9) OF THE ALABAMA SECURITIES ACT, IN COMPLIANCE WITH RULE 830-X-6-.12 PROMULGATED THEREUNDER. THE COMMON STOCK OFFERED HEREBY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OR APPROVED, DISAPPROVED, RECOMMENDED OR ENDORSED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "COMMISSION"), THE FEDERAL DEPOSIT INSURANCE CORPORATION (THE "FDIC"), ANY STATE SECURITIES COMMISSION, OR ANY OTHER REGULATORY AGENCY, NOR HAVE THE COMMISSION, THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE (THE "FEDERAL RESERVE"), THE FDIC, ANY STATE SECURITIES COMMISSION OR ANY OTHER REGULATORY AGENCY PASSED UPON THE ACCURACY, COMPLETENESS OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

AS A PURCHASER OF SECURITIES IN A PRIVATE PLACEMENT NOT REGISTERED UNDER THE SECURITIES ACT, THE PURCHASER OF THE COMMON STOCK OFFERED HEREBY MAY NOT SELL, TRANSFER OR OTHERWISE DISPOSE OF SUCH COMMON STOCK UNLESS SUCH SECURITIES ARE REGISTERED OR REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT. IN ADDITION, ANY SALE, TRANSFER OR OTHER DISPOSITION MUST COMPLY WITH ALL RELEVANT STATE SECURITIES LAWS. THERE IS NO PUBLIC MARKET FOR THE COMMON STOCK OFFERED HEREBY AND THERE IS NO ASSURANCE THAT ANY SUCH MARKET WILL DEVELOP. THEREFORE, AN OFFEREE SHOULD BE ABLE TO BEAR THE ECONOMIC RISK OF INVESTMENT IN THE COMMON STOCK INDEFINITELY. IN MAKING AN INVESTMENT DECISION, OFFEREES MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

THE COMMON STOCK IS NOT A SAVINGS ACCOUNT OR DEPOSIT AND IS NOT INSURED BY THE FDIC, ANY OTHER GOVERNMENTAL AGENCY OR OTHERWISE AND IS NOT SECURED BY ANY COLLATERAL.

DURING THE COURSE OF THE OFFERING AND PRIOR TO SALE, EACH OFFEREE AND HIS PURCHASER REPRESENTATIVE(S), IF ANY, ARE INVITED TO ASK QUESTIONS OF AND OBTAIN ADDITIONAL INFORMATION FROM THE COMPANY CONCERNING THE TERMS AND CONDITIONS OF THE OFFERING, THE COMPANY AND ITS SUBSIDIARY, FIRST BANK OF BOAZ (THE "BANK"), AND ANY OTHER RELEVANT MATTERS, INCLUDING, BUT NOT LIMITED TO, ADDITIONAL INFORMATION TO VERIFY THE ACCURACY OF THE INFORMATION SET FORTH IN THIS MEMORANDUM. ANY SUCH QUESTIONS OR REQUESTS FOR ADDITIONAL INFORMATION SHOULD BE DIRECTED TO THE COMPANY. THE COMPANY WILL PROVIDE SUCH INFORMATION TO THE EXTENT IT POSSESSES OR CAN ACQUIRE SUCH INFORMATION WITHOUT UNREASONABLE EFFORT OR EXPENSE. ANSWERS TO QUESTIONS AND

ADDITIONAL INFORMATION MY BE GIVEN ONLY BY THE COMPANY. INFORMATION, REPRESENTATIONS OR WARRANTIES RECEIVED FROM ANY OTHER PERSON, OR IN ANY OTHER MANNER, MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY.

NO OFFERING LITERATURE OR ADVERTISEMENT WHATEVER SHALL BE EMPLOYED IN THE OFFERING OF THE COMMON STOCK, OTHER THAN THIS MEMORANDUM AND SUCH OTHER MATERIALS AS THE COMPANY MAY PROVIDE AS CONTEMPLATED HEREIN.

NO DEALER OR SALESPERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS OR WARRANTIES, EITHER EXPRESS OR IMPLIED, OTHER THAN THOSE WHICH MAY BE CONTAINED IN THIS MEMORANDUM OR OTHER DOCUMENTS INCLUDED HEREIN OR IN WRITTEN SUPPLEMENTS TO THIS MEMORANDUM AND, IF GIVEN OR MADE, SUCH INFORMATION, REPRESENTATIONS, AND WARRANTIES MUST NOT BE RELIED UPON BY ANY OFFEREE.

THE DELIVERY OF THIS MEMORANDUM AT ANY TIME SUBSEQUENT TO THE DATE HEREOF DOES NOT IMPLY THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF THE TIME OF DELIVERY. THE COMPANY IS NOT MAKING ANY REPRESENTATION TO AN OFFEREE OR PURCHASER OF THE COMMON STOCK REGARDING THE LEGALITY OF AN INVESTMENT THEREIN BY SUCH OFFEREE OR PURCHASER UNDER APPLICABLE LEGAL, TAX, INVESTMENT OR SIMILAR LAWS. OFFEREES ARE NOT TO CONSTRUE THE CONTENTS OF THIS MEMORANDUM AS LEGAL, BUSINESS OR TAX ADVICE. EACH OFFEREE SHOULD CONSULT HIS OWN ATTORNEY, BUSINESS ADVISOR AND TAX ADVISOR AS TO LEGAL, BUSINESS, TAX AND RELATED MATTERS CONCERNING THIS PRIVATE PLACEMENT.

CAUTIONARY STATEMENTS FOR PURPOSES OF THE PRIVATE SECURITIES LITIGATION REFORM ACT

Certain statements in this Memorandum constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this Memorandum, the words "anticipate," "believe," "estimate," "expect" and similar expressions are generally intended to identify forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company, or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include, among others: regional and national economic and business conditions; industry trends; competition; changes in levels of market interest rates; credit risks of lending activities; changes in business strategy or development plans; availability, terms and deployment of capital; availability of qualified personnel; changes in, or the failure or inability to comply with, government regulations; and other factors referenced in this Memorandum. These forward-looking statements speak only as of the date of this Memorandum. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. These and other factors could affect the Bank's (and therefore the Company's) financial performance an could cause the Bank's (and therefore the Company's) actual results for future periods to differ materially from those anticipated or projected.

TABLE OF CONTENTS

SUMMARY

The Company is offering for sale to up to 25 investors in the State of Alabama 52,600 shares of its Common Stock at a price of $19.00 per share. The Company is a bank holding company and is the parent of the Bank. Purchasers of the Common Stock will be required to sign a Stock Purchase Agreement, the form of which is attached to this Memorandum as Exhibit A. Prospective investors are encouraged to read the Memorandum in its entirety, including the financial information regarding the Company and the Bank beginning on page F-1.

RISK FACTORS

Prospective investors should carefully review the following factors, as well as the other information contained in this Memorandum, before deciding to make an investment in the Common Stock. The risks highlighted herein should not be assumed to be the only factors that could affect the future performance of the Bank and the Company.

Interest Rate Risk

The Company's operating results depend to a large extent on its net interest income, which is the difference between the interest income earned on interest earning assets and the interest expense incurred in connection with its interest bearing liabilities. Changes in the general level of interest rates can affect the Company's net interest income by affecting the spread between the Company's interest earning assets and interest bearing liabilities. This may be due to the disparate maturities when repricing the Company's interest earning assets and interest bearing liabilities. In addition to its effect on the Company's interest rate spread, changes in the general level of interest rates also affect, among other things, the ability of the Company to originate loans, the value of the Company's interest earning assets and its ability to realize gains from the sale of such assets, the average life of the Company's interest earning assets, the value of the Company's mortgage servicing rights, and the Company's ability to obtain deposits in competition with other available investment alternatives. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond the control of the Company.

Dependence on Key Personnel

The future success of the Company and Bank depends in large part on the services and efforts of its key personnel and the Company's ability to attract, motivate and retain highly qualified employees. Competition for such employees is intense, and the process of locating key personnel with the combination of skills and attributes required to execute the Company's strategy is often lengthy. The loss of such personnel or other members of senior management could have a material adverse effect on the Company and the Bank.

Dividends

The Company is a holding company with no business operations of its own. The Company's only significant asset is the capital stock of the Bank, and dividends from the Bank provide the only material source of funds for payment of dividends on the Common Stock. Payment of dividends on the Common Stock is at the discretion of the Board of Directors of the Company, subject to applicable regulatory limitations and other restrictions imposed by law. The Company's ability to pay dividends on the Common Stock will depend upon the ability of the Bank to pay dividends to the Company.

Absence of Public Market and Restrictions on Resale

The Common Stock has not been registered under the Securities Act or the Alabama Securities Act and may be subject to transfer restrictions. None of the Common Stock may be resold or otherwise transferred unless registered under the Securities Act and the securities laws of any other appropriate jurisdiction, or unless exemptions from such registration requirements are available. In connection with any subsequent transfer of any Common Stock, other than any transfer pursuant to an effective registration statement, the Company may require that the transferor of any such Common Stock provide to the Company an opinion of counsel experienced in the area of securities laws selected by the transferor (which may include in-house counsel of a transferor), which counsel shall be and the form and substance of which opinion shall be, reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such Common Stock under the Securities Act, the Alabama Securities Act, or the securities laws of any state or other jurisdiction. Certificates representing shares of the Common Stock purchased in the private placement will be inscribed with a legend setting forth such transfer restrictions. The Common Stock will not be listed on any national securities exchange or national inter-dealer quotation system. There is no existing market for the Common Stock, and there can be no assurance as to the liquidity of any markets that may develop for the Common Stock, or at what price, if any, holders of the Common Stock will be able to sell their Common Stock. Future trading prices of the Common Stock, if any, will depend on many factors, including, among other things, prevailing interest rates, the Company's operating results and the market for similar securities. Reliance on the proposed exemption from registration in the private placement may limit the ability of the Company to offer for sale additional Common Stock for a period of 12 months after completion of the Offering.

Economic Conditions

The success of the Company will be dependent to a certain extent upon general economic conditions, particularly in the areas in which the Bank conducts its business activities. Adverse changes in the economic conditions of these areas may impair the ability of the Bank to collect loans and would otherwise have an adverse effect on its business, including the demand for new loans, the ability of customers to repay loans and the value of both the real estate which secures its loans and its foreclosed assets.

Competition

The Bank experiences substantial competition both in attracting and retaining deposits and in making loans. Its most direct competition for deposits historically has come from other commercial banks, thrift institutions and credit unions doing business in its market areas. In addition, as with all banking organizations, the Bank has experienced increasing competition from nonbanking sources. For example, the Bank competes for funds with full service and discount broker-dealers and with other investment alternatives, such as mutual funds and corporate and governmental debt securities. The Bank's competition for loans comes principally from other commercial banks, thrift institutions, mortgage banking companies, consumer finance companies, insurance companies and other institutional lenders. A number of institutions with which the Bank competes for deposits and loans have significantly greater assets, capital and other resources than the Bank. In addition, many of the Company's competitors are not subject to the same federal regulation that governs bank holding companies such as Company and federally insured institutions such as the Bank. As a result, many of the Company's competitors have advantages over the Company in conducting certain businesses and providing certain services.

Regulation

Both the Company, as a bank holding company, and the Bank, as a federally insured institution, are subject to significant governmental supervision and regulation, which is intended primarily for the protection of depositors and the federal deposit insurance funds. Statutes and regulations affecting the Company and the Bank may be changed at any time, and the interpretation of these statutes and regulations by regulatory authorities and the courts also is subject to change. There can be no assurance that future changes in applicable statutes and regulations or in their interpretation will not adversely affect the business of the Company or the Bank. The Company is subject to regulation and examination by the Federal Reserve, and the Bank is subject to regulation and examination by the Alabama State Banking Department and the Federal Reserve. There can be no assurance that the Federal Reserve and the Alabama State Banking Department will not, as a result of such regulation and examination, impose various requirements or regulatory sanctions upon the Company or the Bank, as applicable. In addition to governmental supervision and regulation, each of the Company and the Bank is subject to changes in federal and state laws, including changes in tax laws, which could materially and adversely affect the real estate industry, such as a repeal of the federal mortgage interest deduction. See "Certain Regulatory Considerations."

THE COMPANY

The Company is a bank holding company registered under the Bank Holding Company Act of 1956, as amended, and was organized in 1981 under the laws of the state of Alabama. The Company owns 100% of the issued and outstanding capital stock of the Bank. The Bank was chartered as an Alabama banking corporation in 1906. At December 31, 2002, the Company and the Bank had total assets of $104.9 million and $104.7 million, respectively, total liabilities of $89.3 million, each, and stockholders' equity of $15.6 million and $15.4 million, respectively.

The Bank presently conducts general commercial banking business through one branch office located in Marshall County, Alabama. The Bank and the Company together employ twenty-nine full time employees and one part time employee. The address of the Company is 124 S. Main Street, Boaz, Alabama 35957. Its telephone number is (256) 593-8670.

At December 31, 2002, the Bank met the capital requirements for classification as a "well capitalized" institution under regulatory capital regulations. As a state member bank, the Bank is subject to extensive regulation by the Alabama State Banking Department and the Federal Reserve. In addition, as a bank holding company, the Company is subject to regulation by the Federal Reserve. See "Certain Regulatory Considerations."

THE OFFERING

General

The Company proposes to sell up to 52,600 shares of the Common Stock for $19.00 per share to twenty-five or fewer investors in the State of Alabama. If all of the shares of Common Stock are sold at the offering price, the Company expects to realize net proceeds of approximately $ 998,400. Proceeds from the sale of the Common Stock will be used by the Company for general corporate purposes, including providing additional working capital for the Bank. The Company has not engaged any brokers, dealers or underwriters in connection with the private placement and has not paid any commission or other remuneration directly or indirectly to any person for soliciting any prospective buyer. The Company has neither engaged in nor authorized any general solicitation in connection with the private placement. The Company has incurred certain legal, accounting and other miscellaneous expenses in connection with the private placement. These expenses are expected to total less than $10,000.

Unregistered Common Stock

The common stock is offered in reliance upon exemptions from registration under Section 4(2) of the Securities Act, in compliance with Rule 504 promulgated thereunder, and Section 8-6-11(a)(9) of the Alabama Securities Act, in compliance with Rule 830-X-6-.12 promulgated thereunder. The common stock being offered has not been registered under the Securities Act or approved, disapproved, recommended or endorsed by the Securities and Exchange Commission, any state securities commission, or any other regulatory agency, nor have the Securities and Exchange Commission, any state securities commission, or any other regulatory agency passed on the accuracy or completeness of this Confidential Private Placement Memorandum.

Suitable Investment

Alabama Securities Commission Rule 830-X-6-.12 requires that all purchasers in the offering be Accredited Investors (as defined in Rule 501 promulgated under the Securities Act) or that sales to nonaccredited purchasers meet two conditions. The first condition is that, the investment must be suitable for the purchaser. For the limited purpose of this condition only, it will be presumed that if the investment does not exceed 20% of the purchaser's net worth (excluding principal residence, furnishings therein and personal automobiles) it is suitable. The second condition is that the purchaser, either alone or with his purchase representative, has sufficient knowledge and experience in financial and business matters that he or she is or they are capable of evaluating the merits and risks of the prospective investment.

The Company must make reasonable inquiry to determine whether the two conditions are met, and after reasonable inquiry, must reasonably believe that the conditions are met. Each purchaser in the proposed offering will be required to represent in a Stock Purchase Agreement either that he or she is an Accredited Investor or that the two conditions described above are met.

DILUTION

The net tangible book value of the Common Stock at December 31, 2002 was $18.49 per share. Net tangible book value per share represents the amount of total tangible assets less total liabilities, divided by the number of shares of Common Stock outstanding. After giving effect to the private placement and the application of the net proceeds therefrom, at a price per share of $19.00, the net tangible book value of the Company at December 31, 2002 would have been $ 16.575 million, or $18.50 per share of Common Stock. This represents an immediate increase in net tangible book value of $.01 per share to existing shareholders of the Company and an immediate dilution in net tangible book value of $.50 per share to new investors at the private placement price.

THE COMMON STOCK

The Company presently has authorized 1,200,000 shares of Common Stock, of which 842,194 at April 23, 2003 were issued and outstanding. No shares of Common Stock have preemptive rights. Each share of Common Stock is entitled to one vote; cumulative voting is not authorized. At April 23, 2003, no shares of Common Stock were subject to option. At April 23, 2003, the directors and officers of the Company as a group owned 625,061 shares, or 74.22% of the Common Stock.

MANAGEMENT

The following table sets forth the names, position with the Company and principal occupations of the directors and executive officers of the Company.

Name	Position With the Company	Principal Occupation
W. M. Abercrombie	Chairman of the Board of Directors	Auto Parts Sales - Abbie Auto Parts
Leon J. Alexander, Jr.	Director	New Auto Sales – Owner, Alexander Ford, Inc.
Cary Dale Johnson	Director	Pharmacy – Owner, Boaz Discount Drug
Gary Kilpatrick (1)	Director	New Auto Sales – Owner, Kilpatrick Chevrolet, Inc.
Horace Kilpatrick (1)	Director	Retired
Gerald Martin	Director	Retired - Insurance Sales
J. Ralph McGee	Director	Retired - Retail Clothing
Ricky D. Ray	Director, President and Chief Executive Officer	President and Chief Executive Officer of the Bank.
Craig Rigsby	Director	Manager Boaz Gas Board
Neal Terrell	Secretary	Senior Vice President of the Bank

(1) Gary Kilpatrick and Horace Kilpatrick are brothers.
From time to time, the Bank makes loans to directors and executive officers of the Company and the Bank. All such loans presently outstanding (i) were made in the ordinary course of the Bank's business, (ii) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and (iii) did not involve more than the normal risk of collectibility or present other unfavorable features. No loans to directors and executive officers are currently classified as nonaccrual, past due, restructured or potential problems.

SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of the Company's Common Stock as of December 31, 2002 by each director, officer, beneficial owner of 10% or more of the Common Stock and all such persons as a group.

Name	Number of Shares	Percentage Beneficially Owned
W. Marion Abercrombie, Director	36,400	4.32
Leon J. Alexander, Director	13,638	1.62
C. Dale Johnson, Director	3,600	0.43
Gary D. Kilpatrick, Director	241,200	28.64
Horace E. Kilpatrick, Director	241,200	28.64
Gerald Martin, Director	58,850	6.99
J. Ralph McGee, Sr., Director	19,500	2.31
Ricky D. Ray, President and C.E.O.	7,300	0.87
Craig Rigsby, Director	200	0.02
Neal Terrell, Secretary	3,173	0.38
All of the above as a group	625,061	74.22

CERTAIN REGULATORY CONSIDERATIONS

General

The Company is a registered bank holding company subject to supervision and regulation by the Federal Reserve. As such, it is subject to the Bank Holding Company Act of 1956, as amended, ("BHCA") and the Federal Reserve's regulations promulgated thereunder.

The Bank, an Alabama state-chartered bank that is a member of the Federal Reserve System, is subject to supervision and examination by the Federal Reserve and the Alabama State Banking Department. Both the Federal Reserve and the Alabama State Banking Department have jurisdiction over a number of the same matters, including lending decisions, branching and mergers. The deposits of the Bank are insured by the FDIC to the extent provided by law. The FDIC assesses deposit insurance premiums the amount of which may, in the future, depend in part on the condition of the Bank.

The bank regulatory agencies have broad enforcement powers over depository institutions under their jurisdiction, including the power to terminate deposit insurance, to impose fines and other civil and criminal penalties, and to appoint a conservator or receiver if any of a number of conditions are met. The Federal Reserve has broad enforcement powers over bank holding companies, including the power to impose substantial fines and civil penalties.

Mergers, Acquisitions and Non-banking Activities

One limitation under the BHCA and the Federal Reserve's regulations requires that the Company obtain prior approval of the Federal Reserve before it acquires, directly or indirectly, more than 5% of any class of voting securities of another bank. Prior approval also must be obtained before the Company acquires all or substantially all of the assets of another bank, or before it merges or consolidates with another bank holding company. The Company may not engage in "non-banking" activities unless it demonstrates to the Federal Reserve's satisfaction that the activity in question is closely related to banking and a proper incident thereto. Because the Company is a registered bank holding company, persons seeking to acquire 25% or more of any class of its voting securities must receive the approval of the Federal Reserve. Similarly, under certain circumstances, persons seeking to acquire between 5% and 25% also may be required to obtain prior Federal Reserve approval.

FDIC Improvement Act

As a result of enactment in 1991 of the FDIC Improvement Act ("FDICIA"), banks are subject to increased reporting requirements and more frequent examinations by the bank regulatory agencies. The agencies also have the authority to dictate certain key decisions that formerly were left to management, including compensation standards, loan underwriting standards, asset growth, and payment of dividends. Failure to comply with these standards, or failure to maintain capital above specified levels set by the regulators, could lead to the imposition of penalties or the forced resignation of management. If a bank becomes critically undercapitalized, the banking agencies have the authority to place an institution into receivership.

Consumer Protection Laws

There are a number of other laws that govern the relationship between the Bank and its customers. For example, the Community Reinvestment Act is designed to encourage lending by banks to persons in low- and moderate-income areas. The Home Mortgage Disclosure Act and the Equal Credit Opportunity Act attempt to minimize lending decisions based on impermissible criteria, such as race or gender. The Truth-in-Lending Act and the Truth-in-Savings Act require banks to provide certain disclosure of relevant terms related to loans and savings accounts, respectively. Anti-tying restrictions (which prohibit, for instance, conditioning the availability or terms of credit on the purchase of another banking product) further restrict the Bank's relationships with its customers.

Payment of Dividends and Other Restrictions

The Company is a legal entity separate and distinct from the Bank. There are various legal and regulatory limitations on the extent to which the Company's subsidiaries, including the Bank, can, among other things, finance, or otherwise supply funds to the Company. Specifically, dividends from the Bank are the principal source of the Company's cash revenues, and there are certain legal restrictions under federal and state law on the payment of dividends by banks. The relevant regulatory agencies also have authority to prohibit the Company and the Bank from engaging in what, in the opinion of such regulatory body, constitutes an unsafe or unsound banking practice. The payment of dividends by the Company could, depending upon the financial condition of the Company or the Bank, be deemed to constitute such an unsafe or unsound practice.

In addition, the Company and the Bank are subject to limitations under Section 23A of the Federal Reserve Act and the regulations promulgated pursuant thereto with respect to extensions of credit to, investments in, and certain other transactions between the Company and the Bank. Furthermore, loans and extensions of credit are also subject to various collateral requirements.

Capital Adequacy

The Federal Reserve has adopted minimum risk-based and leverage capital guidelines for state member banks. The minimum required ratio of total capital to risk-weighted assets (including certain off-balance-sheet items, such as standby letters of credit) is 8%, of which at least 4% must consist of Tier 1 capital. As of December 31, 2002, the Bank's total risk-based capital ratio was 26.6%, including 25.6% of Tier 1 capital. The minimum required leverage capital ratio (Tier 1 capital to average total assets) is 3% for banks that meet certain specified criteria, including that they have the highest regulatory rating. A minimum leverage ratio of 4% is required for banks not meeting these criteria. Higher capital ratios may be required for any bank if warranted by particular circumstances. As of December 31, 2002, the Bank's leverage capital ratio was 14.0%. Failure to meet capital guidelines can subject a bank to a variety of enforcement remedies, including restrictions on its operations and activities. The Federal Reserve has also adopted minimum risk-based and leverage capital guidelines for bank holding companies that are substantially similar to the capital guidelines for state member banks.

As regards depository institutions, federal banking statutes establish five capital categories ("well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" and "critically undercapitalized"), and impose significant restrictions on the operations of an institution that is not at least adequately capitalized. Under certain circumstances, an institution may be downgraded to a category lower than that warranted by its capital levels, and subjected to the supervisory restrictions applicable to institutions in the lower capital category. As of September 11, 2002, the most recent notification from the Federal Reserve categorized the Bank as well capitalized under the regulatory framework for prompt corrective action.

An undercapitalized depository institution is subject to restrictions in a number of areas, including capital distributions, payments of management fees and expansion. In addition, an undercapitalized depository institution is required to submit a capital restoration plan. A depository institution's holding company must guarantee the capital plan up to an amount equal to the lesser of 5% of the depository institution's assets at the time it becomes undercapitalized or the amount needed to restore the capital of the institution to the levels required for the institution to be classified as adequately capitalized at the time the institution fails to comply with the plan. A depository institution is treated as if it is significantly undercapitalized if it fails in any material respect to implement a capital restoration plan.

Significantly undercapitalized depository institutions may be subject to a number of additional significant requirements and restrictions, including requirements to sell sufficient voting stock to become adequately capitalized, to improve management, to restrict asset growth, to prohibit acceptance of correspondent bank deposits, to restrict senior executive compensation and to limit transactions with affiliates. Critically undercapitalized depository institutions are further subject to restrictions on paying principal or interest on subordinated debt, making investments, expanding, acquiring or selling assets, extending credit for highly-leveraged transactions, paying excessive compensation, amending their charters or bylaws and making any material changes in accounting methods. In general, a receiver or conservator must be appointed for a depository institution within 90 days after the institution is deemed to be critically undercapitalized.

Support of Subsidiary Bank

Under Federal Reserve policy, the Company is expected to act as a source of financial strength to, and to commit resources to support, the Bank. This support may be required at times when, absent such Federal Reserve policy, the Company might not otherwise be inclined to provide it. In the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to a priority of payment.

Privacy Laws

In 2000, the federal banking regulators issued final regulations implementing certain provisions of the Gramm-

Leach-Bliley Act governing the privacy of consumer financial information. The regulations, which were effective November 13, 2000 but were not mandatory until July 1, 2001, limit the disclosure by financial institutions such as the Company and the Bank of nonpublic personal information about individuals who obtain financial products or services for personal, family, or household purposes. Subject to certain exceptions allowed by law, the regulations cover information sharing between financial institutions and nonaffiliated third parties. More specifically, the regulations require financial institutions to (i) provide initial notices to customers about their privacy policies, describing the conditions under which they may disclose nonpublic personal financial information to nonaffiliated third parties and affiliates; (ii) provide annual notices of their privacy policies to their current customers; and (iii) provide a reasonable method for consumers to "opt out" of disclosures to nonaffiliated third parties.

Safety and Soundness Standards

Pursuant to FDICIA, the federal banking regulatory agencies have adopted a set of guidelines prescribing safety and soundness standards for depository institutions such as the Bank. The guidelines establish general standards relating to internal controls and information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, asset quality, earnings and compensation, fees and benefits. In general, the guidelines require, among other things, appropriate systems and practices to identify and manage the risks and exposures specified in the guidelines. The guidelines prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal shareholder. In addition, the agencies adopted regulations that authorize an agency to order an institution that has been given notice by an agency that it is not satisfying any of such safety and soundness standards to submit a compliance plan. If the institution fails to submit an acceptable compliance plan or fails to implement an accepted plan, the agency must issue an order directing action to correct the deficiency and may issue an order directing other actions be taken, including restricting asset growth, restricting interest rates paid on deposits, and requiring an increase in the institution's ratio of tangible equity to assets.

FDIC Insurance Assessments

The FDIC is an independent federal agency established originally to insure the deposits, up to prescribed statutory limits, of federally insured banks and to preserve the safety and soundness of the banking industry. The FDIC maintains two separate insurance funds: the BIF and the SAIF. The Bank's deposit accounts are insured by the FDIC under the BIF to the maximum extent permitted by law. The Bank pays deposit insurance premiums to the FDIC based on a risk-based assessment system established by the FDIC for all BIF-member institutions.

Under FDIC regulations, institutions are assigned to one of three capital groups for insurance premium purposes (well capitalized, adequately capitalized and undercapitalized). These three groups are then divided into subgroups, which are based on supervisory evaluations by the institution's primary federal regulator, resulting in nine assessment classifications. Assessment rates vary depending upon the assessment classification. In addition, regardless of the potential risk to the insurance fund, federal law requires the FDIC to establish assessment rates that will maintain each insurance funds ratio of reserves to insured deposits at 1.25%. For the second semiannual assessment period of 2003, assessment rates for BIF-insured institutions ranged from 0 cents per $100 of assessable deposits for well-capitalized institutions with minor supervisory concerns to 27 cents per $100 of assessable deposits for undercapitalized institutions with substantial supervisory concerns. The assessment rate schedule is subject to change by the FDIC and, accordingly, the assessment rate could increase or decrease in the future.

It should be noted that supervision, regulation, and examination of the Company and the Bank are intended primarily for the protection of depositors, not security holders.

SUMMARY FINANCIAL INFORMATION AND FINANCIAL STATEMENTS

AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2002

CONSOLIDATED FINANCIAL STATEMENTS OF FIRST BOAZ BANCORPORATION AND FIRST BANK OF BOAZ

FIRST BOAZ BANCORPORATION
AND FIRST BANK OF BOAZ
Boaz, Alabama

FINANCIAL STATEMENTS
December 31, 2002 and 2001

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CK Business Solutions, P.C.
Certified Public Accountants & Business Advisors
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To the Board of Directors and Stockholders
First Boaz Bancorporation
Boaz, Alabama

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated balance sheets of First Boaz Bancorporation and its subsidiary First Bank of Boaz as of December 31, 2002 and 2001, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements, referred to above present fairly, in all material respects, the consolidated financial position of First Boaz Bancorporation and its subsidiary, First Bank of Boaz, as of December 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

CK Business Solutions, P.C.

January 17, 2003

FIRST BOAZ BANCORPORATION AND FIRST BANK OF BOAZ

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2002 AND 2001

	2002	2001
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	$ 3,798,005	$ 2,540,884
Federal funds sold	--	607,000
Total cash and cash equivalents	3,798,005	3,147,884
Investment securities, available for sale	46,775,216	37,915,269
Investment securities, held to maturity	6,764,466	2,409,373
Federal Reserve Bank stock	48,000	48,000
Federal Home Loan Bank stock	500,000	309,300
Loans, net	45,053,459	42,592,423
Premises and equipment, net	723,561	817,262
Repossessions and other owned real estate	1,500	49,483
Accrued interest receivable	960,207	733,082
Prepaid expenses	61,272	80,372
Goodwill, net	165,415	165,415
Deferred income taxes	--	412,188
TOTAL ASSETS	$ 104,851,101	$ 88,680,051
LIABILITIES		
Deposits	$ 76,719,442	$ 72,332,581
Federal funds purchased	1,916,000	--
Note payable-Federal Home Loan Bank	10,000,000	3,000,000
Accrued interest payable	272,645	295,564
Deferred income taxes	224,723	--
Other accrued liabilities	142,836	68,595
TOTAL LIABILITIES	89,275,646	75,696,740
STOCKHOLDERS' EQUITY		
Common stock,(1,200,000 shares of $0.06 par value issued and outstanding)	80,000	80,000
Additional paid in capital	1,738,851	1,738,051
Retained earnings	16,213,086	14,582,310
Treasury stock (357,806 and 358,306 shares, respectively, as cost)	(3,239,379)	(3,244,579)
Unrealized gain (loss) on subsidiary's available for sale investments, net	782,897	(172,471)
TOTAL STOCKHOLDERS' EQUITY	15,575,455	12,983,311
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 104,851,101	$ 88,680,051

The accompanying notes are an integral part of these consolidated financial statements.

FIRST BOAZ BANCORPORATION AND FIRST BANK OF BOAZ

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
INTEREST INCOME		
Interest and fees on loans:		
Taxable	$ 3,561,687	$ 3,565,271
Non-taxable	16,139	17,000
Interest and dividends on investments:		
Taxable	1,923,524	1,947,858
Non-taxable	1,055,379	934,951
Interest on federal funds sold	49,309	37,925
TOTAL INTEREST INCOME	6,606,037	6,503,005
INTEREST EXPENSE		
Interest on demand deposits	413,254	665,928
Interest on savings deposits	50,901	91,544
Interest on time deposits	1,351,750	1,974,540
Interest on note payable and federal funds purchased	358,909	201,996
TOTAL INTEREST EXPENSE	2,174,814	2,934,008
NET INTEREST INCOME	4,431,223	3,568,997
PROVISION FOR LOAN LOSS	110,000	180,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSS	4,321,223	3,388,997
OTHER INCOME		
Customer service charges	440,989	407,308
Net realized securities gains	73,654	5,034
Other fee income	93,411	99,712
TOTAL OTHER INCOME	608,054	512,054
OTHER EXPENSES		
Salaries and employee benefits	1,182,365	1,123,031
Occupancy expense	129,046	131,514
Equipment expense	394,283	374,945
Other expenses	440,822	402,700
TOTAL OTHER EXPENSES	2,146,516	2,032,190
INCOME BEFORE INCOME TAX PROVISION	2,782,761	1,868,861
INCOME TAX PROVISION		
Current income tax provision	731,000	350,000
Deferred income tax benefit	--	(22,684)
TOTAL INCOME TAX PROVISION	731,000	327,316
NET INCOME	$ 2,051,761	$ 1,541,545

The accompanying notes are an integral part of these consolidated financial statements.

FIRST BOAZ BANCORPORATION AND FIRST BANK OF BOAZ

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
NET INCOME	$ 2,051,761	$ 1,541,545
Other comprehensive income, net of tax:		
Unrealized gain on available for sale investments	955,368	286,538
TOTAL COMPREHENSIVE INCOME	$ 3,007,129	$ 1,828,083

The accompanying notes are an integral part of these consolidated financial statements.

FIRST BOAZ BANCORPORATION AND FIRST BANK OF BOAZ

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	Common Stock	Additional Paid In Capital	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Subsidiary's Available For Sale Investments	Total
BALANCE, January 1, 2001	$ 80,000	$ 1,737,251	$ 13,377,412	$ (3,246,979)	$ (459,009)	$ 11,488,675
Net income	--	--	1,541,545	--	--	1,541,545
Dividends paid	--	--	(336,647)	--	--	(336,647)
Reissue treasury stock	--	800	--	2,400	--	3,200
Unrealized gain on subsidiary's available for sale investments	--	--	--	--	286,538	286,538
BALANCE, December 31, 2001	80,000	1,738,051	14,582,310	(3,244,579)	(172,471)	12,983,311
Net income	--	--	2,051,761	--	--	2,051,761
Dividends paid	--	--	(420,985)	--	--	(420,985)
Reissue treasury stock	--	800	--	5,200	--	6,000
Unrealized gain on subsidiary's available for sale investments	--	--	--	--	955,368	955,368
BALANCE, December 31, 2002	$ 80,000	$ 1,738,851	$ 16,213,086	$ (3,239,379)	$ 782,897	$ 15,575,455

The accompanying notes are an integral part of these consolidated financial statements.

FIRST BOAZ BANCORPORATION AND FIRST BANK OF BOAZ

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 2,051,761	$ 1,541,545
Adjustment to reconcile net income to net cash provided by operating activities:		
Provision for depreciation and amortization	159,877	170,807
Provision for loan losses	110,000	180,000
Net amortization (accretion) of investment discounts (premiums)	(33,531)	(83,499)
Executive officer stock compensation	2,800	3,200
Net gain on sale of investments	(73,655)	(5,034)
Accrued interest receivable	(227,124)	261,253
Deferred income taxes	636,911	168,342
Prepaid expenses	19,100	(60,809)
Repossessions and other real estate owned	47,983	(41,983)
Accured interest payable	(22,919)	(172,533)
Other accrued liabilities	74,241	(48,308)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,745,444	1,912,981
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales, maturities and redemptions of investments available for sale	18,413,751	18,111,271
Proceeds from maturities and redemptions of investments held to maturity	1,623,185	2,517,074
Purchases of investments held to maturity	(5,977,835)	(707,996)
Purchases of investments available for sale	(26,402,287)	(14,021,233)
Net increase in loans	(2,571,036)	(6,451,041)
Purchases of premises and equipment	(66,176)	(64,710)
NET CASH USED BY INVESTING ACTIVITIES	(14,980,399)	(616,635)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in federal funds purchased	1,916,000	(5,350,000)
New borrowings from Federal Home Loan Bank	7,000,000	3,000,000
Net increase in deposit accounts	4,390,061	2,838,957
Cash dividends paid	(420,985)	(336,647)
NET CASH PROVIDED BY FINANCING ACTIVITIES	12,885,076	152,310
NET INCREASE IN CASH AND CASH EQUIVALENTS	650,121	1,448,656
CASH AND CASH EQUIVALENTS, Beginning of Year	3,147,884	1,699,228
CASH AND CASH EQUIVALENTS, End of Year	$ 3,798,005	$ 3,147,884

The accompanying notes are an integral part of these consolidated financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

The accounting and reporting policies of First Boaz Bancorporation and First Bank of Boaz are in accordance with generally accepted accounting principles and conform to general practices within the banking industry. The more significant of the principles used in preparing the consolidated financial statements are briefly described below.

Principles of Consolidation

The First Bank of Boaz is a wholly owned Subsidiary of First Boaz Bancorporation and has been included in the accompanying consolidated financial statements. All material amounts and transactions have been eliminated in consolidation.

Nature of Operations

First Boaz Bancorporation and its Subsidiary operate under a bank charter with the State of Alabama and provide full banking services. The Company and its Subsidiary are subject to regulation by the Federal Reserve and the State of Alabama, Banking Department. The area served by First Bank of Boaz is primarily Marshall and Etowah Counties with one location in Boaz, Alabama.

Investment Securities

Investment securities are classified in two categories and accounted for as follows.

> *Securities to be Held to Maturity.* Bonds, notes and debentures for which the Bank has the positive intent and ability to hold to maturity are reported at cost, adjusted for amortization of premiums, and accretion of discounts which are recognized in interest income using the interest method over the period to maturity.
>
> *Securities Available for Sale.* Securities available for sale consist of bonds, notes, debentures, and certain equity securities not classified as trading securities or as securities to be held to maturity.

Declines in the fair value of individual held to maturity and available for sale securities below their cost that are other than temporary would result in write-downs of the individual securities to their fair value. The related write-downs would be included in earnings as realized losses. Unrealized holding gains and losses, net of tax, on securities available for sale are reported as a net amount in a separate component of stockholders' equity until realized. Gains and losses on the sale of securities available for sale are determined using the specific-identification method. Premiums and discounts are amortized into interest income using the level yield method.

As a member of the Federal Reserve Bank and the Federal Home Loan Bank of Atlanta, the Bank is required to own stock in each respectively. The stock is recorded at historical cost.

Loans And Allowance For Possible Loan Losses

Loans are stated at the amount of unpaid principal, reduced by unearned discount and an allowance for possible loan losses. Unearned discount on installment loans is recognized as income over the terms of the loans by the sum-of-the-months-digits and simple interest methods. Interest on other loans is calculated by using the simple interest method on daily balances of the principal amount outstanding.

NOTE A –SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (continued)

The allowance for loan losses is maintained at a level, which, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectibility of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, economic conditions, and other risks inherent in the portfolio. Allowances for impaired loans are generally determined based on collateral values or the present value of estimated cash flows. Although management uses available information to recognize losses on loans, because of uncertainities associated with local economic conditions, collateral values, and future cash flows on impaired loans, it is reasonably possible that a material change could occur in the allowance for loan losses in the near term. However, the amount of the change that is reasonably possible cannot be estimated. The allowance is increased by a provision for loan losses, which is charged to expense and reduced by charge-offs, net of recoveries. Changes in the allowance relating to impaired loans are charged or credited to the provision for loan losses.

These evaluations also take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrowers' ability to pay. Accrual of interest is discontinued on a loan when management believes, after considering economic and business conditions and collection efforts that the borrower's financial condition is such that collection of interest is doubtful.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is provided at rates intended to distribute the cost of premises and equipment over their estimated service lives of 10 to 40 years and 3 to 7 years, respectively. Maintenance and repairs of property and equipment are charged to operations, while major improvements are capitalized. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts, and gain or loss is included in operations.

Other Real Estate

Other real estate acquired through partial or total satisfaction of loans, is carried at the lower of cost or fair market value. At the date of acquisitions, losses are charged to the allowance for loan losses and subsequent write-downs are charged to expense in the period they are incurred. Expenses incident to sale or for maintenance are charged to expense as incurred.

Income Taxes

The Company and its Subsidiary use the accrual basis of accounting in preparation of their consolidated federal income tax return. Provisions for income taxes are based on amounts reported in the statement of income (after exclusion of non-taxable income such as interest on state and municipal securities) and include deferred taxes on temporary differences in the recognition of income and expense for tax and financial statements purposes. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax asset and liabilities are realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

NOTE A –SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, cash items, amounts due from banks, and federal funds sold.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Off-Balance-Sheet Financial Instruments

In the ordinary course of business, the Subsidiary has entered into off-balance-sheet financial instruments consisting of commitments to extend credit and standby letters of credit. Such financial instruments are recorded in the financial statements when they become payable.

Accrued Compensated Absences

The Company has not accrued compensated absences because the amount cannot be reasonably estimated and would be immaterial.

NOTE B - INVESTMENT SECURITIES

The carrying value and market value of investment securities follows:

December 31, 2002

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	MARKET VALUE
Available for sale:				
U.S. government & agency securities	$ 20,519,154	$ 478,806	$ 15,640	$ 20,982,320
State and municipal securities	21,830,866	706,887	71,368	22,466,389
Corporate and others	477,218	80,917	–	558,135
Mortgage backed securities	2,643,149	125,227	–	2,768,376
	$ 45,470,387	$ 1,391,837	$ 87,008	$ 46,775,216
Held to maturity:				
U.S. government & agency securities	$ 5,000,000	$ 300,000	$ –	$ 5,300,000
State and municipal securities	1,764,466	33,484	9,576	1,788,374
	$ 6,764,466	$ 333,484	$ 9,576	$ 7,088,374

NOTE B - INVESTMENT SECURITIES (continued)

The carrying value and market value of investment securities follows:

December 31, 2001

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	MARKET VALUE
Available for sale:				
U.S. government & agency securities	$ 18,680,397	$ --	$ 230,157	$ 18,450,240
State and municipal securities	15,266,150	--	77,981	15,188,169
Corporate and others	473,347	38,928	--	512,275
Mortgage backed securities	3,782,826	--	18,241	3,764,585
	$ 38,202,720	$ 38,928	$ 326,379	$ 37,915,269
Held to maturity:				
U.S. government & agency securities	$ 1,510,350	$ --	$ 12,400	$ 1,497,950
State and municipal securities	899,023	--	22,991	876,032
	$ 2,409,373	$ --	$ 35,391	$ 2,373,982

The market values of investments are established with the assistance of an independent pricing service and are based on available market data which often reflects transactions of relatively small size and are not necessarily indicative of the prices at which large amounts of particular issues could readily be sold or purchased.

Proceeds from sales of investments in securities during the years ended December 31, 2002 and 2001 were $4,249,970 and $18,128,345, respectively. Gross gains $73,655 and $5,034 and gross losses of $-0- and $-0- were realized on sales for the years ended December 31, 2002 and 2001 respectively.

The amortized cost and estimated market values of debt securities at December 31, 2002 by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call of prepayment penalties.

	AVAILABLE FOR SALE		HELD TO MATURITY	
	AMORTIZED COST	MARKET VALUE	AMORTIZED COST	MARKET VALUE
Due in one year or less	$ --	$ --	$ --	$ --
Due from one through five years	3,350,960	3,400,341	100,327	108,411
Due from five through ten years	11,040,771	11,575,254	294,139	308,824
Due after ten years	28,435,507	29,031,245	6,370,000	6,671,139
Mortgage backed securities	2,643,149	2,768,376	--	--
	$ 45,470,387	$ 46,775,216	$ 6,764,466	$ 7,088,374

Investment securities with a carrying value of approximately $7,225,000 and $6,969,000 at December 31, 2002 and 2001, respectively, were pledged for various purposes as required or permitted by law.

NOTE C - LOANS

A summary of loans is as follows:

	2002	2001
Loans secured by real estate:		
Construction	$ 889,000	$ 883,000
Farm land and farm residential	190,000	14,000
Residential properties 1-4 family	16,812,000	12,574,000
Non-farm/non residential properties	9,344,000	10,621,000
Agricultural production	850,000	--
Commercial and industrial loans	8,814,000	5,801,000
Loans to individuals for household, family and personal	8,561,000	13,141,000
Other loans	139,053	108,766
Overdrafts	324,062	111,214
	45,923,115	43,253,980
Less:		
Unearned interest	9,327	57,225
Allowance for possible loan losses	860,329	604,332
	$ 45,053,459	$ 42,592,423

At December 31, 2002 and 2001, the total recorded investment in impaired loans amounted to approximately $131,000 and $245,000, respectively. The allowance for these loans was included as a part of the Bank's regular allowance for loan losses. The Subsidiary has no commitments to loan additional funds to borrowers whose loans have been modified.

NOTE D - ALLOWANCE FOR POSSIBLE LOAN LOSSES

An analysis of the allowance for possible loan losses is as follows:

	2002	2001
Balance, beginning of year	$ 604,332	$ 552,404
Recoveries on loans previously charged off	345,102	40,140
Provision for loan losses	110,000	180,000
Loans charged off	(199,105)	(168,212)
Balance, end of year	$ 860,329	$ 604,332

NOTE E – PREMISES AND EQUIPMENT

The major classes of premises and equipment are summarized as follows:

	2002	2001
Land and improvements	$ 125,716	$ 125,716
Buildings	1,396,557	1,395,783
Furniture and equipment	1,046,137	1,019,272
Automobiles	25,553	18,833
	2,593,963	2,559,604
Less: Accumulated depreciation	1,870,402	1,742,342
	$ 723,561	$ 817,262

Depreciation expense was $159,877 and $162,535, respectively for the years ended December 31, 2002 and 2001.

NOTE F - DEPOSITS

Deposits are summarized as follows:

	2002	2001
Demand:		
Non-interest bearing	$ 23,521,442	$ 19,066,581
Interest bearing	13,155,000	13,010,000
Savings	4,273,000	4,013,000
Time	38,770,000	36,243,000
	$ 76,719,442	$ 72,332,581

Time deposits exceeding $100,000 at December 31, 2002 and 2001 totaled $5,574,277 and $6,667,208 respectively. Interest expense on certificates of deposit in excess of $100,000 totaled $174,669 and $235,581 respectively for the years ended December 31, 2002 and 2001.

Maturities of time deposits are as follows:

	2002	2001
Within one	$ 25,839,000	$ 27,249,000
Two to three years	9,859,000	7,621,000
Over three years	3,072,000	1,373,000
	$ 38,770,000	$ 36,243,000

NOTE G – GOODWILL

Goodwill recorded on the balance sheet represents the amount of goodwill purchased by First Boaz Bancorporation in First Bank of Boaz. This amount was being amortized over the maximum allowance period of forty years for financial statement purposes only. Amortization expense was approximately $8,300 for the year ended December 31, 2001. In accordance with SFAS No. 142 "Goodwill and other Intangible Assets" the Company ceased amortization of its goodwill as of December 31, 2001. Management has tested goodwill for impairment during 2002 by valuing its investment in First Bank of Boaz. Management determined that First Bank of Boaz's market value exceeds its cost, including goodwill. Therefore, there has been no charge to expense for goodwill impairment during the year ended December 31, 2002.

NOTE H – LINES OF CREDIT

The Subsidiary has several lines of credit with correspondent banks as of December 31, 2002 and 2001. The Subsidiary's advances on the credit lines are payable within a thirty day period and carry an interest rate set by the correspondent bank at the time of each advance. The limits on individual lines of credit are as follows:

	2002	2001
The Bankers Bank	$ 4,400,000	$ 3,600,000
National Bank of Commerce	2,000,000	2,000,000
SunTrust Bank	1,000,000	1,000,000
	$ 7,400,000	$ 6,600,000

As of December 31, 2002, the Subsidiary had received an advance from The Bankers Bank totaling $1,916,000. Overnight rate at December 31, 2002 was 1.68%. There were no advances at December 31, 2001.

NOTE I – NOTE PAYABLE FEDERAL HOME LOAN BANK

The Subsidiary has various advances from the Federal Home Loan Bank at December 31, 2002 and 2001. The advances are composed of the following:

	2002	2001
One year callable note, maturing January 2011 with interest monthly at 4.98%.	$ 3,000,000	$ 3,000,000
Three year callable note, maturing January 2012, with interest monthly at 3.88%.	5,000,000	--
Daily rate credit with interest monthly at a floating rate, currently 1.30%.	2,000,000	--
	$ 10,000,000	$ 3,000,000

These notes are secured by residential 1-4 family loans totaling approximately $16,812,000 and $12,574,000 as of December 31, 2002 and 2001, respectively.

NOTE J – TRANSACTIONS WITH DIRECTORS AND OFFICERS

In the ordinary course of business, the Subsidiary has had, and may be expected to have in the future, banking transactions with its directors, principal officers, their immediate families, and affiliated companies in which they are principal stockholders (commonly referred to as related parties), on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others. The analysis of the indebtedness of related parties to the Subsidiary is as follows:

	2002	2001
Balance, beginning of year	$ 4,628,000	$ 3,309,000
New loans	175,100	1,360,000
Repayments	(559,100)	(41,000)
Balance, end of year	$ 4,244,000	$ 4,628,000

NOTE K – RETIREMENT PLAN

Effective January 1, 1999, the Subsidiary adopted a 401(k) profit sharing plan. The plan covers all employees who are at least age twenty and one-half (20½) years of age. Employees are permitted to defer from 1% to 15% of their compensation, with the Subsidiary making contributions at the discretion of the Board of Directors. The contribution determined by the Board of Directors of the Subsidiary was $3,355 and $3,900 for the years ended December 31, 2002 and 2001.

NOTE L – INCOME TAXES

The provision for income taxes consists of the following:

	2002	2001
Current tax provision:		
Federal	$ 534,361	$ 254,329
State	196,639	95,671
Total current tax provision	731,000	350,000
Deferred tax (benefit) liability:		
Federal	--	(24,856)
State	--	2,172
Total deferred tax benefit	--	(22,684)
Provision for income taxes charged to operations	731,000	327,316
Tax (benefit) on change in unrealized gain/loss on available for sale investments	521,931	149,543
Comprehensive provision for income taxes	$ 1,252,931	$ 476,859

Deferred income taxes are provided for the temporary differences between the financing reporting basis and tax basis of certain assets and liabilities. The temporary differences that give rise to the net deferred income tax asset are as follows:

	2002	2001
Deferred income tax asset, beginning of year	$ 412,188	$ 580,530
Alternative minimum tax credit	(108,967)	103,908
Deferred tax liability		
Excess of book provision for loan losses over tax Provision for loan losses	(103,679)	(71,253)
Unrealized gain on available for sale investments	(416,725)	(149,543)
Excess of tax depreciation over book depreciation	(7,540)	(51,454)
Net deferred income tax asset (liability), end of year	$ (224,723)	$ 412,188

Total income tax expense from the amounts computed applying the Federal income tax rate of 34% in 2002 and 2001, to income before income taxes as a result of the following:

	2002	2001
Income tax at statutory rates	$ 889,183	$ 662,258
Tax exempt interest	(364,432)	(385,540)
State tax	--	(38,783)
Expenses not deductible	70,938	211,905
Other, net	(61,328)	(122,524)
Provision for income taxes charges to operations	$ 534,361	$ 327,316

NOTE M – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Amounts paid for interest and income taxes for the years ended December 31, 2002 and 2001 are as follows:

	2002	2001
Interest	$ 2,197,733	$ 2,934,008
Income taxes	$ 657,688	$ 395,346

NOTE N – CONTINGENT LIABILITIES AND COMMITMENTS

The consolidated financial statements do not reflect various commitments and contingent liabilities which arise in the normal course of business and which involve elements of credit risk, interest rate risk, and liquidity risk. These commitments and contingent liabilities are commitments to extend credit, standby letters of credit and unfounded lines of credit. A summary of the Subsidiary's commitments and contingent liabilities at December 31, 2002 is as follows:

	Contract Amount
Unfunded lines of credit	$ 4,368,000
Standby letters of credit	$ 235,000

Commitments to extend credit, standby letters of credit and unfounded lines of credit all include exposure to some credit loss in the event of nonperformance of the customer. The Subsidiary's credit policies and procedures for credit commitments and financial guarantees are the same as those for extension of credit that are recorded on the consolidated balance sheets. Because these instruments have fixed maturity dates, and because many of them expire without being drawn upon, they do not generally present any significant liquidity risk to the Subsidiary. The Subsidiary has not incurred any losses on its commitments in either 2002 or 2001.

The Company and its Subsidiary are parties to litigation and claims arising in the normal course of business. Management, after consultation with legal counsel, believes that the liabilities, if any, arising from such litigation and claims will not be material to the consolidated financial position.

NOTE O – CONCENTRATIONS OF CREDIT

All of the Subsidiary's loans, commitments, and standby letters of credit and unfounded lines of credit have been granted to customers in the Subsidiary's market area. All such customers are depositors of the Subsidiary. Investments in state and municipal securities also involve governmental entities within the Subsidiary's market area. The concentrations of credit by type of loan are set forth in Note C. The distribution of commitments to extend credit approximates the distribution of loans outstanding. Standby letters of credit and unfunded lines of credit were granted primarily to commercial borrowers.

NOTE P – DIVIDEND RESTRICTIONS

The Company and its Subsidiary, as Federal Reserve members, are subject to the dividend restrictions set forth by the Federal Reserve. Under such restrictions, the Company and its Subsidiary may not, without the prior approval of the Federal Reserve, declare dividends in excess of the sum of the current year's earnings (as defined) plus the retained earnings (as defined) from the prior two years. The dividends, as of December 31, 2002, that the Company could declare, without the approval of the Federal Reserve, amounted to approximately $2,835,000.

NOTE Q– REGULATORY MATTERS

The Subsidiary is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the consolidated financial statements. The regulations require the Subsidiary to meet specific capital adequacy guidelines that involve quantitative measures of the Subsidiary's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Subsidiary's capital classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulations to ensure capital adequacy require the Subsidiary to maintain minimum amounts and ratios (set forth in the table below) of Tier 1 capital (as defined in the regulations) to total average assets (as defined), and minimum ratios of Tier 1 and total capital (as defined) to risk-weighted assets (as defined). To be considered adequately capitalized (as defined) under the regulatory framework for prompt corrective action, the Subsidiary must maintain minimum Tier 1 leverage, Tier 1 risk-based, total risk-based ratios as set forth in the table.

As of September 11, 2002, the most recent notification from the Federal Reserve Bank categorized the Subsidiary as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Subsidiary must maintain minimum total risk-based, Tier 1 leverage ratios as set forth in the table.

There are no conditions or events since that notification that management believes have changed to institution's category. Management believes, as of December 31, 2002 that the Subsidiary will meet all capital requirements to which it is subject.

As of December 31, 2002:

	Bank's Capital Amount (Ratio)	Required Amount (Ratio)	To Be Well Capitalized Under Prompt Corrective Action Amount (Ratio)
Total Capital (to Risk Weighted Assets)	$ 15,344,000 (26.6%)	$ 4,608,000 (8.0%)	$ 5,760,400 (10.0%)
Tier 1 Capital (to Risk Weighted Assets)	$ 14,622,000 (25.4%)	$ 2,304,000 (4.0%)	$ 3,456,000 (6.0%)
Tier 1 Capital (to Average Assets)	$ 14,622,000 (14.0%)	$ 4,163,000 (4.0%)	$ 5,204,000 (5.0%)

NOTE Q– REGULATORY MATTERS (continued)

As of December 31, 2001:

	Bank's Capital Amount (Ratio)	Required Amount (Ratio)	To Be Well Capitalized Under Prompt Corrective Action Amount (Ratio)
Total Capital (to Risk Weighted Assets)	$ 13,592,000 (25.5%)	$ 4,257,000 (8.0%)	$ 5,321,000 (10.0%)
Tier 1 Capital (to Risk Weighted Assets)	$ 12,988,000 (24.4%)	$ 2,128,000 (4.0%)	$ 3,193,000 (6.0%)
Tier 1 Capital (to Average Assets)	$ 12,988,000 (14.3%)	$ 3,633,000 (4.0%)	$ 4,542,000 (5.0%)

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To The Board of Directors and Stockholders
First Boaz Bancorporation
Boaz, Alabama

INDEPENDENT AUDITORS' REPORT
ON ADDITIONAL INFORMATION

Our report on our audits of the consolidated financial statements of First Boaz Bancorporation and Subsidiary for 2002 and 2001 appears on page one. The audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The financial statements of First Bank of Boaz are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

CK Business Solutions, P.C.

January 17, 2003

FIRST BANK OF BOAZ

BALANCE SHEETS

DECEMBER 31, 2002 AND 2001

		2002		2001
ASSETS				
Cash and cash equivalents:				
Cash and due from banks	$	3,798,005	$	2,540,884
Federal funds sold		--		607,000
Total cash and cash equivalents		3,798,005		3,147,884
Investment securities, available for sale		46,775,216		37,915,269
Investment securties, held to maturity		6,764,466		2,409,373
Federal Reserve Bank stock		48,000		48,000
Federal Home Loan Bank stock		500,000		309,300
Loans, net		45,053,459		42,592,423
Premises and equipment, net		723,561		817,262
Repossessions and other real estate owned		1,500		49,483
Accrued interest receivable		960,207		733,082
Prepaid expenses		61,272		80,372
Deferred income taxes		--		412,188
TOTAL ASSETS	$	104,685,686	$	88,514,636
LIABILITIES				
Deposits	$	76,724,772	$	72,334,711
Accrued interest payable		272,645		295,564
Federal funds purchased		1,916,000		--
Other borrowed funds		10,000,000		3,000,000
Deferred income taxes		224,723		--
Other accrued liabilities		142,836		68,595
TOTAL LIABILITIES		89,280,976		75,698,870
STOCKHOLDER'S EQUITY				
Common stock,(80,000 shares of $1.00 par value issued and outstanding)		80,000		80,000
Additional paid in capital		1,520,000		1,520,000
Retained earnings		13,021,813		11,388,237
Unrealized gain (loss) on available for sale investments, net		782,897		(172,471)
TOTAL STOCKHOLDER'S EQUITY		15,404,710		12,815,766
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$	104,685,686	$	88,514,636

See independent auditors' report on additional information.
The accompanying notes are an integral part of these consolidated financial statements.

FIRST BANK OF BOAZ

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
INTEREST INCOME		
Interest and fees on loans:		
Taxable	$ 3,561,687	$ 3,565,271
Non-taxable	16,139	17,000
Interest and dividends on investments:		
Taxable	1,923,524	1,947,858
Non-taxable	1,055,379	934,951
Interest on federal funds sold	49,309	37,925
TOTAL INTEREST INCOME	6,606,037	6,503,005
INTEREST EXPENSE		
Interest on demand deposits	413,254	665,928
Interest on savings deposits	50,901	91,544
Interest on time deposits	1,351,750	1,974,540
Interest on note payable and federal funds purchased	358,909	201,996
TOTAL INTEREST EXPENSE	2,174,814	2,934,008
NET INTEREST INCOME	4,431,223	3,568,997
PROVISION FOR LOAN LOSS	110,000	180,000
NET INTEREST EXPENSE AFTER PROVISION FOR LOAN LOSS	4,321,223	3,388,997
OTHER INCOME		
Customer service charges	440,989	407,308
Net realized securities gains	73,655	5,034
Other fee income	93,011	99,712
TOTAL OTHER INCOME	607,655	512,054
OTHER EXPENSES		
Salaries and employee benefits	1,179,165	1,119,831
Occupancy expense	129,046	131,514
Equipment expense	394,283	374,945
Other expenses	440,822	394,429
TOTAL OTHER EXPENSES	2,143,317	2,020,719
INCOME BEFORE INCOME TAX PROVISION	2,785,561	1,880,332
INCOME TAX PROVISION		
Current income tax provision	731,000	350,000
Deferred income tax benefit	--	(22,684)
TOTAL INCOME TAX PROVISION	731,000	327,316
NET INCOME	$ 2,054,561	$ 1,553,016

See independent auditors' report on additional information.
The accompanying notes are an integral part of these consolidated financial statements.

FIRST BANK OF BOAZ

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
NET INCOME	$ 2,054,561	$ 1,553,016
Other comprehensive income, net of tax:		
Unrealized gain on available for sale investments	955,368	286,538
TOTAL COMPREHENSIVE INCOME	$ 3,009,929	$ 1,839,554

See independent auditors' report on additional information.
The accompanying notes are an integral part of these consolidated financial statements.

FIRST BANK OF BOAZ

STATEMENTS OF STOCKHOLDER'S EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	Common Stock	Additional Paid In Capital	Retained Earnings	Unrealized Gain (Loss) on Available For Sale Investments	Total
BALANCE, January 1, 2001	$ 80,000	$ 1,520,000	$ 10,131,868	$ (459,009)	$ 11,272,859
Net income	--	--	1,553,016	--	1,553,016
Dividends paid	--	--	(296,647)	--	(296,647)
Unrealized gain on available for sale investments	--	--	--	286,538	286,538
BALANCE, December 31, 2001	80,000	1,520,000	11,388,237	(172,471)	12,815,766
Net income	--	--	2,054,561	--	2,054,561
Dividends paid	--	--	(420,985)	--	(420,985)
Unrealized gain on available for sale investments	--	--	--	955,368	955,368
BALANCE, December 31, 2002	$ 80,000	$ 1,520,000	$ 13,021,813	$ 782,897	$ 15,404,710

See independent auditors' report on additional information.
The accompanying notes are an integral part of these consolidated financial statements.

FIRST BANK OF BOAZ

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

		2002		2001
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	$	2,054,561	$	1,553,016
Adjustment to reconcile net income to net cash provided by operating activities:				
Depreciation		159,877		162,536
Provision for loan loss		110,000		180,000
Net amortization (accretion) of investment discounts (premiums)		(33,531)		(83,499)
Net realized gain on sale of investments		(73,655)		(5,034)
Accrued interest receivable		(227,124)		261,253
Deferred income taxes		636,911		168,342
Accrued interest payable		(22,919)		(172,533)
Prepaid expenses		19,100		(60,809)
Repossessions and other real estate owned		47,983		(41,983)
Other accrued liabilities		74,241		(48,308)
NET CASH PROVIDED BY OPERATING ACTIVITIES		2,745,444		1,912,981
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales, maturities and redemptions of investments available for sale		18,413,751		18,111,271
Proceeds from maturities and redemptions of investments held to maturity		1,623,185		2,517,074
Purchases of investments held to maturity		(5,977,835)		(707,996)
Purchases of investments available for sale		(26,402,287)		(14,021,233)
Net increase in loans		(2,571,036)		(6,451,041)
Purchases of premises and equipment		(66,176)		(64,710)
NET CASH USED BY INVESTING ACTIVITIES		(14,980,399)		(616,635)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase (decrease) in federal funds purchased		1,916,000		(5,350,000)
New borrowings from Federal Home Loan Bank		7,000,000		3,000,000
Net increase in deposit accounts		4,390,061		2,798,957
Cash dividends paid		(420,985)		(296,647)
NET CASH PROVIDED BY FINANCING ACTIVITIES		12,885,076		152,310
NET INCREASE IN CASH AND CASH EQUIVALENTS		650,121		1,448,656
CASH AND CASH EQUIVALENTS, Beginning of Year		3,147,884		1,699,228
CASH AND CASH EQUIVALENTS, End of Year	$	3,798,005	$	3,147,884

See independent auditors' report on additional information.
The accompanying notes are an integral part of these financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES.

The First Bank of Boaz (a corporation) is a wholly owned subsidiary of First Boaz Bancorporation.

Nature of Operations

First Bank of Boaz operates under a bank charter with the State of Alabama and provides full banking services. The Bank is subject to regulation by the Federal Reserve and the State of Alabama, Banking Department. The area served by First Bank of Boaz is primarily Marshall and Etowah Counties with one location in Boaz, Alabama.

Investment Securities

Investment securities are classified in two categories and accounted for as follows.

> *Securities to be Held to Maturity.* Bonds, notes and debentures for which the Bank has the positive intent and ability to hold to maturity are reported at cost, adjusted for amortization of premiums, and accretion of discounts which are recognized in interest income using the interest method over the period to maturity.

> *Securities Available for Sale.* Securities available for sale consist of bonds, notes, debentures, and certain equity securities not classified as trading securities or as securities to be held to maturity.

Declines in the fair value of individual held to maturity and available for sale securities below their cost that are other than temporary have resulted in write-downs of the individual securities to their fair value. The related write-downs would be included in earnings as realized losses. Unrealized holding gains and losses, net of tax, on securities available for sale are reported as a net amount in a separate component of stockholders' equity until realized. Gains and losses on the sale of securities available for sale are determined using the specific-identification method. Premiums and discounts are amortized into interest income using the level yield method.

As a member of the Federal Reserve Bank and the Federal Home Loan Bank of Atlanta, the Bank is required to own stock in each respectively. The stock is recorded at historical cost.

Loans And Allowance For Possible Loan Losses

Loans are stated at the amount of unpaid principal, reduced by unearned discount and an allowance for possible loan losses. Unearned discount on installment loans is recognized as income over the terms of the loans by the sum-of-the-months-digits and simple interest methods. Interest on other loans is calculated by using the simple interest method on daily balances of the principal amount outstanding. The allowance for possible loan losses is established through a provision for possible loan losses charged to expense. Loans are charged against the allowance for possible loan losses when management believes that the collectibility of the principal is unlikely.

NOTE A -SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (continued)

The allowance for loan losses is maintained at a level, which, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectibility of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, economic conditions, and other risks inherent in the portfolio. Allowances for impaired loans are generally determined based on collateral values or the present value of estimated cash flows. Although management uses available information to recognize losses on loans, because of uncertainities associated with local economic conditions, collateral values, and future cash flows on impaired loans, it is reasonably possible that a material change could occur in the allowance for loan losses in the near term. However, the amount of the change that is reasonably possible cannot be estimated. The allowance is increased by a provision for loan losses, which is charged to expense and reduced by charge-offs, net of recoveries. Changes in the allowance relating to impaired loans are charged or credited to the provision for loan losses.

These evaluations also take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrowers' ability to pay. Accrual of interest is discontinued on a loan when management believes, after considering economic and business conditions and collection efforts, that the borrower's financial condition is such that collection of interest is doubtful.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is provided at rates intended to distribute the cost of premises and equipment over their estimated service lives of 10 to 40 years and 3 to 7 years, respectively. Maintenance and repairs of property and equipment are charged to operations, while major improvements are capitalized. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts, and gain or loss is included in operations.

Other Real Estate

Other real estate acquired through partial or total satisfaction of loans, is carried at the lower of cost or fair market value. At the date of acquisitions, losses are charged to the allowance for loan losses and subsequent write-downs are charged to expense in the period they are incurred. Expenses incident to sale or for maintenance are charged to expense as incurred.

Income Taxes

Provisions for income taxes are based on amounts reported in the statement of (after exclusion of non-taxable income such as interest on state and municipal securities) and include deferred taxes on temporary differences in the recognition of income and expense for tax and financial statements purposes. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax asset and liabilities are realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. For Federal income tax purposes, the Bank files a consolidated income tax return with its holding company, First Boaz Bancorporation.

NOTE A –SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, cash items, amounts due from banks, and federal funds sold.

Off-Balance-Sheet Financial Instruments

In the ordinary course of business, the Bank has entered into off-balance-sheet financial instruments consisting of commitments to extend credit and standby letters of credit. Such financial instruments are recorded in the financial statements when they become payable.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accrued Compensated Absences

The Company has not accrued compensated absences because the amount cannot be reasonably estimated and would be immaterial.

NOTE B - INVESTMENT SECURITIES

The carrying value and market value of investment securities follows:

December 31, 2002

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	MARKET VALUE
Available for sale:				
U.S. government & agency securities	$ 20,519,154	$ 478,806	$ 15,640	$ 20,982,320
State and municipal securities	21,830,866	706,887	71,368	22,466,389
Corporate and others	477,218	80,917	--	558,135
Mortgage backed securities	2,643,149	125,227	--	2,768,376
	$ 45,470,387	$ 1,391,837	$ 87,008	$ 46,775,216
Held to maturity:				
U.S. government & agency securities	$ 5,000,000	$ 300,000	$ --	$ 5,300,000
State and municipal securities	1,764,466	33,484	9,576	1,788,374
	$ 6,764,466	$ 333,484	$ 9,576	$ 7,088,374

See independent auditors' report on additional information

NOTE B - INVESTMENT SECURITIES (continued)

The carrying value and market value of investment securities follows:

December 31, 2001

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	MARKET VALUE
Available for sale:				
U.S. government & agency securities	$ 18,680,397	$ --	$ 230,157	$ 18,450,240
State and municipal securities	15,266,150	--	77,981	15,188,169
Corporate and others	473,347	38,928	--	512,275
Mortgage backed securities	3,782,826	--	18,241	3,764,585
	$ 38,202,720	$ 38,928	$ 326,379	$ 37,915,269
Held to maturity:				
U.S. government & agency securities	$ 1,510,350	$ --	$ 12,400	$ 1,497,950
State and municipal securities	899,023	--	22,991	876,032
	$ 2,409,373	$ --	$ 35,391	$ 2,373,982

The market values of investments are established with the assistance of an independent pricing service and are based on available market data which often reflects transactions of relatively small size and are not necessarily indicative of the prices at which large amounts of particular issues could readily be sold or purchased.

Proceeds from sales of investments in securities during the years ended December 31, 2002 and 2001 were $4,249,970 and $18,128,345, respectively. Gross gains $73,655 and $5,034 and gross losses of $-0- and $-0- were realized on sales for the years ended December 31, 2002 and 2001 respectively.

The amortized cost and estimated market values of debt securities at December 31, 2002 by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call of prepayment penalties.

	AVAILABLE FOR SALE		HELD TO MATURITY	
	AMORTIZED COST	MARKET VALUE	AMORTIZED COST	MARKET VALUE
Due in one year or less	$ --	$ --	$ --	$ --
Due from one through five years	3,350,960	3,400,341	100,327	108,411
Due from five through ten years	11,040,771	11,575,254	294,139	308,824
Due after ten years	28,435,507	29,031,245	6,370,000	6,671,139
Mortgage backed securities	2,643,149	2,768,376	--	--
	$ 45,470,387	$ 46,775,216	$ 6,764,466	$ 7,088,374

Investment securities with a carrying value of approximately $7,225,000 and $6,969,000 at December 31, 2002 and 2001, respectively, were pledged for various purposes as required or permitted by law.

NOTE C - LOANS

A summary of loans is as follows:

	2002	2001
Loans secured by real estate:		
Construction	$ 889,000	$ 883,000
Farm land and farm residential	190,000	14,000
Residential properties 1-4 family	16,812,000	12,574,000
Non-farm/non residential properties	9,344,000	10,621,000
Agricultural production	850,000	--
Commercial and industrial loans	8,814,000	5,801,000
Loans to individuals for household, family and personal	8,561,000	13,141,000
Other loans	139,053	108,766
Overdrafts	324,062	111,214
	45,923,115	43,253,980
Less:		
Unearned interest	9,327	57,225
Allowance for possible loan losses	860,329	604,332
	$ 45,053,459	$ 42,592,423

At December 31, 2002 and 2001, the total recorded investment in impaired loans amounted to approximately $131,000 and $245,000, respectively. The allowance for these loans was included as a part of the Bank's regular allowance for loan losses. The Bank has no commitments to loan additional funds to borrowers whose loans have been modified.

NOTE D - ALLOWANCE FOR POSSIBLE LOAN LOSSES

An analysis of the allowance for possible loan losses is as follows:

	2002	2001
Balance, beginning of year	$ 604,332	$ 552,404
Recoveries on loans previously charged off	345,102	40,140
Provision for loan losses	110,000	180,000
Loans charged off	(199,105)	(168,212)
Balance, end of year	$ 860,329	$ 604,332

NOTE E – PREMISES AND EQUIPMENT

The major classes of premises and equipment are summarized as follows:

	2002	2001
Land and improvements	$ 125,716	$ 125,716
Buildings	1,396,557	1,395,783
Furniture and equipment	1,046,137	1,019,272
Automobiles	25,553	18,833
	2,593,963	2,559,604
Less: Accumulated depreciation	1,870,402	1,742,342
	$ 723,561	$ 817,262

Depreciation expense was $159,877 and $162,535, respectively for the years ended December 31, 2002 and 2001.

See independent auditors' report on additional information

NOTE F - DEPOSITS

Deposits are summarized as follows:

	2002	2001
Demand		
Non-interest bearing	$ 20,526,772	$ 19,068,711
Interest bearing	13,155,000	13,010,000
Savings	4,273,000	4,013,000
Time	38,770,000	36,243,000
	$ 76,724,772	$ 72,334,711

Time deposits exceeding $100,000 at December 31, 2002 and 2001 totaled $5,574,277 and $6,667,208 respectively. Interest expense on certificates of deposit in excess of $100,000 totaled $174,669 and $235,581, respectively, for the years ended December 31, 2002 and 2001.

Maturities of time deposits are as follows:

	2002	2001
Within one	$ 25,839,000	$ 27,249,000
Two to three years	9,859,000	7,621,000
Over three years	3,072,000	1,373,000
	$ 38,770,000	$ 36,243,000

NOTE G – LINES OF CREDIT

The Bank has several lines of credit with correspondent banks as of December 31, 2002 and 2001. The Bank's advances on the credit lines are payable within a thirty day period and carry an interest rate set by the correspondent bank at the time of each advance. The limits on individual lines of credit are as follows:

	2002	2001
The Bankers Bank	$ 4,400,000	$ 3,600,000
National Bank of Commerce	2,000,000	2,000,000
SunTrust Bank	1,000,000	1,000,000
	$ 7,400,000	$ 6,600,000

As of December 31, 2002, the Bank had received an advance from The Bankers Bank totaling $1,916,000. Overnight rate at December 31, 2002 was 1.68%. There were no advances at December 31, 2001.

See independent auditors' report on additional information

NOTE H – NOTE PAYABLE FEDERAL HOME LOAN BANK

The Bank has various advances from the Federal Home Loan Bank at December 31, 2002 and 2001. The advances are composed of the following:

	2002	2001
One year callable note, maturing January 2011 with interest monthly at 4.98%.	$ 3,000,000	$ 3,000,000
Three year callable note, maturing January 2012, with interest monthly at 3.88%.	5,000,000	--
Daily rate credit with interest monthly at a floating rate, currently 1.30%.	2,000,000	--
	$ 10,000,000	$ 3,000,000

These notes are secured by residential 1-4 family loans totaling approximately $16,812,000 and $12,574,000 as of December 31, 2002 and 2001, respectively.

NOTE I – TRANSACTIONS WITH DIRECTORS AND OFFICERS

In the ordinary course of business, the Bank has had, and may be expected to have in the future, banking transactions with its directors, principal officers, their immediate families, and affiliated companies in which they are principal stockholders (commonly referred to as related parties), on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others. The analysis of the indebtedness of related parties to the Bank is as follows:

	2002	2001
Balance, beginning of year	$ 4,628,000	$ 3,309,000
New loans	175,100	1,360,000
Repayments	(559,100)	(41,000)
Balance, end of year	$ 4,244,000	$ 4,628,000

See independent auditors' report on additional information

NOTE J – INCOME TAXES

The provision for income taxes consists of the following:

	2002	2001
Current tax provision:		
Federal	$ 534,361	$ 254,329
State	196,639	95,671
Total current tax provision	731,000	350,000
Deferred tax (benefit) liability:		
Federal	--	(24,856)
State	--	2,172
Total deferred tax benefit	--	(22,684)
Provision for income taxes charged to operations	731,000	327,316
Tax (benefit) on change in unrealized gain/loss on available for sale investments	521,931	149,543
Comprehensive provision for income taxes	$ 1,252,931	$ 476,859

Deferred income taxes are provided for the temporary differences between the financing reporting basis and tax basis of certain assets and liabilities. The temporary differences that give rise to the net deferred income tax asset are as follows:

	2002	2001
Deferred income tax asset, beginning of year	$ 412,188	$ 580,530
Alternative minimum tax credit	(108,967)	103,908
Deferred tax liability		
Excess of book provision for loan losses over tax Provision for loan losses	(103,679)	(71,253)
Unrealized gain on available for sale investments	(416,725)	(149,543)
Excess of tax depreciation over book depreciation	(7,540)	(51,454)
Net deferred income tax asset (liability), end of year	$ (224,723)	$ 412,188

Total income tax expense from the amounts computed applying the Federal income tax rate of 34% in 2002 and 2001, to income before income taxes as a result of the following:

	2002	2001
Income tax at statutory rates	$ 889,183	$ 662,258
Tax exempt interest	(364,432)	(385,540)
State tax	--	(38,783)
Expenses not deductible	70,938	211,905
Other, net	(61,328)	(122,524)
Provision for income taxes charges to operations	$ 534,361	$ 327,316

NOTE K – RETIREMENT PLAN

Effective January 1, 1999, the Bank adopted a 401(k) profit sharing plan. The plan covers all employees who are at least age twenty and one-half (20½) years of age. Employees are permitted to defer from 1% to 15% of their compensation, with the Bank making contributions at the discretion of the Board of Directors. The contribution determined by the Board of Directors of the Bank was $3,355 and $3,900 for the years ended December 31, 2002 and 2001.

NOTE L – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Amounts paid for interest and income taxes for the years ended December 31, 2002 and 2001 are as follows:

	2002	2001
Interest	$ 2,197,733	$ 2,934,008
Income taxes	$ 657,688	$ 395,346

NOTE M – CONTINGENT LIABILITIES AND COMMITMENTS

The financial statements do not reflect various commitments and contingent liabilities which arise in the normal course of business and which involve elements of credit risk, interest rate risk, and liquidity risk. These commitments and contingent liabilities are commitments to extend credit, standby letters of credit and unfounded lines of credit. A summary of the Bank's commitments and contingent liabilities at December 31, 2002 is as follows:

	Contract Amount
Unfunded lines of credit	$ 4,368,000
Standby letters of credit	$ 235,000

Commitments to extend credit, standby letters of credit and unfounded lines of credit all include exposure to some credit loss in the event of nonperformance of the customer. The Bank's credit policies and procedures for credit commitments and financial guarantees are the same as those for extension of credit that are recorded on the consolidated balance sheets. Because these instruments have fixed maturity dates, and because many of them expire without being drawn upon, they do not generally present any significant liquidity risk to the Bank. The Bank has not incurred any losses on its commitments in either 2002 or 2001.

The Bank is party to litigation and claims arising in the normal course of business. Management, after consultation with legal counsel, believes that the liabilities, if any, arising from such litigation and claims will not be material to its financial position.

NOTE N – CONCENTRATIONS OF CREDIT

All of the Bank's loans, commitments, to extend credit, standby letters of credit and unfounded lines of credit have been granted to customers in the Bank's market area. All such customers are depositors of the Bank. Investments in state and municipal securities also involve governmental entities within the Bank's market area. The concentrations of credit by type of loan are set forth in Note C. The distribution of commitments to extend credit approximates the distribution of loans outstanding. Standby letters of credit and unfunded lines of credit were granted primarily to commercial borrowers.

NOTE O – DIVIDEND RESTRICTIONS

The Bank, as Federal Reserve member, is subject to the dividend restrictions set forth by the Federal Reserve. Under such restrictions, the Bank may not, without the prior approval of the Federal Reserve, declare dividends in excess of the sum of the current year's earnings (as defined) plus the retained earnings (as defined) from the prior two years. The dividends, as of December 31, 2002, that the Bank could declare, without the approval of the Federal Reserve, amounted to approximately $2,889,000.

NOTE P – REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. The regulations require the Bank to meet specific capital adequacy guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital classification is also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulations to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of Tier 1 capital (as defined in the regulations) to total average assets (as defined), and minimum ratios of Tier 1 and total capital (as defined) to risk-weighted assets (as defined). To be considered adequately capitalized (as defined) under the regulatory framework for prompt corrective action, the Bank must maintain minimum Tier 1 leverage, Tier 1 risk-based, total risk-based ratios as set forth in the table. The Bank's actual capital amounts and ratios are also presented in the table.

As of September 11, 2002, the most recent notification from the Federal Reserve Bank categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Bank must maintain minimum total risk-based, Tier 1 leverage ratios as set forth in the table.

NOTE P – REGULATORY MATTERS (continued)

There are no conditions or events since that notification that management believes have changed to institution's category. Management believes, as of December 31, 2002 that the Bank meets all capital requirements to which it is subject.

As of December 31, 2002:

	Bank's Capital Amount (Ratio)	Required Amount (Ratio)	To Be Well Capitalized Under Prompt Corrective Action Amount (Ratio)
Total Capital (to Risk Weighted Assets)	$ 15,344,000 (26.6%)	$ 4,608,000 (8.0%)	$ 5,760,400 (10.0%)
Tier 1 Capital (to Risk Weighted Assets)	$ 14,622,000 (25.4%)	$ 2,304,000 (4.0%)	$ 3,456,000 (6.0%)
Tier 1 Capital (to Average Assets)	$ 14,622,000 (14.0%)	$ 4,163,000 (4.0%)	$ 5,204,000 (5.0%)

As of December 31, 2001:

	Bank's Capital Amount (Ratio)	Required Amount (Ratio)	To Be Well Capitalized Under Prompt Corrective Action Amount (Ratio)
Total Capital (to Risk Weighted Assets)	$ 13,592,000 (25.5%)	$ 4,257,000 (8.0%)	$ 5,321,000 (10.0%)
Tier 1 Capital (to Risk Weighted Assets)	$ 12,988,000 (24.4%)	$ 2,128,000 (4.0%)	$ 3,193,000 (6.0%)
Tier 1 Capital (to Average Assets)	$ 12,988,000 (14.3%)	$ 3,633,000 (4.0%)	$ 4,542,000 (5.0%)

EXHIBIT A

STOCK PURCHASE AGREEMENT

This Agreement is dated as of _______________, 2003, by and between _________________ ("Purchaser") and First Boaz Bancorporation ("Seller").

Purchaser desires to acquire _________ shares of the common stock, par value $0.06 per share (the "Seller Common Stock"), of Seller (the "Shares") in exchange for cash as hereinafter provided, and Seller desires to effect such exchange.

ARTICLE I. REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Purchaser as follows:

§1.01 Organization and Qualification

Seller is a corporation duly organized, validly existing, and in good standing under the laws of the State of Alabama, with all requisite power and authority to own, lease, license, and use its properties and assets and to carry on the business in which it is now engaged.

§1.02 Capitalization

The authorized capital stock of Seller consists of 1,200,000 shares of Seller Common Stock, of which ________ shares are outstanding. Each of such outstanding shares of Seller Common Stock is authorized, validly issued, fully paid, and nonassessable, has not been issued and is not owned or held in violation of any preemptive right of stockholders.

§1.03 Financial Condition

Seller has delivered to Purchaser true and correct copies of the following: consolidated balance sheets of Seller as of December 31, 2001 and 2002; consolidated statements of income of Seller for the years ended December 31, 2001 and 2002; and balance sheets and statements of income covering the same periods for the First Bank of Boaz (the "Bank"), a wholly owned subsidiary of Seller. Each such balance sheet presents fairly the financial condition, assets, liabilities, and stockholders' equity of Seller or the Bank, as applicable, as of its date; each such statement of income presents fairly the results of operations of Seller or the Bank, as applicable for the period indicated. Since December 31, 2002 there has been no material adverse change in the financial condition, results of operations, business, properties, assets or liabilities of Seller or the Bank.

§1.04 Authority to Sell

Seller has all requisite power and authority to execute, deliver, and perform this Agreement. All necessary corporate proceedings of Seller have been duly taken to authorize the execution, delivery, and performance of this Agreement by Seller. This Agreement has been duly authorized, executed, and delivered by Seller, constitutes the legal, valid, and binding obligation of Seller and is enforceable as to it in accordance with its terms. No consent, authorization, approval, order, license, certificate, or permit of or from, or declaration or filing with, any federal, state, local, or other governmental authority is required by Seller for the execution, delivery, or performance of this Agreement by Seller.

§1.05 Disclosure

No representation or warranty, nor any statement or certificate furnished or to be furnished to Purchaser by Seller, contains or will contain any untrue statement of a material fact, or omits or will omit to state a material fact necessary to make the statements contained in this Agreement or in any such statement or certificate not misleading.

ARTICLE II. REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to Seller as follows:

§2.01 Authority to Buy

Purchaser has all requisite capacity, power and authority to execute, deliver, and perform this Agreement. This Agreement has been duly executed and delivered by Purchaser, constitutes the legal, valid, and binding obligation of Purchaser and is enforceable as to him or her in accordance with its terms.

§2.02 Nondistributive Intent; Available Information

Purchaser acknowledges that the Shares have not been registered for sale under the Alabama Securities Act, the Securities Act of 1933, or under the securities laws of any other jurisdiction. Purchaser is acquiring the Shares for his or her own account (and not for the account of others) for investment and not with a view to the distribution thereof. Purchaser will not sell or otherwise dispose of the Shares (whether pursuant to a liquidating dividend or otherwise) without registration under applicable securities laws, or an exemption therefrom, and the certificate or certificates representing the Shares will contain the following legend:

> THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 ("SECURITIES ACT") NOR THE SECURITIES LAWS OF ANY STATE AND ARE BEING ISSUED PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION AND MAY NOT BE SOLD, TRANSFERRED, PLEDGED,

HYPOTHECATED, OR OTHERWISE DISPOSED OF IN WHOLE OR IN PART UNTIL EITHER (I) THE CORPORATION SHALL HAVE RECEIVED AN OPINION, IN FORM AND SUBSTANCE SATISFACTORY TO THE CORPORATION AND ITS COUNSEL, OF COUNSEL SATISFACTORY TO THE CORPORATION THAT REGISTRATION THEREOF UNDER THE SECURITIES ACT OR UNDER APPLICABLE STATE SECURITIES LAW IS NOT REQUIRED; OR (II) A REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS WITH RESPECT THERETO SHALL HAVE BECOME EFFECTIVE.

Purchaser further acknowledges that he has received a copy of a Private Placement Memorandum dated November 5, 2003 and containing, among other things, financial information about Seller, a description of the Shares and certain risk factors associated with the purchase of the Shares. Purchaser has read the Private Placement Memorandum and has requested and received such other information, if any, from Seller that Purchaser has deemed necessary to his decision to purchase the Shares.

§2.03 Accredited or Sophisticated Purchaser
(Purchaser should initial the blank opposite the proper representation)

____ Purchaser acknowledges that he or she qualifies as an "accredited investor" within the meaning of Rule 501 under the Securities Act of 1933, as amended. Purchaser further acknowledges that he or she has executed an Accredited Investor Affidavit, which is incorporated by reference into this section 2.03 and is attached hereto;

or

____ Purchaser acknowledges that (1) the investment is suitable for the Purchaser based on Purchaser's other security holdings and financial situation and needs, and, in any case, the purchase does not exceed 20% of the Purchaser's net worth (excluding principal residence, furnishings therein and personal automobiles); and (2) the Purchaser either alone or with his or her purchase representative(s) has knowledge and experience in financial and business matters that he or she is or they are capable of evaluating the merits and risks of the purchase. Purchaser further acknowledges that he or she has completed an Individual Investor Questionnaire and that all responses are true and complete, purchaser's Individual Investor Questionnaire is incorporated by reference into this section 2.03 and is attached hereto.

§2.04 Disclosure

No representation or warranty, nor any statement or certificate furnished or to be furnished to Seller by Purchaser, contains or will contain any untrue statement of a material fact, or omits or will omit to state a material fact necessary to make the representation or warranty contained in this Agreement or in any such statement or certificate not misleading.

ARTICLE III. CLOSING

§3.01 Closing

The closing of the transactions contemplated by Agreement shall take place at the offices of Seller, as promptly as is practicable after all conditions to closing as stated in this Agreement are satisfied. The closing may occur at such different place, such different time, or such different date or a combination thereof as Purchaser and Seller agree in writing. The closing of the transactions contemplated by this Article III is called the "Closing."

ARTICLE IV. CONDITIONS TO OBLIGATIONS OF PURCHASER

The obligations of Purchaser under Article III of this Agreement are subject, at the option of Purchaser, to the following conditions:

§4.01 Accuracy of Representations and Compliance With Conditions

All representations and warranties of Seller contained in this Agreement shall be accurate when made and, in addition, shall be accurate as of the Closing as though such representations and warranties were then made; as of the Closing, Seller shall have performed and complied with all covenants and agreements and satisfied all conditions required to be performed and complied with by it at or before such time by this Agreement.

§4.02 Other Closing Documents

Seller shall have delivered to Purchaser at or prior to the Closing such other information and documents as Purchaser may reasonably request in order to enable Purchaser to determine whether the conditions to their obligations under this Agreement have been met and otherwise to carry out the provisions of this Agreement.

§4.03 Legal Action

There shall not have been instituted or threatened any legal proceeding relating to, or seeking to prohibit or otherwise challenge the consummation of, the transactions contemplated by this Agreement, or to obtain substantial damages with respect thereto.

§4.04 No Governmental Action

There shall not have been any action taken, or any law, rule, regulation, order, or decree proposed, promulgated, enacted, entered, enforced, or deemed applicable to the transactions contemplated by this Agreement by any federal, state, local, or other governmental authority or by any court or other tribunal, including the entry of a preliminary or permanent injunction, which, in the sole judgment of Purchaser (a) makes any of the transactions contemplated by this Agreement illegal, (b) results in a delay in the ability of Purchaser to consummate any of the transactions contemplated by this Agreement, (c) requires the divestiture by Purchaser of any of the Shares, (d) imposes material limitations on the ability of Purchaser effectively to exercise full rights of ownership of the Shares, or (e) otherwise prohibits, restricts, or delays consummation of any of the transactions contemplated by this Agreement or impairs the contemplated benefits to Purchaser of any of the transactions contemplated by this Agreement.

ARTICLE V. CONDITIONS TO OBLIGATIONS OF SELLER

The obligations of Seller under Article III of this Agreement are subject, at the option of Seller, to the following conditions:

§5.01 Governmental Approval

The conditions of sections 4.03 and 4.04 shall have been satisfied.

§5.02 Accuracy of Representations and Compliance with Conditions

All representations and warranties of Purchaser contained in this Agreement shall be accurate when made and, in addition, shall be accurate as of the Closing as though such representations and warranties were then made; as of the Closing, Purchaser shall have performed and complied with all covenants and agreements and satisfied all conditions required to be performed and complied with by it at or before such time by this Agreement; and Seller shall have received certificates executed by Purchaser dated the date of the Closing to that effect.

ARTICLE VI. MISCELLANEOUS

§6.01 Further Actions; Cooperation

At any time and from time to time, each party agrees, at its expense, to take such actions and to execute and deliver such documents as may be reasonably necessary to effectuate the purposes of this Agreement. Subject to the terms and conditions herein provided, each party hereto agrees to use its best efforts promptly to take, or cause to be taken, all actions and do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations or otherwise, including, without limitation, attempting to obtain any necessary consents and waivers and regulatory approvals, to consummate and make effective, as soon as practicable, the transactions contemplated by this Agreement. The officers of each party to this Agreement shall fully cooperate with officers and employees, accountants, counsel and other representatives of the other party not only in fulfilling the duties hereunder of the party of which they are officers but also in assisting, directly or through direction of employees and other persons under their supervision or control, such as stock transfer agents for the party, the other party requiring information which is reasonably available from such party.

§6.02 **Availability of Equitable Remedies**

Since a breach of the provisions of this Agreement could not adequately be compensated by money damages, any party shall be entitled, either before or after the Closing, in addition to any other right or remedy available to it, to an injunction restraining such breach or a threatened breach and to specific performance of any such provision of this Agreement, and in either case no bond or other security shall be required in connection therewith, and the parties hereby consent to the issuance of such an injunction and to the ordering of specific performance.

§6.03 **Survival**

The covenants, agreements, representations, and warranties contained in or made pursuant to this Agreement shall not survive the Closing and any delivery of the purchase price by Purchaser.

§6.04 **Modification**

This Agreement sets forth the entire understanding of the parties with respect to the subject matter hereof, supersedes all existing agreements among them concerning such subject matter, and may be modified only by a written instrument duly executed by each party.

§6.05 **Notices**

Any notice or other communications required or permitted to be given hereunder shall be in writing and shall be delivered by certified mail, return receipt requested, or by Federal Express, Express Mail, or similar overnight delivery or courier service or delivered (in person or by telecopy, telex, or similar telecommunications equipment) against receipt to the party to whom it is to be given at the address of such party set forth below (or to such other address as the party shall have furnished in writing in accordance with the provisions of this section):

Seller:

First Boaz Bancorporation
124 S. Main Street
Boaz, AL 35957-2002
Attention: Ricky Ray

With a copy to:

Miller, Hamilton, Snider & Odom
Post Office Box 19
Montgomery, AL 36101-0019
Attention: Willard H. Henson

Purchaser: ____________________
____
____

With a copy to: ____________________
____
____

§6.06 Waiver

Any waiver by either party of a breach of any term of this Agreement shall not operate as or be construed to be a waiver of any other breach of that provision or of any breach of any other term of this Agreement. The failure of a party to insist upon strict adherence to any term of this Agreement on one or more occasions will not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement. Any waiver must be in writing.

§6.07 Binding Effect

The provisions of this Agreement shall be binding upon and inure to the benefit of Seller and Purchaser and their respective successors and assigns.

§6.08 No Third-Party Beneficiaries

This Agreement does not create, and shall not be construed as creating, any rights enforceable by any person not a party to this Agreement (except as provided in Section 6.07).

§6.09 Separability

If any provision of this Agreement is invalid, illegal, or unenforceable, the balance of this Agreement shall remain in effect, and if any provision is inapplicable to any person or circumstance, it shall nevertheless remain applicable to all other persons and circumstances.

§6.10 Termination

This Agreement may be terminated at any time prior to or on the Closing as follows:

(i) by the mutual consent of the parties hereto;

(ii) by the board of directors of Seller if any of the representations and warranties of Purchaser contained in this Agreement shall be false in any material respect as of the date hereof or as of any date prior to the Closing; or if Purchaser shall have failed to comply in full with any of their agreements contained in this Agreement to be performed at or prior to the Closing; or if any of the conditions to the obligations of Seller contained in this Agreement shall not have been satisfied in full;

(iii) by Purchaser if any of the representations and warranties of Seller contained in this Agreement shall be false in any material respect as of the date hereof or as of any date prior to the Closing; or if Seller shall have failed in any material respect to comply with any of its agreements contained in this Agreement to be performed at or prior to the Closing; or if any of the conditions to the obligations of Purchaser contained in this Agreement shall not have been satisfied in full.

§6.11 Headings

The headings of this Agreement are solely for convenience of reference and shall be given no effect in the construction or interpretation of this Agreement.

§6.12 Counterparts; Governing Law

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. It shall be governed by and construed in accordance with the laws of Alabama.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first written above.

First Boaz Bancorporation

____

By: ____________________

Its: ____________________

Purchaser

____

By: ____________________

Its: ____________________

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