

HOWE BARNES IS PLEASED TO ANNOUNCE
OUR RECENT ADVISORY TRANSACTION

State of Franklin Bancshares, Inc.
holding company for



has signed a definitive
agreement to be acquired by

Jefferson Bancshares, Inc.
holding company for



September 2008

Howe Barnes acted as financial advisor to State of Franklin Bancshares, Inc. in this transaction.

State of Franklin Bancshares, Inc., of Johnson City, Tennessee has signed a definitive agreement to be acquired by Jefferson Bancshares, Inc., of Morristown, Tennessee for approximately \$10.9 million. Under the terms of the agreement, Jefferson will acquire 100% of the outstanding shares of State of Franklin for 60% stock and 40% cash.

State of Franklin was forced to liquidate its investment in Fannie Mae and Freddie Mac preferred stock, which adversely affected State of Franklin's capital position. Accordingly, State of Franklin explored several alternatives, including raising additional capital, and concluded that a merger with another east Tennessee-based institution offered the best opportunity for its stockholders.

The acquisition is expected to close in the third quarter of 2008, subject to stockholder and regulatory approvals.

Financial Highlights (6-30-2008)

| | State of Franklin Bancshares, Inc. ⁽¹⁾ | Jefferson Bancshares, Inc. |
|----------------------|--|-------------------------------|
| Total Assets (000s): | \$356,213 | \$330,265 |
| Total Equity (000s): | \$14,053 | \$72,777 |
| Equity/Assets: | 3.95% | 22.04% |
| YTD ROAA: | 0.56% | 0.37% |
| YTD ROAE: | 11.20% | 1.70% |

(1) Does not reflect losses on securities since June 30, 2008

* Source: SNL Financial LC

INVESTMENT BANKING CONTACTS:

Dan Coughlin
(312) 655-2957

Steve Didion
(415) 538-5720

Tom Lynch
(312) 655-2980

Tom Mecredy
(512) 495-9890

Patrick Nicolini
(415) 538-5718

Eric Radzak
(312) 655-2878

Paul Reese
(415) 538-5727

John Schramm
(919) 424-0102

Chuck Stubbs
(919) 424 0103

Bill Wagner
(919) 424-0101

Dan Weber
(312) 655-2981

Chris Zych
(919) 424-0105