

Próspero Año Nuevo

By [Stephen M. Klein](#)

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2011 in Review

As we approach a New Year and close 2011, it seems like a good time to reflect on this past year. In short, it was a mixed bag. We took a few steps forward and a few steps back, but there was clearly no rhythm or consistency in the economy, stock market, capital raises, or mergers and acquisitions.

Deals Still On Hold

FDIC-assisted deals diminished as the failures seem to be winding down. Meanwhile, there have been random deals here and there with private equity still playing a key role as bank stock prices preclude active deal making. The continued uncertainty in real estate values and asset quality make whole bank deals challenging. Toward that end, we have seen real estate appraisals, particularly for raw land, plummet in sometimes shocking fashion.

Random Stock Offerings

There have been random stock offerings, but mostly in the form of private equity, private placements, and community/shareholder offerings. The public offerings have been sparse, as below book value stock prices (even for relatively healthy banks) have put a damper on offerings. The disfavor of the banking sector by investors has really hurt efforts by marginal banks to successfully recapitalize.

The 2012 Crystal Ball

Given the erratic economy the past three years, it is risky business indeed to speculate about 2012. However, as the stock market recently had a positive spurt, let's be optimistic and hope that we will finally turn the corner in 2012. The upcoming Presidential election could unfortunately delay the recovery. If, and only if, real estate values finally stabilize, will we start to see a true recovery. The underlying issue is a lack of confidence in the economy and the ability to have sustained economic growth and improved employment numbers.

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It is likely that M&A activity will start to tick up in 2012 and really heat up by 2013. There is enormous pent up demand by both buyers and sellers. Given skinny margins, slow growth, increasing regulatory burden and pressure to consolidate, tired boards and management, and impatient shareholders, mergers inevitably will occur over time. The only question is, "When?"

Some Overdue Thanks

As we conclude this year, I realize it is long past due for me to thank a lot of folks. I would like to take this opportunity. To our amazing clients in Hawaii, Montana, Idaho, Nevada, California, Alaska, Wyoming, Arizona, Utah, and, of course, Oregon and Washington (that means you Melanie, Mick, Curt, Cheryl, Rich and Landon, and so many, many more), thank you for your loyalty and friendship. To my former and present colleagues from Jim Gallagher, Mark Lewington, Jill Myers, Mark Finkelstein, Shauna Vernal, Christi Muoneke and Kim Stephan to Kumi Baruffi, John John, Steve Miller, Casey Nault, Bart Bartholdt, Mark Northrup, Denise McDermott, Amy Fleetwood, Maggie Kinsella and Sylvia Brougham, a sincere thank you for your support and friendship. And to my great kids Sara and Dan, terrific grandkids Emily and Jack, my cousin Irwin, and my dear friends, especially Claire, I say I love you all. Lastly, I pay tribute to my heroes, my parents Rose and Carl. As a son of an immigrant butcher, I truly appreciate the many blessings that have come my way.

Thank you all for the opportunity to share my thoughts, ideas, humor and feelings with you. It is a privilege. I am a lucky man indeed.

And so on that positive note, I wish you all a happy holiday season and healthy New Year – *próspero año nuevo* for sure!

If you should have any questions or wish to discuss issues specific to your financial institution please contact any of the following members of the Graham & Dunn Financial Services Team:

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