PHILLIPS VAN HEUSEN CORP /DE/
Form DEF 14A
April 30, 2004

SCHEDULE 14A
(RULE 14A-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14a INFORMATION
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant [X]
Filed by a Party other than the registrant [ ]

Check the appropriate box:
[ ] Preliminary Proxy Statement [ ] Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
[X] Definitive Proxy Statement
[ ] Definitive Additional Materials
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PHILLIPS-VAN HEUSEN CORPORATION

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):
[X] No fee required.
[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

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[ ] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

PHILLIPS-VAN HEUSEN CORPORATION

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting of Stockholders of PHILLIPS-VAN HEUSEN CORPORATION (the "Company"), a Delaware corporation, will be held at The Graduate Center - City University of New York, 365 Fifth Avenue, Elebash Recital Hall, First Floor, New York, New York, on Tuesday, June 15, 2004, at 10:00 a.m., for the following purposes:

(1) to elect nine directors of the Company to serve for a term of one year;

(2) to consider and act upon a proposal to approve an amendment to increase the maximum annual grant under the Company's 2003 Stock Option Plan;

(3) to ratify the appointment of auditors for the Company to serve for the current fiscal year; and

(4) to consider and act upon such other matters as may properly come before the meeting.

Only stockholders of record at the close of business on April 20, 2004 are entitled to vote at the meeting.

Attendance at the meeting will be limited to holders of record of the Company's Common Stock and its Series B Convertible Preferred Stock or their proxies, beneficial owners having evidence of ownership and guests of the Company. If you hold stock through a bank or broker, a copy of an account statement from your bank or broker as of the record date will suffice as evidence of ownership. Attendees also must present a picture ID to be admitted to the meeting.

You are requested to fill in, date and sign the enclosed proxy, which is solicited by the Board of Directors of the Company, and to mail it promptly in the enclosed envelope.

By order of the Board of Directors,

MARK D. FISCHER
Secretary

New York, New York
April 30, 2004

IMPORTANT: THE PROMPT RETURN OF PROXIES WILL SAVE THE COMPANY THE EXPENSE OF FURTHER REQUESTS FOR PROXIES. A SELF-ADDRESSED ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE. NO POSTAGE IS REQUIRED IF MAILED WITHIN THE UNITED STATES.

PHILLIPS-VAN HEUSEN CORPORATION

PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS
JUNE 15, 2004

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of PHILLIPS-VAN HEUSEN CORPORATION (the "Company") to be used at the Annual Meeting of Stockholders of the Company which will be held at The Graduate Center - City University of New York, 365 Fifth Avenue, First Floor, New York, New York, on Tuesday, June 15, 2004, at 10:00 a.m., and at any adjournments thereof.

The principal executive offices of the Company are located at 200 Madison Avenue, New York, New York 10016-3903. The approximate date on which this Proxy Statement and the enclosed proxy card were first sent or given to stockholders was April 30, 2004.

Stockholders who execute proxies retain the right to revoke them at any time by notice in writing to the Secretary of the Company, by revocation in person at the meeting or by presenting a later dated proxy. Unless so revoked, the shares represented by proxies will be voted at the meeting. The shares represented by the proxies solicited by the Board of Directors of the Company will be voted in accordance with the directions given therein. Stockholders vote at the meeting by casting ballots (in person or by proxy) which are tabulated by a person who is appointed by the Board of Directors before the meeting to serve as inspector of elections at the meeting and who has executed and verified an oath of office. Abstentions and broker "non-votes" are included in the determination of the number of shares present at the meeting for quorum purposes. Abstentions will have the same effect as negative votes, except that abstentions will have no effect on the election of directors because directors are elected by a plurality of the votes cast. Broker "non-votes" are not counted in the tabulations of the votes cast on proposals presented to stockholders because shares held by a broker are not considered to be entitled to vote on matters as to which broker authority is withheld. A broker "non-vote" occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner. Under existing New York Stock Exchange rules, brokers do not have

discretionary voting power with respect to the proposal to approve the amendment to the Company's 2003 Stock Option Plan (the "2003 Option Plan").

Common stockholders of record at the close of business on April 20, 2004 will be entitled to one vote for each share of the Company's Common Stock (the "Common Stock") then held. There were outstanding on such date 30,761,643 shares of Common Stock. Holders of record of the Company's Series B Convertible Preferred Stock (the "Series B Stock") at the close of business on April 14, 2003 will be entitled to one vote for each share of Common Stock into which their shares of Series B Stock are convertible as of the record date. As of such date, there were 10,000 shares of Series B Stock outstanding that were convertible into 18,910,436 shares of Common Stock. The Common Stock and the Series B Stock are the only outstanding classes of voting stock of the Company.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table presents certain information with respect to the persons who are known to the Company to be the beneficial owners of more than five percent of the Common Stock as of April 20, 2004. Except as otherwise indicated, the persons listed below have advised the Company that they have sole voting and investment power with respect to the shares listed as owned by them.

NAME AND ADDRESS OF BENEFICIAL OWNER	AMOUNT BENEFICIALLY OWNED
Apax affiliates(1)	18,910,436
Vaneton International, Inc.(2) P.O. Box 3340 Road Town Tortola, British Virgin Islands	4,481,101
Earnest Partners, LLC(3) 75 Fourteenth Street, Suite 2300 Atlanta, Georgia 30309	2,347,415
AXA(4)	1,929,246
Dimensional Fund Advisors Inc.(5) 1299 Ocean Avenue, 11th Floor Santa Monica, California 90401	1,732,400

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1 Apax Managers, Inc., 445 Park Avenue, New York, New York 10022, Apax Partners Europe Managers Limited, 15 Portland Place, London, England, W1B 1PT and Apax Europe V GP Co. Limited, 13-15 Victoria Road, St. Peter Port, Guernsey, Channel Islands, may be deemed to own beneficially an aggregate of 18,910,436 shares (38.1%) of the outstanding Common Stock (the "Apax shares"). The Apax shares consist solely of the shares of Common Stock issuable upon the conversion of shares of Series B Stock. Of the Apax shares, Apax Partners Europe Managers Limited and its affiliate Apax Europe

V GP Co. Limited, may be deemed to own beneficially an aggregate of 14,624,071 shares (32.2%) of the outstanding Common Stock, issuable upon conversion of 7,733.3 shares of Series B Stock acquired by certain private equity funds. Apax Partners Europe Managers Limited is the discretionary investment manager and Apax Europe V GP Co. Limited is the general partner of the general partner of those funds. Apax Partners Europe Managers Limited and Apax Europe V GP Co. Limited have shared voting and dispositive power over such shares. Of the Apax shares, Apax Managers, Inc. may be deemed to own beneficially an aggregate of 4,286,365 shares (12.2%) of the outstanding Common Stock, issuable upon conversion of 2,266.7 shares of Series B Stock acquired by certain private equity funds. Apax Managers, Inc. is the general partner of the general partner of those funds. Information as to the shares of Common Stock beneficially owned by Apax Partners Europe Managers Limited, Apax Europe V GP Co. Limited and Apax Managers, Inc. (other than percentage ownership) is as of April 20, 2004, based upon a Schedule 13D dated February 21, 2003 and filed with the Securities and Exchange Commission (the "SEC") and the Company's records.

2 Dr. Richard Lee, 6/F TAL Building, 49 Austin Road, Kowloon, Hong Kong, may be deemed to beneficially own the 4,481,101 shares of Common Stock owned of record by Vaneton International, Inc. Dr. Richard Lee and Vaneton International, Inc. have shared voting and dispositive power over such shares. Information as to the shares of Common Stock beneficially owned by Vaneton International, Inc. and Dr. Richard Lee (other than percentage ownership) is as of December 31, 2002, as set forth in a Schedule 13G dated February 28, 2003 and filed with the SEC.

3 Earnest Partners, LLC, a registered investment adviser, may be deemed to be the beneficial owner of 2,347,415 shares of Common Stock, including 1,804,430 shares with respect to which it has sole voting power, 369,885 shares with respect to which it has shared voting power and as to all 2,347,415 of which it has sole dispositive power. Information as to the shares of Common Stock that may be deemed to be owned beneficially by Earnest Partners, LLC is as of December 31, 2003, as set forth in a Schedule 13D dated February 11, 2004 and filed with the SEC.

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4 AXA Assurances I.A.R.D. Mutuelle and AXA Assurances Vie Mutuelle, both of 370 Rue Saint Honore, 75001 Paris, France, together with AXA Courtage Assurance Mutuelle, 26 Rue Louis le Grand, 75002 Paris, France (collectively, "Mutuelles AXA"), control AXA, 25 Avenue Mignon, 75008 Paris, France. AXA owns AXA Rosenberg Investment Management, LLC ("AXA Rosenberg") and AXA Financial, Inc. ("AXA Financial"), 1290 Avenue of the Americas, New York, New York 10104. AXA Financial owns Alliance Capital Management L.P. ("Alliance Capital"), a registered investment adviser. AXA Rosenberg may be deemed to have sole voting power over 795,600 shares of Common Stock and shared dispositive power over 934,900 shares of Common Stock. Alliance Capital may be deemed to have sole voting power over 908,014 shares of Common Stock, shared voting power over 8,900 shares of Common Stock and sole dispositive power over 994,346 shares of Common Stock. As the parent holding company of Alliance Capital, AXA Financial may be deemed to own the 994,346 shares of Common Stock owned beneficially by Alliance Capital. AXA, as parent holding company of AXA Financial and AXA

Rosenberg, and Mutuelles AXA, as a group, acting as a parent holding company of AXA, may be deemed to own the 994,346 shares of Common Stock owned beneficially by Alliance Capital and the 934,900 shares owned beneficially by AXA Rosenberg. Information as to the shares of Common Stock that may be deemed to be owned beneficially by each of Mutuelles AXA, AXA and AXA Financial is as of December 31, 2003, as set forth in a Schedule 13G dated February 13, 2004 and filed with the SEC.

5 Dimensional Fund Advisors Inc. ("Dimensional"), a registered investment adviser, furnishes investment advice to four registered investment companies and serves as investment manager to certain other commingled group trusts and separate accounts (such investment companies, trusts and accounts are referred to as the "Funds"). In its role as investment advisor or manager, Dimensional possesses voting and/or investment power over the Common Stock owned by the Funds. Dimensional disclaims beneficial ownership of such securities. Information as to the shares of Common Stock that may be deemed to be owned beneficially by Dimensional (other than percentage ownership) is as of December 31, 2003, as set forth in a Schedule 13G dated February 6, 2004 and filed with the SEC.

The following table presents certain information with respect to the number of shares of Common Stock beneficially owned by each of the directors and nominees for director of the Company, the Chief Executive Officer, the four most highly compensated executive officers of the Company other than the Chief Executive Officer and all of the directors, nominees for director and executive officers of the Company as a group as of April 20, 2004. Except as otherwise indicated below, each of the directors, nominees for director and executive officers has sole voting and investment power with respect to the shares listed as owned by him.

NAME	AMOUNT BENEFICIALLY OWNED(1)
Emanuel Chirico(2)	232,839
Edward H. Cohen	41,698
Francis K. Duane	101,667
Joseph B. Fuller	39,885
Joel H. Goldberg	48,500
Marc Grosman	29,500
Bruce J. Klatsky	748,915
David A. Landau(3)	--
Harry N.S. Lee(4)	36,698
Bruce Maggin	65,642
Henry Nasella(3)	--
Christian Nather(3)	--
Allen E. Sirkin	208,307
Peter J. Solomon	53,693
Mark Weber	410,299
All directors, nominees for director and executive officers as a group (16 persons)	2,117,643

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* Less than 1% of class.

1 The figures in the table are based upon information furnished to the Company by the directors, nominees for director and executive officers. The figures do not include the shares held for the executive officers in the Master Trust for

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the PVH Stock Fund. The PVH Stock Fund is one of the investment options under the Company's Associates Investment Plans (the "AIPs"), which are employee benefit plans under Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended. Participants in the AIPs who make investments in the PVH Stock Fund may direct the vote of shares of Common Stock held in the Master Trust for the PVH Stock Fund only with respect to tender or exchange offers subject to Section 13(e) or Section 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and matters which, if approved or disapproved, would result in a change in control of the Company (as defined in the AIPs). The committee that administers the AIP (the "AIP Committee") has the right to vote such shares for all other matters. These participants also have the right, subject to certain limitations, to receive a distribution of shares of Common Stock held for their benefit in the Master Trust, but the AIP Committee makes all other decisions regarding the disposition of Common Stock held in the Master Trust.

2 Mr. Chirico's figure does not include the 1,143,159 shares of Common Stock (3.7%) held in the Master Trust for the PVH Stock Fund as of December 31, 2003 for all participants in the AIPs who invest in the PVH Stock Fund. Mr. Chirico is a member of the AIP Committee, which has the power, under most circumstances, to vote and dispose of the shares held in the Master Trust.

3 David A. Landau is a partner, Henry Nasella is a venture partner and Christian Nather is a partner of Apax Partners. Apax Managers, Inc., Apax Partners Europe Managers Limited and Apax Europe V GP Co. Limited, affiliates of Apax Partners, together beneficially own shares of the Series B Stock that are currently convertible into 18,910,436 shares of Common Stock (38.1%). See Note 1 to the prior table.

4 Harry N.S. Lee is an indirect minority shareholder of Vaneton International, Inc., which beneficially owns 4,481,101 shares of Common Stock (14.6%). See Note 2 to the prior table.

The figures in the foregoing table include 190 shares held by Mr. Klatsky's child, as to which Mr. Klatsky has disclaimed beneficial ownership, 12,000 shares held by Mr. Maggin as custodian for his children, as to which Mr. Maggin has disclaimed beneficial ownership, and 100 shares held by Mr. Sirkin's wife as custodian for one of Mr. Sirkin's children, as to which Mr. Sirkin has disclaimed beneficial ownership.

The foregoing table also includes shares which the following directors and executive officers have the right to acquire within 60 days of April 20, 2004 upon the exercise of options granted under the Company's stock option plans: Emanuel Chirico, 228,639 shares; Edward H. Cohen, 35,698 shares; Francis K. Duane, 101,667 shares; Joseph B. Fuller, 36,756 shares; Joel Goldberg, 28,500 shares; Marc Grosman, 28,500 shares; Bruce J. Klatsky, 690,000 shares; Harry

N.S. Lee, 35,698 shares; Bruce Maggin, 36,756 shares; Allen E. Sirkin, 205,000 shares; Peter J. Solomon, 35,698 shares; Mark Weber, 377,460 shares; and all directors, nominees for director and executive officers as a group, including the foregoing, 1,935,372 shares.

ELECTION OF DIRECTORS

The Board of Directors currently consists of 12 members, nine of whom are elected by the holders of the Common Stock and Series B Stock voting together and three of whom are elected solely by the holders of the Series B Stock (the "Series B Directors"). The Board of Directors has established 14 as the number of directors constituting the entire Board. One of the directors elected at last year's Annual Meeting of Stockholders resigned in September 2003 because his business obligations did not permit him to dedicate the appropriate time to his duties as director, and there was a pre-existing vacancy on the Board. The Company intends to seek qualified candidates to fill such vacancies. Proxies cannot be voted at the meeting for more than nine people.

All members of the Board of Directors, other than the Series B Directors, are elected by the stockholders at the Annual Meeting of Stockholders of the Company for a term of one year or until their successors are elected and qualified. All of the nominees for director have previously been elected directors of the Company by the stockholders.

The election of directors requires the affirmative vote of a plurality of the votes cast in person or by proxy at the meeting. At this time, the Board of Directors knows of no reason why any nominee might be unable to serve. There is no arrangement or understanding between any director or nominee and any other person pursuant to which such person was selected as a director or nominee, except as described below with respect to the Series B Directors.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF THE NINE NOMINEES NAMED BELOW. PROXIES RECEIVED IN RESPONSE TO THIS SOLICITATION WILL BE VOTED FOR THE ELECTION OF THE NOMINEES UNLESS OTHERWISE SPECIFIED IN A PROXY.

NAME	PRINCIPAL OCCUPATION	A
Edward H. Cohen.....	Counsel to Katten Muchin Zavis Rosenman, a law firm	
Joseph B. Fuller.....	Chief Executive Officer of Monitor Company, a management consulting firm	

Joel H. Goldberg.....	President of Career Consultants, Inc., a management consulting firm
Marc Grosman.....	Chief Executive Officer of Marc Laurent SA, the owner of a chain of European apparel stores which trade under the name CELIO
Bruce J. Klatsky.....	Chairman and Chief Executive Officer of the Company
Harry N.S. Lee.....	Managing Director of TAL Apparel Limited, an apparel manufacturer and exporter based in Hong Kong
Bruce Maggin.....	Principal of The H.A.M. Media Group, LLC, a media investment company
Peter J. Solomon.....	Chairman of Peter J. Solomon Company L.P., an investment banking firm
Mark Weber.....	President and Chief Operating Officer of the Company

Pursuant to the Certificate of Designations, Preferences and Rights of the Series B Stock, the holders of such stock have the right to elect separately as a class up to three directors to the Company's Board of Directors. The following individuals are the Series B Directors:

NAME	PRINCIPAL OCCUPATION	A
David A. Landau.....	Partner of Apax Partners, an international private equity investment group, and head of its U.S. Consumer/Retail Group	
Henry Nasella.....	Venture Partner of Apax Partners, an international private equity investment group	
Christian Nather.....	Partner of Apax Partners, an international private equity investment group	

Mr. Cohen is also a director of Franklin Electronic Publishers, Inc., Gilman & Ciocia, Inc., Levcor International, Inc. and Merrimac Industries, Inc. Dr. Goldberg is also a director of Hampshire Group, Limited and Merrimac Industries, Inc. Mr. Grosman is also a director of Aigle SA. Mr. Maggin is also a director of Central European Media Enterprises, Ltd. Mr. Solomon is also a director of BKF Capital Group, Inc., Monro Muffler Brake, Inc. and Office Depot, Inc.

Each of the directors has been engaged in the principal occupation indicated in the foregoing table for more than the past five years, except Mr. Cohen, who was a partner in the law firm of Rosenman & Colin LLP until its February 1, 2002 merger with Katten Muchin Zavis, at which time he became counsel to the merged firm, Katten Muchin Zavis Rosenman; Mr. Maggin, who from 1999 until 2002 was also the Chief Executive Officer of TDN, Inc. (d/b/a at TV Media, Inc.), a marketer of interactive television advertising; Mr. Nasella, who was Chairman of Online Retail Partners, Inc., a venture capital and information technology services company, from 1999 until 2001 and Chairman and Chief Executive Officer of Star Markets Co., Inc., a food retailer, from 1994 until 1999; and Mr. Nather, who was a partner of McKinsey & Company, a management consulting firm, from 1993 to 2001.

The Board of Directors has determined the independence (or lack thereof) of each of the Company's directors and, as a result thereof, concluded that a majority of its directors are independent, as required under the rules of the New York Stock Exchange. The Company's Common Stock is listed for trading on the New York Stock Exchange. Specifically, the Board determined that each of the Company's directors, other than Messrs. Klatsky, Weber, Goldberg and Lee are independent under Section 303A(2) of the New York Stock Exchange rules. In making such determinations, the Board considered (i) whether a director had, within the last three years, any of the relationships under Section 303A(2)(b) of the New York Stock Exchange rules with the Company which disqualify a director from being considered independent, (ii) whether the director had any disclosable transaction or relationship with the Company under Item 404 of Regulation S-K of the Exchange Act, which relates to transactions and relationships between directors and their affiliates, on the one hand, and the Company and its affiliates (including management), on the other, and (iii) the factors suggested in the New York Stock Exchange's Commentary to Section 303A(2), such as a commercial, consulting and other relationship, or other interactions with management that do not meet the absolute thresholds under Section 303A(2) or Item 404(a) or 404(b) but which, nonetheless, could reflect upon a director's independence from management. In considering the materiality of any transactions or relationships that do not require disqualification under Section 303A(2)(b), the Board considered the materiality of the transaction or relationship to each of the director, the director's business organization and the Company and whether the relationship between (i) the director's business organization and the Company, (ii) the director and the Company and (iii) the director and his business organization interfered with the director's business judgment.

No family relationship exists between any director or executive officer of the Company.

COMMITTEES AND MEETINGS

The Company's Corporate Governance Guidelines provide that each member of the Board of Directors is expected to use reasonable efforts to attend, in person, or by telephone, all meetings of the Board and of any committees of which they are a member as well as the annual meeting of stockholders. Twelve members of the Board (which then consisted of 13 members) attended the 2003 Annual Meeting of Stockholders.

During the fiscal year ended February 1, 2004, there were five meetings of the Board of Directors. All of the directors attended at least 75% of the aggregate number of meetings of the Board of Directors and the Committees of the Board of Directors on which they served held during the fiscal year.

The non-management directors meet regularly in executive sessions without management or the management directors, and the independent directors meet at least once a year without the non-independent directors. Mr. Landau presides at the executive sessions of the non-management directors.

The Board of Directors of the Company has a standing Audit Committee, a standing Compensation Committee and a standing Nominating & Governance Committee. Pursuant to an Investors Rights Agreement between the Company and the holders of the Series B Stock, the Series B Stockholders have the right to designate a Series B Director for each such committee, subject to applicable law, rule and regulation. The Board has determined that the Series B Directors do not satisfy the requirements under New York Stock Exchange rules that will become effective as to the Company on the date of the Annual Meeting for audit committee service.

AUDIT COMMITTEE

The Audit Committee is currently composed of Messrs. Cohen, Maggin and Nasella, each of whom has been determined by the Board of Directors to be independent under the current New York Stock Exchange's listing standards. Mr. Solomon will replace Mr. Nasella on the Committee effective June 15, 2004. Each of Messrs. Cohen, Maggin and Solomon has been determined by the Board to be independent for purposes of audit committee service under the listing standards that will be in effect as to the Company as of the date of the Annual Meeting. Mr. Nasella, as a designee of the Series B Stockholders, does not qualify as independent only for audit committee service under such new listing standards. Mr. Maggin, the Chairman of the Committee, has been determined by the Board to be an "audit committee financial expert", as defined in Item 401 of Regulation S-K under the Exchange Act, and "independent", as used in Item 7(d)(3)(iv) of Schedule 14A under the Exchange Act.

The Board of Directors has adopted a written charter for the Audit Committee. A copy of the charter is attached to this Proxy Statement as Exhibit A and is available on Company's website (www.pvh.com). Pursuant to its charter, the Committee is charged with providing assistance to the Board of Directors in fulfilling the Board's oversight functions relating to the quality and integrity of the Company's financial reports, monitoring the Company's financial reporting process and internal audit function, monitoring the outside auditing firm's qualifications, independence and performance and performing such other activities consistent with its charter and the Company's By-laws as the Committee or the Board deems appropriate. The Committee will also have such additional functions as are required by the New York Stock Exchange, the SEC and federal securities law. The Committee is directly responsible for the appointment, compensation and oversight of the work of the outside auditing firm.

The Audit Committee held eight meetings during the fiscal year ended February 1, 2004.

COMPENSATION COMMITTEE

The Compensation Committee is currently composed of Messrs. Grosman and Landau. The Board of Directors has adopted a written charter for the Compensation Committee, which is attached to this Proxy Statement as Exhibit B and is available on the Company's website (www.pvh.com). The charter provides

for the Committee to be composed of three or more directors (two or more until the date of the 2006 Annual Meeting). All Committee members must be independent under the rules of the New York Stock Exchange, must qualify as "outside" directors under Section 162(m) of the Internal Revenue Code of 1986 (the "Code") and as "non-employee" directors under Rule 16b-3 under the Exchange Act. The Board has determined that all current members satisfy such requirements including, in regards to the New York Stock Exchange rules both as to the existing rules and the new rules that will be in effect as to the Company as of the date of the Annual Meeting. The Committee, is charged with discharging the Board of Director's responsibilities relating to the compensation of the Company's Chief Executive Officers and all of the Company's other "executive officers" as defined in the Exchange Act. The Committee also has overall responsibility for approving or recommending to the Board approval of and/or evaluating all compensation plans, policies and programs of the Company and is responsible for producing the annual report on executive compensation required to be included in the Company's proxy statement for each annual meeting of stockholders.

The Compensation Committee held three meetings during the fiscal year ended February 1, 2004.

NOMINATING & GOVERNANCE COMMITTEE

The Nominating & Governance Committee currently consists of Messrs. Fuller, Grosman and Landau. The Board of Directors has adopted a written charter for the Committee, which is attached to this Proxy Statement as Exhibit C and is available on the Company's website (www.pvh.com). The charter provides for the Committee to be composed of three or more directors (two or more until the date of the 2006 annual meeting), all of whom must meet the independence requirement under the rules of the New York Stock Exchange. The Board has determined that all current members satisfy such requirement, both as to the existing rules and the new rules that come into effect as to the Company as of the date of the Annual Meeting.

Pursuant to the charter, the Nominating & Governance Committee is charged with (1) assisting the Board of Directors by identifying individuals qualified to become Board members and recommending to the Board director nominees for the next annual meeting of stockholders (other than the designees of the Series B Stockholders), (2) recommending to the Board Corporate Governance Guidelines applicable to the Company, (3) overseeing the annual evaluation of the Board and management and (4) recommending to the Board director nominees for each committee.

The Nominating & Governance Committee of the Company's Board of Directors will consider for election to the Board of Directors a nominee recommended by a stockholder if the recommendation is made in writing and includes (i) the qualifications of the proposed nominee to serve on the Board of Directors, (ii) the principal occupations and employment of the proposed nominee during the past five years, (iii) each directorship currently held by the proposed nominee and (iv) a statement that the proposed nominee has consented to the nomination. The recommendation should be addressed to the Secretary of the Company.

The Nominating & Governance Committee seeks and evaluates individuals qualified to become Board members for recommendation to the Board when and as appropriate. In evaluating potential candidates, and the need for new directors, the Committee may consider such factors, including, without limitation,

professional experience and business, charitable or educational background, performance, age, service on other boards of directors and years of service on the Company's Board, as the members deem appropriate.

The Nominating & Governance Committee (then only designated as the Nominating Committee) held one meeting during the fiscal year ended February 1, 2004.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based upon a review of the filings furnished to the Company pursuant to Rule 16a-3(e) promulgated under the Exchange Act and on representations from its executive officers and directors, all filing requirements of Section 16(a) of said Act were complied with during the fiscal year ended February 1, 2004.

EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table summarizes all plan and non-plan compensation awarded to, earned by or paid to the Company's Chief Executive Officer and its four most highly compensated executive officers, other than the Chief Executive Officer (together, the "Named Executive Officers"), for services rendered in all capacities to the Company and its subsidiaries for each of the Company's last three fiscal years, ended February 1, 2004, February 2, 2003 and February 3, 2002 (fiscal 2003, 2002 and 2001 respectively).

				LONG-TERM COMPEN
				AWARDS
		ANNUAL COMPENSATION		
NAME AND PRINCIPAL POSITION	FISCAL YEAR	SALARY ($)	BONUS ($)	OPTIONS (#)
Emanuel Chirico.....	2003	800,000	800,744(2)	40,000
Executive Vice President and CFO,	2002	600,000	844,740	40,000
Phillips-Van Heusen Corporation	2001	500,000	-	40,000
Francis K. Duane	2003	700,000	596,260	30,000
Vice Chairman, Sportswear	2002	600,000	600,000	30,000
Phillips-Van Heusen Corporation	2001	600,000	449,640	30,000

Bruce J. Klatsky.....	2003	1,200,000	1,847,561(2)	150,000	1,
Chairman and CEO,	2002	1,000,000	2,152,600	150,000	
Phillips-Van Heusen Corporation	2001	1,000,000	-	150,000	1,
Allen E. Sirkin.....	2003	750,000	750,000	30,000	
Vice Chairman, Dress Shirts,	2002	750,000	750,000	30,000	
Phillips-Van Heusen Corporation	2001	750,000	-	30,000	
Mark Weber.....	2003	1,000,000	1,098,316(2)	75,000	
President and COO,	2002	800,000	1,126,320	75,000	
Phillips-Van Heusen Corporation	2001	800,000	-	75,000	

1 All Other Compensation includes payments or contributions required by the AIPs and Supplemental Savings Plan, Executive Medical Reimbursement Insurance Plan and Educational Benefits Plan.

Under the AIPs, each employee, including the Named Executive Officers, eligible to participate may authorize his or her employer to withhold a specified percentage of his or her compensation, up to 6% in the case of certain management and highly compensated employees, including the Named Executive Officers, and otherwise up to 25% (subject to certain limitations). Under the Supplemental Savings Plan applicable to certain management and highly compensated employees, each employee, including the Named Executive Officers, eligible to participate may currently authorize his or her employer to withhold a specified percentage of his or her compensation, up to 15%, including deductions for contributions to the AIPs. The Company or its subsidiaries currently contribute an amount equal to 100% of the first 2% of total compensation contributed by an employee and an amount equal to 25% of the next 4% of total compensation contributed by such employee. A participant's interest in the amounts arising out of employer contributions currently vest ratably over the first five years of employment (regardless of when participation commences), or, if earlier, at age 65 or upon disability or death. In fiscal 2003, 2002 and 2001, respectively, the Company made contributions which are reflected under this column in the amounts of $84,793, $30,581 and $50,558 for Mr. Chirico; $6,250, $31,489 and $39,317 for Mr. Duane; $187,549, $70,727 and $140,622 for Mr. Klatsky; $45,000, $22,500 and $51,856 for Mr. Sirkin; and $111,024, $44,130 and $111,024 for Mr. Weber.

The Company's Executive Medical Reimbursement Insurance Plan covers eligible employees for most medical charges not covered by the basic medical plan up to a specified annual maximum. The Company incurred $11,655, $11,655 and $10,684 during fiscal 2003, 2002 and 2001, respectively, as annual premiums for coverage for each of the Named Executive Officers, which amounts are reflected under this column.

Under the Company's Educational Benefits Plan, children of eligible employees received reimbursement of tuition and room and board charges while attending an accredited college or vocational school. The plan was terminated in

(Footnotes continue on following page)

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1986, except with respect to children who were then covered by the plan. For fiscal 2003, 2002 and 2001, respectively, the benefits received by the Named Executive Officers, which are reflected under this column, were in the amounts of $0, $50,550 and $52,100 for Mr. Klatsky; and $62,969, $75,661 and $35,854 for Mr. Weber.

2 Includes annual bonus under the Company's Performance Incentive Bonus Plan and a special bonus based on, and in recognition of, the gain on the Company's sale in June 2003 of its minority interest in Gant Company AB.

3 Payouts were made under the Company's Long-Term Incentive Plan (the "Long-Term Incentive Plan").

4 Payouts were made pursuant to a long-term incentive plan for the 33-month period ended February 3, 2002.

OPTION GRANTS IN LAST FISCAL YEAR

The following table sets forth information with respect to grants of stock options to purchase Common Stock awarded to the Named Executive Officers during the fiscal year ended February 1, 2004. All such grants were made pursuant to either the Company's 2000 Stock Option Plan (the "2000 Option Plan") or its 1997 Stock Option Plan (the "1997 Option Plan").

	INDIVIDUAL GRANTS				POT V ANN PRIC
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED(1) (#)	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE PRICE ($/SH)	EXPIRATION DATE	5% ($)
Emanuel Chirico.....	40,000	3.9	12.34	4/2/13	310,
Francis K. Duane.....	30,000	2.9	12.34	4/2/13	232,
Bruce J. Klatsky.....	150,000	14.5	12.34	4/2/13	1,162,
Allen E. Sirkin.....	30,000	2.9	12.34	4/2/13	232,
Mark Weber.....	75,000	7.3	12.34	4/2/13	581,

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1 One-quarter of the options granted to each of the Named Executive Officers in fiscal 2003 become exercisable on each of the first through fourth anniversaries of the grant date.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR END OPTION VALUES

The following table sets forth information with respect to option exercises by the Named Executive Officers during the fiscal year ended February 1, 2004 and the value at February 1, 2004 of unexercised stock options held by the Named Executive Officers.

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED ($)	NUMBER OF UNEXERCISED OPTIONS AT FISCAL YEAR-E EXERCISABLE/UNEXERCISABL (#)
Emanuel Chirico.....	4,800	11,280	178,638 / 110,001
Francis K. Duane.....	-	-	73,333 / 78,334
Bruce J. Klatsky.....	3,803	11,941	511,321 / 408,334
Allen E. Sirkin.....	2,112	6,632	168,102 / 85,001
Mark Weber.....	1,798	5,520	285,793 / 204,167

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1 Fair market value at fiscal year end of securities underlying the options minus the exercise price of the options.

LONG-TERM INCENTIVE PLANS - AWARDS IN LAST FISCAL YEAR

The following table sets forth information with respect to the awards made to the Named Executive Officers under the Company's Long-Term Incentive Plan during fiscal 2003.

NAME	PERFORMANCE OR OTHER PERIOD UNTIL MATURATION OF PAYOUT	ESTIMATED FUTURE PAYOU NON-STOCK PRICE-BASED THRESHOLD ($)	PLAN ($)
Bruce J. Klatsky.....	2/2/03 - 2/5/06	840,000	1,560,000
Mark Weber.....	2/2/03 - 2/5/06	500,000	850,000
Emanuel Chirico.....	2/2/03 - 2/5/06	400,000	680,000

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1 Based on base salaries as of February 1, 2004. Actual payouts are based on the base salary in effect on the last day of the performance cycle.

Awards were made to the Company's Chief Executive Officer, Chief Operating Officer and Chief Financial Officer under the Long-Term Incentive Plan during fiscal 2003. The payout (which is made in cash) of such awards requires the Company to achieve both earnings growth and improvement in return on equity, as determined by the Compensation Committee, based upon the Company's audited

financial statements (excluding special items [both gains and expenses]) over the three-year performance cycle. Payouts, if earned, will be based on a percentage of a participant's base salary in effect on the last day of the performance cycle. The range for the award made in fiscal 2003 for the Chief Executive Officer is 70%-250% of base salary and the range for the Chief Operating Officer and the Chief Financial Officer is 50%-150% of base salary. If the level of achievement falls between two of the targets, the award will be based on a percentage of the participant's base salary that is on a straight-line interpolation between the percentages for the two targets. No payouts will be made if the threshold targets are not satisfied. In the event of the death or disability of a participant during a performance cycle, the participant or his estate will receive the payout, if any, which would otherwise have been payable to the participant for the performance cycle, pro rated to reflect the portion of the performance cycle worked by the participant. In all other events, a participant must be employed by the Company on the payment date with respect to the award or must have died, become disabled, retired under the Company's retirement plan or have been discharged without cause subsequent to the end of the performance cycle but prior to the date the award is paid in order to remain eligible to receive the payout.

PENSION PLAN TABLE

The following table sets forth the aggregate estimated annual benefits payable, upon retirement at age 65, to employees under the combination of the pension plan for salaried employees and a supplemental defined benefit plan applicable to certain management and highly compensated employees (including the Named Executive Officers), in various compensation and years-of-service classifications, assuming that the Social Security maximum limit does not change from its present level of $87,900.

CAREER AVERAGE SALARY	ANNUAL BENEFITS FOR YEARS OF SERVICE INDICATED PAYABLE AS A LIFE ANNUITY AT AGE 65				
	15	20	25	30	
$200,000	38,220	50,310	62,196	73,962	
$400,000	83,220	110,310	137,196	163,962	
$600,000	128,220	170,310	212,196	253,962	
$800,000	173,220	230,310	287,196	343,962	
$1,000,000	218,220	290,310	362,196	433,962	
$1,200,000	263,220	350,310	437,196	523,962	
$1,400,000	308,220	410,310	512,196	613,962	
$1,600,000	353,220	470,310	587,196	703,962	
$1,800,000	398,220	530,310	662,196	793,962	
$2,000,000	443,220	590,310	737,196	883,962	1
$2,200,000	488,220	650,310	812,196	973,962	1
$2,400,000	533,220	710,310	887,196	1,063,962	1
$2,600,000	578,220	770,310	962,196	1,153,962	1
$2,800,000	623,220	830,310	1,037,196	1,243,962	1

$3,000,000	668,220	890,310	1,112,196	1,333,962	1
$3,200,000	713,220	950,310	1,187,196	1,423,962	1
$3,400,000	758,220	1,010,310	1,262,196	1,513,962	1
$3,600,000	803,220	1,070,310	1,337,196	1,603,962	1
$3,800,000	848,220	1,130,310	1,412,196	1,693,962	1
$4,000,000	893,220	1,190,310	1,487,196	1,783,962	2

The benefits under the Company's pension plans are generally based on a participant's career average compensation (except that pre-2000 benefits for current salaried employees are based on pre-2000 last five-years average compensation, unless the participant's career average compensation is greater than the last five-years average). Absent any election by a participant of an optional form of benefit, benefits under the pension plans become payable at the time of retirement, normally at age 65. Such benefits under the qualified pension plans for salaried employees are payable monthly for the life of the participant and, in most cases, for the life of such participant's surviving spouse, and benefits under the supplemental defined benefit plan are payable in a lump sum. Notwithstanding the method of payment of benefits under the pension plans, the amounts shown in the above table are shown in the actuarial equivalent amount of a life annuity. The benefits listed above are not subject to any deduction for Social Security or other offset amounts.

The credited years of service under the pension plans, as of February 1, 2004, for each of the Named Executive Officers is set forth in the following table.

NAME	CREDITED YEARS OF SERVICE
Emanuel Chirico	10
Francis K. Duane	5
Bruce J. Klatsky	31
Allen E. Sirkin	17
Mark Weber	31

COMPENSATION OF DIRECTORS

Each director of the Company who is not an employee of the Company or any of its subsidiaries, other than the Series B Directors, receives a fee of $30,000 for his or her services as a director of the Company and $2,000 for each Board of Directors' meeting attended. In addition, each director who is a member of the Audit Committee or the Compensation Committee, other than a Series B Director, receives an additional fee of $2,000 for each committee meeting attended. The Chairmen of the Audit Committee and the Compensation Committee, other than if a Series B Director, also receive an additional retainer of $5,000. Pursuant to the Company's stock option plans, each outside director is

entitled to receive, on an annual basis, in the aggregate, non-qualified options to purchase 10,000 shares of Common Stock at the fair market value on the date of grant for his or her services as a director. The Series B Directors do not receive option grants.

The law firm of Katten Muchin Zavis Rosenman, of which Mr. Cohen is counsel, was engaged as the Company's general outside counsel for fiscal 2003. The Company has continued to engage such firm during the current fiscal year. Mr. Cohen does not share in the fees that the Company pays to such law firm and his compensation is not based on such fees.

Dr. Goldberg, Career Consultants Inc. and S&K Associates, Inc. were paid an aggregate of approximately $1,294,000 for management consulting and recruiting services they provided to the Company in fiscal 2003. Dr. Goldberg owns the two companies. The Company is continuing to utilize such services during the current fiscal year.

The Company purchased approximately $13,507,000 of products and services from TAL Apparel Limited and certain related companies during fiscal 2003. Mr. Lee is a director of TAL Apparel Limited. The Company is continuing to purchase goods from such companies during the current fiscal year.

In connection with the Company's acquisition of Calvin Klein, Inc. and certain related companies in fiscal 2003 (collectively, "Calvin Klein"), the Apax affiliates invested $250 million in the Company through the purchase of the Series B Stock. See "Security Ownership of Certain Beneficial Owners and Management." The Apax affiliates are entitled to elect up to three directors to the Company's Board of Directors and, subject to applicable law, rule and regulation, to have one of their directors appointed to each of the Audit Committee, Compensation Committee, Executive Committee and Nominating & Governance Committee. See "Election of Directors." Also in connection with the acquisition, the Apax affiliates provided the Company with a $125 million secured term loan, which accrued interest at the rate of 10% per annum. The term loan, the full amount of which had been borrowed, was repaid on May 5, 2003.

EMPLOYMENT CONTRACTS, TERMINATION OF EMPLOYMENT AND CHANGE-IN-CONTROL ARRANGEMENTS

On April 12, 2004, the Company entered into an Employment Agreement with Mr. Klatsky that provides for the continuation of his employment as Chairman and Chief Executive Officer for a period of six years. In connection with entering into the agreement and in consideration for the option grant described below, Mr. Klatsky has agreed to forego future participation in any long-term incentive compensation plan of the Company, including the receipt of annual stock option grants under the Company's stock option plans and participation in performance cycles under the Long-Term Incentive Plan. Mr. Klatsky has also agreed to certain restrictive covenants governing competitive and other activities during and after employment, including a confidentiality provision, a provision prohibiting Mr. Klatsky from competing against the Company (other than after a change in control) and soliciting its customers and employees and a mutual non-disparagement clause. The agreement provides for continuation of Mr. Klatsky's employment during the term at no less than his current base salary, as well as for his participation in any annual incentive programs of the Company as in effect from time to time for executives.

As part of the agreement, Mr. Klatsky was granted stock options under the Company's 1997, 2000 and 2003 Option Plans to purchase an aggregate of 1,750,000 shares of Common Stock (subject, with respect to options covering 309,940 of such shares, to stockholder approval of the proposed amendment to the 2003 Option Plan). See "Approval of an Amendment to the Company's 2003 Stock Option Plan." The grant is intended to recognize value created for the Company and its

stockholders by virtue of the Company's acquisition of Calvin Klein, in which Mr. Klatsky played a principal role. The options have a seven-year term, vest on the sixth anniversary of the date of grant and have an $18.75 per share exercise price. The options are subject to accelerated vesting if the Common Stock trades at specified 20-consecutive trading day averages. These trading averages represent price increases of 88%, 109% and 130% from the stock price on the date of the acquisition. In addition, the stock options would also vest on an accelerated basis upon the earliest to occur of (i) a termination of the Mr. Klatsky's employment by the Company without cause (as defined) or by him for good reason (as defined), (ii) upon his death or disability (as defined), or (iii) upon a change in control (as defined). Upon a termination of Mr. Klatsky's employment (other than for cause), any vested portion of the option will

remain exercisable for the shorter of three years from the date of termination and the remaining portion of the seven-year option term.

The employment agreement also provides for certain payments and benefits upon the termination of Mr. Klatsky's employment, which payments are generally provided for under the pre-existing plans and agreements with Mr. Klatsky, as described below, or above under the heading "Executive Compensation." In all instances, Mr. Klatsky would be entitled to his salary and other amounts earned or owing to Mr. Klatsky through his date of termination but not yet paid, including incentive amounts for performance periods that have ended prior to the date of termination, as well as any other payments, entitlements or benefits to which he has rights under the terms of any applicable plans, programs, arrangements or other agreements with the Company. In addition:

1. Upon a termination of Mr. Klatsky's employment by the Company without cause, or by Mr. Klatsky with good reason, his outstanding stock options will vest and remain exercisable for the period applicable to retirees under the applicable option plan, and he will be entitled to receive the severance payment and benefits continuation pursuant to the special Severance Benefit Plan, as described below.

2. If Mr. Klatsky's employment is terminated by reason of his death or disability, any outstanding stock options will vest and remain exercisable for the period applicable to retirees under the applicable option plan, and he and his eligible dependents will continue to be covered under the Company's medical insurance plan.

3. If Mr. Klatsky's employment is terminated by the Company for cause, all obligations to Mr. Klatsky will terminate, other than for the payment of accrued and unpaid amounts and provision of the benefits set forth in the paragraph above and, for 90 days after the date of termination, the portion of the option grant described above that was vested as of the date of termination, if any, will remain exercisable (and the portion that was not vested will be forfeited and cancelled effective as of such date).

4. Any voluntary resignation by Mr. Klatsky (which does not include a resignation in connection with a termination by the Company for cause) will be deemed to be a retirement and will be treated as a retirement for purposes of any plan, policy, program or arrangement of the Company or any affiliate thereof as to which Mr. Klatsky has any rights. (Mr. Klatsky satisfies the requirements to qualify as a retiree today). Upon retirement, the portion of the option grant described above that was vested as of the retirement date, if any, will remain exercisable for the shorter of three years from such

retirement date and the remaining portion of the seven-year term (with the unvested portion forfeited and cancelled as of such date). All other outstanding options, if any, will vest and will remain exercisable for the period applicable to retirees under the applicable option plan.

5. Upon a change in control, the option grant described above and all other outstanding stock options will vest. A termination of Mr. Klatsky's employment following the change in control (other than a termination by the Company for cause) will be treated as a retirement for purposes of the post-termination exercise period under the applicable option plan. With respect to the option described above, this means that it will remain exercisable for the shorter of three years from such retirement date and the remaining portion of the seven-year term. With respect to all other options, it means that they will remain exercisable for the period applicable to retirees under the applicable option plan. In addition, if any payments, entitlements or benefits received under the employment agreement or otherwise are subject to the excise tax imposed under the Code on excess parachute payments, an additional payment will be made to restore Mr. Klatsky to the after-tax position that he would have been in if the excise tax had not been imposed.

The Company has had in effect since 1987 a Special Severance Benefit Plan. Upon the termination of the employment of any participant in the plan within two years after a change in control of the Company (as defined in the Plan), the participant receives a lump sum payment in an amount generally equal to three times the average annual total cash compensation paid to or accrued for him or her during the two-year period preceding the date of termination. If any payments, entitlements or benefits received under the Special Severance Benefit Plan or otherwise are subject to the excise tax imposed under the Code on excess parachute payments, an additional payment will be made to restore the participant to the after-tax position that he or she would have been in if the excise tax had not been imposed. In addition, the participant receives comparable medical, dental and life insurance coverage for himself or herself and his or her family for a three-year period after termination. Mr. Klatsky is the only current participant in the Special Severance Benefit Plan. Mr. Klatsky is also entitled to the payments provided for under the Special Severance Benefit Plan if his employment is

terminated without cause or by him for good reason under his employment agreement and (i) if he is not continued as the Company's Chief Executive Officer and Chairman of the Board of Directors prior to his retirement as an employee of the Company, (ii) in the event of the appointment by the Board of Directors of an officer or the hiring by the Board of Directors of an employee with authority equal or superior to the authority of Mr. Klatsky at any time prior to his retirement as an employee of the Company, (iii) if the Company fails to maintain the terms and conditions of Mr. Klatsky's employment, or (iv) upon a termination of the Special Severance Benefit Plan.

Under the Company's capital accumulation program, the participants are party to individual agreements under which participants remaining in the employ of the Company until established target dates earn specified dollar amounts. The agreements provide that if a participant's employment with the Company is terminated following a change in control of the Company (as defined in such agreements), the full undiscounted value of the future payments to be made to the participant thereunder become immediately payable in a lump sum. The benefits under the capital accumulation program agreements are forfeited upon a

termination of a participant's employment for cause. Further, each participant's rights are subject to non-competition and non-disclosure restrictions that automatically terminate upon a change in control of the Company. Messrs. Klatsky, Weber, Chirico and Sirkin are each parties to an agreement with the Company under the capital accumulation program. Pursuant to Mr. Klatsky's employment agreement, benefits under his capital accumulation program agreement will also become immediately payable in an undiscounted lump sum upon a termination of his employment (i) by the Company without cause or by Mr. Klatsky for good reason, (ii) upon Mr. Klatsky's retirement, death or disability or (iii) upon a termination of employment following a change in control (as defined in the employment agreement).

All options that were previously granted under any of the Company's option plans and which have not expired or been otherwise cancelled become immediately exercisable in full upon a change in control of the Company.

The Company has employment agreements with 22 of its senior executives, including Messrs. Chirico, Duane, Sirkin and Weber. These agreements outline the compensation and benefits to be paid to these executives during their employment and specifically state the current base salary of each such executive: $800,000 for Mr. Chirico, $700,000 for Mr. Duane, $750,000 for Mr. Sirkin and $1,000,000 for Mr. Weber. The agreements permit the Company to both raise and lower salaries. In addition, the agreements outline the executives' rights to severance upon termination of employment. Generally, the executives are entitled to severance only if employment is terminated by the Company without cause (as defined in the agreements), in which case the severed officer is entitled to the greater of two weeks pay for each year of employment with the Company and one year's base salary (18 months' base salary for Mr. Chirico and two years' base salary for Mr. Weber). Mr. Weber is also entitled to two times his average salary and bonus for the prior two years if he terminates his employment because he does not succeed Mr. Klatsky as Chairman and Chief Executive Officer of the Company or if he is required to report to another executive other than Mr. Klatsky. The executives are also only required to pay the active employee rate for medical and dental insurance during the period severance is paid. Additionally, the executives are entitled to severance upon the termination of their employment by the Company without cause (or by the executive for good reason) within two years after a change of control of the Company (as defined in the agreements). Termination without cause includes voluntary termination by the executive if certain material changes are made to the terms of the executive's employment after a change of control. In either such case, the officer receives a lump sum payment in an amount equal to two times (three times in the case of Mr. Weber) the average annual total cash compensation paid to or accrued for him or her during the two-year period preceding the date of termination. In addition, if any payments, entitlements or benefits received by an executive under his or her agreement are subject to the excise taxes on excess parachute payments, the executive is entitled to an additional payment to restore the executive to the after-tax position that he or she would have been in if the excise tax had not been imposed. The executive also receives comparable medical, dental and life insurance coverage for himself or herself and his or her family for a two-year period (three years for Mr. Weber) after termination. The agreements also include certain restrictive covenants in favor of the Company, including agreements regarding the use of confidential information, non-interference with business relationships, non-solicitation of employees and post-termination employment restrictions.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During the fiscal year ended February 1, 2004, the members of the Compensation Committee included Marc Grosman, Dennis F. Hightower, Maria Elena Lagomasino, David A. Landau and Peter J. Solomon. Ms. Lagomasino resigned from the Board of Directors in February 2003 after the end of fiscal 2002 and was

replaced on the Committee by Peter J. Solomon prior to any meetings. David A. Landau was subsequently added to the Committee later in February as the Series B Director designee to the Committee. Mr. Solomon left the Committee in April 2003 and Mr. Hightower resigned from the Committee in connection with his resignation as a director in September 2003. There were no interlocks or insider participations as defined in the proxy regulations of the Securities and Exchange Commission.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee is currently composed of Messrs. Grosman and Landau. The Committee is charged with discharging the Board of Director's responsibilities relating to the compensation of the Company's Chief Executive Officers and all of the Company's other "executive officers" as defined in the Exchange Act. The Committee also has overall responsibility for approving or recommending to the Board approval of and/or evaluating all compensation plans, policies and programs of the Company and is responsible for producing the annual report on executive compensation required to be included in the Company's proxy statement for each annual meeting of stockholders.

OVERALL POLICY

The Compensation Committee believes that the Company's executive officers constitute a highly qualified management team that has been largely responsible for the Company's success. The Compensation Committee has structured the Company's executive officer compensation program primarily (i) to compensate its executive officers on an annual basis with a stable, secure cash salary at a sufficiently high level to retain and motivate these officers, (ii) to provide short-term incentives to executive officers to attain certain financial targets and to reward certain accomplishments or activities, (iii) to link a portion of its executive officers' compensation to long-term increases in value created for the Company's stockholders by the efforts of these officers and (iv) to be consistent with the Company's high ethical standards. The Compensation Committee targets the compensation levels of its top three executives to approximate the competitive median if the Company achieves its budget plan, to exceed the median and approach the 75th percentile of competitive compensation levels if the plan is exceeded and to be below the competitive median if the budget plan is not attained. Information regarding competitive compensation generally is compiled by compensation consultants retained by the Committee. Although the Company's compensation program does not rely to any significant extent on fringe benefits or perquisites, its fringe benefit plans are believed to be generally competitive. The Company believes that it has a reputation for providing a reasonably high level of job security in an industry known for high levels of executive turnover.

The Compensation Committee reviews annually the Company's executive officer compensation package, taking into account corporate performance, stock price performance and total return to stockholders, as well as industry conditions, recommendations of the Company's Chief Executive Officer and compensation awarded to executives in other companies, especially those involved in the fashion and apparel industries. In establishing future executive officer compensation packages, the Compensation Committee may adopt additional long-term incentive and/or annual bonus plans to meet the needs of changing employment markets and economic, accounting and tax conditions. In determining the compensation of each individual executive officer, the Compensation Committee intends to take into account the performance of the executive and the full compensation package afforded by the Company to him or her, including pension

benefits, insurance and other benefits. The views of the Company's Chief Executive Officer are considered by the Compensation Committee in their review of the performance and compensation of each individual executive officer.

BASE SALARIES

Annual salaries are determined by evaluating the performance of the Company and of each individual executive officer. In the case of executive officers with responsibility for particular operations of the Company, the financial results of those operations are also considered. In evaluating overall performance and results of particular operations of the Company, the Compensation Committee reviews the extent to which the Company or the particular operations achieved budgeted estimates for sales, gross and after-tax margins and earnings per share and may also consider the Company's sales and earnings results compared to those of many public peer companies (including companies that are part of the Line of Business Index). Where appropriate, the Compensation Committee considers non-financial performance measures, including market share increases, manufacturing and distribution efficiency gains, improvements in product quality, improvements in relations with customers and suppliers and a demonstrated commitment to the welfare and dignity of the Company's employees. Also considered are years of service to the Company. Finally, the Compensation Committee takes into account the relative salaries of the executive officers and determines what it believes are appropriate compensation level distinctions between and among the executive officers, including between the Company's Chief Executive Officer and the other executive officers. There is no specific relationship between achieving or failing to achieve the budgeted estimates or the Company's relative results and the annual salaries determined by the Compensation Committee for any of the executive officers. No specific weight is attributed to any of the factors considered by the Compensation Committee; the Compensation Committee considers all factors and makes a subjective determination, based upon the experience of its members and the recommendations of the Company's Chief Executive Officer, of appropriate compensation levels.

In determining the base salary of the Company's Chief Executive Officer for the fiscal year ended February 1, 2004, the Compensation Committee took into account the salaries of chief executive officers of many public peer companies (including companies that are part of the Line of Business Index), compensation information provided by an outside consultant, the performance of the Common Stock over the prior several years, the assessment by the Compensation Committee of Mr. Klatsky's individual performance and the fact that Mr. Klatsky had not had a raise in three years. The Committee also took into account the incentive components of Mr. Klatsky's compensation package under the Company's stock option, bonus and long-term incentive plans and the potential payouts and other value under those plans.

SHORT-TERM INCENTIVES

PERFORMANCE INCENTIVE BONUS PLAN. Stockholders approved the Company's Performance Incentive Bonus Plan (the "Bonus Plan") at the 2000 Annual Meeting of Stockholders. Under the Bonus Plan, the Company's senior executives, including the Named Executive Officers, can receive a bonus based on annual earnings targets for the Company as a whole, in the case of senior corporate executives, including the Chief Executive, Chief Operating and Chief Financial Officers or, in the case of the Vice Chairmen and the other senior divisional executives, annual earnings targets for their respective divisions. The Compensation Committee established earnings targets for fiscal 2003 for the executive officers, excluding special items (including the gain on the sale of the Company's stake in Gant Company AB and the costs related to the Calvin Klein acquisition). The targets provided for the threshold earnings levels (below

which no bonus would be paid), target earnings levels, and maximum earnings levels (above which no additional bonus is earned), and the percentage of base salary payable for the achievement of such targets (with achievement of levels between targets equal to a percentage of base salary that is on a straight-line interpolation between the two targets). In accordance with the Bonus Plan, the amount of each Named Executive Officer's bonus payment for fiscal 2003 was determined by the end of the first quarter of the current fiscal year. Messrs. Klatsky, Weber and Chirico all earned bonuses near the target level, and Messrs. Sirkin and Duane earned bonuses at or near the maximum level for fiscal 2003, and received their bonus payments in the first quarter of the current fiscal year.

DISCRETIONARY BONUSES. The Compensation Committee has the authority to award annual bonuses to executive officers on a discretionary basis. In determining whether to award discretionary bonuses, the Compensation Committee reviews each executive's overall compensation package and takes into account factors including, but not limited to, the assessment by the Compensation Committee of each executive's individual performance and the compensation awarded to executives in other companies, especially companies involved in the fashion and apparel industries. The Compensation Committee may also award bonuses for undertaking additional duties or accomplishing specific projects or achieving specific benefits for the Company, such as special efforts in connection with a transaction or the disposition on favorable terms of corporate assets. In this regard, the Compensation Committee put in place in fiscal 2002 a plan that would reward Messrs. Klatsky, Weber and Chirico if they could sell the Company's minority interest in Gant Company AB in excess of its book value. Such sale was consummated in fiscal 2003 and Messrs. Klatsky, Weber and Chirico each received a bonus based on the gain on the sale in excess of book value. The Compensation Committee has the authority to place restrictions, such as a vesting period, on any discretionary bonus it awards to an executive officer.

LONG-TERM INCENTIVES

STOCK OPTIONS. The Company currently has in effect three stock option plans, the 1997 Option Plan, the 2000 Option Plan and the 2003 Option Plan under which options to purchase Common Stock are granted. In addition, options to purchase Common Stock under the Company's 1987 Stock Option Plan are still outstanding. The Company's option plans are administered by the Compensation Committee in its capacity as the Stock Option Committee under each of the plans. Stock options are designed to align the interests of grantees with those of the stockholders. The stock option grants made in fiscal 2003 to participants, including the executive officers, were made under the 1997 and 2000 Option Plans, may not be exercised until the first anniversary of the date of grant and do not become fully exercisable until the fourth anniversary of the date of the grant. The stock options granted to the executive officers (and other grantees) generally remain exercisable during employment until the tenth anniversary of the date of grant. The terms of the grants made in fiscal 2003 were consistent with the annual grants made in recent years. The Committee believes that this approach provides an incentive to the executive to increase stockholder value over the long term, since the full benefit of the options granted cannot be realized unless stock price appreciation occurs over a number of years. The Compensation Committee intends to review the Company's continued use of stock options as a material component of its compensation structure if the recent proposal regarding the expensing of options issued by the Financial Accounting Standards Board is adopted.

The annual option grants for fiscal 2003 were made in April 2003 to approximately 290 of the key employees of the Company, including the Named Executive Officers. Each such individual received a fixed number of shares relative to his or her salary range and position within the Company. Options were granted to the executive officers in an amount such that the value of the award, when combined with base compensation, potential bonuses under the Bonus

Plan and, in the case of the top three executive officers, potential payouts under the Company's Long-Term Incentive Plan, would

provide competitive total compensation relative to comparable positions at other companies. Beginning with the current fiscal year, for the reasons explained under the heading "Employment Contracts, Termination of Employment and Change-in-Control Arrangements", Mr. Klatsky will no longer receive an annual grant of stock options.

LONG-TERM INCENTIVE PLAN. Stockholders approved the Long-Term Incentive Plan at the 2000 Annual Meeting of Stockholders. The participants in the Long-Term Incentive Plan are the Company's Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, although for the performance cycle beginning with the current fiscal year, and any performance cycle beginning in future periods, Mr. Klatsky will no longer be a participant in the plan for the reasons explained under the heading "Employment Contracts, Termination of Employment and Change-in-Control Arrangements." The Long-Term Incentive Plan provides for the payment of cash awards upon the achievement of goals established by the Compensation Committee at the beginning of each performance cycle. In fiscal 2003, consistent with prior awards, the Committee established goals for the participants which require the Company to achieve both earnings growth and improvement in return on equity over the three-year performance cycle. The goals exclude special items, including certain costs attributable to the Calvin Klein acquisition. The targets provide for payouts at threshold, target and maximum percentages of base salary if the target is achieved (with achievement between targets being equal to a percentage of base salary that is on a straight-line interpolation between the two targets). The amount of a participant's payout, if any, will be determined by the Compensation Committee, by the end of the first quarter of the fiscal year immediately following the end of the performance cycle. See "Executive Compensation - Long-Term Incentive Plans - Awards in Last Fiscal Year." Messrs. Klatsky, Weber and Chirico received payouts near the target level in the current fiscal year with respect to the performance cycle ended February 1, 2004.

In view of changing tax laws and economic and employment conditions, the Compensation Committee regularly examines other methods of long-term and short-term incentive-based compensation for executive officers and intends to implement, when appropriate, such methods in lieu of or in addition to the existing plans. In addition, the Compensation Committee may create special bonus pools or modify existing arrangements when special conditions or events warrant.

STOCK OWNERSHIP

To ensure that management's interests remain aligned with stockholders' interests, the Company encourages key executives to retain shares acquired pursuant to the exercise of stock options. In addition, employees of the Company, including the executive officers, may acquire Common Stock of the Company through the AIPs, subject to certain limitations on the amount an employee can contribute to or hold in the PVH Stock Fund. Most of the Company's executive officers have a significant portion of their AIP accounts invested in the PVH Stock Fund.

FEDERAL INCOME TAX DEDUCTIBILITY OF EXECUTIVE COMPENSATION

Section 162(m) of the Code, limits the amount of compensation a publicly held corporation may deduct as a business expense for Federal income tax purposes. The deductibility limit, which applies to a company's chief executive officer and the four other most highly compensated executive officers, is $1

million, subject to certain exceptions. The exceptions include the general exclusion of performance-based compensation from the calculation of an executive officer's compensation for purposes of determining whether his or her compensation exceeds the deductibility limit. Although the Company generally has not in the past paid its executive officers compensation which is not fully deductible, the Compensation Committee also recognizes that in certain instances it may be in the best interest of the Company to provide compensation that is not fully deductible and has done so, such as with the Chief Executive's current base salary.

Compensation Committee

David A. Landau, Chairman
Marc Grosman
Peter J. Solomon (not currently a member)

PERFORMANCE GRAPH

The following performance graph is a line graph comparing the yearly change in the cumulative total stockholder return on the Common Stock against the cumulative return of the Russell 2000 Index, the S&P Apparel, Accessories and Luxury Goods Index and a line of business index comprised of the S&P Retail Composite Index, the S&P Textile (Apparel) Index and the S&P Footwear Index for the five fiscal years ended February 1, 2004. The Company intends to use the S&P Apparel, Accessories and Luxury Goods Index in the graph in future years in lieu of the line of business index that it has used in prior years because the Company is included in the S&P Apparel, Accessories and Luxury Goods Index and the business of the other companies in such index are more comparable to the Company's business than the companies included in the indices that comprise the line of business index, particularly due to changes in the Company's business during fiscal 2003, with the acquisition of Calvin Klein and the exiting of the wholesale footwear business.

COMPARISON OF 5 YEAR CUMULATIVE
TOTAL RETURN

[CHART OMITTED]

TOTAL RETURN TO SHAREHOLDERS
(INCLUDES REINVESTMENT OF DIVIDENDS)

ANNUAL RETURN PERCENTAGE
YEARS ENDING

COMPANY / INDEX	1/30/00	2/04/01	2/3/02	2/2/03	2/1/04
PHILLIPS-VAN HEUSEN CORPORATION	12.77	104.19	-17.59	4.61	48.86
RUSSELL 2000	19.72	0.53	-2.82	-21.38	58.03
S&P 500 APPAREL, ACCESSORIES & LUXURY GOODS	-30.46	36.25	13.73	-14.82	16.99
LINE OF BUSINESS INDEX	-5.19	16.93	10.35	-22.67	39.56

		INDEXED RETURNS BASE YEARS ENDING			
COMPANY / INDEX	PERIOD 1/31/99	1/30/00	2/04/01	2/3/02	2/2/03
PHILLIPS-VAN HEUSEN CORPORATION	100	112.77	230.27	189.77	198.52
RUSSELL 2000	100	119.72	120.35	116.96	91.96
S&P 500 APPAREL, ACCESSORIES & LUXURY GOODS	100	69.54	94.75	107.76	91.79
LINE OF BUSINESS INDEX	100	94.81	110.86	122.33	94.60

Note: Line of Business Index is composed of a blended weighting of the S&P Retail Composite Index (50%), the S&P Textile (Apparel) Index (33%) and the S&P Footwear Index (17%) to correspond generally to the Company's historical sales attributable to its retail, wholesale apparel and wholesale footwear operations at the time the requirement to include a performance graph was first implemented.

VALUE OF $100.00 INVESTED AFTER FIVE YEARS:

Phillips-Van Heusen Corporation Common Stock.....	$295.51
Russell 2000 Index.....	$145.31
S&P Apparel, Accessories and Luxury Goods Index.....	$107.38
Line of Business Index.....	$132.04

AUDIT COMMITTEE REPORT

The Company's management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls. The independent auditors audit the Company's financial statements and express an opinion on the financial statements based on their audit. The Audit Committee reviews the Company's financial reporting process on behalf of the Board of Directors. Last year, the Audit Committee revised its written charter principally to take into consideration new requirements promulgated pursuant to the Sarbanes-Oxley Act of 2002 and the new listing requirements adopted in 2003 by the New York Stock Exchange, which was then approved by the Board of Directors. The revised charter is attached as Exhibit A to this Proxy Statement.

As part of its oversight of the Company's financial statements and reporting process, the Audit Committee has met and held discussions with Company management, the Company's internal auditing staff and Ernst & Young LLP, the Company's independent auditors. Management represented to the Committee that the

Company's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States, and the Committee has reviewed and discussed the audited consolidated financial statements with management and the independent auditors. The Committee discussed with the independent auditors matters required to be discussed by Statement on Auditing Standards No. 61 (Communication With Audit Committees).

In addition, the Audit Committee has received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1 (Independence Discussions With Audit Committees) and has discussed with the independent auditors, the auditors' independence from the Company and its management. The Committee has also considered whether the independent auditors' provision of other non-audit services to the Company is compatible with the auditors' independence.

The Audit Committee discussed with the Company's internal and independent auditors the overall scope and plans for their respective audits. The Committee meets with the internal and independent auditors, with and without management present, to discuss the results of their examinations, the evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors the inclusion of the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended February 1, 2004, as filed with the SEC. The Committee also has recommended, subject to stockholder approval, the selection of the Company's independent auditors.

The members of the Audit Committee reviewed on a quarterly basis the Company's earnings releases and, as applicable, its quarterly reports on Form 10-Q and annual report on Form 10-K. In addition, the Committee met quarterly with Company management and the Company's independent auditors to discuss the earnings releases.

Mr. Nasella will step down from the Committee effective June 14, 2004 and Mr. Solomon will join the Committee effective June 15, 2004.

Audit Committee

Bruce Maggin, Chairperson
Edward H. Cohen
Henry Nasella

APPROVAL OF AN AMENDMENT TO THE COMPANY'S 2003 STOCK OPTION PLAN

The 2003 Option Plan authorizes the grant of options to purchase shares of Common Stock to key employees of the Company and its subsidiaries, to the non-employee directors of the Company and to certain other persons. Under the Plan, the Company may grant to eligible individuals incentive stock options, as defined in Section 422(b) of the Code, and/or non-qualified stock options. The Plan was approved by stockholders in 2003 and provides for grants of options to purchase up to 5,400,000 shares of Common Stock, with a limit to 1,200,000 of the maximum number of shares subject to options granted to any one participant in any fiscal year.

On April 27, 2004, the Board of Directors adopted, upon the recommendation of the Compensation Committee and a majority of the independent directors, and subject to stockholder approval, an amendment to the 2003 Option Plan that would increase to 1,600,000 the maximum number of shares that can be subject to options granted to any one participant in any fiscal year. Approval of the amendment is required for the Chairman and Chief Executive Officer the Company to receive the benefit of the grant of options to him discussed under the heading "Employment Contracts, Termination of Employment and Change-in-Control Arrangements" with respect to options covering 309,940 shares of Common Stock. Approval of the amendment requires the affirmative vote of a majority of the votes cast on the proposal at the Annual Meeting of Stockholders.

The following summary of certain features of the 2003 Stock Option Plan is qualified in its entirety by reference to the full text of the Plan, which is Exhibit D to this Proxy Statement.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF THE AMENDMENT TO THE 2003 OPTION PLAN.

NATURE AND PURPOSES OF THE 2003 OPTION PLAN

The purposes of the 2003 Option Plan are to induce certain individuals to remain in the employ or service of the Company and its subsidiaries, to attract new individuals to enter into such employment or service and to encourage such individuals to secure or increase on reasonable terms their stock ownership in the Company. The Board of Directors believes that the Plan will promote continuity of management and increased incentive and personal interest in the welfare of the Company by those who are or may become primarily responsible for shaping and carrying out the long-range plans of the Company and securing its continued growth and financial success. The approximate number of persons eligible to participate in the Plan is 290.

DURATION AND MODIFICATION

The 2003 Option Plan will terminate not later than April 30, 2013. The Board of Directors may at any time terminate the Plan or make such modifications of the Plan as it may deem advisable. However, except in certain limited circumstances, the Board may not, without further approval by the stockholders, increase the number of shares of Common Stock as to which options may be granted under the Plan, change the class of persons eligible to participate in the Plan, change the manner of determining the option prices, amend any option to reduce the option price, or cancel any outstanding option and contemporaneously award a new option to the same participant for substantially the same number of shares at a lower option price.

ADMINISTRATION

The 2003 Option Plan is administered by the Compensation Committee or such other committee of the Board of Directors that the Board may designate from time to time (the "Option Committee"). The Option Committee must consist of two or more members of the Board of Directors who are intended to be "non-employee directors" within the meaning of Rule 16b-3 under the Exchange Act and "outside directors" within the meaning of Section 162(m) of the Code. The members of the Option Committee are appointed annually by the Board. The Option Committee, among other things, has complete authority, in its discretion, to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it and to determine the participants in the Plan, the time and price at which options will be granted, the period during which options will be exercisable, the number of shares subject to each option and whether an option will be an incentive stock option, a non-qualified stock option or a combination thereof. The Option Committee will not have the discretion to determine any of the foregoing with respect to the non-discretionary options granted to non-employee directors. All

options granted to non-employee directors are non-qualified stock options. Authority is delegated to a director who is an employee of the Company to make grants to employees of the Company or its subsidiaries of not more than 5,000 per person per year and not more than 100,000 in the aggregate in any year. Such grants may not be made to any officer of the Company who is subject to the reporting requirements under Section 16 of the Exchange Act or whose compensation is, or is likely to become, subject to the provisions of Section 162(m) of the Code. The members of the Option Committee do not receive additional compensation for service in connection with the administration of the Plan. Compensation

Committee members receive a $2,000 fee for each Compensation Committee meeting attended and the Chairman of the Compensation Committee, if not a Series B Director, receives a $5,000 fee for such service.

DESCRIPTION OF OPTIONS

Under the 2003 Option Plan, the per share exercise price of any option may not be less than the fair market value of a share of Common Stock on the date of grant, which generally is the closing sale price of the Common Stock on the New York Stock Exchange on the business day preceding the date of grant. The aggregate fair market value of the shares of Common Stock for which a participant may be granted incentive stock options which are exercisable for the first time in any calendar year may not exceed $100,000. No participant may, during any fiscal year, be granted options under the Plan to purchase more than 1,200,000 shares of the Common Stock. The amendment which has been submitted to the stockholders for approval would increase this limit to 1,600,000.

Directors who are not employees of the Company or its subsidiaries, other than the Series B Directors, receive a non-discretionary annual grant of options to purchase 10,000 shares of Common Stock at 100% of the fair market value on the date of grant.

Options granted under the 2003 Option Plan generally become exercisable with respect to 25% of the underlying shares on the first anniversary of the date of grant, 50% of the underlying shares on the second anniversary of the date of grant, 75% of the underlying shares on the third anniversary of the date of grant and 100% of the underlying shares on the fourth anniversary of the date of grant, unless otherwise determined by the Option Committee at the time of the grant of the option. In the event of a change in control (as defined in the Plan), all options that have been previously granted and have not expired or otherwise been cancelled or become unexercisable become immediately exercisable. The Board may permit any option to be exercised in whole or in part prior to the time that it would otherwise be exercisable. Upon the exercise of an option, the option price must be paid in cash or, if the Committee so determined at the time of the grant of the option, in shares of Common Stock. An option may not be granted for a period in excess of 10 years from the date of grant.

In the event of the death or retirement of an optionee, all options that have been previously granted and have not expired or otherwise been cancelled become immediately exercisable, unless otherwise provided at the time of the grant of the option. If such options are not thereafter exercised, they will terminate, generally within three months after the qualification of the representative of such optionee's estate in the event of such optionee's death or three years of such optionee's retirement, unless otherwise provided at the time of the grant of the option. If an optionee leaves the employ of the Company or one of its subsidiaries or ceases to serve as a director of the Company prior to his or her death or retirement, any then exercisable options previously

granted to but not exercised by such optionee will terminate within 90 days of such optionee's termination of employment or service as a director, unless otherwise provided at the time of the grant of the option.

Non-qualified stock options may be transferred for no consideration to or for the benefit of the optionee's immediate family (as defined in the 2003 Option Plan), a trust for the exclusive benefit of the optionee and his or her immediate family or to a partnership or limited liability company for one or more members of the optionee and his or her immediate family. Any transfer of a non-qualified stock option must be approved in advance by the Compensation Committee and may be approved subject to such conditions as the Option Committee may impose.

The number of shares reserved for issuance under the 2003 Option Plan and the number of shares covered by each option granted under the Plan will be adjusted in the event of a stock dividend, reorganization, recapitalization, stock split-up, combination of shares, sale of assets, merger or consolidation in which the Company is the surviving corporation. In the event of the dissolution or liquidation of the Company, or a merger, reorganization or consolidation in which the Company is not the surviving corporation, each option will terminate.

Provisions have been included in the 2003 Option Plan to meet the requirements for deductibility of executive compensation under Section 162(m) of the Code by qualifying option grants under the Plan as performance-based compensation.

SECURITIES SUBJECT TO THE 2003 OPTION PLAN

5,400,000 authorized but unissued shares of the Common Stock have been reserved for issuance upon the exercise of options granted under the 2003 Option Plan. The number of authorized but unissued shares so reserved will continue to be reduced from time to time to the extent that a corresponding amount of outstanding shares are purchased by the Company and set aside for issuance upon the exercise of options granted under the Plan. If any such options were to expire or terminate for any reason without having been exercised in full, the unpurchased shares subject thereto would again become available for the purposes of the Plan.

The market value of the Common Stock, as of the close of business on April 27, 2004 was $19.10 per share.

FEDERAL INCOME TAX CONSEQUENCES OF ISSUANCE AND EXERCISE OF OPTIONS

The following discussion of the Federal income tax consequences of the granting and exercise of options under the 2003 Option Plan, and the sale of Common Stock acquired as a result thereof, is based on an analysis of the Code, as currently in effect, existing laws, judicial decisions and administrative rulings and regulations, all of which are subject to change. In addition to being subject to the Federal income tax consequences described below, an optionee may also be subject to state and/or local income tax consequences in the jurisdiction in which he or she works and/or resides.

Non-Qualified Stock Options

No income will be recognized by an optionee at the time a non-qualified stock option is granted. Ordinary income will be recognized by an optionee at the time a non-qualified stock option is exercised, and the amount of such income will be equal to the excess of the fair market value on the exercise date of the shares issued to the optionee over the option price. This ordinary (compensation) income will also constitute wages subject to withholding, and the Company will be required to make whatever arrangements are necessary to ensure that the amount of the tax required to be withheld is available for payment in money.

The Company will generally be entitled to a deduction for Federal income tax purposes at such time and in the same amount that the optionee is required to include in his or her income upon the exercise of a non-qualified stock option.

If an optionee makes payment of the option price by delivering shares of Common Stock, the optionee generally will not recognize any gain as a result of such delivery, but the amount of gain, if any, which is not so recognized will be excluded from his or her basis in the new shares received.

Capital gain or loss on a subsequent sale or other disposition of the shares acquired upon the exercise of a non-qualified stock option will be measured by the difference between the amount realized on the disposition and the tax basis of such shares. The tax basis of the shares acquired upon the exercise of any non-qualified stock option will be equal to the sum of the exercise price of such non-qualified stock option and the amount included in income with respect to such option.

If an optionee transfers an option by gift, the optionee will recognize ordinary income at the time that the transferee exercises the option. The Company will be required to report the ordinary income recognized by the optionee, and to withhold income and employment taxes, and pay the Company's share of employment taxes, with respect to such ordinary income. The optionee may also be subject to federal gift tax on the value of the transferred option at the time that the transfer of the option is considered completed for gift purposes. The Internal Revenue Service takes the position that the transfer is not complete until the option is fully vested.

Incentive Stock Options

In general, neither the grant nor the exercise of an incentive stock option will result in taxable income to an optionee or a deduction to the Company. However, for purposes of the alternative minimum tax, the spread on the exercise of an incentive stock option will be considered as part of the optionee's income.

The sale of Common Stock received pursuant to the exercise of an incentive stock option which satisfies the holding period rules will result in capital gain to an optionee and will not result in a tax deduction to the Company. To receive incentive stock option treatment as to the shares acquired upon exercise of an incentive stock option, an optionee must neither dispose of such shares within two years after such incentive stock option is granted nor within one year after the exercise of such

incentive stock option. In addition, an optionee generally must be an employee of the Company or a subsidiary of the Company at all times between the date of grant and the date three months before exercise of such incentive stock option. If an incentive stock option is exercised more than three months after the

termination of an optionee's employment with the Company, the option will be treated as a non-qualified stock option.

If the holding period rules are not satisfied, the portion of any gain recognized on the disposition of the shares acquired upon the exercise of an incentive stock option that is equal to the lesser of (a) the fair market value of the shares on the date of exercise minus the option price or (b) the amount realized on the disposition minus the option price, will be treated as ordinary (compensation) income, with any remaining gain being treated as capital gain. The Company generally will be entitled to a deduction equal to the amount of such ordinary income.

If an optionee makes payment of the option price by delivering shares of Common Stock, the optionee generally will not recognize any gain as a result of such delivery, but the amount of gain, if any, which is not so recognized will be excluded from his or her basis in the new shares received. However, the use by an optionee of shares previously acquired pursuant to the exercise of an incentive stock option to exercise an option will be treated as a taxable disposition if the transferred shares are not held by the optionee for the requisite holding period.

BENEFITS TO BE RECEIVED UPON APPROVAL

The Compensation Committee, in its capacity as the Option Committee, recommended to the non-management (including the independent) members of the Board of Directors, and the non-management and the independent members of the Board have approved a special grant of options to Mr. Klatsky, the Company's Chairman and Chief Executive Officer to purchase up to 1,750,000 shares that is intended to reward him for value created as a result of the Calvin Klein acquisition. See "Employment Contracts, Termination of Employment and Change-in-Control Arrangements." Options to purchase 84,700 shares, 155,360 shares and 1,509,940 shares were granted under the 1997, 2000 and 2003 Option Plans, respectively. If the stockholders approve the amendment, then Mr. Klatsky will be entitled to the benefit of the 309,940 shares subject to the option granted under the 2003 Option Plan that are in excess of the current limit of 1,200,000 shares. In exchange for such grant, Mr. Klatsky has agreed to forego receipt of annual stock option grants in the current fiscal year and in future years, as well as the right to participate in the Long-Term Incentive Plan for performance cycles commencing in the current fiscal year and beyond.

The following table sets forth, for the persons and groups identified, the benefits to be received if the amendment to the 2003 Option Plan is approved. The grant of options is at the complete discretion of the Option Committee. Therefore, it cannot be determined at this time what benefits, if any, would be received by the persons and groups identified below, other than Mr. Klatsky. It is not currently anticipated, however, that another option grant would be made that would benefit from the approval of the proposed amendment.

NAME AND POSITION	OPTIONS GRANTED
Bruce J. Klatsky..... Chairman and Chief Executive Officer	309,940
Mark Weber..... President and Chief Executive Officer	0
Emanuel Chirico..... Executive Vice President and Chief Financial Officer	0
Allen E. Sirkin..... Vice Chairman, Dress Shirts	0

Francis K. Duane..... Vice Chairman, Sportswear	0
All executive officers, as a group (6 persons).....	309,940
All directors who are not executive officers, as a group (10 persons)	0
All employees, other than the executive officers, as a group.....	0

Approval of the amendment to the 2003 Option Plan requires the affirmative vote of a majority of the votes cast in person or by proxy at the meeting.

PROXIES RECEIVED IN RESPONSE TO THIS SOLICITATION WILL BE VOTED FOR THE AMENDMENT TO THE 2003 STOCK OPTION PLAN UNLESS OTHERWISE SPECIFIED IN A PROXY.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of February 1, 2004 with respect to shares of Common Stock that may be issued under the Company's existing equity compensation plans - the 1997 Option Plan, the 2000 Option Plan and the 2003 Option Plan - as well as under the 1987 Option Plan. The 1987 Option Plan has expired, so no further option grants may be made thereunder, but valid options to purchase Common Stock granted thereunder are still outstanding. All of the foregoing plans were approved by the Company's stockholders and the Company has no equity compensation plans that were not approved by the stockholders.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and righ (b)
Equity compensation plans approved by security holders	5,323,372	$12.61
Equity compensation plans not approved by security holders	___	___
Total	5,323,372	$12.61

SELECTION OF AUDITORS

The Audit Committee has selected Ernst & Young LLP, independent auditors, as the Company's auditors for the fiscal year ending January 30, 2005. Although stockholder ratification of the Audit Committee's selection is not required, the Board of Directors considers it desirable for stockholders to pass upon the selection of auditors and, if the stockholders disapprove of the selection, intends to request the Audit Committee to reconsider the selection of auditors for the fiscal year ending January 29, 2006, since it would be impracticable to replace the Company's auditors so late into the Company's current fiscal year.

It is expected that representatives of Ernst & Young LLP will be present at the meeting, will have the opportunity to make a statement if they so desire and will be available to respond to appropriate questions from stockholders.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR RATIFICATION OF THE APPOINTMENT OF THE AUDITORS. PROXIES RECEIVED IN RESPONSE TO THIS SOLICITATION WILL BE VOTED FOR THE APPOINTMENT OF THE AUDITORS UNLESS OTHERWISE SPECIFIED IN A PROXY.

FEES PAID TO AUDITORS

The following table sets forth the aggregate fees billed by Ernst & Young LLP, the member firms of Ernst & Young LLP, and their respective affiliates for professional services rendered to the Company for the audit of the Company's annual financial statements for the fiscal years ended February 1, 2004 and February 2, 2003, for the reviews of the financial statements included in the Company's Quarterly Reports on Form 10-Q for those fiscal years, and for other

services rendered on behalf of the Company during those fiscal years. All of such fees were pre-approved by the Audit Committee.

	Fiscal 2003	Fiscal 2002
Audit Fees(1)	$1,267,000	$741,000
Audit-Related Fees(2)	$305,500	$451,800
Tax Fees(3)	$146,400	$186,400

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1 For fiscal 2003 and 2002, consists of fees for professional services performed for the audit of the Company's annual financial statements and review of financial statements included in the Company's quarterly reports on Form 10-Q, and services that are normally provided in connection with statutory filing requirements. Fiscal 2003 also includes fees for the Company's offering of $150,000,000 of 8 1/8% Senior Notes due 2013, the subsequent registration of exchange notes for such notes on Form S-4 and audits of employee benefit plans. Fiscal 2002 also includes fees for audits of employee benefit plans.

2 Fiscal 2003 includes fees for a post acquisition review of Calvin Klein and advisory services associated with the Company's compliance requirement for Section 404 of the Sarbanes-Oxley Act of 2002. Fiscal 2002 includes fees for due diligence services related to the Company's acquisition of Calvin Klein.

3 Fiscal 2003 and 2002 include fees for services to assist the Company in its preparation of tax returns and for the provision of tax advice.

The Audit Committee's revised charter requires the Committee to pre-approve at its meetings all auditing and non-audit services provided by the Company's outside auditors. The charter permits the Committee to delegate to any one or more of its members the authority to grant such pre-approvals. Any such delegation of authority may be subject to any rules or limitations that theonsidered as a whole a factors and analyses considered without considering all factors and analyses, or attempting to ascribe relative weights to some or all such factors and analyses, could create an incomplete view of the evaluation process underlying its opinion. Also, no company included in Burke Capital s comparative analyses described below is identical to FNB Newton or Synovus and no transaction is identical to the merger. Accordingly, an analysis of comparable companies or transactions involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading values or merger transaction values, as the case may be, of FNB Newton or Synovus and the companies to which they are being compared.

The earnings projections used and relied upon by Burke Capital in its analyses were based upon internal projections of FNB Newton and I/B/E/S estimated earnings per share for Synovus. With respect to all such financial projections and estimates and all projections of transaction costs, purchase accounting adjustments and expected cost savings relating to the merger, FNB Newton s management confirmed to Burke Capital that they reflected the best currently available estimates and judgments of such managements of the future financial performance of FNB Newton, and Burke Capital assumed for purposes of its analyses that such performance would be achieved. Burke

Capital expressed no opinion as to such financial projections or the assumptions on which they were based. The financial projections furnished to Burke Capital by FNB Newton were prepared for internal purposes only and not with a view towards public disclosure. These projections, as well as the other estimates used by Burke Capital in its analyses, were based on numerous variables and assumptions which are inherently uncertain and, accordingly, actual results could vary materially from those set forth in such projections.

In performing its analyses, Burke Capital also made numerous assumptions with respect to industry performance, business and economic conditions and various other matters, many of which cannot be predicted and are beyond the control of FNB Newton, Synovus and Burke Capital. The analyses performed by Burke Capital are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by such analyses. Burke Capital prepared its analyses solely for purposes of rendering its opinion and provided such analyses to the FNB Newton board at the October 31st meeting. Estimates on the values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold. Such estimates are inherently subject to uncertainty and actual values may be materially different. Accordingly, Burke Capital s analyses do not necessarily reflect the value of FNB Newton s common stock or Synovus common stock or the prices at which FNB Newton s or Synovus common stock may be sold at any time.

SUMMARY OF PROPOSAL. Burke Capital reviewed the financial terms of the proposed transaction. Based upon the closing price of Synovus common stock on October 30, 2002 of $20.25, Burke Capital calculated an implied transaction value of $168.92 per share and based upon FNB Newton s September 30, 2002 financial information,

Burke Capital calculated the following ratios:

Deal Value Calculations:		Deal Multiples:	
SNV Closing Price (October 30, 2002)	$ 20.25	Transaction Value / LTM Net Income	20.7x
Shares Issued	2,403,276	Transaction Value / Book Value	2.70x
Value of Share Consideration	$ 48,666,339	Transaction Value / Tangible Book Value	2.70x
Value of Cash Consideration	$ 46,407,022	Core Deposit Premium	11.2%
Deal Value	$ 95,073,361		
Deal Value per Share	$ 168.92		

The aggregate transaction value was approximately $95.1 million, based upon approximately 563 thousand fully diluted shares of FNB Newton common stock outstanding, which was determined using the treasury stock method at the implied per share transaction value. For purposes of Burke Capital s analyses, earnings per share were based on fully diluted earnings per share.

STOCK TRADING HISTORY. Burke Capital reviewed the history of reported prices of Synovus common stock and the Standard & Poor s 500 Index (S&P 500) on a five year, 10 year, and 20 year basis. Synovus outperformed the S&P 500 on each of the periods to which it was compared. Burke Capital also reviewed the trading characteristics of Synovus stock. The average daily trading volume was approximately 845 thousand shares over the three month period ended October 30, 2002.

COMPARABLE COMPANY ANALYSIS. Burke Capital used publicly available information to compare selected financial information for FNB Newton and a group of selected financial institutions. The group consisted of FNB Newton and 13 commercial banks, which it refers to as the FNB Newton Peer Group. The FNB Newton Peer Group consisted of commercial banks located in the southeast which had a return on average assets, based on the most recent quarter s earnings, greater than 1.25%, price to tangible equity of 200% and assets between $100 million and $1 billion. The FNB Newton Peer Group was comprised of the following institutions:

1. American National Bankshares Danville, VA	6. Bank of Kentucky Finl Corp. Florence, KY	10. Bank of the Ozarks Inc. Little Rock, AR

2. Calvin B. Taylor Bankshares
Berlin, MD

3. Franklin Financial Corp.
Franklin, TN

4. SNB Bancshares Inc.
Macon, GA

5. WGNB Corporation
Carrollton, GA

7. Community Bank of N. Virginia
Sterling, VA

8. Greer Bancshares Inc.

Greer, SC

9. Southern Financial Bancorp
Warrenton, VA

11. Fauquier Bankshares Inc.
Warrenton, VA

12. Middleburg Financial Corp.
Middleburg, VA

13. Virginia Commerce Bancorp Inc.
Arlington, VA

The analysis compared publicly available financial information for FNB Newton and the median data for the FNB Newton Peer Group as of and for each of the years ended December 31, 1996 through 2001. The table below sets forth the comparative data as of and for the period ended September 30, 2002, with pricing data as of October 30, 2002.

Company	FNB Newton Bankshares, Inc.	FNB Newton Peer Group Median
Total Assets	$ 339,614	$ 553,673
Tangible Equity / Total Assets	10.38%	7.89%
Intangible Assets / Total Equity	0.00%	0.52%
Gross Loans / Total Deposits	92.8%	83.0%
Total Borrowings / Total Assets	3.24%	8.71%
Non-Performing Assets / Total Assets	0.17%	0.35%
Loan Loss Reserve / Gross Loans	1.23%	1.19%
Net Interest Margin	5.14%	4.43%
Non - Interest Income / Average Assets	1.41%	1.23%
	3.46%	2.83%

Non - Interest Expense / Average Assets		
Efficiency Ratio	55.9%	53.3%
3 Year Earnings CAGR	4.2%	20.1%
Return on Average Assets	1.72%	1.56%
Return on Average Equity	16.97%	16.65%
Price / Tangible Book Value per Share	NA	1.85x
Price / LTM E.P.S.	NA	12.7x
Dividend Yield	NA	1.58%
Dividend Payout Ratio	8.10%	18.9%

Burke Capital also used publicly available information to perform a similar comparison of selected financial and market trading information for Synovus and a group of comparable commercial banks. It consisted of Synovus and the following twelve publicly traded regional commercial banks (which it refers to in its discussion as the Synovus Peer Group):

1. AmSouth Bancorp. Birmingham, AL
2. Colonial BancGroup Inc. Montgomery, AL
3. Hibernia Corp. New Orleans, LA
4. SunTrust Banks Inc. Atlanta, GA
5. BB&T Corp. Winston-Salem, NC
6. First Tennessee National Corp. Memphis, TN
7. Regions Financial Corp. Birmingham, AL
8. Union Planters Corp. Memphis, TN
9. Compass Bancshares Inc. Birmingham, AL
10. First Virginia Banks, Inc. Falls Church, VA
11. SouthTrust Corp. Birmingham, AL
12. Wachovia Corp. Charlotte, NC

The analysis compared publicly available financial information for Synovus and the median data for each of the Synovus Peer Group as of and for each of the years ended December 31, 1996 through 2001. The table below sets forth the comparative data as of and for the period ended September 30, 2002, with pricing data as of October 30, 2002.

Company	Synovus Financial Corp.	Synovus Peer Group Median
Total Assets	$18,510,215	$36,429,231
Tangible Equity / Total Assets	9.93%	7.06%
Intangible Assets / Total Equity	6.22%	16.60%
Gross Loans / Total Deposits	104.8%	105.7%
Total Borrowings / Total Assets	13.01%	21.27%
Non-Performing Assets / Total Assets	0.45%	0.51%
Loan Loss Reserve / Gross Loans	1.36%	1.39%
Net Interest Margin	4.62%	4.28%
Non - Interest Income / Average Assets	7.01%	1.97%
Non - Interest Expense / Average Assets	7.53%	3.16%
Efficiency Ratio	67.7%	57.3%
3 Year E.P.S. CAGR	22.8%	15.1%
Return on Average Assets	2.07%	1.36%
Return on Average Equity	19.18%	15.15%
Price / Tangible Book Value per Share	3.30x	2.46x
Price / LTM E.P.S.	17.3x	13.7x
Dividend Yield	2.91%	3.01%
Dividend Payout Ratio	47.6%	41.2%

ANALYSIS OF SELECTED MERGER TRANSACTIONS. Burke Capital reviewed other comparable recent transactions which had been announced in the preceding 12 months involving publicly traded commercial banks as

acquired institutions with transaction values between $100 million and $1 billion and a return on average assets greater than 1.00%. 46 transactions fitting these criteria were announced nationwide. Burke Capital reviewed the multiples of transaction value at announcement to last twelve months earnings, transaction value to book value, transaction value to tangible book value, tangible book premium to core deposits, and transaction value to total assets and computed high, low, mean, median, and quartile multiples and premiums for the transactions. These multiples and premiums were applied to FNB Newton s financial information as of and for the period ended September 30, 2002 and compared it to the implied transaction. As illustrated in the following table, Burke Capital derived an imputed range of values per share of FNB Newton s common stock of $122.15 to $151.30 based upon the median multiples for nationwide transactions. The median valuations as implied by the application of the median and mean multiples were $141.40 and $147.33, respectively. The implied transaction value of the merger as calculated by Burke Capital was $168.92.

	Median Multiple	Implied Value	Implied Value	Mean Multiple		FNB Newton
Transaction Value / LTM E.P.S.	17.5x	$ 143.26	18.5x		$ 151.30	20.7x
Transaction Value / Book Value	2.25x	$ 141.40	2.35x		$ 147.33	2.70x
Transaction Value / Tangible Book Value	2.29x	$ 144.20	2.38x		$ 149.72	2.70x
Tangible Book Premium / Core Deposits (1)	17.3%	$ 138.39	17.5%		$ 139.44	24.4%
Transaction Value / Total Assets	20.1%	$ 122.15	21.0%		$ 127.62	28.0%
Median		$ 141.40			$ 147.33	$ 168.92
Mean		$ 137.88			$ 143.08	
Implied Range	$ 122.15<=>	$ 144.20	$ 127.62 <=>	$ 151.30		

(1) Assumes $244,905 thousand of core deposits based on the June 30, 2002 core deposit percentage.

Burke Capital also ranked the implied transaction in relation to the 46 comparable deals on a transaction value to book value basis, a transaction value to last twelve months earnings basis, and a tangible book premium to core deposits basis. The implied transaction value ranked tenth, twelfth and ninth, respectively.

DISCOUNTED DIVIDEND STREAM AND TERMINAL VALUE ANALYSIS. Burke Capital performed a discounted earnings analysis with regard to FNB Newton on a stand alone basis. This analysis utilized a range of

discount rates of 16.0% to 20.0% and a set of terminal multiples to earnings and book of 17.5x and 2.25x, respectively, derived from the median multiples paid in the selected merger transactions. The analysis resulted in a range of present values of $122.97 per share to $142.45 per share for FNB Newton. The implied transaction value of the merger as calculated by Burke Capital was $168.92. As indicated above, this analysis was based on estimates and is not necessarily indicative of actual values or actual future results and does not purport to reflect the prices at which any securities may trade at the present or at any time in the future. Burke Capital noted that the discounted earnings analysis was included because it is a widely used valuation methodology, but noted that the results of such methodology are highly dependent upon the numerous assumptions that must be made, including earnings growth rates, discount rates, and terminal values.

PRO FORMA MERGER ANALYSIS. Burke Capital analyzed certain potential pro forma effects of the merger, based upon (1) the assumption that each share of the FNB Newton common stock is exchanged for (a) cash at a value of $85.1536 per share, which totals an aggregate of $46,407,022, and (b) Synovus common stock at an exchange ratio of 4.1353, which totals in aggregate 2,253,666 shares, (2) the earnings per share estimates and projections of FNB Newton and Synovus, and (3) assumptions regarding the economic environment, accounting and tax treatment of the merger, charges and transaction costs associated with the merger and cost savings determined by the senior managements of FNB Newton and Synovus. The analysis indicated that for the year ending December 31, 2003, the merger would be slightly accretive to the combined company s projected earnings per share and dilutive to tangible book value per share. The actual results achieved by the combined company may vary from projected results and the variations may be material.

FNB Newton has agreed to pay Burke Capital a transaction fee of 1% of the aggregate value of the transaction for the first $85 million and 5% of any value over $85,000,000. In connection with this agreement, FNB Newton paid Burke Capital $25,000 as a retainer, and $35,000 when the merger agreement was signed. Both of these amounts will be credited against the transaction fee due upon the closing of the merger. FNB Newton has also agreed to reimburse Burke Capital for its out-of-pocket expenses incurred in connection with its engagement and to idemnify Burke Capital and its affiliates and their respective partners, directors, officers, employees, agents, and controlling persons against certain expenses and liabilities, including liabilities under securities laws.

Conditions to the Merger

Each party s obligation to effect the merger is subject to the satisfaction or waiver of conditions which include, in addition to other closing conditions, the following:

- approval of the merger agreement and the transactions contemplated by the merger agreement by the affirmative vote of the holders of a majority of the shares of FNB Newton common stock;
- approval of the merger agreement and the transactions contemplated by the merger agreement by the Federal Reserve Board and the Georgia Department of Banking and Finance, and the receipt of all other regulatory consents and approvals that are necessary to the consummation of the transactions contemplated by the merger agreement;
- the satisfaction of all other statutory or regulatory requirements, including the requirements of the New York Stock Exchange or other self regulating organizations, which are necessary to the consummation of the transactions contemplated by the merger agreement;
- no party shall be subject to any order, decree or injunction or any other action of a United States federal or state court or a United States federal or state governmental, regulatory or administrative agency or commission restraining, enjoining or otherwise prohibiting the transactions contemplated by the merger agreement;

- the registration statement of which this document forms a part will have become effective and no stop order suspending the effectiveness of the registration statement will have been issued and no proceedings for that purpose will have been initiated or threatened by the SEC or any other regulatory authority; and

- each party shall have received an opinion from Powell, Goldstein, Frazer & Murphy LLP to the effect that the merger will be treated for federal income tax purposes as a tax-free reorganization within the meaning of Section 368 of the Internal Revenue Code.

The obligation of Synovus to effect the merger is subject to the satisfaction or waiver of conditions, which include, in addition to the other closing conditions, the following:

- each of the representations, warranties and covenants of FNB Newton contained in the merger agreement will be true on, or complied with by, the effective date of the merger in all material respects as if made on such date, or on the date when made in the case of any representation or warranty which specifically relates to an earlier date, and Synovus will have received a certificate signed by the Chief Executive Officer of FNB Newton, dated the effective date, to such effect;

- there will be no discovery of facts, or actual or threatened causes of action, investigations or proceedings by or before any court or other governmental body that relates to or involves FNB Newton: (a) which, in the reasonable judgment of Synovus, would, or which may be forseen to have, a material adverse effect upon FNB Newton or the consummation of the transactions contemplated by the merger agreement; (b) that challenges the validity or legality of the merger agreement or the consummation of the transactions contemplated by the merger agreement; or (c) that seeks to restrain or invalidate the consummation of the transactions contemplated by the merger agreement or seeks damages in connection therewith;

- Synovus will not have learned of any fact or condition with respect to the business, properties, assets, liabilities, deposit relationships or earnings of FNB Newton which, in the reasonable judgment of Synovus, is materially at variance with one or more of the warranties or representations set forth in the merger agreement or which, in the reasonable judgment of Synovus, has or will have a material adverse effect on FNB Newton;

- Stephen C. Wood will have entered into an employment agreement with Synovus;

- on the effective date of the merger, First Nation Bank will have a CAMELS rating of at least 2 and a Compliance Rating and Community Reinvestment Act Rating of at least Satisfactory;

- on the effective date of the merger, FNB Newton will have a loan loss reserve of at least 1.25% of loans and which will be adequate in all material respects under generally accepted accounting principles applicable to banks;

- the results of any regulatory exam of FNB Newton or First Nation Bank occurring between the date the merger agreement was signed and the closing date of the merger shall be reasonably satisfactory to Synovus; and

- FNB Newton will have delivered to Synovus certain environmental reports.

The obligation of FNB Newton to effect the merger is subject to the satisfaction or waiver of conditions, which include, in addition to other closing conditions, the following;

- each of the representations, warranties and covenants of Synovus contained in the merger agreement will be true on, or complied with by, the effective date of the merger in all material respects as if made on such date, or on the date when made in the case of any representation or warranty which specifically relates to an earlier date, and FNB Newton will have received a certificate signed by the Chief Executive Officer of Synovus, dated the effective date, to such effect;

- the listing for trading of the shares of Synovus common stock to be issued pursuant to the terms of the merger agreement on the NYSE shall have been approved by the NYSE subject to official notice of

issuance;

- there will be no discovery of facts, or actual or threatened causes of action, investigations or proceedings by or before any court or other governmental body that relates to or involves Synovus: (a) which, in the reasonable judgment of FNB Newton, would, or which may be forseen to have, have a material adverse effect upon either Synovus or the consummation of the transactions contemplated by the merger agreement; (b) that challenges the validity or legality of the merger agreement or the consummation of the transactions contemplated by the merger agreement; or (c) that seeks to restrain or invalidate the consummation of the transactions contemplated by the merger agreement or seeks damages in connection therewith;

- FNB Newton will not have learned of any fact or condition with respect to the business, properties, assets, liabilities, deposit relationships or earnings of Synovus which, in the reasonable judgment of FNB Newton, is materially at variance with one or more of the warranties or representations set forth in the merger agreement or which, in the reasonable judgment of FNB Newton, has or will have a material adverse effect on Synovus;

- FNB Newton shall have received from the Senior Deputy General Counsel of Synovus an opinion to the effect that, among other opinions, the shares of Synovus common stock to be issued in the merger are duly authorized, validly issued, fully paid, nonassessable, and not subject to any preemptive rights; and

- FNB Newton shall have received a letter from Brown, Burke Capital Partners, L.L.C., now known as Burke Capital Group, L.L.C., to the effect that, in the opinion of such firm, the exchange ratio is fair from a financial point of view to the holders of FNB Newton stock.

No Solicitation

In the merger agreement, FNB Newton has agreed that it will not solicit or encourage any inquiry or proposal relating to the merger or consolidation of FNB Newton with any entity or the acquisition of all or a significant portion of its assets or properties or equity securities by any person or entity, and that, subject to the fiduciary duties of the board of directors of FNB Newton, it will not negotiate with respect to any such transaction, nor reach any agreement or understanding with respect thereto. FNB Newton has also agreed that it will promptly notify Synovus in the event it receives any inquiry or proposal relating to any such transaction. These provisions are intended to increase the likelihood that the merger will be consummated in accordance with the terms of the merger agreement and may have the effect of discouraging persons who might now or prior to the effective date of the merger be interested in acquiring all of or a significant interest in FNB Newton from considering or proposing such an acquisition.

Conduct of Business of FNB Newton Pending the Merger

The merger agreement provides that prior to the effective date of the merger, FNB Newton and its subsidiary will conduct business only in the ordinary course and will not, without the prior written consent of Synovus:

- issue any options to purchase capital stock or issue any shares of capital stock;
- declare, set aside, or pay any dividend or distribution with respect to the capital stock of FNB Newton other than normal and customary quarterly cash dividends, in an amount not to exceed $0.21 per share of FNB Newton common stock;
- directly or indirectly redeem, purchase or otherwise acquire any capital stock of FNB Newton or its subsidiary;
- effect a split or reclassification of the capital stock of FNB Newton or its subsidiary or a recapitalization of FNB Newton or its subsidiary;
- amend the Articles of Association or bylaws of FNB Newton or its subsidiary;
- grant any increase in the salaries payable or to become payable by FNB Newton or its subsidiary to

  any employee other than normal, annual salary increases to be made with regard to employees;
- make any change in any bonus, group insurance, pension, profit sharing, deferred compensation, or other benefit plan, payment or arrangement made to, for or with respect to any employees or directors, except to the extent such changes are required by applicable laws or regulations;
- enter into, terminate, modify or amend any contract, lease or other agreement with any officer or director of FNB Newton or its subsidiary or any "associate" of any such officer or director, as such term is defined in Regulation 14A under the Securities Exchange Act of 1934, as amended, other than in the ordinary course of FNB Newton s banking business;
- incur or assume any liabilities, other than in the ordinary course of business;
- dispose of any of its assets or properties, other than in the ordinary course of business; or
- take any other action not in the ordinary course of business.

Regulatory Approvals

Consummation of the merger and the other transactions contemplated by the merger agreement is subject to, and conditioned upon, receipt of the approvals from the Federal Reserve Board and the Georgia Department of Banking and Finance. Applications in connection with the merger were filed with the regulatory agencies on or about November 19, 2002. The merger has been approved by both the Federal Reserve Board and the Georgia Department of Banking and Finance. The U.S. Attorney General has shortened the period that the merger cannot be consummated from 30 to 15 days after its approval by the Federal Reserve Board. During this period, the United States Justice Department may challenge the merger on antitrust grounds.

There can be no assurance that the regulatory agencies will approve or take other required action with respect to the merger. Synovus and FNB Newton are not aware of any governmental approvals or actions that are required in order

to consummate the merger except as described above. Should other approvals or actions be required, it is contemplated that Synovus and FNB Newton would seek the approval or action. There can be no assurance as to whether or when any other approval or action, if required, could be obtained.

Waiver and Amendment

Before the effective date of the merger, any provision of the merger agreement may be waived in writing by the party entitled to the benefits of such provision or by both parties, to the extent allowed by law. In addition, the merger agreement may be amended at any time, to the extent allowed by law, by an agreement in writing between the parties after approval of their respective boards of directors.

Termination and Termination Fee

The merger agreement may be terminated prior to the effective date either before or after its approval by the shareholders of FNB Newton. The merger agreement may be terminated by Synovus or FNB Newton:

- by mutual consent of Synovus and FNB Newton;
- if consummation of the merger does not occur by reason of the failure of any of the conditions precedent set forth in the merger agreement unless the failure to meet the conditions precedent is due to a breach of the merger agreement by the terminating party; or
- if the merger is not consummated by March 31, 2003, unless the failure to consummate by such time is due to the breach of the merger agreement by the terminating party.

In addition, the merger agreement may be terminated by FNB Newton if, during the five (5) business days immediately prior to the effective date of the merger, the total cash consideration paid by Synovus is greater than fifty-five (55%) of the sum of such total cash consideration plus the total stock consideration such that Powell, Goldstein, Frazer & Murphy LLP cannot issue a tax opinion in which it opines that the merger shall qualify for a tax-free exchange pursuant to the applicable section of the Internal Revenue Code.

If either party terminates the merger agreement due to the failure of the other party to satisfy its representations, warranties or covenants in the agreement, the terminating party will be entitled to a cash payment from the other party in the amount of the terminating party s expenses related to the merger, up to a maximum of $150,000.

Interests of FNB Newton s Directors and Officers in the Merger

Some members of the FNB Newton board of directors and management have interests in the merger in addition to their interests generally as shareholders of FNB Newton. The FNB Newton board of directors was aware of these interests and considered them, in addition to other matters, in approving the merger agreement.

Existing Employment Agreements. Stephen C. Wood, Chairman and President of FNB Newton, and Thomas R. Kephart, Chief Financial Officer of FNB Newton, both have existing employment agreements which contain change of control provisions that would be triggered by the merger. As such, if the merger is completed as contemplated, Messrs. Wood and Kephart would each receive a change of control payment, under certain circumstances, equal to his total compensation for the immediately preceding twelve month period.

Executive Special Bonus Payments. FNB Newton is a party to an Executive Special Bonus Agreement with Stephen C. Wood and Thomas R. Kephart, respectively. These agreements provide for several revenue-based bonuses, as well as the payment of bonuses to Messrs. Wood and Kephart in the amounts of $50,000 and $25,000, respectively, in the event a sale of FNB Newton is closed and consummated on or before April 1, 2003. In addition, these agreements provide that Messrs. Wood and Kephart will be paid $10,000 and $5,000, respectively, for each full $1,000,000 amount by which the total value of the sale of FNB Newton exceeds $90,000,000. As of January 17, 2003, such bonus amounts payable to Messrs. Wood and Kephart would be approximately $70,000 and $35,000, respectively.

Phantom Stock Plan. FNB Newton is a party to Phantom Stock Agreements with both Stephen C. Wood and Thomas R. Kephart. Under these agreements, FNB Newton granted Messrs. Wood and Kephart, phantom stock units which represent eligibility, subject to a vesting schedule, to receive a cash benefit amount calculated using a formula defined in the stock plan that takes into account the increase in book value from the prior fiscal year. These agreements also provide that participants become 100% vested upon a change of control, and that FNB Newton has the right to prepay all benefit amounts, in the sole discretion of FNB Newton. As of the effective date of the merger agreement, the total amounts payable to Messrs. Wood and Kephart were $15,105.94 and $3,470.19, respectively.

Anticipated Employment Agreements. It is a condition to the merger that Stephen C. Wood enter into an employment agreement with Synovus before the effective date of the merger. The proposed employment agreement is for a three-year term with a base salary equal to that under Mr. Wood s existing employment agreement and provides for the election of Mr. Wood as President of First Nation Bank. Mr. Wood will be granted options to purchase 10,000 shares of common stock of Synovus at fair market value in connection with the employment agreement. The proposed employment agreement also provides that should Mr. Wood leave the employment of Synovus during the three-year term, he shall repay a pro rata portion of the change of control payment he will receive pursuant to his existing employment agreement which is referenced in the immediately preceding section. As part of the employment agreement, Synovus has also agreed to enter into its standard change of control agreement with Mr. Wood. The agreement provides severance pay and continuation of certain benefits in the event of a change of control of Synovus. In order to receive benefits under the agreement, the executive s employment must be terminated involuntarily and without cause, whether actually or constructively, within one year following a change of control or the executive may voluntarily or involuntarily terminate employment during the thirteenth month following a change of control.

Synovus has also proposed to enter into an employment agreement with Thomas R. Kephart as Chief Financial Officer of First Nation Bank for a three-year term with a base salary equal to that of Mr. Kephart under Mr. Kephart s existing employment agreement. The employment agreement would also provide that should Mr. Kephart leave the employment of Synovus during the three-year term, he shall repay a pro rata portion of the change of control payment he will receive pursuant to his existing employment agreement which is referenced in the immediately preceding section.

FNB Newton Stock Options. FNB Newton has granted stock options from time to time to some directors, executive officers, key employees, and consultants (Optionees). As of the date of this document, there are outstanding options to purchase an aggregate of 29,500 shares of FNB Newton common stock that have been granted to the Optionees. Upon completion of the merger, each option granted by FNB Newton will be assumed by Synovus and converted automatically into an option to purchase shares of Synovus common stock. The number of Synovus shares to be subject to each new option and the exercise price per share of Synovus common stock under the new option are defined in the merger agreement. All of the outstanding FNB Newton stock options which are not otherwise fully exercisable prior to the merger will become immediately exercisable upon completion of the merger. The following table sets forth, as of the date of this document, with respect to each Optionee of FNB Newton (a) the number of shares of FNB Newton common stock subject to options held by such person, and (b) the number of shares as to which such options will become exercisable upon completion of the merger.

Name	Title or Position	Shares Subject to FNB Options	Shares as to which Options will Vest at Time of Merger
Stephen C. Wood	Chairman of FNB Newton and President of First Nation Bank	10,000	10,000
Darryl Pittard	Consultant	10,000	10,000
Thomas R. Kephart	Secretary of FNB Newton and Chief Financial Officer of First Nation Bank	4,500	4,500
Karen M. Watson	Executive Vice President of First Nation Bank	2,000	2,000
Major William Loftin, Jr.	Chief Credit Officer	1,000	1,000
Fred R. Vick	Executive Vice President of First Nation Bank	1,000	1,000
William C. Lankford, Jr.	Member, FNB Newton Board of Directors	1,000	1,000
		29,500	29,500

Employee Benefits

Synovus has agreed in the merger agreement that, following the effective date of the merger, Synovus will provide to employees of FNB Newton employee benefits, including without limitation pension benefits, health and welfare

benefits, life insurance and vacation and severance arrangements, on terms and conditions that are substantially similar to those currently provided by FNB Newton and its subsidiary. As soon as administratively and financially practicable following the effective date of the merger, Synovus has agreed to provide generally to employees of FNB Newton and its subsidiary employee benefits which are substantially similar to those provided by Synovus and its subsidiaries to their similarly situated employees.

Material United States Federal Income Tax Consequences of the Merger

The following is a general summary of the material United States federal income tax consequences of the merger to Synovus, FNB Newton, and FNB Newton shareholders who hold FNB Newton common stock as capital assets, assuming that the merger is effected as described in the merger agreement and this document. This summary is based on currently existing provisions of the Internal Revenue Code of 1986, as amended, which we refer to below as the Code , existing Treasury Regulations thereunder and current administrative rulings and court decisions, all of which are subject to change, possibly with retroactive effect. This summary does not address the tax consequences of the merger under foreign, state or local tax laws or the tax consequences of transactions effectuated prior or subsequent to or concurrently with the merger, whether or not such transactions are in connection with the merger, including, without limitation, transactions in which FNB Newton common stock is acquired or Synovus common stock is disposed of in such prior or subsequent transactions.

The following summary does not address all U.S. federal income tax considerations that may be relevant to particular FNB Newton shareholders in light of their particular circumstances. This summary does not address the U.S. federal income tax considerations applicable to certain classes of FNB Newton shareholders, including:

- financial institutions;
- insurance companies;
- tax-exempt organizations;
- dealers in securities or currencies;
- traders in securities that elect to market;
- persons who hold FNB Newton common stock as part of a hedge, straddle or conversion transaction;
- persons who are treated as foreign persons for United States federal income tax purposes;
- persons who acquired or acquire shares of FNB Newton common stock pursuant to the exercise of employee stock options or otherwise as compensation; and
- persons who do not hold their shares of FNB Newton common stock as a capital asset.

ACCORDINGLY, FNB NEWTON SHAREHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE SPECIFIC TAX CONSEQUENCES OF THE MERGER, INCLUDING THE APPLICABLE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES TO THEM OF THE MERGER IN THEIR PARTICULAR CIRCUMSTANCES.

Consummation of the merger is conditioned upon the receipt by the boards of directors of FNB Newton and Synovus of an opinion of tax counsel, dated the date of the merger, in form and substance reasonably satisfactory to such Boards, respectively, that the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code. The opinion will rely on certain facts, assumptions, and representations set forth or referred to in the opinions, including representations contained in officers certificates of FNB Newton, Synovus, and others.

Assuming that the merger is transacted in accordance with the opinion of counsel described above, tax counsel has advised the boards of directors of FNB Newton and Synovus that the material United States federal income tax consequences of the merger to FNB Newton, Synovus, and the shareholders of FNB Newton common stock will be as follows:

- Neither FNB Newton nor Synovus will recognize any gain or loss as a result of the transfer of assets by FNB Newton and the assumption of FNB Newton s liabilities by Synovus as a result of the merger of FNB Newton with and into Synovus, except for the recognition by FNB Newton and the members of the FNB Newton

consolidated group for U.S. federal income tax purposes of any gain that has been deferred in accordance with the provisions of Treasury Regulation issued in accordance with the provisions of Section 1502 of the Code.

- The basis of the assets received by Synovus from FNB Newton, including the stock of FNB Newton, will equal FNB Newton s basis in such assets immediately prior to the merger, and Synovus holding period with respect to such assets will include the period such assets were held by FNB Newton.

- Holders of FNB Newton common stock that receive cash and Synovus common stock in connection with the merger will recognize gain in an amount equal to the lesser of the cash received in the merger, but not including any cash received in lieu of the issuance of fractional shares of Synovus common stock, or the actual gain realized from the exchange. The actual gain realized from the exchange will be equal to the excess of the sum of the cash and the fair market value of the Synovus common stock received by an FNB Newton shareholder over such FNB Newton shareholder s basis in his FNB Newton common stock surrendered in the merger. An FNB Newton shareholder that acquired his FNB Newton shares at different times and in different lots will be required to compute separately any gain recognized as a result of the exchange of such FNB Newton shares in the merger for each lot of FNB Newton shares owned by such FNB Newton shareholder. Any gain recognized by any such FNB Newton shareholder will be long-term capital gain provided that the FNB Newton common stock was held as a capital asset by such FNB Newton shareholder and such FNB Newton shareholder has held such FNB Newton shares for more than one year on the date of the exchange, and the requirements for sale or exchange treatment in Code Section 302(b)(1), (2), or (3) are met. An FNB Newton shareholder will not be permitted to recognize any loss realized as a result of the surrender of his FNB Newton common stock in the merger.

- The aggregate adjusted tax basis of the Synovus common stock, including fractional shares of Synovus common stock, received by an FNB Newton shareholder who exchanges his FNB Newton common stock for cash and Synovus common stock pursuant to the merger will be equal to the aggregate adjusted tax basis of the FNB Newton common stock surrendered in exchange therefore, decreased by the amount of cash received in the merger, not including cash received in lieu of fractional shares, and increased by the amount of gain recognized as a result of the receipt of cash in the merger, but not gain recognized with respect to the receipt of cash in lieu of fractional shares. Such amount must then be further reduced by the amount of such basis allocated to the fractional shares of Synovus common stock redeemed in the merger.

- The holding period of the Synovus common stock received by each FNB Newton shareholder who exchanges his FNB Newton common stock for Synovus common stock and cash pursuant to in the merger, including any

fractional share deemed issued and then redeemed for cash, will include the holding period of the FNB Newton common stock surrendered in exchange therefor.

- A holder of FNB Newton common stock receiving cash in the merger in lieu of a fractional interest in Synovus common stock will be treated as if such holder actually received such fractional share interest that was subsequently redeemed by Synovus. An FNB Newton shareholder will generally recognize gain or loss for U.S. federal income tax purposes with respect to a cash payment in lieu of a fractional share measured by the difference, if any, between the amount of cash received and the shareholder s adjusted tax basis in such fractional share interest.

- Where, pursuant to the exercise of dissenters rights, solely cash is received by a FNB Newton shareholder in exchange for the cancellation of his FNB Newton common stock in the merger, the former FNB Newton shareholder will be subject to federal income tax as a result of such transaction. The cash will be treated as having been received in redemption of such holder s FNB Newton common stock and subject to the taxation in accordance with provisions and limitations of Section 302 of the Code.

Under Section 302 of the Code, the gain recognized by an FNB Newton shareholder in connection with the merger will be considered capital gain if one of the following tests is met after the merger:

- the FNB Newton shareholder does not own any shares of Synovus common stock;

- the receipt of cash is considered substantially disproportionate with respect to the FNB Newton shareholder s ownership of Synovus common stock after the merger; or

- the receipt of cash by the FNB Newton shareholder is "not essentially equivalent to a dividend."

These three tests are applied by taking into account not only Synovus common stock that a former FNB Newton shareholder actually owns after the merger, but also Synovus common stock that such FNB Newton shareholder constructively owns pursuant to Section 318 of the Code, as described below.

Under the constructive ownership rules of Section 318 of the Code, a shareholder is deemed to constructively own shares owned by certain related individuals and entities in addition to shares directly owned by the shareholder. For example, an individual shareholder is considered to own shares owned by or for his or her spouse, and his or her children, grandchildren, and parents (family attribution). In addition, a shareholder is considered to own a proportionate number of shares owned by estates or certain trusts in which the shareholder has a beneficial interest, by partnerships in which the shareholder is a partner, and by corporations in which 50% or more in value of the stock is owned directly or indirectly by or for such shareholder. Similarly, shares directly or indirectly owned by beneficiaries of estates of certain trusts, by partners of partnerships and, under certain circumstances, by shareholders of corporations may be considered owned by these entities (entity attribution). A shareholder is also deemed to own shares that the shareholder has the right to acquire by exercise of an option.

In general, a complete termination will be deemed to have occurred with respect to a former FNB Newton shareholder if such FNB Newton shareholder does not own actually or constructively own any shares of Synovus common stock immediately after the merger. However, a shareholder may qualify for gain or loss treatment under the complete termination requirements even though such shareholder constructively owns shares of Synovus common stock provided that (1) the former FNB Newton shareholder constructively owns shares of Synovus common stock only as a result of the family attribution rules or, in some cases, as a result of a combination of the family and entity attribution rules, and (2) the former FNB Newton shareholder qualifies for and executes a waiver of the family attribution rules, such waiver being subject to several conditions, one of which is that the shareholder has no interest

in Synovus immediately after the reverse stock split, including an interest as an officer, director or employee, other than an interest as a creditor.

In general, the receipt of cash pursuant to the merger stock split will be substantially disproportionate with respect to a former FNB Newton shareholder if (a) the percentage of Synovus common stock directly and constructively owned by such former FNB Newton shareholder immediately after the merger is less than (b) 80% of the percentage of Synovus common stock that such FNB Newton shareholder would have directly and constructively owned if the former FNB Newton shareholder had received only Synovus common stock instead of both cash and Synovus common stock in the merger, hypothetically assuming that only Synovus common stock was offered as the merger consideration. In addition, any such former FNB Newton shareholder cannot own 50% or more of the Synovus common stock immediately after the reverse stock split. Alternatively, the receipt of cash pursuant to the reverse stock split will, in general, be not essentially equivalent to a dividend if the reverse stock split results in a meaningful reduction in a former FNB Newton shareholder s proportionate interest in Synovus common stock as compared to the Synovus common stock such former FNB Newton shareholder would have owned if the former FNB Newton shareholder had received only Synovus common stock instead of both cash and Synovus common stock in the merger, hypothetically assuming that only Synovus common stock was offered as the merger consideration.

It is anticipated that a former FNB Newton shareholder who receives both cash and Synovus common stock in the merger likely will meet both the complete termination and the substantially disproportionate redemption requirements because his or her ownership percentage of Synovus common stock probably will decrease by a meaningful amount, in excess of 20%, as a result of the receipt of cash, in lieu of the hypothetical issuance of additional shares of Synovus common stock as substitute merger consideration. However, since the information regarding the satisfaction of any of the three redemption requirements depends upon facts that are personal as to each FNB Newton shareholder, each FNB Newton shareholder is urged to discuss whether the FNB Newton shareholder will satisfy one of these requirements with his or her own tax adviser.

If none of the three redemption requirements described above is satisfied, any gain recognized by a former FNB Newton shareholder will be taxable as a dividend. Capital gain that is recognized by a former FNB Newton shareholder as a result of the receipt of cash in connection with the merger is taxed at maximum rate of 20% for U.S. federal income tax purposes in the case of an individual taxpayer. Dividend income is taxed as ordinary income at rates of up to 38.6% currently for U.S. federal income tax purposes. State and local income taxes also may apply.

Each FNB Newton shareholder that receives Synovus common stock in the merger will be required to attach a statement to such FNB Newton shareholder s federal income tax return for the year of the merger that describes the facts of the merger, including information regarding such FNB Newton shareholder s basis in the FNB Newton common stock exchanged, and the number of shares of Synovus common stock and cash received in exchange for FNB Newton common stock. Each FNB Newton shareholder should also keep as part of his permanent records information necessary to establish such FNB Newton shareholder s basis in, and holding period for, the Synovus common stock received in the merger.

No ruling has been or will be obtained from the Internal Revenue Service in connection with the merger. FNB Newton shareholders should be aware that the tax opinions described above do not bind the Internal Revenue Service. The closing conditions regarding receipt of a tax opinion may not be waived by the boards of directors of either FNB Newton or Synovus and, accordingly, are irrevocable.

THE PRECEDING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER AND DOES NOT PURPORT TO BE A COMPLETE ANALYSIS OR DISCUSSION OF ALL POTENTIAL TAX EFFECTS RELEVANT THERETO. THUS, FNB NEWTON SHAREHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO

THE SPECIFIC TAX CONSEQUENCES TO THEM OF THE MERGER, INCLUDING TAX RETURN REPORTING REQUIREMENTS, THE APPLICABILITY AND EFFECT OF NON-U.S., FEDERAL, STATE, LOCAL, AND OTHER APPLICABLE TAX LAWS AND THE EFFECT OF ANY PROPOSED CHANGES IN THE TAX LAWS.

Accounting Treatment

The merger will be accounted for by Synovus as a purchase transaction in accordance with generally accepted accounting principles in the United States of America. One effect of such accounting treatment is that the earnings of FNB Newton will be combined with the earnings of Synovus only from and after the effective date of the merger.

Expenses

The merger agreement provides that Synovus and FNB Newton will each pay its own expenses in connection with the merger and related transactions, including, but not limited to, the fees and expenses of its own investment bankers, legal counsel and accountants.

New York Stock Exchange Listing

Synovus common stock is listed on the NYSE. The shares of Synovus common stock to be issued to the shareholders of FNB Newton in the merger will be listed on the NYSE.

Resales of Synovus Common Stock

The shares of Synovus common stock issued pursuant to the merger agreement will be freely transferable under the Securities Act of 1933, except for shares issued to any shareholder who may be deemed to be an affiliate of FNB Newton for purposes of Rule 145 under the Securities Act as of the date of the FNB Newton special meeting. Affiliates may not sell their shares of Synovus common stock acquired in connection with the merger except pursuant to an effective registration statement under the Securities Act covering the resale of such shares or in compliance with Rule 145 promulgated under the Securities Act or another applicable exemption from the registration requirements of the Securities Act. Rule 145 imposes restrictions on the manner in which an affiliate may resell and the quantity of any resale of any of the shares of Synovus common stock received by the affiliate in

the merger. Persons who may be deemed to be affiliates of FNB Newton generally include individuals or entities that control, are controlled by or are under common control with FNB Newton and may include executive officers and directors of FNB Newton as well as principal shareholders of FNB Newton.

FNB Newton has agreed in the merger agreement to use its best efforts to cause each director, executive officer and other person who is an affiliate of FNB Newton to enter into an agreement with Synovus providing that such person will not sell, pledge, transfer or otherwise dispose of shares of FNB Newton common stock owned by such person or Synovus common stock to be received by such person in the merger except in compliance with Rule 145 or in a transaction exempt under the Securities Act. This prospectus does not cover resales of Synovus common stock following consummation of the merger, and no person may make use of this prospectus in connection with any such resale.

DESCRIPTION OF STOCK AND EFFECT OF MERGER ON RIGHTS OF FNB NEWTON SHAREHOLDERS

If the merger is completed, all holders of FNB Newton common stock and options will become holders of shares of Synovus common stock or holders of options for shares of Synovus common stock. The rights of a holder of Synovus common stock are similar in some respects and different in other respects from the rights of a holder of FNB Newton common stock. The rights of FNB Newton shareholders are currently governed by the Georgia Business Corporation Code and the Articles of Incorporation and bylaws of FNB Newton. The rights of Synovus shareholders are currently governed by the Georgia Business Corporation Code and the Articles of Incorporation and bylaws of Synovus. The following discussion summarizes the material differences between the current rights of FNB Newton shareholders and the rights they will have as Synovus shareholders following the merger.

The following comparison of shareholders rights is necessarily a summary, is not intended to be complete or to identify all differences that may, under given situations, be material to shareholders and is subject, in all respects, and is qualified by reference to the Georgia Business Corporation Code, FNB Newton s Articles of Incorporation and bylaws, and Synovus Articles of Incorporation and bylaws.

SYNOVUS	FNB NEWTON
Ten votes for each share held, except in limited circumstances described below	One vote for each share held
No cumulative voting rights in the election of directors, meaning that the holders of a plurality of the shares elect the entire board of directors	Same as Synovus
Dividends may be paid from funds legally available, subject to contractual and regulatory restrictions	Same as Synovus
Right to participate pro rata in distribution of assets upon liquidation	Same as Synovus
No pre-emptive or other rights to subscribe for any additional shares or securities	Same as Synovus
No conversion rights	Same as Synovus
Directors serve staggered 3-year terms	Directors serve one-year terms
Some corporate actions, including business combinations, require the affirmative action or vote of 66-2/3% of the votes entitled to be cast by the shareholders of all voting stock	Corporate actions require the affirmative vote of a majority of the votes cast at the meeting, unless otherwise required by law

No preferred stock is authorized	One million shares of preferred stock authorized; none issued
	No comparable provision

Common Stock Purchase Rights trade with shares
as described below

Synovus Common Stock

Synovus is incorporated under the Georgia Business Corporation Code. Synovus is authorized to issue 600,000,000 shares of Synovus common stock, of which 299,703,639 shares were outstanding on September 30, 2002. Synovus has no preferred stock authorized. Synovus board of directors may at any time, without additional approval of the holders of Synovus common stock, issue authorized but unissued shares of Synovus common stock.

As described below, Synovus Articles of Incorporation and bylaws presently contain several provisions which may make Synovus a less attractive target for an acquisition of control by an outsider who lacks the support of Synovus board of directors.

Voting Rights; Anti-Takeover Effects; The Voting Amendment

Under an amendment to Synovus Articles of Incorporation and bylaws which became effective on April 24, 1986, referred to in this document as the voting amendment, shareholders of Synovus common stock are entitled to ten votes on each matter submitted to a vote at a meeting of shareholders for each share of Synovus common stock which:

- has had the same beneficial owner since April 24, 1986;
- was acquired by reason of participation in a dividend reinvestment plan offered by Synovus and is held by the same beneficial owner for whom it was acquired under such plan;
- is held by the same beneficial owner to whom it was issued as a result of an acquisition of a company or business by Synovus where the resolutions adopted by Synovus board of directors approving such issuance specifically reference and grant such rights, including shares of Synovus common stock to be issued to the former shareholders of FNB Newton upon consummation of the merger;
- was acquired under any employee, officer and/or director benefit plan maintained for one or more employees, officers and/or directors of Synovus and/or its subsidiaries, and is held by the same beneficial owner for whom it was acquired under such plan;
- is held by the same beneficial owner to whom it was issued by Synovus, or to whom it was transferred by Synovus from treasury shares, and the resolutions adopted by Synovus board of directors approving such issuance and/or transfer specifically reference and grant such rights;
- has been beneficially owned continuously by the same shareholder for a period of forty-eight (48) consecutive months before the record date of any meeting of shareholders at which the share is eligible to be voted;
- was acquired as a direct result of a stock split, stock dividend or other type of share distribution if the share as to which it was distributed has had the same beneficial owner for a period of forty-eight (48) consecutive months before the record date of any meeting of shareholders at which the share is eligible to be voted; or
- is owned by a holder who, in addition to shares which are beneficially owned under any of the other requirements set forth above, is the beneficial owner of less than 1,139,063 shares of Synovus common stock, which amount has been appropriately adjusted to reflect the stock splits which have occurred subsequent to April 24, 1986 and with such amount to be appropriately adjusted to properly reflect any other change in

Synovus common stock by means of a stock split, a stock dividend, a recapitalization or other similar action occurring after April 24, 1986.

Holders of shares of Synovus common stock not described above are entitled to one vote per share for each such share. A shareholder may own both ten-vote shares and one-vote shares, in which case he or she will be entitled to ten votes for each ten-vote share and one vote for each one-vote share.

In connection with various meetings of Synovus shareholders, shareholders are required to submit to Synovus board of directors satisfactory proof necessary for it to determine whether such shareholders shares of Synovus common stock are ten-vote shares. If such information is not provided to Synovus board of directors, shareholders who would, if they had provided such information, be entitled to ten votes per share, are entitled to only one vote per share.

As Synovus common stock is registered with the SEC and is listed on the NYSE, Synovus common stock is subject to the provisions of an NYSE rule, which, in general, prohibits a company s common stock and equity securities from being authorized or remaining authorized for listing on the NYSE if the company issues securities or takes other corporate action that would have the effect of nullifying, restricting or disparately reducing the voting rights of existing shareholders of the company. However, such rule contains a grandfather provision, under which Synovus voting amendment qualifies, which, in general, permits grandfathered disparate voting rights plans to continue to operate as adopted. Synovus management believes that all current shareholders of Synovus common stock are entitled to ten votes per share, and as such, the further issuance of any ten-vote shares would not disenfranchise any existing shareholders. In the event it is determined in the future that Synovus cannot continue to issue ten-vote shares in mergers and acquisitions, Synovus will consider repealing the voting amendment and restoring the principle of one share/one vote.

If the merger is approved, present shareholders of FNB Newton common stock, as future shareholders of Synovus common stock, will, under the voting amendment described above, be entitled to ten votes per share for each share of Synovus common stock received by them on the effective date of the merger. Each shareholder of FNB Newton may also acquire by purchase, stock dividend or otherwise, up to 1,139,063 additional shares of Synovus common stock which will also be entitled to ten votes per share. However, if a FNB Newton shareholder acquires by purchase, stock dividend or otherwise, more than 1,139,063 additional shares of Synovus common stock, he or she will be entitled to only receive one vote per share for each of the shares in excess of 1,139,063 shares until they have been held for four years.

Except with respect to voting, ten-vote shares and one-vote shares are identical in all respects and constitute a single class of stock, *i.e.*, Synovus common stock. Neither the ten-vote shares nor the one-vote shares have a preference over the other with regard to dividends or upon liquidation. Synovus common stock does not carry any pre-emptive rights enabling a holder to subscribe for or receive shares of Synovus common stock.

The Rights Plan

Synovus has adopted a shareholder rights plan under which holders of shares of Synovus common stock also hold rights to purchase securities that may be exercised upon the occurrence of triggering events. Shareholder rights plans such as Synovus plan are intended to encourage potential hostile acquirors to negotiate with the board of directors of the target corporation to avoid occurrence of the triggering events specified in such plans. Shareholder rights plans are intended to give the directors of a target corporation the opportunity to assess the fairness and appropriateness of a proposed transaction to determine whether or not it is in the best interests of the corporation and its shareholders. Notwithstanding these purposes and intentions of shareholder rights plans, such plans, including that of Synovus,

could have the effect of discouraging a business combination that shareholders believe to be in their best interests. The provisions of Synovus shareholder rights plan are discussed below.

On April 27, 1999, the board of directors of Synovus adopted a rights plan and authorized and declared a dividend of one common stock purchase right with respect to each outstanding share of Synovus common stock outstanding on May 4, 1999, and to each holder of common stock issued thereafter until the date the rights become exercisable or the expiration or earlier redemption of the rights. Each right entitles the registered holder to purchase from Synovus one share of common stock at a price of $225.00 per share, subject to adjustment, once rights become exercisable. The description and terms of the rights are set forth in the rights agreement between Synovus and Mellon Investor Services LLC, as the rights agent.

Initially, the rights will attach to all certificates of outstanding shares of common stock, and no separate right certificates will be distributed. The rights will become exercisable and separate from the shares of common stock upon the earlier to occur of:

- ten days after the date of a public announcement that a person or group of affiliated or associated persons has acquired beneficial ownership of 15% or more of the outstanding common stock, such date being referred to in this document as the stock acquisition date and such person or group as an acquiring person ; or

- ten business days, or such later date as the board may determine, following the commencement of, or announcement of an intention to make, a tender offer or exchange offer, the consummation of which would result in a person or group becoming the beneficial owner of 15% or more of the outstanding common stock, the earlier of such date and the stock acquisition date being the distribution date.

Shares of common stock beneficially owned by Synovus or any subsidiary of Synovus will not be considered outstanding for purposes of calculating the percentage ownership of any person.

Each of the following persons will not be deemed to be an acquiring person even if they have acquired, or obtained the right to acquire beneficial ownership of 15% or more of the outstanding common stock:

- Synovus, any subsidiary of Synovus, or any employee benefit plan of Synovus or of any subsidiary of Synovus;

- any shareholder who is a descendant of D. Abbott Turner, any shareholder who is affiliated or associated with the Turner family and any person who would otherwise become an acquiring person as a result of the receipt of common stock or a beneficial interest in common stock from one or more members of the Turner family by way of gift, devise, descent or distribution, but not by way of sale, unless any such person, together with his affiliates and associates, becomes the beneficial owner of more than 30% of the outstanding shares of common stock;

- any person who would otherwise become an acquiring person solely by virtue of a reduction in the number of outstanding shares of common stock unless and until such person becomes the beneficial owner of any additional shares of common stock; and

- any person who as of May 4, 1999 was the beneficial owner of 15% or more of the outstanding common stock unless and until such person shall become the beneficial owner of any additional shares of common stock.

Until the distribution date or earlier redemption or expiration of the rights:

- the rights will be evidenced by the certificates for the common stock;
- the rights will be transferred with, and only with, the shares of common stock;
- new common stock certificates issued after the record date upon transfer or new issuance of shares of common stock will contain a notation incorporating the rights agreement by reference; and
- the surrender for transfer of any certificates for shares of common stock outstanding as of the record date, even without such notation, will also constitute the transfer of the rights associated with the shares of common stock represented by such certificate.

As soon as practicable following the distribution date, separate certificates evidencing the rights will be mailed to holders of record of the shares of common stock as of the close of business on the distribution date, and such separate right certificates alone will evidence the rights. The rights are not exercisable until the distribution date. The rights will expire at the close of business on May 5, 2009, unless earlier redeemed by Synovus.

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If any person becomes an acquiring person, each holder of a right will thereafter have the flip-in right to receive, upon payment of the purchase price of the right, shares of common stock, or in some circumstances, cash, property or other securities of Synovus, having a value equal to two times the purchase price of the right. Notwithstanding the foregoing, all rights that are, or were, beneficially owned by an acquiring person or any affiliate or associate of an acquiring person will be null and void and not exercisable.

If, at any time following the stock acquisition date: (1) Synovus is acquired in a merger or other business combination transaction in which the holders of all of the outstanding shares of common stock immediately before the consummation of the transaction are not the holders of all of the surviving corporation s voting power, or (2) more than 30% of Synovus assets, cash flow or earning power is sold or transferred other than in the ordinary course of Synovus business, then each holder of a valid right shall thereafter have the flip-over right to receive, in lieu of shares of common stock and upon exercise and payment of the purchase price, common shares of the acquiring company having a value equal to two times the purchase price of the right. If a transaction would otherwise result in a holder s having a flip-in as well as a flip-over right, then only the flip-over right will be exercisable. If a transaction results in a holder s having a flip-over right after a transaction resulting in a holder s having a flip-in right, a holder will have flip-over rights only to the extent such holder s flip-in rights have not been exercised.

The purchase price payable, and the number of shares of common stock or other securities or property issuable, upon exercise of the rights are subject to adjustment from time to time to prevent dilution (1) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the common stock, (2) upon the grant to holders of the common stock of rights or warrants to subscribe for common stock or convertible securities at less than the current market price of the common stock, or (3) upon the distribution to holders of the common stock of evidences of indebtedness or assets, excluding dividends payable in common stock, or of subscription rights or warrants, other than those referred to above. However, no adjustment in the purchase price will be required until cumulative adjustments require an adjustment of at least 1%.

The number of outstanding rights and the number of shares of common stock issuable upon exercise of each right are also subject to adjustment in the event of a stock split of the common stock or a stock dividend on the common stock payable in common stock or subdivisions, consolidations or combinations of the common stock occurring, in any such case, before the distribution date.

At any time after a person becomes an acquiring person and before the acquisition by a person of 50% or more of the outstanding common stock of Synovus, the board of directors may, at its option, issue common stock or common

stock equivalents of Synovus in mandatory redemption of, or in exchange for, all or part of the then outstanding exercisable rights, other than rights owned by such acquiring person which would become null and void, at an exchange ratio of one share of common stock, or common stock equivalents equal to one share of common stock, per right, subject to adjustment.

To the extent that, after the triggering of flip-in rights, insufficient shares of common stock are available for the exercise in full of the rights, holders of rights will receive upon exercise shares of common stock to the extent available and then cash, property or other securities of Synovus, in proportions determined by Synovus, so that the aggregate value received is equal to twice the purchase price.

Synovus is not required to issue fractional shares of common stock. Instead, a payment in cash will be made to the holder of such rights equal to the same fraction of the current value of a share of common stock. Following the triggering of the flip-in rights, Synovus will not be required to issue fractional shares of common stock upon exercise of the rights. Instead, a payment in cash will be made to the holder of such rights equal to the same fraction of the current market value of a share of common stock.

At any time before the distribution date, the board of directors of Synovus may redeem all, but not less than all, of the then outstanding rights at a price of $.001 per right. The redemption of the rights may be made effective at such time, on such basis and with such conditions as the board of directors in its sole discretion may establish. Immediately upon the action of the board of directors ordering redemption of the rights, the right to exercise the rights will terminate and the only right of the holders of rights will be to receive the redemption price.

Until a right is exercised, the holder of the right, as such, will have no rights as a shareholder of Synovus, including, without limitation, the right to vote or to receive dividends.

The issuance of the rights is not taxable to Synovus or to shareholders under presently existing federal income tax law, and will not change the way in which shareholders can presently trade Synovus shares of common stock. If the rights should become exercisable, shareholders, depending on then existing circumstances, may recognize taxable income.

Before the stock acquisition date, the rights agreement generally may be amended by Synovus without the consent of the holders of the rights or the common stock. On or after the stock acquisition date, Synovus may amend the rights agreement only to (1) cure any ambiguity, (2) correct or supplement any provision which may be defective or inconsistent with the other provisions of the rights agreement, or (3) change or supplement the rights agreement in any other manner which Synovus may deem necessary or desirable, provided that no amendment shall adversely affect the interests of the holders of rights, other than an acquiring person and its affiliates and associates.

A copy of the rights agreement has been filed with the SEC as an exhibit to Synovus Registration Statement on Form 8-A with respect to the rights filed with the SEC. The Form 8-A and the rights agreement are incorporated by reference in this document, and reference is made to them for the complete terms of the rights agreement and the rights. This summary description of the rights does not purport to be complete and is qualified in its entirety by reference to the rights agreement. If the merger is approved, rights will attach to Synovus common stock issued to the present shareholders of FNB Newton.

Staggered Board of Directors; Supermajority Approvals

Under Synovus Articles of Incorporation and bylaws, Synovus board of directors is divided into three classes of directors serving staggered three year terms, with the terms of each class of directors to expire each succeeding year.

Also under Synovus Articles of Incorporation and bylaws, the vote or action of shareholders possessing 66-2/3% of the votes entitled to be cast by the holders of all the issued and outstanding shares of Synovus common stock is required to:

- call a special meeting of Synovus shareholders;
- fix, from time to time, the number of members of Synovus board of directors;
- remove a member of Synovus board of directors;
- approve any merger or consolidation of Synovus with or into any other corporation, or the sale, lease, exchange or other disposition of all, or substantially all, of Synovus assets to or with any other corporation, person or entity, with respect to which the approval of Synovus shareholders is required by the provisions of the corporate laws of the State of Georgia; and
- alter, delete or rescind any provision of Synovus Articles of Incorporation.

This allows directors to be removed only for cause by 66-2/3% of the votes entitled to be cast at a shareholders meeting called for that purpose. Vacancies or new directorships can only be filled by a majority vote of the directors then in office. Synovus staggered board of directors, especially when combined with the voting amendment, makes it more difficult for its shareholders to force an immediate change in the composition of the majority of the board. A potential acquiror with shares recently acquired, and not entitled to 10 votes per share under the voting amendment, may be discouraged or prevented from soliciting proxies for the purpose of electing directors other than those nominated by current management for the purpose of changing the policies or control of Synovus.

Evaluation of Business Combinations

Synovus Articles of Incorporation also provide that in evaluating any business combination or other action, Synovus board of directors may consider, in addition to the amount of consideration involved and the effects on Synovus and its shareholders, the interests of the employees, customers, suppliers and creditors of Synovus and

its subsidiaries, the communities in which offices of the corporation or its subsidiaries are located, and any other factors the board of directors deems pertinent.

FNB Newton Capital Stock

The Articles of Incorporation of FNB Newton authorize the issuance of 10,000,000 shares of FNB Newton common stock and 1,000,000 shares of preferred stock. At September 30, 2002, there were 544,980 shares of FNB Newton common stock issued and outstanding and no shares of FNB Newton preferred stock issued and outstanding. The remaining authorized shares of FNB Newton common stock and preferred stock may be issued from time to time in such amounts as the board of directors determines. The FNB Newton board may issue shares of preferred stock in one or more series, and determine the relative rights and preferences of the shares of each series. Each holder of FNB Newton common stock has one vote per share upon all matters voted upon by shareholders. Voting rights are noncumulative so that shareholders holding a majority of the outstanding shares of FNB Newton common stock are able to elect all members of the board of directors. All shares of FNB Newton common stock, when issued and fully paid, are non-assessable and are not subject to redemption or conversion and have no preemptive rights. Upon the liquidation, dissolution or winding up of FNB Newton, whether voluntary or involuntary, holders of FNB Newton

common stock are entitled to share ratably, after satisfaction in full of all liabilities, in all remaining assets of FNB Newton available for distribution. All shares of FNB Newton common stock are entitled to share equally in such dividends as the board of directors may declare on the FNB Newton common stock from sources legally available therefor. FNB Newton is a holding company and conducts almost all of its operations through its bank subsidiary. Accordingly, FNB Newton depends on the cash flow of its subsidiary bank to meet its obligations. FNB Newton s subsidiary bank is limited in the amount of dividends it can pay to FNB Newton without prior regulatory approval. Also, bank regulators have the authority to prohibit FNB Newton s subsidiary bank from paying dividends if they think the payment would be an unsafe and unsound banking practice.

Required Shareholder Votes

Under FNB Newton s Articles of Incorporation and bylaws, FNB Newton s board of directors is elected by the affirmative vote of a majority of shares represented at each annual meeting. There are no provisions requiring supermajority approval for any shareholder vote or action under FNB Newton s Articles of Incorporation and bylaws,. Therefore, provisions of Georgia law relating to shareholder approval of merger and share exchange prescribe the shareholder vote required to approve the merger. Georgia law requires that FNB Newton shareholders approve the merger agreement adopted by the board of directors. The merger agreement must be approved by a majority of all the votes entitled to be cast on the merger agreement by all shares entitled to vote on the plan. All shares of FNB Newton are entitled to vote on the merger agreement.

The preceding descriptive information concerning Synovus common stock and FNB Newton capital stock outlines certain provisions of Synovus Articles of Incorporation and bylaws, FNB Newton s Articles of Incorporation and bylaws and certain statutes regulating the rights of holders of Synovus and FNB Newton capital stock. The information is not a complete description of those documents and statutes and is subject in all respects to provisions of the Articles of Incorporation and bylaws of Synovus, the Articles of Incorporation and bylaws of FNB Newton and the laws of the State of Georgia.

DISSENTERS RIGHTS

Pursuant to Sections 7-1-537 and 14-2-1301 et. seq. of the Official Code of Georgia Annotated, as amended (Georgia Law), any shareholder of record of FNB Newton common stock who objects to the merger, and who fully complies with all of the provisions of Georgia Law, will be entitled to demand and receive payment in cash of an amount equal to the fair value of his or her shares of FNB Newton common stock if the merger is consummated. A record shareholder may assert dissenters rights as to fewer than all the shares registered in his or her name only if the shareholder dissents with respect to all shares beneficially owned by any one beneficial shareholder and notifies FNB Newton in writing of the names and addresses of each person on whose behalf he or she asserts dissenters rights. A beneficial owner must dissent with respect to all the shares he or she owns. For the purpose of determining the amount to be received in connection with the exercise of statutory dissenters rights under Georgia Law, the fair value of a dissenting shareholder s FNB Newton common stock is determined as of the close of the

business on the date prior to the effective date of the merger, excluding any appreciation or depreciation therein in anticipation of the merger.

Any FNB Newton shareholder desiring to receive payment of the fair value of his or her FNB Newton common stock in accordance with the requirements of Georgia Law: (a) must file with FNB Newton prior to the special meeting of shareholders of FNB Newton at which the vote will be taken on the merger agreement and the merger, or at the special meeting, but before the vote is taken, a written notice of his or her intent to demand payment of the fair

value of his or her shares of FNB Newton common stock if the merger agreement is approved and the merger is consummated; (b) must not vote in favor of the proposal to which he or she objects, although he or she may abstain from voting; and (c) must, by the date specified in the dissenters notice (Dissenters Notice) mailed to him or her by FNB Newton, which date shall not be fewer than 30 nor more than 60 days from the shareholders receipt of the Dissenters Notice, demand payment for his or her shares and deposit his or her share certificates in accordance with the terms of the Dissenters Notice. A filing of the written notice of intent to demand payment for shares and the demand for payment pursuant to conditions (a) and (c) above should be sent to: FNB Newton Bankshares, Inc., 4159 Mill Street, Covington, Georgia 30014. A vote against the merger agreement and the merger alone will not satisfy the requirements for the separate written notice of intent to demand payment and the payment demand referred to in conditions (a) and (c) above; all three conditions must be separately complied with.

If the merger agreement is approved and the merger is authorized, FNB Newton will mail within 10 days thereafter to each FNB Newton shareholder who has complied with conditions (a) and (b) above, a Dissenters Notice, addressed to the FNB Newton shareholder at such address as he has furnished FNB Newton in writing, or, if none, at the FNB Newton shareholder s address as it appears on the records of FNB Newton, which notice will: (1) state where the payment demand must be sent and where and when certificates for certificated shares must be deposited; (2) inform holders of uncertificated shares to what extent transfer of the shares will be restricted after the payment demand is received, and (3) set a day by which FNB Newton must receive the payment demand which date may not be less than 30 nor more than 60 days after the Dissenters Notice is delivered. A record shareholder who does not demand payment or deposit his share certificates where required, each by the date specified in the Dissenters Notice, is not entitled to payment for his shares.

If all of the conditions specified in (1), (2) and (3) in the immediately preceding paragraph are fully complied with, FNB Newton is required to make a written offer, within 10 days of the later of the date the merger is consummated or receipt of the payment demand, to each dissenting shareholder to purchase all of his or her shares of FNB Newton common stock at a specified price which Synovus and FNB Newton consider to be their fair value, plus accrued interest, as of the close of business on the day prior to the merger, excluding any change in value induced by the proposed merger or its consummation.

The offer of payment must be accompanied by:

(1) A copy of FNB Newton s balance sheet as of the end of a fiscal year not more than 16 months before the date of payment, an income statement for that year, a statement of changes in shareholders equity for that year, and the latest available interim financial statements, if any;

(2) A statement of FNB Newton s and Synovus estimate of the fair value of the shares;

(3) An explanation of how the interest was calculated;

(4) A statement of the dissenter s right to demand payment under Section 14-2-1327 of Georgia Law; and

(5) A copy of Section 14-2-1301 et. seq. of Georgia Law, a copy of which is attached to this document as Appendix "B."

Assuming the merger has been effected, if the shareholder accepts FNB Newton s and Synovus offer by written notice within 30 days after the offer or is deemed to have accepted the offer by failing to respond within said 30 days, payment for his or her shares shall be made within 60 days after the making of the offer of or the consummation of the merger, whichever is later. If a dissenting shareholder s demand for payment under Section

14-2-1327 of Georgia Law remains unsettled, FNB Newton shall commence a proceeding within 60 days after receiving the payment demand and petition the Superior Court of Newton County, Georgia to determine the fair value of the dissenter s shares and accrued interest, which interest shall be computed from the effective date of the merger. If FNB Newton does not commence the proceeding within the 60 day period, it must pay each dissenter whose demand remains unsettled the amount demanded.

The foregoing does not purport to be a complete statement of the provisions of Georgia Law relating to statutory dissenters rights and is qualified in its entirety by reference to said provisions, relevant portions of which are reproduced in full in Appendix B to this document, which is incorporated herein by reference.

DESCRIPTION OF SYNOVUS

Business

The disclosures made in this document, together with the following information which is specifically incorporated by reference into this document, describe the business of Synovus:

1. Synovus Annual Report on Form 10-K for the fiscal year ended December 31, 2001 (which incorporates certain portions of Synovus Proxy Statement, including the Financial Appendix thereto, for its Annual Meeting of Shareholders held on April 24, 2002), as amended by Synovus Annual Report on Form 10-K/A filed on April 10, 2002.

2. Synovus Quarterly Reports on Form 10-Q for the quarters ended March 31, 2002, June 30, 2002 and September 30, 2002.

3. Synovus Current Reports on Form 8-K dated January 16, 2002, April 15, 2002, July 12, 2002, July 17, 2002, August 8, 2002, October 15, 2002 and January 15, 2003.

Management and Additional Information

Information relating to executive compensation, various benefit plans, voting securities and the principal holders of voting securities, relationships and related transactions and other related matters as to Synovus is incorporated by reference or set forth in Synovus Annual Report on Form 10-K for the year ended December 31, 2001 which is incorporated into this document by reference. See Where You Can Find More Information on page 50. Shareholders desiring copies of such documents may contact Synovus at its address or phone number indicated under Where You Can Find More Information.

Recent Developments

On January 15, 2003, Synovus announced financial results for the quarter and year ended December 31, 2002. Net Income for 2002 increased 17.2% to $365 million or $1.21 per diluted share. For the fourth quarter, net income increased 22.6% and diluted earnings per share grew 20.2% over the same period last year. Synovus filed a Form 8-K with the Securities and Exchange Commission reflecting such information.

DESCRIPTION OF FNB NEWTON

Business

FNB Newton Bankshares, Inc. is a bank holding company registered under the bank holding company laws of the State of Georgia, whose sole subsidiary and principal asset is First Nation Bank, a commercial bank chartered under the laws of the State of Georgia. FNB Newton owns all of the outstanding capital stock of First Nation Bank. Through its ownership of First Nation Bank, FNB Newton is engaged in a general commercial banking business and its primary source of earnings is derived from income generated by First Nation Bank. As of September 30, 2002, FNB Newton, on a consolidated basis, had total assets of approximately $340 million, net portfolio loans of approximately $267 million, total deposits of approximately $291 million, and shareholders equity of approximately $35 million. Unless the context otherwise requires, references herein to FNB Newton include FNB Newton Bankshares, Inc. and its subsidiary bank on a consolidated basis.

First Nation Bank was first organized in March 1963 as First National Bank of Newton County, a national banking association. First National Bank of Newton County converted to a state chartered commercial bank in April 1995 and changed its name to First Newton Bank. First Newton Bank subsequently became First Nation Bank in May 2000. FNB Newton was formed in August 1984 to act as a holding company for First Nation Bank. First Nation Bank engages in general commercial banking and related businesses from its 10 full-service banking locations in Newton, Henry and Rockdale Counties, Georgia.

The business of First Nation Bank consists of attracting deposits from the general public in the areas served by its banking offices and using those deposits, together with funds derived from other sources, to fund a variety of consumer, commercial and residential real estate loans in Covington and surrounding areas. The revenues of First Nation Bank are derived primarily from interest on, and fees received in connection with, its lending activities and from interest and dividends from investment securities and short-term investments. The principal sources of funds for First Nation Bank s lending and investment activities are deposits, amortization and repayment of loans, and the maturity and repayments of investment securities. The principal expenses of First Nation Bank are the interest paid on deposits and operating and general and administrative expenses.

As a general commercial bank, First Nation Bank offers a broad range of commercial, consumer and residential real estate loans, and provides a variety of corporate and personal banking services to individuals, businesses and other institutions located in its market area. In order to attract funds for loans, First Nation Bank s deposit services include certificates of deposit, individual retirement accounts and other time deposits, checking and other demand deposit accounts, interest paying checking accounts, savings accounts and money market accounts. The transaction accounts and time certificates are tailored to the principal market areas at rates competitive to those in the area. All deposit accounts are insured by the FDIC up to the maximum limits permitted by law. First Nation Bank also offers ATM cards, allowing access to local, state, national, and international networks, safe deposit boxes, wire transfers, direct deposit, and automatic drafts for various accounts.

First Nation Bank is subject to examination and comprehensive regulation by the Georgia Department of Banking and Finance. In addition, the Federal Reserve Bank conducts a periodic examination of First Nation Bank. As is the case with banking institutions generally, First Nation Bank s operations are materially and significantly influenced by general economic conditions and by related monetary and fiscal policies of financial institution regulatory agencies, including the FDIC and the Federal Reserve Board. Deposit flows and cost of funds are influenced by interest rates on competing investments and general market rates of interest. Lending activities are affected by the demand for financing of real estate and other types of loans, which in turn are affected by the interest rates at which such financing may be offered and other factors affecting local demand and availability of funds.

Market Area

First Nation Bank s operations are based in Covington, Georgia and its market area consists of Covington and the surrounding area of Newton, Henry and Rockdale Counties, Georgia. Management of First Nation Bank believes that its principal markets have been the expanding residential market within its primary market area, and the established commercial, small business, and professional markets in its market area. Businesses and individuals are solicited through the personal efforts of the Bank s directors and officers.

Lending Activities

The primary source of income generated by First Nation Bank is the interest earned from both its loan and investment portfolios. To develop business, First Nation Bank relies to a great extent on the personalized approach of its directors and officers who have extensive business and personal contacts in the community. FNB Newton has attempted to maintain diversification when considering investments and the approval of loan requests. Emphasis has been placed on the borrower s ability to generate cash flow sufficient to support its debt obligations and other cash related expenses.

Lending activities include commercial and consumer loans, and loans for residential purposes. Commercial loans include collateralized and uncollateralized loans for working capital which include inventory and receivables, business expansion such as real estate acquisitions and improvements, and purchases of equipment and machinery. Consumer loans include collateralized and uncollateralized loans for the purchase of automobiles, boats, home

improvement, and personal investments. First Nation Bank provides personal and corporate credit cards issued by a correspondent bank which assumes all liabilities relating to underwriting of the credit applicant. First Nation Bank also originates a variety of residential real estate loans, including the origination of conventional mortgages collateralized by first mortgage liens to enable borrowers to purchase, refinance, or to improve homes or real property. In addition, such loans include those made to individual borrowers collateralized by first mortgage interests on unimproved parcels of real estate zoned for residential homes on which such borrowers intend to erect their personal residences. To a lesser extent, First Nation Bank also has made land acquisition and development loans and construction loans to developers of residential properties for construction of residential subdivisions and multi-family residential projects.

At September 30, 2002, FNB Newton s net loan portfolio was $267 million, representing 79% of total assets. As of such date, First Nation Bank s net loan portfolio consisted of 10% commercial loans, 37% real estate secured loans, excluding construction and land development loans, 48% real estate construction and land development loans and 5% installment or consumer loans.

Competition

First Nation Bank encounters strong competition both in attracting deposits and in the origination of loans. The deregulation of the banking industry and the widespread enactment of state laws which permit multi-bank holding companies as well as the availability of nationwide interstate banking has created a highly competitive environment for financial service providers in First Nation Bank s primary market area. In one or more aspects of its business, First Nation Bank has competed with other commercial banks, savings and loan associations, credit unions, finance companies, mutual funds, insurance companies, brokerage and investment banking companies and other financial intermediaries operating in its market area and elsewhere. Most of these competitors, some of which are affiliated with large bank holding companies, have substantially greater resources and lending limits, and may offer certain services that First Nation Bank does not provide. In addition, many of First Nation Bank s non-bank competitors are not subject to the same extensive federal regulations that govern bank holding companies and federally chartered and insured

banks.

First Nation Bank s primary market area is served by 101 commercial banks with 1386 offices. As of November 11, 2002, the total reported deposits in the primary market area were approximately $56.7 billion.

Competition among financial institutions is based upon interest rates offered on deposit accounts, interest rates charged on loans and other credit and service charges, the quality of the services rendered, the convenience of banking facilities, and, in the case of loans to commercial borrowers, relative lending limits.

Employees

At September 30, 2002, First Nation Bank employed 141 full-time equivalent employees. None of these employees is covered by a collective bargaining agreement and management believes that its employee relations are good.

Description of Property

First Nation Bank has designated as its main office its freestanding 11,000 square foot branch located at 4182 Hwy. 278 in Covington, Georgia. The facility has seven inside teller stations and four drive-in lanes, and contains eight offices, a vault, a night depository, a drive-up ATM, new accounts area, employee lounge and a storage area. The facility is owned by the bank. This branch also services a walk-up ATM located in the SKC industrial complex nearby.

The bank s Salem Road branch office is located at 3207 Salem Road in a 3,000 square foot building in Conyers, Georgia. The facility includes five teller stations, five drive-in teller lanes, three offices, a vault, a night depository, a new accounts area, ATM terminal, a storage room and a lounge. The Salem Road branch facility is owned by the bank.

The bank s Newton Station branch office is located at 5340 Hwy. 20 South in a 1,500 square foot building in Covington, Georgia. The facility includes three teller stations, two drive-in teller lanes, an office, a vault, a new accounts area, an ATM, and a lounge. The 1,500 square foot facility is leased by the bank under a three-year lease with a current monthly rental of $1,935.50. The lease term ends 12/03 but provides for two three-year renewal options.

The bank s Newton Plaza branch office is located at 3106 Hwy 278 NW in a 4,702 square foot building in Covington, Georgia. The facility includes six teller stations, four drive-in teller lanes, four offices, a vault, a night depository, a new accounts area, two ATM s, a storage room and a lounge. The facility is owned by the bank, but the land is leased under a twenty-year lease at a monthly rental of $7,250. The lease term ends 12/31/03 but provides for two five-year renewal periods. There is no purchase option on the land in the current lease.

The bank s Salem Station branch office is located at 13015 Brown Bridge Road in a 1,340 square foot building in Covington, Georgia. The facility includes four teller stations, two drive in teller lanes, an office, a vault, a new accounts area, and a lounge. This facility is leased by the bank under a five-year lease at a monthly rental of $1,995. The lease term ends 9/05 but provides for two five-year renewal periods.

The bank s West Avenue branch office is located at 1143 West Avenue in a 5,200 square foot building in Conyers, Georgia. The facility includes eight teller stations, four drive-in teller lanes, three offices, a conference room, a vault, a night depository, a new accounts area, an ATM, a storage room and a lounge. This branch is also responsible for

servicing an ATM located in the Georgia International Horse Park which is located nearby. The facility is currently owned by the bank. Synovus has requested that First Nation Bank sell this facility and subsequently lease it back from a purchaser. First Nation Bank concurs, and is currently in negotiations for a sale and leaseback transaction related to this facility. The sale leaseback is expected to be concluded before the merger is completed.

The bank s Conyers Wal-Mart Supercenter branch office is located at 1436 Dogwood Drive in a 470 square foot building in Conyers, Georgia. The facility includes three teller stations, an office, a vault, an ATM, and a storage room. The facility is leased by the bank under a five-year lease at a monthly rental of $1,750. The lease term ends 3/31/06 but provides for two five-year renewal periods.

The bank s Eagles Landing branch office is located at 1767 Rock Quarry Road in a 7,420 square foot building in Stockbridge, Georgia. The facility includes five teller stations, four drive-in teller lanes, six offices, a conference room, a vault, a night depository, a new accounts area, a loan secretary area, an ATM, a storage room and a lounge. The facility is owned by the bank.

The bank s Jonesboro Road branch office is located at 285 Jonesboro Road in a 3,436 square foot building in McDonough, Georgia. The facility includes six teller stations, four drive-in teller lanes, three offices, a vault, a night depository, a new accounts area, an ATM, a storage room and a lounge. This facility is owned by the bank.

The bank s McDonough Wal-Mart branch office is located at 101 Willow Lane in a 690 square foot building in McDonough , Georgia. The facility includes three teller stations, an office, a vault, and an ATM. The facility is leased by the bank under a five-year lease at a monthly rental of $1,750. The lease term ends 3/31/06 but provides for two five-year renewal periods.

The John R. Williams Corporate Center is located at 4159 Mill Street in Covington, Georgia. The JRW building currently provides executive offices and houses the cash management/ financial, loan operations, bookkeeping, item processing and information technology departments, as well as a group of commercial lenders. One sixth of the 24,000 square foot facility is not in use. Cubicles are currently widely used in this facility.

The bank owns raw land suitable for a future branch as an out-parcel of the shopping center located at the intersection of Hwy 138 North and Hwy 10 in Walton County.

Legal Proceedings

FNB Newton is periodically a party to or otherwise involved in legal proceedings arising in the normal course of business, such as claims to enforce liens or foreclose on loan defaults, claims involving the making and servicing of real property loans, and other issues incident to its business. Management is not aware of any proceeding threatened or pending against FNB Newton which, if determined adversely, would have a material adverse effect on its business or financial position.

Related Party Transactions

First Nation Bank has had various loan and other banking transactions in the ordinary course of business with the directors, executive officers, and principal shareholders of FNB Newton, or an associate of such person. All such transactions: (a) have been made in the ordinary course of business; (b) have been made on substantially the same terms, including interest rates and collateral on loans, as those prevailing at the time for comparable transactions with unrelated persons; and (c) in the opinion of management do not involve more than the normal risk of collectibility or

present other unfavorable features. At September 30, 2002, the total dollar amount of extensions of credit to directors, executive officers and FNB Newton principal shareholders identified below, and any of their associates, excluding extensions of credit which were less than $60,000 to any one such person and their associates, were $2,520,316, which represented approximately 7.2% of total capital.

Principal Shareholders

The following table sets forth, as of September 30, 2002, the stock ownership by each of FNB Newton s directors, by all directors and executive officers as a group, and by each owner of more than 5% of the outstanding shares of FNB Newton common stock.

Name	Shares Beneficially Owned	Percent of Class
Kaye W. Cantrell	156,472 (1)	28.7115
Thomas R. Kephart	0 (2)	0
William C. Lankford, Jr.	0 (3)	0
Alyce W. Toonk	156,472 (4)	28.7115
John B. Williams	156,632 (5)	28.7409
Stephen C. Wood	0 (6)	0
Trust FBO Grandchildren of John R. and Ruth Williams	30,000 (7)	5.5047
All directors and executive officers, as a group	499,576	91.6686

(1) Comprised of the following nominally held shares: 1) 89,371 shares held by Williams Partners, LP; 2) 61,101 shares held by The 2000 Williams Investment Company, LLC; and 3) 6,000 shares held by Trust F.B.O. Children of John R. and Ruth Williams. The business address of Kaye W. Cantrell is 4159 Mill Street, Covington, Georgia 30014.

(2) Mr. Kephart holds two options to purchase an aggregate of 4,500 shares, which were exercisable as to 667 shares on September 30, 2002. The business address of Mr. Kephart is 4159 Mill Street, Covington, Georgia 30014.

(3) Mr. Lankford holds an option to purchase 1,000 shares which was not exercisable on September 30, 2002. The business address of Mr. Lankford is Suite 325, 780 Johnson Ferry Road, Atlanta, Georgia 30342.

(4) Comprised of the following nominally held shares: 1) 89,371 shares held by Williams Partners, LP; 2) 61,101 shares held by The 2000 Williams Investment Company, LLC; and 3) 6,000 shares held by Trust F.B.O.

Children of John R. and Ruth Williams. The business address of Alyce W. Toonk is 4159 Mill Street, Covington, Georgia 30014.

(5) Comprised of the following nominally held shares: 1) 89,371 shares held by Williams Partners, LP; 2) 61,101 shares held by The 2000 Williams Investment Company, LLC; and 3) 6,000 shares held by Trust F.B.O. Children of John R. and Ruth Williams. In addition, Mr. Williams owns 160 shares in his own name. The business address of John B. Williams is 4159 Mill Street, Covington, Georgia 30014.

(6) Mr. Wood holds an option to purchase 10,000 shares, which was exercisable as to 3,333 shares on September 30, 2002. The business address of Mr. Wood is 4159 Mill Street, Covington, Georgia 30014.

(7) The trustees of the Trust F.B.O. Grandchildren of John R. and Ruth Williams are John B. Willams and William C. Lankford, Jr. Mr. Lankford is a director of FNB Newton. The business address of the Trust F.B.O. Grandchildren of John R. and Ruth Williams is 4159 Mill Street, Covington, Georgia 30014.

REGULATORY MATTERS

General

Synovus is a registered bank holding company subject to supervision and regulation by the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 and by the Georgia Department of Banking and Finance under the bank holding company laws of the State of Georgia. Synovus became a financial holding company under the Gramm-Leach-Bliley Act of 1999 in April 2000. Financial holding companies may engage in a variety of activities, some of which are not permitted for other bank holding companies that are not financial holding companies. Synovus affiliate national banking associations are subject to regulation and examination primarily by the Office of the Comptroller of the Currency and, secondarily, by the FDIC and the Federal Reserve Board. Synovus state-chartered banks are subject to primary federal regulation and examination by the FDIC and, in addition, are regulated and examined by their respective state banking departments. Numerous other federal and state laws, as well as regulations promulgated by the Federal Reserve, the state banking regulators, the OCC and the FDIC govern almost all aspects of the operations of the banks. Various federal and state bodies regulate and supervise Synovus non-banking subsidiaries including its brokerage, investment advisory, insurance agency and processing operations. These include, but are not limited to, the SEC, the National Association of Securities Dealers, Inc., federal and state banking regulators and various state regulators of insurance and brokerage activities.

Dividends

Under the laws of the State of Georgia, Synovus, as a business corporation, may declare and pay dividends in cash or property unless the payment or declaration would be contrary to restrictions contained in its Articles of Incorporation, and unless, after payment of the dividend, it would not be able to pay its debts when they become due in the usual course of its business or its total assets would be less than the sum of its total liabilities. Synovus is also subject to regulatory capital restrictions that limit the amount of cash dividends that it may pay. Additionally, Synovus is subject to contractual restrictions that limit the amount of cash dividends it may pay. Under the laws of the State of Georgia, FNB Newton is subject to similar dividend restrictions.

The primary sources of funds for Synovus payment of dividends to its shareholders are dividends and fees to Synovus from its banking and nonbanking affiliates. Similarly, the primary source of funds for FNB Newton s payment of dividends to its shareholders are dividends to FNB Newton from its banking affiliate, First Nation Bank. Various federal and state statutory provisions and regulations limit the amount of dividends that the subsidiary banks of Synovus and FNB Newton may pay. Under the regulations of the Georgia Department of Banking and Finance, a Georgia bank must have approval of the Georgia Department of Banking and Finance to pay cash dividends if, at the time of such payment:

- the ratio of Tier 1 capital to adjusted total assets is less than 6%;
- the aggregate amount of dividends to be declared or anticipated to be declared during the current calendar year exceeds 50% of its net after-tax profits for the previous calendar year; or

- its total classified assets in its most recent regulatory examination exceeded 80% of its Tier 1 capital plus its allowance for loan losses, as reflected in the examination.

In general, the approval of the Alabama Banking Department, Florida Banking Department and Tennessee Department of Financial Institutions is required if the total of all dividends declared by an Alabama, Florida or Tennessee bank, as the case may be, in any year would exceed the total of its net profits for that year combined with its retained net profits for the preceding two years less any required transfers to surplus. In addition, the approval of the OCC is required for a national bank to pay dividends in excess of the bank s retained net income for the current year plus retained net income for the preceding two years. Approval of the Federal Reserve Board is required for payment of any dividend by a state chartered bank, like First Nation Bank, that is a member of the Federal Reserve System and sometimes referred to as a state member bank, if the total of all dividends declared by the bank in any calendar year would exceed the total of its net profits, as defined by regulatory agencies, for that year combined with its retained net profits for the proceeding two years. In addition, a state member bank may not pay a dividend in an amount greater than its net profits then on hand.

Some of Synovus banking affiliates have in the past been required to secure prior regulatory approval for the payment of dividends to Synovus in excess of regulatory limits and may be required to seek approval for the payment of dividends to Synovus in excess of those limits in the future. If prior regulatory approvals are sought, there is no assurance that any such regulatory approvals will be granted.

Federal and state banking regulations applicable to Synovus and its banking subsidiaries require minimum levels of capital which limit the amounts available for payment of dividends. Synovus objective is to pay out at least one-third of prior year s earnings in cash dividends to its shareholders. Synovus and its predecessors have paid cash dividends on their common stock in every year since 1891. Under restrictions imposed under federal and state laws, Synovus subsidiary banks could declare aggregate dividends to Synovus of approximately $162.6 million during 2002 without obtaining regulatory approval.

Capital Requirements

Synovus and FNB Newton are required to comply with the capital adequacy standards established by the Federal Reserve Board and their banking subsidiaries must comply with similar capital adequacy standards established by the OCC and FDIC, as applicable. There are two basic measures of capital adequacy for bank holding companies and their banking subsidiaries that have been promulgated by the Federal Reserve Board, the FDIC and the OCC: a risk-based measure and a leverage measure. All applicable capital standards must be satisfied for a bank holding company or a bank to be considered in compliance.

The risk-based capital standards are designed to make regulatory capital requirements more sensitive to differences in risk profile among banks and bank holding companies, to account for off-balance-sheet exposure, and to minimize disincentives for holding liquid assets. Assets and off-balance-sheet items are assigned to broad risk categories, each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance-sheet items.

The minimum guideline for the ratio of total capital to risk-weighted assets, including certain off-balance-sheet items, such as standby letters of credit, is 8.0%. At least half of total capital must comprise common stock, minority interests in the equity accounts of consolidated subsidiaries, noncumulative perpetual preferred stock and a limited amount of cumulative perpetual preferred stock, less goodwill and certain other intangible assets, referred to as Tier 1 Capital. The remainder may consist of subordinated debt, other preferred stock and a limited amount of loan loss reserves, referred to as Tier 2 Capital. The Federal Reserve Board also requires certain bank holding companies that

engage in trading activities to adjust their risk-based capital to take into consideration market risk that may result from movements in market prices of covered trading positions in trading accounts, or from foreign exchange or commodity positions, whether or not in trading accounts, including changes in interest rates, equity prices, foreign exchange rates or commodity prices. Any capital required to be maintained under these provisions may consist of new Tier 3 Capital consisting of certain short term subordinated debt. In addition, the Federal Reserve Board has issued a policy statement, under which a bank holding company that is determined to have weaknesses in its risk management processes or a high level of interest rate risk exposure may be required to hold additional capital.

The Federal Reserve Board has also established minimum leverage ratio guidelines for bank holding companies. These guidelines provide for a minimum leverage ratio of Tier 1 Capital to average assets, less goodwill and certain other intangible assets, of 3.0% for bank holding companies that meet certain specified criteria, including having the highest regulatory rating. All other bank holding companies generally are required to maintain a leverage ratio of at least 4.0%. Bank holding companies are expected to maintain higher-than- minimum capital ratios if they have supervisory, financial, operational or managerial weaknesses, or if they are anticipating or experiencing significant growth. Synovus has not been advised by the Federal Reserve Board of any specific minimum leverage ratio applicable to it.

At September 30, 2002, Synovus total capital ratio was 12.51%, its Tier 1 Capital ratio was 11.33% and its Tier 1 leverage ratio was 10.86%. Assuming the merger had been consummated on September 30, 2002, the total capital ratio of Synovus would have been 12.28%, its Tier 1 Capital ratio would have been 11.10% and its Tier 1 leverage ratio would have been 10.72%. Each of these ratios exceeds the current requirements under the Federal Reserve Board s capital guidelines.

At September 30, 2002, FNB Newton s total capital ratio was 12.78%, its Tier 1 Capital ratio was 11.65% and its Tier 1 leverage ratio was 10.20%. Each of these ratios exceeds the current requirements under the Federal Reserve Board s capital guidelines.

Each of Synovus and FNB Newton s banking subsidiaries is subject to similar risk-based and leverage capital requirements adopted by its applicable federal banking agency, and each was in compliance with the applicable minimum capital requirements as of September 30, 2002.

Failure to meet capital guidelines could subject a bank to a variety of enforcement remedies, including issuance of a capital directive, the termination of deposit insurance by the FDIC, a prohibition on the taking of brokered deposits and other restrictions on its business. As described below, substantial additional restrictions can be imposed upon FDIC-insured depository institutions that fail to meet applicable capital requirements. See Prompt Corrective Action below.

Commitments to Subsidiary Banks

Under the Federal Reserve Board s policy, Synovus is expected to act as a source of financial strength to its subsidiary banks and to commit resources to support its subsidiary banks in circumstances when it might not do so absent that policy. In addition, any capital loans by Synovus to any of its subsidiary banks would also be subordinate in right of payment to depositors and to certain other indebtedness of that bank.

In the event of Synovus bankruptcy, any commitment by Synovus to a federal bank regulatory agency to maintain the capital of a banking subsidiary will be assumed by the bankruptcy trustee and entitled to a priority of payment. In addition, the Federal Deposit Insurance Act provides that any financial institution whose deposits are insured by the FDIC generally will be liable for any loss incurred by the FDIC in connection with the default of, or any assistance

provided by the FDIC to, a commonly controlled financial institution.

Prompt Corrective Action

The Federal Deposit Insurance Corporation Improvement Act of 1991 establishes a system of prompt corrective action to resolve the problems of undercapitalized institutions. Under this system the federal banking regulators are required to rate supervised institutions on the basis of five capital categories as described below. The federal banking regulators are also required to take mandatory supervisory actions, and are authorized to take other discretionary actions, with respect to institutions in the three undercapitalized categories, the severity of which will depend upon the capital category in which the institution is placed. Generally, subject to a narrow exception, the Federal Deposit Insurance Corporation Improvement Act requires the banking regulator to appoint a receiver or conservator for an institution that is critically undercapitalized. The federal banking agencies have specified by regulation the relevant capital level for each category.

Under the Federal Deposit Insurance Corporation Improvement Act, the Federal Reserve Board, the FDIC, the OCC and the Office of Thrift Supervision have adopted regulations setting forth a five-tier scheme for measuring

the capital adequacy of the financial institutions they supervise. Under the regulations, an institution would be placed in one of the following capital categories:

- Well Capitalized an institution that has a total capital ratio of at least 10%, a Tier 1 Capital ratio of at least 6% and a Tier 1 leverage ratio of at least 5%;
- Adequately Capitalized an institution that has a total capital ratio of at least 8%, a Tier 1 Capital ratio of at least 4% and a Tier 1 leverage ratio of at least 4%;
- Undercapitalized an institution that has a total capital ratio of under 8%, a Tier 1 Capital ratio of under 4% or a Tier 1 leverage ratio of under 4%;
- Significantly Undercapitalized an institution that has a total capital ratio of under 6%, a Tier 1 Capital ratio of under 3% or a Tier 1 leverage ratio of under 3%; and
- Critically Undercapitalized an institution whose tangible equity is not greater than 2% of total tangible assets.

The regulations permit the appropriate federal banking regulator to downgrade an institution to the next lower category if the regulator determines (1) after notice and opportunity for hearing or response, that the institution is in an unsafe or unsound condition or (2) that the institution has received and not corrected a less-than-satisfactory rating for any of the categories of asset quality, management, earnings or liquidity in its most recent examination. Supervisory actions by the appropriate federal banking regulator depend upon an institution s classification within the five categories. Synovus management believes that Synovus and its bank subsidiaries have the requisite capital levels to qualify as well capitalized institutions under the Federal Deposit Insurance Corporation Improvement Act regulations.

The Federal Deposit Insurance Corporation Improvement Act generally prohibits a depository institution from making any capital distribution, including payment of a dividend, or paying any management fee to its holding company if the depository institution would thereafter be undercapitalized. Undercapitalized depository institutions are subject to restrictions on borrowing from the Federal Reserve System. In addition, undercapitalized depository institutions are subject to growth limitations and are required to submit capital restoration plans. 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 of the capital deficiency when the institution fails to comply with the plan. Federal banking agencies may not accept a capital plan without determining, among other things, that the plan is based on realistic assumptions and is likely to succeed in restoring the depository institution s capital. If a depository institution fails to submit an acceptable plan, it is treated as if it is significantly undercapitalized.

Significantly undercapitalized depository institutions may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets and cessation of receipt of deposits from correspondent banks. Critically undercapitalized depository institutions are subject to appointment of a receiver or conservator.

Safety and Soundness Standards

The Federal Deposit Insurance Act, as amended by the Federal Deposit Insurance Corporation Improvement Act and the Riegle Community Development and Regulatory Improvement Act of 1994, requires the federal bank regulatory agencies to prescribe standards, by regulations or guidelines, relating to internal controls, information systems and internal audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, asset quality, earnings, stock valuation and compensation, fees and benefits and such other operational and managerial standards as the agencies deem appropriate. The federal bank regulatory agencies have adopted a set of guidelines prescribing safety and soundness standards under the Federal Deposit Insurance Corporation Improvement Act. The guidelines establish general standards relating to internal controls and information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth 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. The federal banking agencies determined that stock valuation standards were not appropriate. In addition, the agencies have adopted regulations that authorize, but do not require, 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, after being so notified, an institution fails to submit an acceptable compliance plan, the agency must issue an order directing action to correct the deficiency and may issue an order directing other actions of the types to which an undercapitalized institution is subject under the prompt corrective action provisions of the Federal Deposit Insurance Corporation Improvement Act. See Prompt Corrective Action above. If an institution fails to comply with such an order, the agency may seek to enforce such order in judicial proceedings and to impose civil money penalties.

Depositor Preference Statute

Federal law provides that deposits and certain claims for administrative expenses and employee compensation against an insured depository institution would be afforded a priority over other general unsecured claims against such an institution, including federal funds and letters of credit, in the liquidation or other resolution of such an institution by any receiver.

Gramm-Leach-Bliley Act

On November 12, 1999, legislation was enacted which allows bank holding companies to engage in a wider range of non-banking activities, including greater authority to engage in securities and insurance activities. Under the Gramm-Leach-Bliley Act, a bank holding company that elects to become a financial holding company may engage in any activity that the Federal Reserve Board, in consultation with the Secretary of the Treasury, determines by regulation or order is: (1) financial in nature; (2) incidental to any such financial activity; or (3) complementary to any such financial activity and does not pose a substantial risk to the safety or soundness of depository institutions or the financial system generally. The legislation makes significant changes in United States banking law, principally by repealing restrictive provisions of the 1933 Glass-Steagall Act. The legislation specifies certain activities that are deemed to be financial in nature, including lending, exchanging, transferring, investing for others, or safeguarding money or securities; underwriting and selling insurance; providing financial, investment or economic advisory services; underwriting, dealing in or making a market in, securities; and any activity currently permitted for bank holding companies by the Federal Reserve Board under Section 4(c)(8) of the Bank Holding Company Act. The legislation does not authorize banks or their affiliates to engage in commercial activities that are not financial in nature. A bank holding company may elect to be treated as a financial holding company only if all depository institution subsidiaries of the holding company are well-capitalized, well-managed and have at least a satisfactory rating under the Community Reinvestment Act. Synovus became a financial holding company in April 2000.

In addition to the Gramm-Leach-Bliley Act, there have been a number of legislative and regulatory proposals that would have an impact on bank/financial holding companies and their bank and nonbank subsidiaries. It is impossible to predict whether or in what form these proposals may be adopted in the future and if adopted, what their effect will be on Synovus.

LEGAL MATTERS

The validity of the Synovus common stock to be issued in connection with the merger will be passed upon by Kathleen Moates, Senior Vice President and Senior Deputy General Counsel of Synovus. Ms. Moates beneficially owns shares of Synovus common stock and options to purchase additional shares of Synovus common stock. As of the date of this document, the number of shares Ms. Moates owns or has the right to acquire upon exercise of her options is, in the aggregate, less than 0.1% of the outstanding shares of Synovus common stock.

EXPERTS

The consolidated financial statements of Synovus Financial Corp. and subsidiaries as of December 31, 2001 and 2000 and for each of the years in the three-year period ended December 31, 2001 have been incorporated by reference herein in reliance upon the report of KPMG LLP, independent accountants, incorporated by reference

herein and upon the authority of said firm as experts in accounting and auditing. The audit report covering the December 31, 2001 consolidated financial statements refers to a change in the method of accounting for derivative instruments and hedging activities.

OTHER MATTERS

FNB Newton s board of directors does not know of any matters to be presented at the special meeting other than the proposal to approve the merger. If any other matters are properly brought before the special meeting or any adjournment of the special meeting, the enclosed proxy will be deemed to confer discretionary authority on the individuals named as proxies to vote the shares represented by the proxy as to any such matters.

SHAREHOLDER PROPOSALS

Synovus 2003 annual meeting of shareholders will be held in April 2003. Any shareholder satisfying the Securities and Exchange Commission requirements and wishing to submit a proposal to be included in the proxy statement for the 2003 annual meeting of shareholders should submit the proposal in writing to the Secretary, Synovus Financial Corp., 901 Front Avenue, Suite 301, Columbus, Georgia 31901. Synovus must receive a proposal by November 15, 2002 to consider it for inclusion in the proxy statement for the 2003 annual meeting of shareholders.

If the merger is not consummated, FNB Newton will inform its shareholders of the date and time of the 2003 annual meeting of shareholders of FNB Newton.

WHERE YOU CAN FIND MORE INFORMATION

Synovus files annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any reports, statements or other information that Synovus files with the SEC at the SEC s public reference rooms at 450 Fifth Street, NW, Washington, D.C. 20549, 233 Broadway, New York, New York 10048 and Suite 1400, 500 West Madison Street, Chicago, Illinois 60601-2511. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. These SEC filings are also available to the public from commercial document retrieval services and at the Internet world wide web site maintained by the SEC at http://www.sec.gov. Reports, proxy statements and other information should also be available for inspection at the offices of the NYSE.

Synovus filed a registration statement to register with the SEC the Synovus common stock to be issued to FNB Newton shareholders in the merger. This document is a part of that registration statement and constitutes a prospectus of Synovus. As allowed by SEC rules, this document does not contain all the information you can find in Synovus registration statement or the exhibits to that registration statement.

The SEC allows Synovus to incorporate by reference information into this document, which means that Synovus can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered part of this document, except for any information superseded by information contained directly in this document or in later filed documents incorporated by reference in this document.

This document incorporates by reference the documents set forth below that Synovus has previously filed with the SEC. These documents contain important information about Synovus and its business.

Synovus SEC Filings (File No. 1-10312)

(1) Synovus Annual Report on Form 10-K for the year ended December 31, 2001, as amended on April 10, 2002;

(2) Synovus Quarterly Reports on Form 10-Q for the quarters ended March 31, 2002, June 30, 2002 and September 30, 2002;

(3) Synovus Current Reports on Form 8-K dated January 16, 2002, April 15, 2002, July 12, 2002, July 17, 2002, August 8, 2002, October 15, 2002 and January 15, 2003;

(4) the description of Synovus common stock contained in Synovus Registration Statement on Form 8-A filed with the SEC on August 21, 1989; and

(5) the description of the shareholder rights plan of Synovus contained in Synovus Registration Statement on Form 8-A filed with the SEC on April 28, 1999.

Synovus also incorporates by reference additional documents that may be filed with the SEC between the date of this document and the consummation of the merger or termination of the merger agreement. These include periodic reports, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.

Synovus has supplied all information contained or incorporated by reference in this document relating to Synovus, and FNB Newton has supplied all information contained in this document relating to FNB Newton.

You can obtain any of the documents incorporated by reference from Synovus, the SEC or the SEC s Internet web site as described above. Documents incorporated by reference are available from Synovus without charge, excluding all exhibits, except that if Synovus has specifically incorporated by reference an exhibit in this document, the exhibit will also be available without charge. You may obtain documents incorporated by reference in this document by requesting them in writing or by telephone from Synovus at the following addresses:

Synovus Financial Corp.
901 Front Avenue, Suite 301
Columbus, Georgia 31901
Attn: G. Sanders Griffith, III
Senior Executive Vice President,
General Counsel & Secretary
Telephone: (706) 649-2267

If you would like to request documents, please do so by February 14, 2003 to receive them before the FNB Newton special meeting.

You should rely only on the information contained or incorporated by reference in this document. Synovus and FNB Newton have not authorized anyone to provide you with information that is different from what is contained in this document. This document is dated January 22, 2003. You should not assume that the information contained in this document is accurate as of any date other than that date. Neither the mailing of this document to shareholders nor the issuance of Synovus common stock in the merger creates any implication to the contrary.

FORWARD-LOOKING STATEMENTS

Synovus and FNB Newton make forward-looking statements in this document, and Synovus makes such statements in its public documents, that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our operations. Also, when we use any of the words believes, expects, anticipates or similar expressions, we are making forward-looking statements. Many possible events or factors could affect the financial results and performance of each of our companies. This could cause results or performances to differ materially from those expressed in our forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for such forward-looking statements. In order to comply with the terms of the safe harbor, we note that a variety of factors could cause our actual results and experience to differ materially from the anticipated results or other expectations expressed in such forward-looking statements. The risks and uncertainties that may affect the operations, performance, development and results of our businesses include, but

are not limited to, those described below. You should consider these risks when you vote on the merger. These possible events or factors include the following:

- our cost savings from the merger are less than we expect, or we are unable to obtain those cost savings as soon as we expect;
- costs or difficulties relating to the integration of FNB Newton may be greater than expected;
- we lose more deposits, customers, or business than we expect;
- competition in the banking industry increases significantly;
- our integration cost s are higher than we expect or our operating costs after the merger are greater than we expect;
- the merger does not generate the synergies we expect;
- technological changes and systems integration are harder to make or more expensive than we expect;
- changes in the interest rate environment reduce our margins;
- general economic or business conditions are worse than we expect;
- legislative or regulatory changes occur which adversely affect our business;
- changes occur in business conditions and inflation; and
- changes occur in the securities markets.

Management of each of Synovus and FNB Newton believes the forward-looking statements about its company are reasonable; however, you should not place undue reliance on them. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. The future results and shareholder values of Synovus following completion of the merger may differ materially from those expressed or implied in these forward-looking statements. Many of the factors that will determine these results and values are beyond Synovus and FNB Newton s ability to control or predict.

PRO FORMA FINANCIAL INFORMATION

Pro forma financial information reflecting the acquisition of FNB Newton by Synovus is not presented in this document since the pro forma effect is not significant.

Appendix A

AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER, dated as of the 31st day of October, 2002 (the "Plan" or the "Agreement") by and between SYNOVUS FINANCIAL CORP. ("Synovus") and FNB NEWTON BANKSHARES, INC. ("FNB").

RECITALS:

A. Synovus. Synovus has been duly incorporated and is an existing corporation in good standing under the laws of Georgia, with its principal executive offices located in Columbus, Georgia. As of June 30, 2002, Synovus had 600,000,000 authorized shares of common stock, par value $1.00 per share (Synovus Common Stock), of which 296,488,566 shares are outstanding. All of the issued and outstanding shares of Synovus Common Stock are duly and validly issued and outstanding and are fully paid and nonassessable and not subject to any preemptive rights. Synovus has 39 wholly-owned banking subsidiaries (as defined in Rule 1-02 of Regulation S-X promulgated by the Securities and Exchange Commission, a Subsidiary) and other non-banking Subsidiaries as of the date hereof. Each Subsidiary that is a depository institution is an insured institution as defined in the Federal Deposit Insurance Act and the applicable regulations thereunder, and the deposits in which are insured by the Federal Deposit Insurance Corporation.

B. FNB. FNB has been duly incorporated and is an existing corporation in good standing under the laws of Georgia, with its principal executive offices located in Covington, Georgia. As of June 30, 2002, FNB has 10,000,000 authorized shares of common stock, par value $1.00 per share (FNB Common Stock), of which 544,980 shares are outstanding as of the date hereof and 1,000,000 authorized shares of preferred stock of no par value per share, of which no shares are outstanding as of the date hereof. All of the issued and outstanding shares of FNB Common Stock are duly and validly issued and outstanding and are fully paid and nonassessable and not subject to any preemptive rights. FNB has one wholly-owned banking Subsidiary, which Subsidiary is an insured institution as defined in the Federal Deposit Insurance Act and the applicable regulations thereunder, and the deposits in which are insured by the Federal Deposit Insurance Corporation.

C. Rights, Etc. Neither Synovus nor FNB has any shares of its capital stock reserved for issuance, any outstanding option, call or commitment relating to shares of its capital stock or any outstanding securities, obligations or agreements convertible into or exchangeable for, or giving any person any right (including, without limitation, preemptive rights) to subscribe for or acquire from it, any shares of its capital stock except, in the case of Synovus, as described in filings made with the Securities and Exchange Commission ("SEC") and except in the case of FNB, as described in its audited financial statements for the year ended December 31, 2001 or in its unaudited financial statements for the period ended September 30, 2002 or except as otherwise disclosed in the letter referred to in Article III below.

D. Board Approvals. The respective Boards of Directors of Synovus and FNB have unanimously approved and adopted the Plan and have duly authorized its execution. In the case of FNB, the Board of Directors has unanimously voted to recommend to its stockholders that the Plan be approved.

E. Materiality. Unless the context otherwise requires, any reference in this Agreement to materiality with respect to any party shall be deemed to be with respect to such party and its Subsidiaries, or in the case of FNB, its Subsidiary, in each case taken as a whole.

F. Material Adverse Effect. For the purposes of this Plan, the capitalized term Material Adverse Effect as used in relation to a person, means an adverse effect on the business, results of operations or financial condition of that person or its Subsidiaries which is material to it and its Subsidiaries, taken as a whole, provided that Material Adverse Effect shall not include or be deemed to include: (1) the impact of changes which are made and become effective after the date of this Plan in banking or similar laws of general applicability or interpretations thereof by courts or governmental authorities; or (2) changes which are made and become effective after the date of this Plan in generally accepted accounting principles applicable to banks and their holding companies.

In consideration of their mutual promises and obligations hereunder, and intending to be legally bound hereby, Synovus and FNB adopt the Plan and prescribe the terms and conditions hereof and the manner and basis of carrying it into effect, which shall be as follows:

I. THE MERGER

(A) **Structure of the Merger.** On the Effective Date (as defined in Article VII), FNB will merge (the Merger) with and into Synovus, with Synovus being the surviving corporation (the Surviving Corporation) under the name Synovus Financial Corp. pursuant to the applicable provisions of the Georgia Business Corporation Code (Georgia Act). On the Effective Date, the articles of incorporation and bylaws of the Surviving Corporation shall be the articles of incorporation and bylaws of Synovus in effect immediately prior to the Effective Date.

(B) **Effect on Outstanding Shares.**

(1) By virtue of the Merger, automatically and without any action on the part of the holder thereof, subject to Article VI(A)(4), each share of FNB Common Stock issued and outstanding on the Effective Date, except as to shares of FNB Common Stock as to which dissenters rights have been duly and validly exercised in accordance with the Georgia Act, shall be converted into and exchangeable for the

right to receive both:

(a) 4.1353 shares of Synovus Common Stock ("Per Share Stock Consideration"); and

(b) cash in an amount equal to $85.1536 (the "Per Share Cash Consideration).

(2) No fractional shares of Synovus Common Stock shall be issued in connection with the Merger. Each holder of FNB Common Stock who would otherwise have been entitled to receive a fraction of a share of Synovus Common Stock shall receive, in lieu thereof, cash (without interest) in an amount equal to such fractional part of a share of Synovus Common Stock multiplied by the closing price per share of Synovus Common Stock on the NYSE on the last business day immediately preceding the Effective Date.

(3) Each shareholder of FNB Common Stock will be entitled to ten (10) votes for each share of Synovus Common Stock to be received by him/her on the Effective Date pursuant to a set of resolutions adopted by the Board of Directors of Synovus on October 31, 2002, in accordance with and subject to those certain Articles of Amendment to Synovus Articles of Incorporation, dated April 24, 1986. Synovus shall provide FNB with certified copies of such resolutions prior to the Effective Date.

(4) The shares of the Synovus Common Stock issued and outstanding immediately prior to the Effective Date shall remain outstanding and unchanged after the Merger.

(5) If, between the date of this Agreement and the Effective Date, the outstanding shares of Synovus Common Stock shall be increased, decreased, changed into or exchanged for a different number or class of shares by reason of any reorganization, reclassification, recapitalization, stock dividend, stock split, reverse stock split, or other like changes in Synovus capitalization, then an appropriate and proportionate adjustment shall be made to the Per Share Cash Consideration and the Per Share Stock Consideration so as to prevent the dilutive effect of such transaction on a percentage of ownership basis.

(C) General Procedures.

(1) Certificates which represent shares of FNB Common Stock that are outstanding on the Effective Date (each, a Certificate) and are converted into shares of Synovus Common Stock or cash pursuant to the Plan shall, after the Effective Date, be

deemed to represent shares of the Synovus Common Stock or cash into which such shares have become converted and shall be exchangeable by the holders thereof in the manner provided in the transmittal materials described below for new certificates representing the shares of Synovus Common Stock or cash into which such shares have been converted.

(2) As promptly as practicable after the Effective Date, Synovus shall send to each holder of record of shares of FNB Common Stock outstanding on the Effective Date transmittal materials for use in exchanging the Certificates for such shares for certificates for shares of the Synovus Common Stock or cash into which such shares of the FNB Common Stock have been converted pursuant to the Plan. Upon surrender of a Certificate, duly endorsed as Synovus may require, the holder of such Certificate shall be entitled to receive in exchange therefor the consideration set forth in Article I(B) and such Certificate shall forthwith be canceled. No dividend or other distribution payable after the Effective Date with respect to the Synovus Common Stock shall be paid to the holder of any unsurrendered Certificate until the holder thereof surrenders such Certificate, at which time such holder shall receive all dividends and distributions, without interest thereon, previously withheld from such holder pursuant hereto. After the Effective Date, there shall be no transfers on the stock transfer books of FNB of shares of FNB Common Stock which were issued and outstanding on the Effective Date and converted pursuant to the provisions of the Plan. If after the Effective Date, Certificates are presented for transfer to FNB, they shall be canceled and exchanged for the shares of Synovus Common Stock or cash deliverable in respect thereof as determined in accordance with the provisions of Article I(B) and in accordance with the procedures set forth in this Article I(C). In the case of any lost, mislaid, stolen or destroyed Certificate, the holder thereof may be required, as a condition precedent to the delivery to such holder of the consideration described in Article 1(B), to deliver to Synovus a bond in such sum as Synovus may direct as indemnity against any claim that may be made against the exchange agent, Synovus or FNB with respect to the Certificate alleged to have been lost, mislaid, stolen or destroyed.

(3) After the Effective Date, holders of FNB Common Stock shall cease to be, and shall have no rights as, stockholders of FNB, other than to receive shares of Synovus Common Stock or cash into which such shares have been converted, fractional share payments pursuant to the Plan and any dividends or distributions with respect to such shares of Synovus Common Stock. Until sixty (60) days after the Effective Date, former shareholders of record of FNB shall be entitled to vote at any meeting of Synovus shareholders the number of shares of Synovus Common Stock into which their respective FNB Common Stock are converted regardless of

whether such holders have exchanged their certificates pursuant to the Plan.

(4) Notwithstanding the foregoing, neither Synovus nor FNB nor any other person shall be liable to any former holder of shares of FNB Common Stock for any amounts paid or property delivered in good faith to a public official pursuant to applicable abandoned property, escheat or similar laws.

(D) Options.

(1) On the Effective Date, each option granted by FNB to purchase shares of FNB Common Stock (each an FNB Stock Option), whether vested or unvested, which is outstanding and unexercised immediately prior thereto, shall be assumed by Synovus and converted automatically into an option to purchase shares of Synovus Common Stock (each a Synovus Stock Option) in an amount and at an exercise price determined as provided below (and otherwise having the same duration and other terms as the original option):

(a) The number of shares of Synovus Common Stock to be subject to the new option shall be equal to the product of the number of shares of FNB Common Stock subject to the original option multiplied by 8.4578 (Synovus Option Value Multiple), unless adjusted pursuant to Article VI(A)(4), provided that any fractional shares of Synovus Common Stock resulting from such multiplication shall be rounded to the nearest whole share; and

(b) The exercise price per share of Synovus Common Stock under the new option shall be equal to the exercise price per share of FNB Common Stock under the original option divided by 8.4578 (Synovus Option Price Divisor), unless adjusted pursuant to Article VI(A)(4), provided that such exercise price shall be rounded up to the nearest cent.

(2) The adjustment provided herein with respect to any options which are incentive stock options (as defined in Section 422 of the Internal Revenue Code of 1986 (the Code)) shall be and is intended to be effected in a manner which is consistent with Section 424(a) of the Code.

(3) Within thirty (30) days after the Effective Date, Synovus shall notify each holder of an option to purchase FNB Common Stock of the assumption of such options by Synovus and the revisions to the options shall be effected thereby. No payment shall be made for fractional interests. From and after the date hereof, no additional

options to purchase FNB Common Stock shall be granted. Synovus shall take all corporate action necessary to reserve for issuance a sufficient number of shares of Synovus Common Stock for delivery upon exercise of the Synovus Stock Options. As soon as practicable after the Effective Date, Synovus shall file a registration statement on Form S-8 (or any successor or other appropriate forms) with respect to the shares of Synovus Common Stock subject to any Synovus Stock Options held by persons who are or were directors, officers or employees of FNB or its Subsidiary.

II. ACTIONS PENDING MERGER

(A) FNB and its Subsidiary shall conduct their business only in the ordinary course and shall not, without the prior written consent of Synovus, which consent will not be unreasonably withheld: (1) issue any options to purchase capital stock or issue any shares of capital stock; (2) declare, set aside, or pay any dividend or distribution with respect to the capital stock of FNB other than normal and customary quarterly cash dividends in an amount not to exceed $0.21 per share of FNB Common Stock; (3) directly or indirectly redeem, purchase or otherwise acquire any capital stock of FNB or its Subsidiary; (4) effect a split or reclassification of the capital stock of FNB or its Subsidiary or a

recapitalization of FNB or its Subsidiary; (5) amend the articles of incorporation or bylaws of FNB or its Subsidiary; (6) grant any increase in the salaries payable or to become payable by FNB or its Subsidiary to any employee and other than normal, annual salary increases to be made with regard to the employees of FNB or its Subsidiary; (7) make any change in any bonus, group insurance, pension, profit sharing, deferred compensation, or other benefit plan, payment or arrangement made to, for or with respect to any employees or directors of FNB or its Subsidiary, except to the extent such changes are required by applicable laws or regulations; (8) enter into, terminate, modify or amend any contract, lease or other agreement with any officer or director of FNB or its Subsidiary or any associate of any such officer or director, as such term is defined in Regulation 14A under the Securities Exchange Act of 1934, as amended (Exchange Act), other than in the ordinary course of their banking business; (9) incur or assume any liabilities, other than in the ordinary course of their banking business; (10) dispose of any of their assets or properties, other than in the ordinary course of their banking business; (11) solicit, encourage or authorize any individual, corporation or other entity, including its directors, officers and other employees, to solicit from any third party any inquiries or proposals relating to the disposition of its business or assets, or the acquisition of its voting securities, or the merger of it or its Subsidiary with any corporation or other entity other than as provided by this Agreement, or subject to the fiduciary obligations of its Board of Directors, provide any individual, corporation or other entity with information or assistance or negotiate with any individual, corporation or other entity in furtherance of such inquiries or to obtain such a proposal (and FNB shall promptly notify Synovus of all of the relevant details relating to all inquiries and proposals which it may receive relating to any of such matters); (12) take any other action or permit its

Subsidiary to take any action not in the ordinary course of business of it and its Subsidiary; or (13) directly or indirectly agree to take any of the foregoing actions.

(B) Without the prior written consent of FNB, which consent will not be unreasonably withheld, Synovus will not take any action that would: (a) delay or adversely affect the ability of Synovus to obtain any necessary approvals of regulatory authorities required for the transactions contemplated hereby; or (b) adversely affect its ability to perform its covenants and agreements on a timely basis under this Plan.

III. REPRESENTATIONS AND WARRANTIES

Synovus hereby represents and warrants to FNB, and FNB represents and warrants to Synovus, that, except as previously disclosed in a letter of Synovus or FNB, respectively, of even date herewith delivered to the other party:

(A) the representations set forth in Recitals A through D of the Plan with respect to it are true and correct and constitute representations and warranties for the purpose of Article V Conditions to Consummation, hereof;

(B) the outstanding shares of capital stock of it and its Subsidiaries are duly authorized, validly issued and outstanding, fully paid and (subject to 12 U.S.C.§ 55 in the case of a national bank subsidiary) non assessable, and subject to no preemptive rights of current or past shareholders;

(C) each of it and its Subsidiaries has the power and authority, and is duly qualified in all jurisdictions (except for such qualifications the absence of which either individually or in the aggregate, will not have a Material Adverse Effect) where such qualification is required to carry on its business as it is now being conducted, to own all its material properties and assets, and has all federal, state, local, and foreign governmental authorizations necessary for it to own or lease its properties and assets and to carry on its business as it is now being conducted, except for such authorizations the absence of which, either individually or in the aggregate, would not have a Material Adverse Effect;

(D) the shares of capital stock of each of its Subsidiaries are owned by it (except for director s qualifying shares) free and clear of all liens, claims, encumbrances and restrictions on transfer;

(E) subject, in the case of FNB, to the receipt of any required shareholder approval of this Plan, the Plan has been authorized by all necessary corporate action of it and, subject to receipt of such approvals of shareholders and required regulatory approvals, is a legal, valid and

binding agreement of it enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors rights and to general equity principles involving specific performance or injunctive relief;

(F) the execution, delivery and performance of the Plan by it does not, and the consummation of the transactions contemplated hereby by it will not, constitute: (1) a breach or violation of, or a default under, any law, rule or regulation or any judgment, decree, order, governmental permit or license, or agreement, indenture or instrument of it or its Subsidiaries or to which it or its Subsidiaries (or any of their respective properties) is subject which breach, violation or default would have a Material Adverse Effect, or enable any person to enjoin any of the transactions contemplated hereby; or (2) a breach or violation of, or a default under, the certificate or articles of incorporation or bylaws of it or any of its Subsidiaries; and the consummation of the transactions contemplated hereby will not require any consent or approval under any such law, rule, regulation, judgment, decree, order, governmental permit or license or the consent or approval of any other party to any such agreement, indenture or instrument, other than the required approvals of applicable regulatory authorities and the approval of the shareholders of FNB, both of which are referred to in Article V(A) and any consents and approvals the absence of which will not have a Material Adverse Effect;

(G) in the case of Synovus, since December 31, 2001, it has filed all forms, reports and documents with the SEC required to be filed by it pursuant to the federal securities laws and SEC rules and regulations thereunder (the SEC Reports), each of which complied as to form, at the time such form, report or document was filed, in all material respects with the applicable requirement of the Securities Act of 1933, as amended (Securities Act), the Exchange Act and the applicable rules and regulations thereunder. As of their respective dates, none of the SEC Reports, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading. Each of the balance sheets in or incorporated by reference into the SEC Reports (including the related notes and schedules) fairly presents the financial position of the entity or entities to which it relates as of its date and each of the statements of operations and retained earnings and of cash flows and changes in financial position or equivalent statements in or incorporated by reference into the SEC Reports (including any related notes and schedules) fairly presents the results of operations, retained earnings and cash flows and changes in financial position, as the case may be, of the entity or entities to which it relates for the periods set forth therein (subject, in the case of unaudited interim statements, to normal year-end audit adjustments that are not material in amount or effect), in each case in accordance with generally accepted accounting principles applicable to bank holding companies consistently applied during the periods involved, except as may be noted therein. It has no material obligations or liabilities (contingent or otherwise) except as disclosed in the SEC Reports.

For purposes of this paragraph, material shall have the meaning as defined under the Securities Act, the Exchange Act and the rules promulgated thereunder;

(H) in the case of FNB: (1) it has previously delivered to Synovus copies of the financial statements of FNB, and of FNB s Subsidiary, as of and for each of the years ended December 31, 2000 and 2001, and for the period ended September 30, 2002, and FNB shall deliver to Synovus, as soon as practicable following the preparation of additional

financial statements for each subsequent calendar quarter of FNB and FNB s Subsidiary, the additional financial statements of FNB and FNB s Subsidiary (including, with respect to the Subsidiary, call reports of FNB s Subsidiary) as of and for subsequent calendar quarter (such financial statements, unless otherwise indicated, being hereinafter referred to collectively as the Financial Statements of FNB and the Financial Statements of FNB s Subsidiary, respectively); and (2) each of the Financial Statements of FNB and each of the Financial Statements of FNB s Subsidiary (including the related notes), have been or will be prepared in all material respects in accordance with generally accepted accounting principles, which principles have been and will be consistently applied during the periods involved, except as otherwise noted therein, and all the books and records of FNB and FNB s Subsidiary have been, are being, and will be maintained in all material respects in accordance with applicable legal and accounting requirements and reflect only actual transactions. Each of the Financial Statements of FNB and each of the Financial Statements of FNB s Subsidiary (including the related notes) fairly present or will fairly present the financial position of FNB on a consolidated basis and the financial position of FNB s Subsidiary as of the respective dates thereof and fairly present or will fairly present the results of operations of FNB on a consolidated basis and the results of operations of FNB s Subsidiary for the respective periods therein set forth. FNB and FNB s Subsidiary have no material obligations (contingent or otherwise) except as disclosed in the Financial Statements of FNB and the Financial Statements of FNB s Subsidiary.

(I) it has no material liabilities and obligations secured or unsecured, whether accrued, absolute, contingent or otherwise, known or unknown, due or to become due, including, but not limited to tax liabilities, that should have been but are not reflected in or reserved against in its audited financial statements as of December 31, 2001 or disclosed in the notes thereto;

(J) there has not been the occurrence of one or more events, conditions, actions or statements of fact which have caused a Material Adverse Effect with respect to it since December 31, 2001;

(K) all material federal, state, local, and foreign tax returns required to be filed by or on behalf of it or any of its Subsidiaries have been timely filed or requests for extensions have been timely filed and any such extension shall have been granted and not have expired; and to the best of its knowledge, all such returns filed are complete and accurate in all material respects. All taxes shown on returns filed by it have been paid in full or adequate provision has been made for

any such taxes on its balance sheet (in accordance with generally accepted accounting principles). As of the date of the Plan, there is no audit, examination, deficiency, or refund litigation with respect to any taxes of it that would result in a determination that would have a Material Adverse Effect. All taxes, interest, additions, and penalties due with respect to completed and settled examinations or concluded litigation relating to it have been paid in full or adequate provision has been made for any such taxes on its balance sheet (in accordance with generally accepted accounting principles). It has not executed an extension or waiver of any statute of limitations on the assessment or collection of any material tax due that is currently in effect. Deferred taxes have been provided for in its financial statements in accordance with generally accepted accounting principles applied on a consistent basis;

(L) (1) no litigation, proceeding or controversy before any court or governmental agency is pending, and there is no pending claim, action or proceeding against it or any of its Subsidiaries, which is likely to have a Material Adverse Effect or to prevent consummation of the transactions contemplated hereby, and, to the best of its knowledge, no such litigation, proceeding, controversy, claim or action has been threatened or is contemplated; and

(2) neither it nor any of its Subsidiaries is subject to any agreement, memorandum of understanding, commitment letter, board resolution or similar arrangement with, or transmitted to, any regulatory authority materially restricting its operations as conducted on the date hereof or requiring that certain actions be taken

which could reasonably be expected to have a Material Adverse Effect;

(M) neither it nor its Subsidiaries are in default in any material respect under any material contract (as defined in Item 601(b)(10)(i) and (ii) of Regulation S-K) and there has not occurred any event that with the lapse of time or the giving of notice or both would constitute such a default;

(N) all employee benefit plans, as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974 (ERISA), that cover any of its or its Subsidiaries employees, comply in all material respects with all applicable requirements of ERISA, the Code and other applicable laws; neither it nor any of its Subsidiaries has engaged in a prohibited transaction (as defined in Section 406 of ERISA or Section 4975 of the Code) with respect to any such plan which is likely to result in any material penalties or taxes under Section 502(i) of ERISA or Section 4975 of the Code; no material liability to the Pension Benefit Guaranty Corporation has been or is expected by it or them to be incurred with respect to any such plan which is subject to Title IV of ERISA (Pension Plan), or with respect to any single-employer plan (as defined in Section 4001(a)(15) of ERISA) currently or formerly maintained by it, them or any entity which is considered one employer with it under Section 4001 of ERISA or Section 414 of the Code; no Pension Plan had an accumulated funding deficiency (as defined in Section 302 of ERISA

(whether or not waived) as of the last day of the end of the most recent plan year ending prior to the date hereof; the fair market value of the assets of each Pension Plan exceeds the present value of the benefit liabilities (as defined in Section 4001(a)(16) of ERISA) under such Pension Plan as of the end of the most recent plan year with respect to the respective Plan ending prior to the date hereof, calculated on the basis of the actuarial assumptions used in the most recent actuarial valuation for such Pension Plan as of the date hereof; to the actual knowledge of its executive officers, there are no pending or anticipated material claims against or otherwise involving any of its employee benefit plans and no suit, action or other litigation (excluding claims for benefits incurred in the ordinary course of activities of such plans) has been brought against or with respect to any such plan, except for any of the foregoing which would not have a Material Adverse Effect; no notice of a reportable event (as defined in Section 4043 of ERISA) for which the 30-day reporting requirement has not been waived has been required to be filed for any Pension Plan within the 12-month period ending on the date hereof; it and its Subsidiaries have not contributed to a multi-employer plan , as defined in Section 3(37) of ERISA; and it and its Subsidiaries do not have any obligations for retiree health and life benefits under any benefit plan, contract or arrangement, except as required by Section 4980B of the Code and Part 6 of Subtitle B of Title I of ERISA;

(O) each of it and its Subsidiaries has good and marketable title to its respective properties and assets, tangible or intangible (other than property as to which it is lessee), except for such defects in title which would not, in the aggregate, have a Material Adverse Effect;

(P) it knows of no reason why the regulatory approvals referred to in Article V(A)(2)and (3) should not be obtained without the imposition of any condition of the type referred to in the proviso following such Article V(A)(2) and (3) and it has taken no action or agreed to take any action that is reasonably likely to prevent the Merger from qualifying for treatment as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code for federal income tax purposes;

(Q) in the case of Synovus, its reserve for possible loan and lease losses as shown in its audited financial statements as of December 31, 2001 was, and its reserve for possible loan and lease losses as shown in all Quarterly Reports on Form 10-Q filed prior to the Effective Date will be, adequate in all material respects under generally accepted accounting principles applicable to banks and bank holding companies, and in the case of FNB, its reserve for possible loan and lease losses as shown in its audited financial statements as of December 31, 2001 was, and its reserve for possible loan and lease losses as shown in its unaudited quarterly financial statements prepared for all quarters ending prior to the Effective Date will be, adequate in all material respects under generally accepted accounting principles applicable to banks and bank holding companies;

(R) it and each of its Subsidiaries has all material permits, licenses, certificates of authority, orders, and approvals of, and has made all filings, applications, and registrations with,

federal, state, local, and foreign governmental or regulatory bodies that are required in order to permit it to carry on its business as it is presently conducted and the absence of which would have a Material Adverse Effect; all such permits, licenses, certificates of authority, orders, and approvals are in full force and effect, and to the best knowledge of it no suspension or cancellation of any of them is threatened;

(S) in the case of Synovus, the shares of capital stock to be issued pursuant to the Plan, when issued in accordance with the terms of the Plan, will be duly authorized, validly issued, fully paid and nonassessable and subject to no preemptive rights of any current or past shareholders;

(T) neither it nor any of its Subsidiaries is a party to, or is bound by, any collective bargaining agreement, contract, or other agreement or understanding with a labor union or labor organization, nor is it or any of its Subsidiaries the subject of a proceeding asserting that it or any such Subsidiary has committed an unfair labor practice or seeking to compel it or such Subsidiary to bargain with any labor organization as to wages and conditions of employment, nor is there any strike or other labor dispute involving it or any of its Subsidiaries pending or threatened;

(U) other than services provided by Brown, Burke Capital Partners, L.L.C., which has been retained by FNB and the arrangements with which, including fees, have been disclosed to Synovus prior to the date hereof, neither it nor any of its Subsidiaries, nor any of their respective officers, directors, or employees, has employed any broker or finder or incurred any liability for any financial advisory fees, brokerage fees, commissions, or finder s fees, and no broker or finder has acted directly or indirectly for it or any of its Subsidiaries, in connection with the Plan or the transactions contemplated hereby;

(V) the information to be supplied by it for inclusion in: (1) the Registration Statement on Form S-4 and/or such other form(s) as may be appropriate to be filed under the Securities Act, with the SEC by Synovus for the purpose of, among other things, registering the Synovus Common Stock to be issued to the shareholders of FNB in the Merger (the Registration Statement); or (2) the proxy statement to be filed with the SEC under the Exchange Act and distributed in connection with FNB s meeting of its shareholders to vote upon this Plan (as amended or supplemented from time to time, the Proxy Statement , and together with the prospectus included in the Registration Statement, as amended or supplemented from time to time, the Proxy Statement/Prospectus) will not at the time such Registration Statement becomes effective, and in the case of the Proxy Statement/Prospectus at the time it is mailed and at the time of the meeting of stockholders contemplated under this Plan, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading;

(W) (1) to the actual knowledge of its executive officers and the executive officers of its Subsidiaries, except such which will not have, or result in, a Material Adverse Effect, there are no actions, suits, demands, notices, claims, investigations or proceedings pending or threatened against it and its Subsidiaries relating to the Loan Portfolio Properties and Other Properties Owned by it or its Subsidiaries under any Environmental Law, including without limitation any notices, demand letters or requests for information from any federal or state environmental agency relating to any such liabilities under or violations of Environmental Law, nor are there any circumstances which could lead to such actions, suits, demands, notices, claims, investigations or proceedings.

(2) for purposes of this Article III(W), the following terms shall have the indicated meaning:

Environmental Law means any federal, state or local law, statute, ordinance, rule, regulation, code, license, permit, authorization, approval, consent, order, judgment, decree, injunction or agreement with any governmental entity relating to: (1) the protection, preservation or restoration of the environment (including, without limitation, air, water vapor, surface water, groundwater, drinking water supply, surface soil, subsurface soil, plant and animal life or any other natural resource); and/or (2) the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production, release or disposal of Hazardous Substances. The term Environmental Law includes without limitation: (1) the Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 U.S.C.§ 9601, et seq; the Resource Conservation and Recovery Act, as amended, 42 U.S.C.§ 6901, et seq; the Clean Air Act, as amended, 42 U.S.C.§ 7401, et seq; the Federal Water Pollution Control Act, as amended, 33 U.S.C.§ 1251, et seq; the Toxic Substances Control Act, as amended, 15 U.S.C.§ 9601, et seq; the Emergency Planning and Community Right to Know Act, 42 U.S.C.§ 11001, et seq; the Safe Drinking Water Act, 42 U.S.C.§ 300f, et seq; all accompanying federal regulations and all comparable state and local laws; and (2) any common law (including without limitation common law that may impose strict liability) that may impose liability or obligations for injuries or damages due to, or threatened as a result of, the presence of or exposure to any Hazardous Substance.

Hazardous Substance

means any substance or waste presently listed, defined, designated or classified as hazardous, toxic, radioactive or dangerous, or otherwise regulated, under any Environmental Law, whether

by type or by quantity, including any material containing any such substance as a component. Hazardous Substances include without limitation petroleum or any derivative or by-product thereof, asbestos, radioactive material, and polychlorinated biphenyls.

Loan Portfolio Properties and Other Properties Owned means those properties owned or operated by Synovus or FNB as applicable, or any of their respective Subsidiaries; and

(X) in the case of FNB, all securities issued by it (or any other person), convertible into FNB Common Stock shall, as a result and upon consummation of the Merger be convertible only into Synovus Common Stock.

IV. COVENANTS

Synovus hereby covenants to FNB, and FNB hereby covenants to Synovus, that:

(A) it shall take or cause to be taken all action necessary or desirable under the Plan on its part as promptly as practicable, including the filing of all necessary applications and the Registration Statement, so as to permit the consummation of the transactions contemplated by the Plan at the earliest possible date and cooperate fully with the other party hereto to that end;

(B) in the case of FNB, it shall: (1) take all steps necessary to duly call, give notice of, convene and hold a meeting of its shareholders for the purpose of approving the Plan as soon as is reasonably practicable; (2) distribute to its shareholders the Proxy Statement/Prospectus in accordance with applicable federal and state law and with its

articles of incorporation and bylaws; (3) recommend to its shareholders that they approve the Plan (unless it has been advised in writing that to do so would constitute a breach of fiduciary or legal duties of its Board of Directors); and (4) cooperate and consult with Synovus with respect to each of the foregoing matters;

(C) it will cooperate in the preparation and filing of the Proxy Statement/Prospectus and Registration Statement in order to consummate the transactions contemplated by the Plan as soon as is reasonably practicable;

(D) Synovus will advise FNB, promptly after Synovus receives notice thereof, of the time when the Registration Statement has become effective or any supplement or amendment has been filed, of the issuance of any stop order or the suspension of the qualification of the shares of Synovus Common Stock issuable pursuant to the Plan for offering or sale in any jurisdiction,

of the initiation or threat of any proceeding for any such purpose or of any request by the SEC for the amendment or supplement of the Registration Statement or for additional information;

(E) in the case of Synovus, it shall take all actions to obtain, prior to the effective date of the Registration Statement, all applicable state securities law or Blue Sky permits, approvals, qualifications or exemptions for the Synovus shares to be issued pursuant to this Plan;

(F) subject to its disclosure obligations imposed by law or regulatory authority, unless reviewed and agreed to by the other party hereto in advance, it will not issue any press release or written statement for general circulation relating to the transactions contemplated hereby; provided however, that nothing in this Article IV(F) shall be deemed to prohibit either party from making any disclosure which its counsel deems necessary or advisable in order to satisfy such party s disclosure obligations imposed by law;

(G) from and subsequent to the date hereof, it will: (1) give to the other party hereto and its respective counsel and accountants reasonable access to its premises and books and records during normal business hours for any reasonable purpose related to the transactions contemplated hereby; and (2) cooperate and instruct its respective counsel and accountants to cooperate with the other party hereto and with its respective counsel and accountants with regard to the formulation and production of all necessary information, disclosures, financial statements, registration statements and regulatory filings with respect to the transactions encompassed by the Plan. Any nonpublic information regarding either party shall be held subject to the terms of that certain letter agreement between Synovus and Brown, Burke Capital Partners, LLC dated July 1, 2002;

(H) it shall notify the other party hereto as promptly as practicable of: (1) any breach of any of its representations, warranties or agreements contained herein; (2) any occurrence, or impending occurrence, of any event or circumstance which would cause or constitute a material breach of any of the representations, warranties or agreements of it contained herein; and (3) any material adverse change in its financial condition, results of operations or business; and (4) it shall use its best efforts to prevent or remedy the same;

(I) it shall cooperate and use its best efforts to promptly prepare and file all necessary documentation, to effect all necessary applications, notices, petitions, filings and other documents, and to obtain all necessary permits, consents, approvals and authorizations of all third parties and governmental bodies or agencies, including, in the case of Synovus, submission of applications for approval of the Plan and the transactions contemplated hereby to the Board of Governors of the Federal Reserve System (the Board of Governors) in accordance with the provisions of the Bank Holding Company Act of 1956, as amended (the BHC Act) and the Georgia Department of Banking and Finance (Georgia Department), and to such other regulatory agencies as required by law;

(J) it will use its best efforts to cause the Merger to qualify as a reorganization within the meaning of Section 368(a) of the Code for federal income tax purposes;

(K) Synovus shall use its best efforts to cause the shares of Synovus Common Stock to be issued pursuant to the terms of this Plan to be approved for listing on the NYSE, and each such share shall be entitled to ten (10) votes per share in accordance with and subject to those certain Articles of Amendment to Synovus Articles of Incorporation dated April 24, 1986;

(L) following the Effective Date, Synovus shall continue to provide generally to officers and employees of FNB and its Subsidiary employee benefits, including, without limitation, pension benefits, health, life insurance and other welfare benefits, and vacation and severance arrangements (collectively, Employee Benefits), on terms and conditions which, when taken as whole, are substantially similar to those currently provided by FNB and its Subsidiary. As soon as administratively and financially practicable following the Effective Date, Synovus shall provide to officers and employees of FNB and its Subsidiary Employee Benefits which are the same as those provided from time to time by Synovus and its Subsidiaries to their similarly situated officers and employees. With respect to Employee Benefits maintained by Synovus in which FNB participates after the Effective Date, Synovus agrees to treat service by employees of FNB and its Subsidiary prior to the Effective Date as service with Synovus (1) (a) for eligibility and vesting purposes in providing Employee Benefits other than those identified in clause (b); and (b) for eligibility, vesting and benefit accrual purposes in providing severance benefits and in administering payroll practices that do not rise to the level of an employee benefit plan subject to ERISA, such as vacation and other leave policies; and (2) in making employment determinations, including promotions and layoffs. Synovus also agrees to waive pre-existing condition limitations, if any, as would otherwise be applied to participating employees of FNB and its Subsidiary upon the implementation of such Employee Benefits constituting group health plans within the meaning of Section 5000(b)(i) of the Code (each, a Synovus Health Plan) and, where a transition to a Synovus Health Plan is made during the plan year of one or more group health plan(s) maintained by FNB or its Subsidiary, to credit such employees with expenses incurred under any such group health plan for purposes of applying deductible and out-of-pocket limitations under the Synovus Health Plan (on a pro-rata basis in the event of a difference in plan years between the predecessor and successor plans). Finally, Synovus shall recognize the paid time off accrued by employees of FNB and its Subsidiary as of the Effective Date and shall not require such accrued paid time off to be utilized prior to the end of the calendar year which contains the Effective Date;

(M) it shall promptly furnish the other party with copies of all documents filed prior to the Effective Date with the SEC and all documents filed with other governmental or regulatory agencies or bodies in connection with the Merger;

(N) FNB shall use its best efforts to cause each director, executive officer and other person who is an affiliate (for purposes of Rule 145 under the Securities Act) to deliver to Synovus as soon as practicable after the date hereof, but in no event after the date of the FNB shareholders meeting called to approve the Merger, a written agreement providing that such person will not sell, pledge, transfer or otherwise dispose of any shares of FNB Common Stock held by such affiliate and the shares of Synovus Common Stock to be received by such affiliate in the Merger: (1) in the case of shares of Synovus Common Stock only, except in compliance with the applicable provisions of the Securities Act and the rules and regulations thereunder. The certificates of Synovus Common Stock issued to affiliates of FNB will bear an appropriate legend reflecting the foregoing;

(O) it will not directly or indirectly take any action or omit to take any action to cause any of its representations and warranties made in this Plan to become untrue;

(P) in the case of Synovus, it shall take no action which would cause the shareholders of FNB to recognize gain or loss as a result of the Merger to the extent such shareholders would not otherwise recognize gain or loss as described in Article V(A)(8);

(Q) FNB shall coordinate with Synovus the declaration of any dividends in respect of FNB Common Stock and the record dates and payment dates relating thereto, it being the intention of the parties hereto that holders of FNB Common Stock shall not receive two dividends, or fail to receive one dividend, for any single calendar quarter with respect to their shares of FNB Common Stock and any shares of Synovus Common Stock any such holder receives in exchange therefor in the Merger;

(R) FNB will, within thirty (30) days after the date hereof, engage a firm satisfactory to Synovus to conduct: (a) a Phase I environmental site assessment of the banking facilities currently owned by FNB upon which FNB is conducting a banking business, which assessment shall meet the standards of ASTM E1527-00 and shall include at a minimum a site history, on-site inspection, asbestos sampling of presumed asbestos containing material, evaluation of surrounding properties and soil tests if the results of the Phase I indicate a need therefor; and (b) a transaction screen that meets the standards of ASTM E 1528 for the property that FNB leases, and in addition, FNB agrees to conduct a Phase I assessment of the leased property if, in Synovus reasonable judgment, the transaction screen indicates potential environmental liabilities associated with the leased properties accruing to FNB or FNB s successor. Synovus has requested such inspection and testing in an effort to reasonably determine whether potential liabilities exist relating to Environmental Law. Delivery of the Phase I assessments and transaction screen satisfactory to Synovus is an express condition precedent to the consummation of the Merger. Within fifteen (15) days after receipt of these reports, Synovus shall notify FNB in writing whether or not, in the reasonable judgment of Synovus, the potential liabilities identified in such reports will have a Material Adverse Effect on FNB. In the event that Synovus determines, in its

reasonable judgment, that the results of such reports will have a Material Adverse Effect on FNB, such written notification shall include a statement by Synovus regarding whether or not it intends to terminate this Agreement based upon the results of such reports. The Parties agree that Synovus has given FNB good and valuable consideration for its agreement to obtain and pay the cost of such inspection and testing, and Synovus shall be entitled to rely on same;

(S) Prior to the Effective Date, FNB shall purchase for, and on behalf of, its current and former officers and directors, extended coverage under the current directors and officers liability insurance policy maintained by FNB to provide for continued coverage of such insurance for a period of three years following the Effective Date with respect to matters occurring prior to the Effective Date;

(T) (1) in the case of Synovus, subject to the conditions set forth in Article IV(T)(2) below, for a period of four (4) years after the Effective Date, Synovus shall indemnify, defend and hold harmless each person entitled to indemnification from FNB and its Subsidiary (each, an Indemnified Party) against all liabilities arising out of actions or omissions occurring at or prior to the Effective Date (including the transactions contemplated by this Agreement) to the fullest extent permitted under Georgia law and by FNB s and its Subsidiary s Articles of Incorporation and bylaws as in effect on the date hereof, including provisions relating to advances of expenses incurred in the defense of any litigation. Without limiting the foregoing, in any case in which approval by Synovus is required to effectuate any indemnification, Synovus shall direct, at the election of the Indemnified Party, that the determination of any such approval shall be made by independent counsel mutually agreed upon between Synovus and the Indemnified Party;

(2) Any Indemnified Party wishing to claim indemnification under Article IV(T)(1) upon learning of any such liability or litigation, shall promptly notify Synovus thereof. In the event of any such litigation (whether arising before or after the Effective Date), (a) Synovus shall have the right to assume the defense thereof, and Synovus shall not be liable to such Indemnified Parties for any legal expenses of other counsel or any other expenses subsequently incurred by such Indemnified Parties in connection with the defense thereof, except that if Synovus elects not to assume such defense or counsel for the Indemnified Parties advises that there are substantive issues which raise conflicts of interest between Synovus and the Indemnified Parties, the Indemnified Parties may retain counsel satisfactory to them, and Synovus shall pay all reasonable fees and expenses of such counsel for the Indemnified Parties promptly as statements therefor are received; provided, that Synovus shall be obligated pursuant to this Article IV(T)(2) to pay for only one firm of counsel for all Indemnified Parties in any jurisdiction, (b) the Indemnified Parties will cooperate in the defense of any such litigation, and (c) Synovus shall

not be liable for any settlement effected without its prior written consent; and provided further, that Synovus shall not have any obligation hereunder to any Indemnified Party when and if a court of competent jurisdiction shall determine, and such determination shall have become final, that the indemnification of such Indemnified Party in the manner contemplated hereby is prohibited by applicable law;

(U) prior to the Effective Date, FNB will use its best efforts to take all steps required to exempt the transactions contemplated by this Agreement from any applicable state anti-takeover law; and

(V) at the request of Synovus, FNB and the Subsidiary shall immediately prior to the Effective Date establish and take such reserves and accruals as Synovus reasonably shall request to conform FNB s Subsidiary s loan, accrual, reserve and other accounting policies to the policies of Synovus, provided however, such requested conforming adjustment shall not be taken into account in determining whether and event or events have had a Material Adverse Effect on FNB.

V. CONDITIONS TO CONSUMMATION

(A) The respective obligations of Synovus and of FNB to effect the Merger shall be subject to the satisfaction prior to the Effective Date of the following conditions:

(1) the Plan and the transactions contemplated hereby shall have been approved by the requisite vote of the shareholders of FNB in accordance with applicable law and FNB shall have furnished to Synovus certified copies of resolutions duly adopted by FNB s shareholders evidencing the same;

(2) the procurement by Synovus and FNB of approval of the Plan and the transactions contemplated hereby by the Board of Governors and by the Georgia Department;

(3) procurement of all other regulatory consents and approvals which are necessary to the consummation of the transactions contemplated by the Plan; provided, however, that no approval or consent in Articles V(A)(2) and (3) shall be deemed to have been received if it shall include any conditions or requirements (other than conditions or requirements which are customarily included in such an approval or consent which do not have a Material Adverse Effect) which would have such a Material Adverse Effect on the economic or business benefits of the transactions contemplated hereby as to render inadvisable the consummation of the Merger in the reasonable opinion of the Board of Directors of Synovus or FNB;

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(4) the satisfaction of all other statutory or regulatory requirements, including the requirements of NYSE or other self regulating organizations, which are necessary to the consummation of the transactions contemplated by the Plan;

(5) no party hereto shall be subject to any order, decree or injunction or any other action of a United States federal or state court of competent jurisdiction permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement;

(6) no party hereto shall be subject to any order, decree or injunction or any other action of a United States federal or state governmental, regulatory or administrative agency or commission permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement;

(7) the Registration Statement shall have become effective under the Securities Act and no stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceedings for that purpose shall have been initiated or threatened by the SEC, and Synovus shall have received all state securities law and Blue Sky permits, approvals, qualifications or exemptions necessary to consummate the transactions contemplated hereby;

(8) each party shall have received an opinion (Tax Opinion) from Powell, Goldstein on or before the Effective Date, to the effect that the Merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a)(1)(A) of the Code and that, accordingly: (i) no gain or loss will be recognized by Synovus or FNB as a result of the Merger; and (ii) gain, but not loss, will be recognized by each shareholder of FNB who exchanges his or her shares of FNB Common Stock for shares of Synovus Common Stock pursuant to the Merger equal to the lesser of (A) the cash received by such shareholder or (B) the gain realized (but not less than zero) by such shareholder from such exchange, which will equal the sum of the cash and the fair market value of the Synovus Common Stock received by such shareholder over such shareholder s basis in his or her FNB Common Stock; and

(9) each party shall have delivered to the other party a certificate, dated as of the Effective Date, signed by its Chairman of the Board, or its Chief Financial Officer, and by its Controller to the effect that, to the best knowledge and belief of such officers, the statement of facts and representations made on behalf of the management of such party, presented to Powell, Goldstein in delivering the Tax Opinion, were at the date of such presentation true, correct and complete. Each party shall have received a copy of the Tax Opinion referred to in Article V(A)(8).

(B) The obligation of Synovus to effect the Merger shall be subject to the satisfaction prior to the Effective Date of the following additional conditions:

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(1) each of the representations, warranties and covenants contained herein of FNB shall be true on, or complied with by, the Effective Date in all material respects as if made on such date (or on the date when made in the case of any representation or warranty which specifically relates to an earlier date) and Synovus shall have received a certificate signed by the President of FNB, dated the Effective Date, to such effect;

(2) there shall be no discovery of facts, or actual or threatened causes of action, investigations or proceedings by or before any court or other governmental body that relates to or involves either FNB or its Subsidiary: (a) which, in the reasonable judgment of Synovus, would have a Material Adverse Effect, or which may be foreseen to have a

Material Adverse Effect on, either FNB or the consummation of the transactions contemplated by this Agreement; (b) that challenges the validity or legality of this Agreement or the consummation of the transactions contemplated by this Agreement; or (c) that seeks to restrain or invalidate the consummation of the transactions contemplated by this Agreement or seeks damages in connection therewith;

(3) Synovus shall not have learned of any fact or condition with respect to the business, properties, assets, liabilities, deposit relationships or earnings of FNB which, in the reasonable judgment of Synovus, is materially at variance with one or more of the warranties or representations set forth in this Agreement or which, in the reasonable judgment of Synovus, has or will have a Material Adverse Effect on FNB;

(4) Stephen C. Wood shall have entered into an employment agreement with Synovus as proposed by Synovus and approved by Mr. Wood which will become effective as of the Effective Date;

(5) on the Effective Date, First Nation Bank will have a CAMELS rating of at least 2 and a Compliance Rating and Community Reinvestment Act Rating of at least Satisfactory;

(6) on the Effective Date, FNB will have a loan loss reserve of at least 1.25% of loans and which will be adequate in all material respects under generally accepted accounting principles applicable to banks;

(7) FNB shall have delivered to Synovus the environmental reports referenced in Article IV (R);

(8) the results of any regulatory exam of FNB and its Subsidiary occurring between the date hereof and the Effective Date shall be reasonably satisfactory to Synovus;

(9) each of the officers and directors of FNB shall have delivered a letter to Synovus to the effect that such person is not aware of any claims he might have against FNB other

than routine compensation, benefits and the like as an employee, or ordinary rights as a customer; and

(10) there shall have been no determination by Synovus that any fact, event or condition exists or has occurred that, in the reasonable judgement of Synovus, would render the Merger impractical because of any state of war, national emergency, banking moratorium or general suspension of trading on the NYSE or other national securities exchange.

(C) The obligation of FNB to effect the Merger shall be subject to the satisfaction prior to the Effective Date of the following additional conditions:

(1) each of the representations, warranties and covenants contained herein of Synovus shall be true on, or complied with by, the Effective Date in all material respects as if made on such date (or on the date when made in the case of any representation or warranty which specifically relates to an earlier date) and FNB shall have received a certificate signed by the Chief Executive Officer of Synovus, dated the Effective Date, to such effect;

(2) the listing for trading of the shares of Synovus Common Stock which shall be issued pursuant to the terms of this Plan on the NYSE, shall have been approved by the NYSE subject to official notice of issuance;

(3) there shall be no discovery of facts, or actual or threatened causes of action, investigations or proceedings by or before any court or other governmental body that relates to or involves either Synovus or its Subsidiaries: (a) which, in the reasonable judgment of FNB, would have a Material Adverse Effect on, or which may be foreseen to have a material Adverse Effect on, either Synovus or the consummation of the transactions contemplated by this

Agreement; (b) that challenges the validity or legality of this Agreement or the consummation of the transactions contemplated by the Agreement; or (c) that seeks to restrain or invalidate the consummation of the transactions contemplated by this Agreement or seeks damages in connection therewith;

(4) FNB shall not have learned of any fact or condition with respect to the business, properties, assets, liabilities, deposit relationships or earnings of Synovus which, in the reasonable judgment of FNB, is materially at variance with one or more of the warranties or representations set forth in this Agreement or which, in the reasonable judgment of FNB, has or will have a Material Adverse Effect on Synovus;

(5) FNB shall have received from the Senior Deputy General Counsel of Synovus an opinion to the effect that Synovus is duly organized, validly existing and in good standing, the Plan has been duly and validly authorized by all necessary corporate action on the part of Synovus, has been duly and validly executed and delivered by Synovus, is the valid and

binding obligation of Synovus, enforceable in accordance with its terms except as such may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors rights generally and that the shares of Synovus Common Stock to be issued in the Merger are duly authorized, validly issued, fully paid, nonassessable, and not subject to any preemptive rights of any current or past shareholders;

(6) FNB shall have received from Brown, Burke Capital Partners, L.L.C. a letter to the effect that, in the opinion of such firm, the Per Share Cash Consideration and the Per Share Stock Consideration are fair, from a financial point of view, to the holders of FNB Common Stock; and

(7) there shall have been no determination by FNB that any fact, event or condition exists or has occurred that, in the reasonable judgement of FNB, would render the Merger impractical because of any state of war, national emergency, banking moratorium or general suspension of trading on the NYSE or other national securities exchange.

VI. TERMINATION

A. The Plan may be terminated prior to the Effective Date, either before or after its approval by the stockholders of FNB:

(1) by the mutual consent of Synovus and FNB, if the Board of Directors of each so determines by vote of a majority of the members of its entire Board;

(2) by Synovus or FNB if consummation of the Merger does not occur by reason of the failure of any of the conditions precedent set forth in Article V hereof unless the failure to meet such condition precedent is due to a breach of the Plan by the party seeking to terminate;

(3) by Synovus or FNB if its Board of Directors so determines by vote of a majority of the members of its entire Board in the event that the Merger is not consummated by March 31, 2003 (but the parties agree to use their best efforts to consummate the Merger on or before February 28, 2003) unless the failure to so consummate by such time is due to the breach of the Plan by the party seeking to terminate; and

(4) by FNB,

(a)

if, during the five (5) business days immediately prior to the Effective Date, the Total Cash Consideration is greater than fifty-five percent (55%) of the Tax-Free Calculation Denominator such

that the Powell, Goldstein, Frazer & Murphy LLP (Powell, Goldstein) cannot issue the Tax Opinion pursuant to Article V.A(8), then FNB can either terminate the Agreement or have Synovus adjust the Per Share Cash Consideration and the Per Share Stock Consideration as well as the Synovus Option Value Multiple and the Synovus Option Price Divisor so as to enable Powell, Goldstein to issue the Tax Opinion.

(b) Definitions:

(i) Tax-Free Calculation Denominator shall be equal to the sum of the Total Cash Consideration plus the Total Stock Consideration.

(ii) Total Cash Consideration shall be equal to the Per Share Cash Consideration multiplied by 544,980 (or the then outstanding number of shares of FNB Common Stock), plus any additional cash paid by Synovus pursuant to dissenters rights exercised in accordance with the Georgia Act.

(iii) Total Stock Consideration shall be equal to the Per Share Stock Consideration multiplied by 544,980 (or the then outstanding number of shares of FNB Common Stock), multiplied by the closing price of Synovus Common Stock on the New York Stock Exchange on the Effective Date.

B. In the event of the termination and abandonment of this Agreement pursuant to Article VI(A) of this Agreement, this Agreement shall become void and have no effect, except as set forth in Paragraph (A) of Article VIII, and there shall be no liability on the part of any party hereto or their respective officers or directors; provided, however, that: (1) FNB shall be entitled to a cash payment from Synovus for FNB s reasonable out-of-pocket expenses relating to the Merger in an amount not to exceed $150,000, which amount shall not be deemed an exclusive remedy or liquidated damages, in the event of the termination of this Agreement due to the failure by Synovus to satisfy any of its representations, warranties or covenants set forth herein; and (2) Synovus shall be entitled to a cash payment from FNB for Synovus reasonable out-of-pocket expenses relating to the Merger and for reimbursement of the fair market value of services provided by internal counsel and due diligence team members in connection with the Merger in an amount not to exceed $150,000, which amount shall not be deemed an exclusive remedy or liquidated damages, in the event of the termination of this Agreement due to the failure by FNB to satisfy any of its representations, warranties or covenants set forth herein.

VII. EFFECTIVE DATE

The Effective Date shall be the date on which the Merger becomes effective as specified in the Certificate of Merger to be filed with the Secretary of State of Georgia approving the Merger.

VIII. OTHER MATTERS

(A) The agreements and covenants of the parties which by their terms apply in whole or in part after the Effective Date shall survive the Effective Date. Except for Article III(S), and Article IV(N) which shall survive the Effective Date, no other representations, warranties, agreements and covenants shall survive the Effective Date. If the Plan shall be terminated, the agreements of the parties in Article IV(G), Article VI(B) and Articles VIII(E) and (F) shall survive such termination.

(B) Prior to the Effective Date, any provision of the Plan may be: (1) waived by the party benefitted by the provision or by both parties; or (2) amended or modified at any time (including the structure of the transaction) by an agreement in writing between the parties hereto approved by their respective Boards of Directors (to the extent allowed by law) or by their respective Boards of Directors.

(C) This Plan may be executed in multiple and/or facsimile originals, and each copy of the Plan bearing the manually executed, facsimile transmitted or photocopied signature of each of the parties hereto shall be deemed to be an original.

(D) The Plan shall be governed by, and interpreted in accordance with, the laws of the State of Georgia.

(E) Each party hereto will bear all expenses incurred by it in connection with the Plan and the transactions contemplated hereby, including, but not limited to, the fees and expenses of its respective counsel and accountants.

(F) Each of the parties and its respective agents, attorneys and accountants will maintain the confidentiality of all information provided in connection herewith which has not been publicly disclosed unless it is advised by counsel that any such information is required by law to be disclosed.

(G) All notices, requests, acknowledgments and other communications hereunder to a party shall be in writing and shall be deemed to have been duly given when delivered by hand, telecopy, telegram or telex (confirmed in writing), by overnight courier or sent by registered or

certified mail, postage paid, to such party at its address set forth below or such other address as such party may specify by notice to the other party hereto.

If to Synovus:

Mr. Thomas J. Prescott
Chief Financial Officer
Synovus Financial Corp.
901 Front Avenue, Suite 301
Columbus, Georgia 31901
Fax (706) 649-2342

With a copy to:

Ms. Kathleen Moates
Senior Deputy General Counsel
Synovus Financial Corp.
901 Front Avenue, Suite 202
Columbus, Georgia 31901
Fax (706) 644-1957

If to FNB:

Mr. Stephen C. Wood
FNB Newton Bankshares, Inc.
4159 Mill Street
Covington, Georgia 30015
Fax (770) 784-0778

With a copy to:

Ms. Kathryn Knudson
Powell, Goldstein, Frazer & Murphy LLP
16th Floor
191 Peachtree Street, N.E. Atlanta, Georgia 30303-1736
Fax (404) 572-6999

(H) All terms and provisions of the Plan shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. Except as expressly provided for herein, nothing in this Plan is intended to confer upon any other person any rights or remedies of any nature whatsoever under or by reason of this Plan.

(I) The Plan represents the entire understanding of the parties hereto with reference to the transactions contemplated hereby and supersedes any and all other oral or written agreements heretofore made.

(J) This Plan may not be assigned by any party hereto without the written consent of the other parties.

[THIS SPACE INTENTIONALLY LEFT BLANK.]

In Witness Whereof, the parties hereto have caused this instrument to be executed in counterparts by their duly authorized officers as of the day and year first above written.

SYNOVUS FINANCIAL CORP.

By: /s/Thomas J. Prescott

Title: EVP and CFO

Attest: /s/Kathy Moates

Title: Assistant Secretary

FNB NEWTON BANKSHARES, INC.

By: /s/Stephen C. Wood

Title: Chairman/President

Attest: /s/Thomas R. Kephart

Title: Secretary

Appendix B

GEORGIA BUSINESS CORPORATION CODE

ARTICLE 13.

DISSENTERS RIGHTS

PART 1. RIGHT TO DISSENT AND OBTAIN PAYMENT FOR SHARES

14-2-1301 Definitions. - As used in this article, the term:

(1) Beneficial Shareholder means the person who is a beneficial owner of shares held in a voting trust or by a nominee as the record shareholder.

(2) Corporate action means the transaction or other action by the corporation that creates dissenters rights under Code Section 14-2-1302.

(3) Corporation means the issuer of shares held by a dissenter before the corporate action, or the surviving or acquiring corporation by merger or share exchange of that issuer.

(4) Dissenter means a shareholder who is entitled to dissent from corporate action under Code Section 14-2-1302 and who exercises that right when and in the manner required by Code Sections 14-2-1320 through 14-2-1327.

(5) Fair value, with respect to a dissenter s shares, means the value of the shares immediately before the effectuation of the corporate action to which the dissenter objects, excluding any appreciation or depreciation in anticipation of the corporate action.

(6) Interest means interest from the effective date of the corporate action until the date of payment, at a rate that is fair and equitable under all the circumstances.

(7) Record shareholder means the person in whose name shares are registered in the records of a corporation or the beneficial owner of shares to the extent of the rights granted by a nominee certificate on file with a corporation.

(8) "Shareholder" means the record shareholder or the beneficial shareholder.

14-2-1302 Right To Dissent. - (a) A record shareholder of the corporation is entitled to dissent from, and obtain payment of the fair value of his shares in the event of, any of the following corporate actions:

(1) Consummation of a plan of merger to which the corporation is a party:

(A) If approval of the shareholders of the corporation is required for the merger by Code Section 14-2-1103 or 14-2-1104 or the articles of incorporation and the shareholder is entitled to vote on the merger; or

(B) If the corporation is a subsidiary that is merged with its parent under Code Section 14-2-1104;

(2) Consummation of a plan of share exchange to which the corporation is a party as the corporation whose shares will be acquired, if the shareholder is entitled to vote on the plan;

(3) Consummation of a sale or exchange of all or substantially all of the property of the corporation if a shareholder vote is required on the sale or exchange pursuant to Code Section 14-2-1202, but not including a sale pursuant to court order or a sale for cash pursuant to a plan by which all or substantially all of the net proceeds of the sale will be distributed to the shareholders within one year after the date of sale;

(4) An amendment of the articles of incorporation that materially and adversely affects rights in respect of a dissenter s shares because it:

(A) Alters or abolishes a preferential right of the shares;

(B) Creates, alters, or abolishes a right in respect of redemption, including a provision respecting a sinking fund for the redemption or repurchase, of the shares;

(C) Alters or abolishes a preemptive right of the holder of the shares to acquire shares or other securities;

(D) Excludes or limits the right of the shares to vote on any matter, or to cumulate votes, other than a limitation by dilution through issuance of shares or other securities with similar voting rights;

(E) Reduces the number of shares owned by the shareholder to a fraction of a share if the fractional share so created is to be acquired for cash under Code Section 14-2-604; or

(F) Cancels, redeems, or repurchases all or part of the shares of the class; or

(5) Any corporate action taken pursuant to a shareholder vote to the extent that Article 9 of this chapter, the articles of incorporation, bylaws, or a resolution of the board of directors provides that voting or nonvoting shareholders are entitled to dissent and obtain payment for their shares.

(b) A shareholder entitled to dissent and obtain payment for his shares under this article may not challenge the corporate action creating his entitlement unless the corporate action fails to comply with procedural requirements of this chapter or the articles of incorporation or bylaws of the corporation or the vote required to obtain approval of the corporate action was obtained by fraudulent and deceptive means, regardless of whether the shareholder has

exercised dissenter s rights.

(c) Notwithstanding any other provision of this article, there shall be no right of dissent in favor of the holder of shares of any class or series which, at the record date fixed to determine the shareholders entitled to receive notice of and to vote at a meeting at which a plan of merger or share exchange or a sale or exchange of property or an amendment of the articles of incorporation is to be acted on, were either listed on a national securities exchange or held of record by more than 2,000 shareholders, unless:

(1) In the case of a plan of merger or share exchange, the holders of shares of the class or series are required under the plan of merger or share exchange to accept for their shares anything except shares of the surviving corporation or another publicly held corporation which at the effective date of the merger or share exchange are either listed on a national securities exchange or held of record by more than 2,000 shareholders, except for scrip or cash payments in lieu of fractional shares; or

(2) The articles of incorporation or a resolution of the board of directors approving the transaction provides otherwise.

14-2-1303 Dissent By Nominees And Beneficial Owners. - A record shareholder may assert dissenters rights as to fewer than all the shares registered in his name only if he dissents with respect to all shares beneficially owned by any one beneficial shareholder and notifies the corporation in writing of the name and address of each person on whose behalf he asserts dissenters rights. The rights of a partial dissenter under this Code section are determined as if the shares as to which he dissents and his other shares were registerd in the names of different shareholders.

PART 2. PROCEDURE FOR EXERCISE OF DISSENTERS RIGHTS

14-2-1320 Notice Of Dissenters Rights. - (a) If proposed corporate action creating dissenters rights under Code Section 14-2-1302 is submitted to a vote at a shareholders meeting, the meeting notice must state that shareholders are or may be entitled to assert dissenters rights under this article and be accompanied by a copy of this article.

(b) If corporate action creating dissenters rights under Code Section 14-2-1302 is taken without a vote of shareholders, the corporation shall notify in writing all shareholders entitled to assert dissenters rights that the action was taken and send them the dissenters notice described in Code Section 14-2-1322 no later than ten days after the corporate action was taken.

14-2-1321 Notice Of Intent To Demand Payment. - (a) If proposed corporate action creating dissenters rights under Code Section 14-2-1302 is submitted to a vote at a shareholders meeting, a record shareholder who wishes to assert dissenters rights:

(1) Must deliver to the corporation before the vote is taken written notice of his intent to demand payment for his shares if the proposed action is effectuated; and

(2) Must not vote his shares in favor of the proposed action.

(b) A record shareholder who does not satisfy the requirements of subsection (a) of this Code section is not entitled to payment for his shares under this article.

14-2-1322 Dissenters Notice. - (a) If proposed corporate action creating dissenters rights under Code Section 14-2-1302 is authorized at a shareholders meeting, the corporation shall deliver a written dissenters notice to all shareholders who satisfied the requirements of Code Section 14-2-1321.

(b) The dissenters notice must be sent no later than ten days after the corporate action was taken and must:

(1) State where the payment demand must be sent and where and when certificates for certificated shares must be deposited;

(2) Inform holders of uncertificated shares to what extent transfer of the shares will be restricted after the payment demand is received;

(3) Set a date by which the corporation must receive the payment demand, which date may not be fewer than 30 nor more than 60 days after the date the notice required in subsection (a) of this Code section is delivered; and

(4) Be accompanied by a copy of this article.

14-2-1323 Duty To Demand Payment. - (a) A record shareholder sent a dissenters notice described in Code Section 14-2-1322 must demand payment and deposit his certificates in accordance with the terms of the notice.

(b) A record shareholder who demands payment and deposits his shares under subsection (a) of this Code section retains all other rights of a shareholder until these rights are canceled or modified by the taking of the proposed corporate action.

(c) A record shareholder who does not demand payment or deposit his share certificates where required, each by the date set in the dissenters notice, is not entitled to payment for his shares under this article.

14-2-1324 Share Restrictions.- (a) The corporation may restrict the transfer of uncertificated shares from the date the demand for their payment is received until the proposed corporate action is taken or the restrictions released under Code Section 14-2-1326.

(b) The person for whom dissenters rights are asserted as to uncertificated shares retains all other rights of a shareholder until these rights are canceled or modified by the taking of the proposed corporate action.

14-2-1325 Offer Of Payment. - (a) Except as provided in Code Section 14-2-1327, within ten days of the later of the date the proposed corporate action is taken or receipt of a payment demand, the corporation shall by notice to each dissenter who complied with Code Section 14-2-1323 offer to pay to such dissenter the amount the corporation estimates to be the fair value of his or her shares, plus accrued interest.

(b) The offer of payment must be accompanied by:

(1) The corporation s balance sheet as of the end of a fiscal year ending not more than 16 months before the date of payment, an income statement for that year, a statement of changes in shareholders equity for that year, and the latest available interim financial statements, if any;

(2) A statement of the corporation s estimate of the fair value of the shares;

(3) An explanation of how the interest was calculated;

(4) A statement of the dissenter s right to demand payment under Code Section 14-2-1327; and

(5) A copy of this article.

(c) If the shareholder accepts the corporation s offer by written notice to the corporation within 30 days after the corporation s offer or is deemed to have accepted such offer by failure to respond within said 30 days, payment for his or her shares shall be made within 60 days after the making of the offer or the taking of the proposed corporate action, whichever is later.

14-2-1326 Failure To Take Action. - (a) If the corporation does not take the proposed action within 60 days after the date set for demanding payment and depositing share certificates, the corporation shall return the deposited certificates and release the transfer restrictions imposed on uncertificated shares.

(b) If, after returning deposited certificates and releasing transfer restrictions, the corporation takes the proposed action, it must send a new dissenters notice under Code Section 14-2-1322 and repeat the payment demand procedure.

14-2-1327 Procedure If Shareholder Dissatisfied With Payment Or Offer. - (a) A dissenter may notify the corporation in writing of his own estimate of the fair value of his shares and amount of interest due, and demand payment of his estimate of the fair value of his shares and interest due, if:

(1) The dissenter believes that the amount offered under Code Section 14-2-1325 is less than the fair value of his shares or that the interest due is incorrectly calculated; or

(2) The corporation, having failed to take the proposed action, does not return the deposited certificates or release the transfer restrictions imposed on uncertificated shares within 60 days after the date set for demanding payment.

(b) A dissenter waives his or her right to demand payment under this Code section and is deemed to have accepted the corporation s offer unless he or she notifies the corporation of

his or her demand in writing under subsection (a) of this Code section within 30 days after the corporation offered payment for his or her shares, as provided in Code Section 14-2-1325.

(c) If the corporation does not offer payment within the time set forth in subsection (a) of Code Section 14-2-1325:

(1) The shareholder may demand the information required under subsection (b) of Code Section 14-2-1325, and the corporation shall provide the information to the shareholder within ten days after receipt of a written demand for the information; and

(2) The shareholder may at any time, subject to the limitations period of Code Section 14-2-1332, notify the corporation of his own estimate of the fair value of his shares and the amount of interest due and demand payment of his estimate of the fair value of his shares and interest due.

PART 3. JUDICIAL APPRAISAL OF SHARES

4-2-1330 Court Action. - (a) If a demand for payment under Code Section 14-2-1327 remains unsettled, the corporation shall commence a proceeding within 60 days after receiving the payment demand and petition the court to determine the fair value of the shares and accrued interest. If the corporation does not commence the proceeding within the 60 day period, it shall pay each dissenter whose demand remains unsettled the amount demanded.

(b) The corporation shall commence the proceeding, which shall be a nonjury equitable valuation proceeding, in the superior court of the county where a corporation s registered office is located. If the surviving corporation is a foreign corporation without a registered office in this state, it shall commence the proceeding in the county in this state where the registered office of the domestic corporation merged with or whose shares were acquired by the foreign corporation was located.

(c) The corporation shall make all dissenters, whether or not residents of this state, whose demands remain unsettled parties to the proceeding, which shall have the effect of an action quasi in rem against their shares. The corporation shall serve a copy of the petition in the proceeding upon each dissenting shareholder who is a resident of this state in the manner provided by law for the service of a summons and complaint, and upon each nonresident dissenting shareholder either by registered or certified mail or statutory overnight delivery or by publication, or in any other manner permitted by law.

(d) The jurisdiction of the court in which the proceeding is commenced under subsection (b) of this Code section is plenary and exclusive. The court may appoint one or more persons as appraisers to receive evidence and recommend decision on the question of fair value. The appraisers have the powers described in the order appointing them or in any amendment to it. Except as otherwise provided in this chapter, Chapter 11 of Title 9, known as the Georgia Civil Practice Act, applies to any proceeding with respect to dissenters rights under this chapter.

(e) Each dissenter made a party to the proceeding is entitled to judgment for the amount which the court finds to be the fair value of his shares, plus interest to the date of judgment.

14-2-1331 Court Costs And Counsel Fees. - (a) The court in an appraisal proceeding commenced under Code Section 14-2-1330 shall determine all costs of the proceeding, including the reasonable compensation and expenses of appraisers appointed by the court, but not including fees and expenses of attorneys and experts for the respective parties. The

court shall assess the costs against the corporation, except that the court may assess the costs against all or some of the dissenters, in amounts the court finds equitable, to the extent the court finds the dissenters acted arbitrarily, vexatiously, or not in good faith in demanding payment under Code Section 14-2-1327.

(b) The court may also assess the fees and expenses of attorneys and experts for the respective parties, in amounts the court finds equitable:

(1) Against the corporation and in favor of any or all dissenters if the court finds the corporation did not substantially comply with the requirements of Code Sections 14-2-1320 through 14-2-1327; or

(2) Against either the corporation or a dissenter, in favor of any other party, if the court finds that the party against whom the fees and expenses are assessed acted arbitrarily, vexatiously, or not in good faith with respect to the rights provided by this article.

(c) If the court finds that the services of attorneys for any dissenter were of substantial benefit to other dissenters similarly situated, and that the fees for those services should not be assessed against the corporation, the court may award to these attorneys reasonable fees to be paid out of the amounts awarded the dissenters who were benefited.

14-2-1332 Limitation Of Actions. - No action by any dissenter to enforce dissenters rights shall be brought more than three years after the corporate action was taken, regardless of whether notice of the corporate action and of the right to dissent was given by the corporation in compliance with the provisions of Code Section 14-2-1320 and Code Section 14-2-1322.

Appendix C

BROWN, BURKE CAPITAL PARTNERS, L.L.C.
ATLANTA, GEORGIA

October 31, 2002

Board of Directors
FNB Newton Bankshares, Inc.
4159 Mill Street
Covington, Georgia 30014

Members of the Board:

FNB Newton Bankshares, Inc. (FNB Newton) and Synovus Financial Corporation (Synovus) have entered into an Agreement and Plan of Merger, dated as of the 31st day of October, 2002 (the Agreement), pursuant to which FNB Newton will be merged with and into Synovus (the Merger). Under the terms of the Agreement, upon consummation of the Merger, each share of FNB Newton common stock, par value $1.00 per share, issued and outstanding immediately prior to the Merger (the FNB Newton Shares) will be converted into the right to receive (a) 4.1353 shares of common stock, par value $1.00 per share, of Synovus and (b) cash in an amount equal to $85.1536, subject to the Agreement, which provides generally, among other things, that the aggregate consideration for non-option shares to be exchanged in the Merger shall consist of 2,253,666 shares of Synovus common stock with such number to be adjusted as necessary to reflect the exercise of options to purchase FNB Newton common stock between the date of this Agreement (Total Stock Consideration) and $46,407,022 in cash (Total Cash Consideration). The terms and conditions of the Merger are more fully set forth in the Agreement. You have requested our opinion as to the fairness, from a financial point of view, as of the date hereof, of the merger consideration to the holders of FNB Newton Shares.

Brown, Burke Capital Partners, L.L.C. is familiar with FNB Newton having acted as an advisor in connection with, and having participated in certain of the negotiations leading to, the Agreement. We also have provided certain services to Synovus and its affiliates from time to time.

In connection with this opinion, we have reviewed, among other things:

(i) the Agreement and certain of the schedules thereto;

(ii) certain publicly available financial statements and other historical financial information of FNB Newton that we deemed relevant;

FIFTEEN PIEDMONT CENTER, SUITE 840
3575 PIEDMONT ROAD, N.E., ATLANTA, GEORGIA 30305
TEL. (404)364-2092 / FAX (404)364-2058

(iii) certain publicly available financial statements and other historical financial information of Synovus that we deemed relevant;

(iv) projected earnings estimates for FNB Newton for the years ending December 31, 2002 and 2003 prepared by and reviewed with management of FNB Newton and the views of senior management of FNB Newton, based on discussions with members of senior management, regarding FNB Newton s business, financial condition, results of operations and future prospects;

(v) earnings per share estimates for Synovus for the years ending December 31, 2002 and 2003 published by I/B/E/S, and the views of senior management of Synovus, based on limited discussions with members of senior management, regarding Synovus business, financial condition, results of operations and future prospects;

(vi) the pro forma financial impact of the Merger on Synovus, based on assumptions relating to transaction expenses, purchase accounting adjustments and cost savings determined by senior managements of FNB Newton and Synovus;

(vii) the publicly reported historical price and trading activity for Synovus common stock, including a comparison of certain financial and stock market information for Synovus with similar publicly available information for certain other companies the securities of which are publicly traded;

(viii) the financial terms of certain recent business combinations in the commercial banking industry, to the extent publicly available;

(ix) the current market environment generally and the banking environment in particular; and

(x) such other information, financial studies, analyses and investigations and financial, economic and market criteria as we considered relevant.

In performing our review, we have relied upon the accuracy and completeness of all of the financial and other information that was available to us from public sources, that was provided to us by FNB Newton or Synovus or their respective representatives or that was otherwise reviewed by us and have assumed such accuracy and completeness for purposes of rendering this opinion. We have further relied on the assurances of management of FNB Newton and Synovus that they are not aware of any facts or circumstances that would make any of such information inaccurate or misleading. We have not been asked to and have not undertaken an independent verification of any of such information and we do not assume any responsibility or liability for the accuracy or completeness thereof. We did not make an independent evaluation or appraisal of the specific assets, the collateral securing assets or the liabilities (contingent or otherwise) of FNB Newton or Synovus or any of their subsidiaries, or the collectibility of any such assets, nor have we been furnished with any such evaluations or appraisals. We did not make an independent evaluation of

the adequacy of the allowance for loan losses of FNB Newton or Synovus nor have we reviewed any individual credit files relating to FNB Newton or Synovus. We have assumed, with your consent that the respective allowances for loan losses for both FNB Newton and Synovus are adequate to cover such losses and will be adequate on a pro forma basis for the combined entity. With respect to the earnings estimates for FNB Newton and Synovus and all projections of transaction costs, purchase accounting adjustments and expected cost savings prepared by and reviewed with the managements of FNB Newton and Synovus and used by Brown, Burke Capital Partners, L.L.C. in its analyses, Brown, Burke Capital Partners, L.L.C. assumed, with your consent, that they reflected the best currently available estimates and judgments of the respective managements of the respective future financial performances of FNB Newton and Synovus and that such performances will be achieved. We express no opinion as to such earnings estimates or financial projections or the assumptions on which they are based. We have also assumed that there has been no material change in FNB Newton s or Synovus assets, financial condition, results of operations, business or prospects since the date of the most recent financial statements made available to us. We have assumed in all respects material to our analysis that FNB Newton and Synovus will remain as going concerns for all periods relevant to our analyses, that all of the representations and warranties contained in the Agreement and all related agreements are true and correct, that each party to such agreements will perform all of the covenants required to be performed by such party under such agreements, that the conditions precedent in the Agreement are not waived and that the Merger will not be taxable for federal income tax purposes at the corporate level.

Our opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof could materially affect this opinion. We have not undertaken to update, revise, reaffirm or withdraw this opinion or otherwise comment upon events occurring after the date hereof. We are expressing no opinion herein as to what the value of Synovus common stock will be when issued to FNB Newton s shareholders pursuant to the Agreement or the prices at which FNB Newton s or Synovus common stock may trade at any time.

We will receive a fee for our services as financial advisor to FNB Newton and for rendering this opinion, a substantial portion of which is contingent upon closing of the Merger.

This opinion is directed to the Board of Directors of FNB Newton and may not be reproduced, summarized, described or referred to or given to any other person without our prior consent. Notwithstanding the foregoing, this opinion may be included in the proxy statement/prospectus to be mailed to the holders of FNB Newton Common Stock in connection with the Merger, provided that this opinion will be reproduced in such proxy statement/prospectus in full, and any description of or reference to us or our actions, or any summary of the opinion in such proxy statement/prospectus, will be in form reasonably acceptable to us and our counsel.

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the consideration is fair to the holders of FNB Newton common stock from a financial point of view.

Very Truly Yours,

/s/Brown,Burke Capital Partners, L.L.C.

Brown, Burke Capital Partners, L.L.C.

Appendix D

[Letterhead of Powell, Goldstein, Frazer & Murphy]

January 6, 2003

FNB Newton Bancshares, Inc.
4159 Mill Street
Covington, Georgia 30015

Synovus Financial Corp.
901 Front Avenue
Suite 301
Columbus, Georgia 31901

Re: Merger pursuant to the Agreement and Plan of Merger dated October 31, 2002 by and between Synovus Financial Corp. and FNB Newton Bancshares, Inc. (the "Agreement")

Ladies and Gentlemen:

We have participated in the preparation of the discussion set forth under the heading THE MERGER - Material United States Federal Income Tax Consequences of the Merger, set forth in the Proxy Statement/Prospectus. In our opinion, subject to our receipt of the representations contemplated in the Merger Agreement by and between Synovus Financial Corp. and FNB Newton Bancshares, Inc., such discussion is accurate in all material respects.

We hereby consent to the filing of this opinion as an exhibit to such Proxy Statement/Prospectus and the reference to our firm and the above-mentioned opinion under the heading THE MERGER - Material United States Federal Income Tax Consequences of the Merger, included in the Registration Statement. In giving such consent, we do not thereby admit that we are acting within the category of persons whose consent is required under Section 7 of the Securities Act and the rules and regulations of the Securities and Exchange Commission thereunder.

Very truly yours,

/s/Powell, Goldstein, Frazer & Murphy

POWELL, GOLDSTEIN, FRAZER & MURPHY

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS; UNDERTAKINGS

Item 20. Indemnification of Directors and Officers

Subsection (a) of Section 14-2-851 of the Georgia Business Corporation Code provides that a corporation may indemnify or obligate itself to indemnify an individual made a party to a proceeding because he or she is or was a director against liability incurred in the proceeding if such individual conducted himself or herself in good faith and such individual reasonably believed, in the case of conduct in an official capacity, that such conduct was in the best interests of the corporation and, in all other cases, that such conduct was at least not opposed to the best interests of the corporation and, in the case of any criminal proceeding, such individual had no reasonable cause to believe such conduct was unlawful. Subsection (d) of Section 14-2-851 of the Georgia Business Corporation Code provides that a corporation may not indemnify a director in connection with a proceeding by or in the right of the corporation except for reasonable expenses incurred if it is determined that the director has met the relevant standard of conduct, or in connection with any proceeding with respect to conduct under Section 14-2-851 of the Georgia Business Corporation Code for which he was adjudged liable on the basis that personal benefit was improperly received by him. Notwithstanding the foregoing, pursuant to Section 14-2-854 of the Georgia Business Corporation Code a court may order a corporation to indemnify a director or advance expenses if such court determines that the director is entitled to indemnification under the Georgia Business Corporation Code or that the director is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not such director met the standard of conduct set forth in subsections (a) and (b) of Section 14-2-851 of the Georgia Business Corporation Code, failed to comply with Section 14-2-853 of the Georgia Business Corporation Code or was adjudged liable as described in paragraph (1) or (2) of subsection (d) of Section 14-2-851 of the Georgia Business Corporation Code.

Section 14-2-852 of the Georgia Business Corporation Code provides that to the extent that a director has been successful, on the merits or otherwise, in the defense of any proceeding to which he was a party, because he or she is or was a director of the corporation, the corporation shall indemnify the director against reasonable expenses incurred by the director in connection therewith.

Section 14-2-857 of the Georgia Business Corporation Code provides that a corporation may indemnify and advance expenses to an officer of the corporation who is a party to a proceeding because he or she is an officer of the corporation to the same extent as a director and if he or she is not a director to such further extent as may be provided in its articles of incorporation, bylaws, action of its board of directors or contract except for liability arising out of conduct specified in Section 14-2-857(a)(2) of the Georgia Business Corporation Code. Section 14-2-857 of the Georgia Business Corporation Code also provides that an officer of the corporation who is not a director is entitled to mandatory indemnification under Section 14-2-852 and is entitled to apply for court ordered indemnification or advances for expenses under Section 14-2-854, in each case to the same extent as a director. In addition, Section 14-2-857 provides that a corporation may also indemnify and advance expenses to an employee or agent who is not a director to the extent, consistent with public policy, that may be provided by its articles of incorporation, bylaws, action of its board of directors or contract.

In accordance with Article VIII of the Company s Bylaws, every person who is or was (and the heirs and personal representatives of such person) a director, officer, employee or agent of the Company shall be indemnified and held harmless by the Company from and against the obligation to pay a judgment, settlement, penalty, fine (including an excise tax assessed with respect to an employee benefit plan), and reasonable expenses (including attorneys fees and disbursements) that may be imposed upon or incurred by him or her in connection with or resulting from any threatened, pending, or completed, action, suit, or proceeding, whether civil, criminal, administrative, investigative, formal or informal, in which he or she is, or is threatened to be made, a named defendant or respondent: (a) because he or she is or was a director, officer, employee, or agent of the Company; (b) because he or she or is or was serving at the request of the Company as a director, officer, partner, trustee, employee, or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise; or (c) because he or she is or was serving as an employee of the corporation who was employed to render professional services as a lawyer or accountant to the corporation; regardless of whether such person is acting in such a capacity at the time such obligation shall have been imposed or incurred, if (i) such person acted in a manner he or she believed in good faith to be in or not opposed to the best interest of such corporation, and, with respect to any criminal proceeding, if such person had no reasonable cause to believe his or her conduct was unlawful or (ii), with respect to an employee benefit plan, such person believed in good faith that his or her conduct was in the interests of the participants in and beneficiaries of the plan.

Pursuant to Article VIII of the Bylaws of the Company, reasonable expenses incurred in any proceeding shall be paid by the Company in advance of the final disposition of such proceeding if authorized by the Board of Directors in the specific case, or if authorized in accordance with procedures adopted by the Board of Directors, upon receipt of a written undertaking executed personally by or on behalf of the director, officer, employee or agent to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Company, and a written affirmation of his or her good faith belief that he or she has met the standard of conduct required for indemnification.

The foregoing rights of indemnification and advancement of expenses are not intended to be exclusive of any other right to which those indemnified may be entitled, and the Company has reserved the right to provide additional indemnity and rights to its directors, officers, employees or agents to the extent they are consistent with law.

The Company carries insurance for the purpose of providing indemnification to its directors and officers. Such policy provides for indemnification of the Company for losses and expenses it might incur to its directors and officers for successful defense of claims alleging negligent acts, errors, omissions or breach of duty while acting in their capacity as directors or officers and indemnification of its directors and officers for losses and expense upon the unsuccessful defense of such claims.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the Act), may be permitted to directors, officers and controlling persons of the Company pursuant to the foregoing provisions, or otherwise, the Company has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Company of expenses incurred or paid by a director, officer or controlling person of the Company in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

Item 21. Exhibits and Financial Statement Schedules

The following Exhibits are filed as part of this Registration Statement:

Exhibit No.	Description
2	Agreement and Plan of Merger is attached as Appendix "A" to the Proxy Statement/Prospectus included in this Registration Statement.
4.1	Articles of Incorporation of Synovus Financial Corp., as amended, incorporated by reference to Exhibit 4(a) of Synovus Financial Corp.'s Registration Statement on Form S-8 filed with the Securities and Exchange Commission on July 23, 1990 (File No. 33-35926).
4.2	Bylaws, as amended, of Synovus Financial Corp., incorporated by reference to Exhibit 4.2 of Synovus Financial Corp.'s Registration Statement on Form S-4 filed with the Securities and Exchange Commission on January 6, 2003 (File No. 333-102370).
4.3	Form of Rights Agreement incorporated by reference to Exhibit 4.1 of Synovus Financial Corp. s Registration Statement on Form 8-A dated April 28, 1999 filed with the Securities and Exchange Commission on April 28, 1999 pursuant to Section 12 of the Securities Exchange Act of 1934, as

	amended.
5*	Legal opinion of the Senior Deputy General Counsel of Synovus regarding the legality of the Synovus Common Stock being issued in the Merger.
8	Tax opinion of Powell, Goldstein, Frazer & Murphy, LLP regarding the tax consequences of the Merger to shareholders of FNB Newton Common Stock is attached as Appendix D to the Proxy Statement/Prospectus included in this Registration Statement.
23.1	The consent of KPMG, LLP re: Consolidated Financial Statements of Synovus Financial Corp. and Subsidiaries.
23.2	The consent of Powell, Goldstein, Frazer & Murphy, LLP regarding its tax opinion filed as Appendix D to the Proxy Statement/Prospectus included in this Registration Statement is contained in its opinion filed as Exhibit 8 to the Registration Statement.
23.3*	The consent of the Senior Deputy General Counsel of Synovus is contained in her opinion filed as Exhibit 5 to the Registration Statement.
23.4	The consent of Burke Capital Group, L.L.C. (formerly known as Brown, Burke Capital Partners, L.L.C.) regarding its opinion as to the fairness of the exchange ratio to be received by FNB Newton shareholders filed as Appendix C to the Proxy Statement/Prospectus included in the Registration Statement.
24*	Powers of Attorney contained on the signature pages of the Registration Statement.

99.1 Form of Proxy

99.2 Opinion of Brown, Burke Capital Partners, L.L.C. (now known as Burke Capital Group, L.L.C.) as to the fairness of the exchange ratio to be received by FNB Newton's shareholders is attached as Appendix "C" to the Proxy Statement/Prospectus included in the Registration Statement.

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* Previously filed.

The Registrant agrees to provide to the Commission, upon request, copies of instruments defining the rights of holders of long-term debt of the Registrant.

Item 22. Undertakings.

The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant s annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan s annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the Registration Statement shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

The undersigned Registrant hereby undertakes as follows: that prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this Registration Statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

The Registrant undertakes that every prospectus (i) that is filed pursuant to the immediately preceding paragraph or (ii) that purports to meet the requirements of Section 10(a)(3) of the Act and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the Registration Statement and will not be used

until such amendment is effective, and that, for purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide public offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other that the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be

governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Item 4, 10(b), 11, or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes the information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

The undersigned Registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Pre-effective Amendment No. 1 to this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Columbus, State of Georgia, on the 22nd day of January, 2003.

SYNOVUS FINANCIAL CORP.
("Registrant")
By:/s/James H. Blanchard
James H. Blanchard
Chairman of the Board and
Principal Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints James H. Blanchard, James D. Yancey and Richard E. Anthony, and each of them, his or her true and lawful attorney(s)-in-fact and agent(s), with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any or all amendments to this Registration Statement and to file the same, with all exhibits and schedules thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney(s)-in-fact and agent(s) full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney(s)-in-fact and agent(s), or their substitute(s), may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

* Date: January 22, 2003

William B. Turner,
Director and Chairman of

the Executive Committee

/s/James H. Blanchard — Date: January 22, 2003

James H. Blanchard,
Chairman of the Board and
Principal Executive Officer

* — Date: January 22, 2003

James D. Yancey,
President and Director

* — Date: January 22, 2003

Richard E. Anthony,
Vice Chairman of the Board

* — Date: January 22, 2003

Walter M. Deriso, Jr.,
Vice Chairman of the Board

* — Date: January 22, 2003

Elizabeth R. James,
Vice Chairman of the Board

* — Date: January 22, 2003

Thomas J. Prescott
Executive Vice President,
Principal Accounting and Financial Officer

Date: _____, 2003

Daniel P. Amos,
Director

Date: _____, 2003

Joe E. Beverly,
Director

*

Richard Y. Bradley,
Director

Date: January 22, 2003

C. Edward Floyd,
Director

Date: _____, 2003

*

Gardiner W. Garrard, Jr.,
Director

Date: January 22, 2003

V. Nathaniel Hansford,
Director

Date: _____, 2003

*

John P. Illges, III,
Director

Date: January 22, 2003

Alfred W. Jones III,
Director

Date: _____, 2003

*

Mason H. Lampton,
Director

Date: January 22, 2003

*

Elizabeth C. Ogie,
Director

Date: January 22, 2003

*

Date: January 22, 2003

H. Lynn Page,
Director

Date: _____, 2003

Melvin T. Stith,
Director