CADENCE FINANCIAL CORP
Form S-1/A
July 22, 2009
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As filed with the Securities and Exchange Commission on July 22, 2009

Registration No. 333-160324

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

PRE-EFFECTIVE AMENDMENT NO.1

to

Form S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Cadence Financial Corporation

(Exact name of registrant as specified in its charter)

Mississippi	**6021**	**64-0694775**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

301 East Main Street

Starkville, Mississippi 39759

(662) 323-1341

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Lewis F. Mallory, Jr.

Chairman and Chief Executive Officer

Cadence Financial Corporation

301 East Main Street

Starkville, Mississippi 39759

Telephone: (662) 323-1341

Facsimile: (662) 323-4748

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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Atlanta, Georgia 30363

Telephone: (404) 322-6000

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer x
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Amount to Be Registered[(1)]	Proposed Maximum Offering Price Per Unit[(2)]	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee[(3)]
Common Stock, par value $1.00 per share	36,225,000	$2.18	$78,970,500	$4,406.55

(1) Includes an aggregate of 4,725,000 shares to cover the over-allotments, if any, pursuant to the over-allotment option granted to the underwriters.

(2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(c) under the Securities Act of 1933, as amended, on the basis of the high and low sales prices of Cadence Financial Corporation Common Stock on July 21, 2009, as reported by The NASDAQ Global Select Market.

(3) A registration fee of $55.80 was previously paid upon the initial filing of the Form S-1 on June 30, 2009, the remaining $4,350.75 has been paid in connection with the filing of this amendment.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission acting pursuant to said Section 8(a), may determine.

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THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED JULY 22, 2009

PROSPECTUS

31,500,000 shares of Common Stock

We are offering 31,500,000 shares of our common stock, par value $1.00 per share. The public offering price of our common stock is $ per share. Our common stock is quoted on The NASDAQ Global Select Market under the symbol CADE. The last reported sale price of our common stock on July 21, 2009 was $2.07 per share.

You should read this prospectus carefully before you invest.

Investing in our common stock involves significant risks that are described in the Risk Factors section beginning on page 12 of this prospectus.

	Per Share	Total
Price to public		
Underwriting discount		
Proceeds to us, before expenses		

Up to 1,000,000 shares of common stock being sold by us are being reserved for sale to our officers and directors at the public offering price.

We have granted the underwriters an option to purchase 4,725,000 additional shares of common stock at the same price, and on the same terms, solely to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

These securities are not savings accounts, deposits or other obligations of any bank and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

The underwriters are expected to deliver the shares of common stock to purchasers on , 2009.

Sole Book-Running Manager

FBR CAPITAL MARKETS

Co-Manager

STERNE AGEE

The date of this prospectus is , 2009.

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You should rely only on the information contained in this prospectus or any free writing prospectus prepared by or on behalf of us. We have not, and the underwriters have not, authorized any other person to provide you with different information. We are not, and the underwriters are not, making an offer to sell our common stock in any jurisdiction in which the offer or sale is not permitted.

This prospectus does not offer to sell, or ask for offers to buy, any shares of our common stock in any state or jurisdiction where it would not be lawful or where the person making the offer is not qualified to do so.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information you should consider in making your investment decision. Before making an investment decision, we urge you to read the entire prospectus carefully, including the consolidated financial statements and the related notes and the information set forth in the section of this prospectus entitled Risk Factors.

Our Company

Cadence Financial Corporation (the Corporation) is a $2.0 billion bank holding company, organized under the laws of the State of Mississippi in 1984. Its assets consist primarily of its investment in Cadence Bank, N.A. (the Bank), a national banking corporation with over 120 years of operating history dating back to 1887, and its primary activities are conducted through the Bank. As used in this prospectus, the terms we, us, and our mean the Corporation and its subsidiaries (including the Bank) and predecessors, unless the context indicates otherwise.

We are engaged in the general banking business and activities closely related to banking, as permitted by the banking laws and regulations of the United States. We provide a competitive set of financial services that includes commercial and consumer banking, trust and investment management, mortgage loan products and retail investment sales. Our client base is diverse and consists of business, agricultural, governmental, and educational entities as well as individual consumer clients in the states of Alabama, Florida, Georgia, Mississippi and Tennessee. We have experienced significant organic growth and, in the last 37 years, expanded through strategic acquisitions.

Market Areas

Our banking franchise consists of 38 banking offices across five states. Specifically, we operate in eastern Mississippi; Brentwood and Franklin, Tennessee (Middle Tennessee); Memphis, Tennessee; Tuscaloosa, Birmingham/Hoover, Alabama; Sarasota/Bradenton, Florida; and Blairsville and Blue Ridge, Georgia. According to the most recent FDIC report, as of June 30, 2008, we had deposit market shares of 48%, 26% and 26%, respectively, in Oktibbeha County, Mississippi where our headquarters are located, and in the neighboring Clay and Lowndes Counties.

Alabama. We serve the Tuscaloosa and Birmingham/Hoover, Alabama areas with seven banking facilities.

Florida. We serve the Sarasota/Bradenton, Florida area with three banking facilities.

Georgia. We serve the Blairsville and Blue Ridge, Georgia areas with two banking facilities.

Mississippi. We are the largest commercial bank domiciled in the eastern, Golden Triangle, area of Mississippi. The Golden Triangle includes the third largest airport in Mississippi, Mississippi State University, the state s largest university, Columbus Air Force Base, Severstal Columbus, one of the largest steel mills in the United States, several other large government contractors, and several large industrial and research facilities. We have a total of 19 banking facilities that serve the communities of six Mississippi counties within a 65 mile radius of our main office in Starkville.

Tennessee. We have five banking facilities in the Memphis, Tennessee area, and two banking facilities in the Brentwood and Franklin, Tennessee areas near Nashville.

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The following table reflects, as of March 31, 2009, the distribution of total assets, loans, deposits and branches in the states in which we conduct our business:

State	Assets	Loans	Deposits	Branches
Alabama	11%	16%	12%	18%
Florida	7	11	8	8
Georgia	2	3	2	5
Mississippi	52	28	61	53
Tennessee	28	42	17	16
	100%	100%	100%	100%

Although we operate in several distinct markets, we employ a community banking model that uses centralized supervision and operational support, as we believe it adds consistency to our operations. We strive to provide high quality service to clients in our communities to establish profitable long-term banking relationships. We focus not only on operating our bank efficiently, but also on being an active participant in the communities we serve. During the current recession, we have undertaken strategic initiatives to improve our credit underwriting and monitoring so that we can continue to serve our clients effectively.

Market Opportunity and Our Business Strategy

We believe that upon the successful completion of this offering, we will be able to take advantage of key opportunities that exist in each of our markets, especially given the distress that has weakened many of our competitors. We believe the success of this offering will give us a competitive advantage over these competitors and allow us to benefit more rapidly from improving economic conditions.

We believe that given the current operating environment and the capital from this offering, we will have the following opportunities to increase our net interest margin and strengthen our franchise:

Take Advantage of Opportunities with Economic Recovery. We believe that the proceeds of this offering will leave us well positioned to take advantage of opportunities that may arise as the economy recovers. We expect to grow our franchise in our existing markets and may selectively expand our presence in new markets.

Optimize Loan Mix. Due to the current economic cycle and its effect on the Bank, we have not been actively seeking new banking relationships. We intend to modify this policy following this offering by pursuing and establishing new client relationships. We believe this change in strategy will allow us to grow our portfolio of assets, as well as diversify our loan mix and client base. We believe there are opportunities to originate loans with strict underwriting guidelines throughout our markets, primarily in commercial and industrial lending and 1-4 family first lien mortgages, as well as selective commercial real estate and farm loans, while reducing our exposure to construction and development loans.

Reinvest Excess Liquidity. During the first quarter of 2009, we intentionally accumulated excess liquidity in anticipation of an adverse public response to the announcement of our first quarter loss and other negative news. That anticipated response did not occur. Additional capital will allow us to invest this liquidity in higher income-earning assets, which we believe will improve our income as well as our net interest margin.

Recruit and Retain Trained and Experienced Bankers. Because many of our competitors have been significantly weakened by the current recession, we believe that after this offering we will be viewed by banking professionals to be in a position of strength. We believe this perception will help us attract and retain talented professionals.

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Further Develop Our Core Deposit Franchise. We believe that our current footprint offers the opportunity for continued core deposit growth. We intend to leverage the market disruption created by the current recession to further strengthen our core deposit market share in each of our regions of operation. We plan to maintain our deposit share in the markets where we are leaders and grow our core deposits in the remainder of our markets using the strategies with which we have achieved success throughout our over 120-year operating history.

Opportunistically Participate in FDIC Assisted Transactions. Since January 1, 2009, 57 banks and thrifts have failed in the United States. Thirteen of these failures have taken place in states in which we operate. We intend to participate in FDIC assisted transactions as requested and approved by our regulators if we believe those transactions will add value to our franchise. We will consider both whole bank and deposit only transactions.

Leverage Our Existing Infrastructure. We have made significant investments in our offices, technology and human capital. Our improvements to technology include enhancements made to our existing credit risk management and monitoring systems and commercial account and treasury services. We strive to maximize the potential of our infrastructure and develop our business with relatively small incremental investment.

Maintain Dedication to Customer Service. We use a relationship approach in managing and pricing our clients. We synchronize our product design, advertising, promotion and personal selling to more effectively meet the loan, deposit and electronic banking needs of our clients. Currently, our clients use, on average, 2.6 of our products per household. Our checking attrition rate is 15%, well below industry averages.

Loan Portfolio

During the current recession, our earnings have been materially affected by required provisions for loan losses stemming from deterioration in our construction and development portfolio. We entered into the Memphis, Birmingham/Hoover, and Middle Tennessee markets late in the most recent real estate boom cycle. Consequently, our build-up in our construction and development portfolio and the subsequent lack of demand for residential real estate caused our loan quality to deteriorate. In mid-2008, we established a moratorium on residential construction and development lending. As of March 31, 2009, we have reduced our exposure in total construction and development loans by more than $134 million, or 30.1%, from March 31, 2008. We are currently comfortable with the performance in our traditional commercial and farm loans, our commercial and industrial loans and our consumer loans. As noted above, we expect to originate new commercial and industrial loans and 1-4 family first lien mortgages, as well as opportunistically originate carefully underwritten, selective commercial real estate and farm loans, while continuing to reduce our exposure to construction and development loans. Due to the current economic cycle and its effect on the Bank we have not been actively seeking new banking relationships. We believe we have a strong presence in our markets and will have the opportunity to capitalize on new lending relationships, along with their corresponding deposits, following the injection of new capital into the Bank as a result of this offering. Additionally, we believe our increase in capital will allow us to selectively hire loan officers with targeted expertise.

We have endeavored to deal aggressively with problem assets across our loan portfolio. In the third quarter of 2008, we expanded our loan review program to include the addition of an independent asset quality review firm that provides specialized and targeted loan reviews by type. We believe this enhanced credit risk management process positions us to deal effectively with reducing our credit risk profile and to maintain a high quality loan portfolio on an ongoing basis. Additionally, in the future we intend to create a more balanced real estate portfolio by reducing our concentration of higher risk construction and development loans.

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The following table presents the concentration and balances in our loan portfolio for the Bank as of March 31, 2009, reflecting the internal categories that our management uses to obtain a more detailed view of our loan portfolio:

Loan Type	Number of Loans	Principal Amount Outstanding	Percent of Loan Portfolio	Percent of Total Assets
		(Dollars in thousands)		
Commercial Real Estate and Farm Loans	1,138	$ 421,446	32.59%	20.31%
Construction and Development Loans	860	312,052	24.13	15.04
Commercial and Industrial Loans	2,595	226,819	17.54	10.93
Closed End First Lien 1-4 Family	2,079	164,125	12.69	7.91
Home Equity Line of Credit	1,600	68,590	5.30	3.31
Multi-Family Loans	44	27,951	2.16	1.35
Consumer Loans	4,861	19,057	1.47	0.92
Closed-End Junior Lien 1-4 Family	304	13,447	1.04	0.65
Other	4,259	39,532	3.08	1.90
Total	17,740	$ 1,293,019	100.00%	62.32%

As of March 31, 2009, our non-performing loans were $44 million, or 3.4% of total loans outstanding. Our allowance for loan losses was 3.0% of total loans and provided for 88.5% coverage of our non-performing loans.

Management Team

We believe that the substantial experience and continuity of our management team will aid us in executing our business plan and continuing our growth.

Name	Title	Number of Years of Service
Lewis F. Mallory, Jr.	Chairman and Chief Executive Officer	44
Mark A. Abernathy	President and Chief Operating Officer	14
Richard T. Haston	Executive Vice President, Chief Financial Officer, and Secretary	12

Recent Developments

Agreement with the Office of the Comptroller of the Currency

On April 17, 2009, the Bank entered into a written agreement with the Office of the Comptroller of the Currency (the OCC), our primary federal regulator, to improve the Bank s performance. The agreement seeks to enhance the Bank s existing practices and procedures in several areas, including compliance, strategic planning, credit risk management, other real estate owned (OREO), criticized assets, internal loan review, internal audit, commercial real estate concentration risk management, brokered deposits, and financial subsidiaries. While the Bank is under this agreement, it is subject to additional oversight and restrictions in terms of growth and capital. The Bank believes it has made progress in complying with the agreement.

The OCC has required the Bank to achieve by September 30, 2009, and maintain on an ongoing basis, a Tier 1 leverage ratio of 8.0% and a total risk-based capital ratio of 12.0%. These ratios are higher than the regulatory capital ratios required to meet well-capitalized standards. As of March 31, 2009, the Bank had a Tier 1 leverage ratio of 7.2% and a total risk-based capital ratio of 11.7%. This offering is intended to allow the Bank to achieve the required capital levels and to provide additional capital to support the Bank s growth. If the Bank fails to comply with these required capital levels, the Bank may be subject to further administrative actions or sanctions.

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Participation in Capital Purchase Program

In January 2009, we sold 44,000 shares of non-voting Series A preferred stock, for an aggregate purchase price of $44.0 million, and issued a warrant to purchase up to 1,145,833 shares of our common stock to the U.S. Department of the Treasury (the U.S. Treasury) under the Troubled Asset Relief Program (TARP) Capital Purchase Program (the CPP).

Second Quarter 2009 Financial Update

We reported a net loss applicable to common shareholders of $14.7 million, or $1.23 per diluted share, for the second quarter ended June 30, 2009. The loss was due primarily to a higher provision for loan losses and higher non-interest expenses related to increased FDIC insurance premiums and expenses related to OREO.

Net interest income was $10.7 million and the net margin was 2.21% in the second quarter of 2009. Net margin was reduced in part as we intentionally built liquidity during the second quarter by accumulating deposits and investing in short-term assets. The increased liquidity resulted in lower yields on the short-term portfolio that we estimated to cost about 21 basis points in net margin for the second quarter of 2009.

Our provision for loan losses was $23.0 million in the second quarter of 2009 and included $15.3 million in net charge-offs and a $7.7 million increase in the allowance for loan losses. At the end of the second quarter of 2009, the allowance for loan losses was $46.7 million, or 3.8% of total loans.

Non-performing loans were $72.8 million in the second quarter of 2009. The growth in non-performing loans was due primarily to the economy s impact on real estate based loans.

We reduced our exposure to real estate loans across our franchise and achieved a decrease in loans for 1-4 speculative residential construction, land development and lots to builders in addition to lower balances on commercial real estate loans. These higher risk loan categories are down approximately $13.8 million in the latest three months and down $91.7 million since the second quarter of 2008. In addition, OREO is down to $16.7 million and is at the lowest point in over a year. The reduction in OREO is due to increased special assets staff focused on minimizing losses from non-performing loans and repossessed assets.

Total non-interest income was $5.2 million in the second quarter of 2009 and benefited from higher insurance fees and commissions, mortgage loan origination income, and gains on securities; offset partially by lower service charges on deposits, trust department income and other non-interest income. Non-interest expenses increased to $16.3 million in the second quarter of 2009 due to higher costs for FDIC insurance premiums and special assessments, and expenses related to OREO. There was minimal growth in salary and premises costs due to our continued focus on cost controls.

Concurrent Private Offering

We are offering in a concurrent private offering up to 264 shares of Series B Convertible Perpetual Cumulative Preferred Stock, liquidation preference $100,000 per share (Series B preferred stock), at a price of $100,000 per share, to a limited number of investors who qualify as accredited investors as defined in Rule 501 under the Securities Act of 1933, as amended (the Securities Act), and non-U.S. persons in transactions exempt from registration pursuant to Regulation S under the Securities Act. We are offering the shares only to investors with whom we, or our placement agents, have a substantive preexisting relationship.

The shares of Series B preferred stock are mandatorily convertible into shares of our common stock on the day on which we amend our restated articles of incorporation, as amended, to increase the number of authorized

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shares of common stock to permit the full conversion of the Series B preferred stock into common stock. The conversion rate for the Series B preferred stock is equal to (a) $100,000, the offering price per share of the Series B preferred stock, divided by (b) the public offering price per share of the common stock we issue in this public offering, subject to customary anti-dilution adjustments. We intend to hold a special meeting of our shareholders as soon as reasonably practicable to seek their approval of the amendment to our restated articles of incorporation, as amended, to effect the increase in the authorized number of shares of common stock (and of the conversion of the Series B preferred stock into common stock if required under applicable NASDAQ listing rules (the NASDAQ Approval)) and of a one-for-five reverse stock split of our common stock to improve the marketability and liquidity of our common stock.

The Series B preferred stock will pay cumulative dividends, when, if and in the manner declared by the board of directors, at a rate per annum equal to 12.00%. If the mandatory conversion of the Series B preferred stock is not effected on or before September 30, 2009, the dividend rate on the Series B preferred stock will immediately thereafter increase by an additional 1.0% per annum, and will further increase every month thereafter by an additional 1.0% per annum until the date on which the mandatory conversion is effected (subject to a maximum dividend rate of 18.00% per annum).

Corporate Information

Our principal executive offices are located at 301 East Main Street, Starkville, Mississippi 39759, and our telephone number is (622) 323-1341. We maintain a website at *http://www.cadencebanking.com.* Information on the website is not incorporated by reference and is not part of this prospectus.

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THE OFFERING

Shares offered	31,500,000 shares of common stock (36,225,000 shares of common stock if the underwriters exercise their over-allotment option in full).
Shares outstanding after the offering[1]	43,412,564 shares of common stock (48,137,564 shares of common stock if the underwriters exercise their over-allotment option in full).
	44,000 shares of Series A preferred stock.
Shareholder approval	We have agreed in the underwriting agreement relating to this offering to use commercially reasonable efforts to obtain the approval of an amendment to our restated articles of incorporation, as amended (the Charter Amendment), to increase the number of authorized shares of common stock from 50,000,000 to at least 150,000,000 and to obtain the NASDAQ Approval, if required.
	We intend to hold a special meeting of shareholders to approve the Charter Amendment and the NASDAQ Approval as soon as reasonably practicable after the completion of this offering. Our directors and officers support the Charter Amendment and are expected to vote their shares in favor of it. Additionally, we intend to seek shareholder approval to effect a one-for-five reverse stock split of our common stock to improve the marketability and liquidity of the common stock.
Net proceeds	The net proceeds of this offering to us will be approximately $ million (after deducting underwriting discounts and commissions and the offering expenses payable by us) based on the public offering price for the common stock of $2.07 per share on July 21, 2009. The amount of net proceeds will be higher if the underwriters exercise their over-allotment option.
Use of proceeds	We expect to use substantially all of the net proceeds of this offering to fund the Bank and for general corporate purposes. The net proceeds of this offering that we distribute to the Bank will qualify as Tier 1 capital at the Bank for regulatory purposes. The Bank expects to use the net proceeds of this offering that we distribute to the Bank to support continued growth in its loans and deposits and for general corporate purposes.
Dividends	On May 5, 2009, our board of directors voted to suspend paying cash dividends until further notice. Furthermore, our ability to pay dividends is restricted by banking policies and regulations and our participation in the CPP. We cannot give you any assurance when we will resume paying dividends or regarding the amount of any potential future dividends.
Risk factors	

You should carefully read and consider the information set forth under Risk Factors beginning on page 12 before deciding to invest in shares of our common stock.

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The NASDAQ Global Select Market symbol	CADE

(1) The number of shares outstanding after this offering is based on 11,912,564 shares of common stock, 44,000 shares of Series A preferred stock outstanding as of July 21, 2009.

Unless expressly stated or the context otherwise requires, all information in this prospectus assumes that the underwriters over-allotment option will not be exercised. For more information regarding the over-allotment option, see Underwriting.

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SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA

The following table provides summary historical consolidated financial data for the periods and as of the dates indicated. You should read this information in conjunction with our audited consolidated financial statements, including the related notes, and with Management s Discussion and Analysis of Financial Condition and Results of Operations, which are included elsewhere in this prospectus. Except for the data under Selected Financial Ratios, Selected Performance Ratios, Asset Quality Ratios and Capital Ratios, the summary historical consolidated financial data for the years ended December 31, 2008, December 31, 2007 and December 31, 2006, and the summary historical consolidated financial data as of December 31, 2008 and December 31, 2007, are derived from our audited consolidated financial statements, which are included elsewhere in this prospectus. The summary historical consolidated financial data for the years ended December 31, 2005 and December 31, 2004 and the selected financial data as of December 31, 2006, December 31, 2005 and December 31, 2004 are derived from audited consolidated financial statements that are not included in this prospectus. The summary historical consolidated financial data as of March 31, 2009 and for the three months ended March 31, 2009 and March 31, 2008 are derived from our unaudited interim consolidated financial statements, which are included elsewhere in this prospectus. The summary historical consolidated financial data as of March 31, 2008 (balance sheet) are derived from unaudited interim consolidated financial statements that are not included in this prospectus. We have prepared our unaudited consolidated financial statements on the same basis as our audited financial statements and have included all adjustments, consisting of normal and recurring adjustments, that we consider necessary for a fair presentation of our financial position and operating results for the unaudited periods. The financial information presented in the table below is not necessarily indicative of our financial condition, results of operations or cash flows of any other period.

	As of and for the Three Months Ended March 31,		As of and for the Year Ended December 31,				
	2009	2008	2008	2007	2006	2005	2004
	(unaudited)		(audited)				
	(Dollars in thousands, except ratios and per share data)						
Summary of Operations:							
Total interest income	$ 21,706	$ 28,609	$ 102,857	$ 122,113	$ 96,994	$ 73,184	$ 62,384
Total interest expense	9,353	14,090	47,330	64,845	46,512	27,970	21,186
Net interest income	12,353	14,519	55,527	57,268	50,482	45,214	41,198
Provision for loan losses	32,761	3,000	28,599	8,130	1,656	2,128	3,522
Net interest (loss) income after provision for loan losses	(20,408)	11,519	26,928	49,138	48,826	43,086	37,676
Securities gains (losses), net	63	203	390	(17)	66	159	223
Total other income	5,807	6,003	22,992	17,485	19,993	19,935	20,107
Noninterest expense	81,543[1]	13,831	58,295	54,042	49,682	44,745	41,727
(Loss) income before income taxes	(96,144)	3,691	(8,375)	12,581	19,137	18,276	16,056
Income taxes (benefit) expense	(11,983)	930	(5,019)	2,788	4,984	4,522	3,757
Net (loss) income	(84,161)	2,761	(3,356)	9,793	14,153	13,754	12,299
Per Share Data:							
Net (loss) income basic	$ (7.06)	$ 0.23	$ (0.28)	$ 0.82	$ 1.37	$ 1.68	$ 1.51
Net (loss) income diluted	(7.06)	0.23	(0.28)	0.82	1.37	1.68	1.50
Net (loss) income per share applicable to common shareholders basic	(7.09)	0.23	(0.28)	0.82	1.37	1.68	1.51
Net (loss) income per share applicable to common shareholders diluted	(7.09)	0.23	(0.28)	0.82	1.37	1.68	1.50
Dividends	0.05	0.25	0.60	1.00	1.00	0.98	0.96
Book value per common share	8.75	16.56	15.57	16.33	16.09	12.17	11.94
Tangible book value per common share	8.60	10.73	9.80	10.47	10.09	8.04	7.71

(1) We recognized a $66.8 million impairment loss on goodwill for the first quarter of 2009, eliminating all goodwill from our balance sheet.

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	As of and for the Three Months Ended March 31, 2009	2008	As of and for the Year Ended December 31, 2008	2007	2006	2005	2004
	(unaudited)				(audited)		
			(Dollars in thousands, except for ratios)				
Financial Condition Data:							
Total assets[1]	$ 2,074,926	$ 2,009,850	$ 1,979,269	$ 1,984,155	$ 1,899,948	$ 1,446,117	$ 1,439,573
Net loans	1,253,961	1,348,778	1,307,599	1,322,921	1,210,710	851,332	817,649
Total deposits	1,602,032	1,396,539	1,461,159	1,425,566	1,460,523	1,121,684	1,116,373
Long-term obligations[2]	200,193	161,807	181,431	94,284	110,832	126,779	121,991
Total shareholders equity	146,073	197,157	185,565	194,370	191,265	116,984	114,766
Tangible shareholders equity	144,252	127,695	116,716	124,632	119,923	77,330	74,107
Selected Financial Ratios:							
Net interest margin[3]	2.64%	3.23%	3.07%	3.28%	3.46%	3.55%	3.37%
Selected Performance Ratios:							
Return on average assets	N/A[4]%	0.60%	N/A[4]%	0.50%	0.90%	1.00%	1.00%
Return on average equity	N/A[4]	5.60	N/A[4]	5.10	9.00	11.80	11.00
Return on average tangible equity	N/A[4]	8.80	N/A[4]	8.10	13.30	18.00	13.70
Dividend payout ratio		108.70		122.00	73.00	58.30	63.60
Average equity to average asset ratio	8.18	9.80	9.60	9.90	9.60	8.20	8.70
Efficiency ratio[5]	449.03	67.40	74.20	72.30	70.50	68.70	68.10
Asset Quality Ratios[6]:							
Ratio of nonperforming assets to total assets	3.05%	1.36%	2.54%	1.00%	0.38%	0.53%	0.62%
Ratio of nonperforming loans to total loans	3.41	1.00	2.38	0.68	0.22	0.30	0.56
Ratio of allowance for loan losses to nonperforming loans	88.47	109.91	65.51	163.36	447.88	356.24	241.79
Ratio of allowance for loan losses to total loans	3.02	1.10	1.56	1.12	1.00	1.08	1.32
Capital Ratios:							
Tier 1 leverage ratio[7]	8.39%	8.05%	7.70%	8.00%	9.20%	8.70%	8.20%
Tier 1 risk-based capital	12.26	10.31	10.10	10.20	11.70	12.50	12.20
Total risk-based capital	13.52	11.30	11.40	11.20	12.50	13.40	13.40

(1) We recognized a $66.8 million impairment loss on goodwill for the first quarter of 2009, eliminating all goodwill from our balance sheet.

(2) Long-term obligations are defined as those obligations with maturities in excess of one year. The Corporation s long-term obligations consist of certain term repurchase agreements (included in the Federal funds purchased and securities sold under agreements to repurchase caption on our consolidated balance sheets), subordinated debentures, and certain FHLB borrowings (included in the Other borrowed funds caption on our consolidated balance sheets).

(3) Net interest margin is net interest income divided by average earning assets.

(4) These percentages are negative and therefore not meaningful.

(5) Efficiency ratio is noninterest expense divided by the sum of net interest income and noninterest income (excluding taxes and the provision for loan losses).

(6) Nonperforming loans include loans 90 or more days past due, nonaccrual loans and restructured loans.

(7) Tier 1 leverage ratio is defined as Tier 1 capital (pursuant to risk-based capital guidelines) as a percentage of adjusted average assets.

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GAAP Reconciliation and Management Explanation of Non-GAAP Financial Measures

Some of the financial data included in our summary consolidated financial data are not measures of financial performance recognized by generally accepted accounting principles in the United States (GAAP). These non-GAAP financial measures are tangible book value per share, tangible shareholders equity, and return on average tangible equity. Our management uses these non-GAAP measures in its analysis of our performance.

Tangible book value per share is defined as total equity reduced by recorded goodwill and other intangible assets divided by total common shares outstanding. This measure is important to investors interested in changes from period-to-period in book value per share exclusive of changes in intangible assets. Goodwill, an intangible asset that is recorded in a purchase business combination, has the effect of increasing total book value while not increasing the tangible assets of a company. For companies such as ours that have engaged in business combinations, purchase accounting can result in the recording of significant amounts of goodwill related to those transactions.

Tangible shareholders equity is shareholders equity less goodwill and other intangible assets.

Return on average tangible equity is defined as annualized earnings for the period divided by average equity reduced by average goodwill and other intangible assets.

You should not view these disclosures as a substitute for results determined in accordance with GAAP, and they are not necessarily comparable to non-GAAP performance measures that other companies use. The following reconciliation table provides a more detailed analysis of these non-GAAP performance measures:

	As of March 31,		As of December 31,				
	2009	**2008**	**2008**	**2007**	**2006**	**2005**	**2004**
Book value per common share	$ 8.75	$ 16.56	$ 15.57	$ 16.33	$ 16.09	$ 12.16	$ 11.94
Effect of intangible assets per share	(0.15)	(5.83)	(5.77)	(5.86)	(6.00)	(4.12)	(4.23)
Tangible book value per share	8.60	10.73	9.80	10.47	10.09	8.04	7.71
Return on average equity	N/A[1]%	5.6%	N/A[1]%	5.1%	9.0%	11.8%	11.0%
Effect of intangible assets	N/A[1]	3.2	N/A[1]	3.0	4.3	6.2	2.7
Return on average tangible equity	N/A[1]	8.8	N/A[1]	8.1	13.3	18.0	13.7

(1) These percentages are negative and therefore not meaningful.

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RISK FACTORS

There are many risks and uncertainties related to our business and operations and an investment in shares of our common stock. Before making an investment decision, you should read carefully and consider the risk factors below relating to this offering. You should carefully consider the risks and uncertainties described below together with all other information contained in this prospectus, including our financial statements and the related notes. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may adversely affect our business, financial condition and operations. Any of the following risks could negatively affect our business, financial condition and results of operations. The risks discussed below also include forward-looking statements, and actual results may differ substantially from those discussed. See Forward-Looking Statements.

Risks Related to Our Business

The current economic environment poses significant challenges for us and our industry and could adversely affect our financial condition and results of operations.

We are operating in a challenging and uncertain economic environment, including generally uncertain national and local conditions. Financial institutions like us continue to be affected by sharp declines in the real estate market and constrained financial markets. Dramatic declines in the housing market over the past year, including falling home prices and increasing delinquencies, foreclosures and unemployment, have resulted in significant write-downs of asset values by many financial institutions, including us. Concerns over the stability of the financial markets and the economy have resulted in decreased lending by financial institutions to their clients and to each other. This market turmoil and tightening of credit has led to increased commercial and consumer deficiencies, lack of client confidence, increased market volatility and widespread reduction in general business activity. Many financial institutions have experienced decreased access to deposits and borrowings. The resulting economic pressure on consumers and businesses and the lack of confidence in the financial markets may adversely affect our business, financial condition and results of operations.

Continued economic uncertainty, declines in real estate values, constrained financial markets, housing market decline and financial stress on borrowers as a result of the uncertain economic environment could continue to have an adverse effect on our borrowers or their clients, adversely affecting our financial condition and results of operations. For example, a deepening national economic recession or further deterioration in local economic conditions in the Southeastern United States could cause losses that exceed our allowance for loan losses. We cannot predict when economic conditions are likely to improve. We may also face additional risks in connection with the current economic environment, including the following:

- Economic conditions that negatively affect housing prices and the job market have caused, and may continue to cause, the credit quality of our loan portfolios to deteriorate, and that deterioration in credit quality has had, and could continue to have, a negative effect on our business.

- Market developments may affect consumer confidence levels and may cause adverse changes in payment patterns, causing increases in delinquencies and default rates on loans and other credit facilities.

- The processes we use to estimate our allowance for loan losses and reserves may no longer be reliable because market conditions can change rapidly.

- The value of our securities portfolio may decline.

- We face increased regulation of our industry, and compliance with that regulation has increased our costs and increased compliance challenges and may continue to do so.

As these conditions or similar ones continue to exist or worsen, we could experience continuing or increased adverse effects on our financial condition and results of operations.

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We are heavily regulated, and that regulation could limit or restrict our activities and adversely affect our earnings.

We operate in a highly regulated industry and are subject to examination, supervision, and comprehensive regulation by various federal and state agencies, including the OCC, the Board of Governors of the Federal Reserve System (the Federal Reserve), the Federal Deposit Insurance Corporation (the FDIC), and to a limited degree, the regulators in the states in which our branches are located. Our compliance with these regulations is costly and may restrict some of our activities, including payment of dividends, mergers and acquisitions, investments, loans and interest rates and locations of offices. As further discussed below, we are also subject to capitalization guidelines established by our regulators, which require us to maintain certain levels of capital to support our business.

In light of current conditions in the global financial markets and the global economy, regulators have increased their focus on the regulation of the financial services industry. In recent months, the U.S. financial regulators responding to directives of the Obama Administration and Congress have intervened on an unprecedented scale. New legislative proposals continue to be introduced in the U.S. Congress that could further substantially increase regulation of the financial services industry and impose restrictions on the operations and general ability of firms within the industry to conduct business consistent with historical practices, including with respect to compensation, interest rates and the effect of bankruptcy proceedings on consumer real property mortgages. Further, federal and state regulatory agencies may adopt changes to their regulations and/or change the manner in which existing regulations are applied. We cannot predict the substance or effect of pending or future legislation or regulation or the application of laws and regulation to us. Compliance with current and potential regulation and scrutiny may significantly increase our costs, impede the efficiency of our internal business processes, require us to increase our regulatory capital and limit our ability to pursue business opportunities in an efficient manner by requiring us to expend significant time, effort and resources to ensure compliance. Additionally, evolving regulations concerning executive compensation may impose limitations on us that affect our ability to compete successfully for executive and management talent.

The Obama Administration recently proposed a white paper, Financial Regulatory Reform A New Foundation: Rebuilding Financial Supervision and Regulation, that provides recommendations for overhauling the nation s financial regulatory system in the wake of the global financial crisis. The plan urges Congress and regulators to adopt sweeping changes to financial sector regulation and oversight, dramatically increasing the federal government s role in nearly every aspect of the financial markets. The administration proposes both new substantive authorities and practices in government regulation and supervision, and a restructuring of the regulatory system, including the creation of new federal agencies, offices and councils. If this proposal or some other similar proposal is adopted, it may result in additional restrictions, oversight or costs that may have an adverse effect on our business, results of operations or the price of our common stock.

In addition, given the current economic and financial environment, our regulators may elect to alter standards or the interpretation of the standards used to measure regulatory compliance or to determine the adequacy of liquidity, certain risk management or other operational practices for financial services companies in a manner that impacts our ability to implement our strategy and could affect us in substantial and unpredictable ways and could have an adverse effect on our business, financial condition and results of operations. Furthermore, the regulatory agencies have extremely broad discretion in their interpretation of the regulations and laws and their interpretation of the quality of our loan portfolio, securities portfolio and other assets. If any regulatory agency s assessment of the quality of our assets differs from our assessment, we may be required to take additional charges that would have the effect of materially reducing our earnings, capital ratios and stock price.

We have entered into a formal written agreement with the OCC that requires us to take specified actions.

The OCC, our primary governmental regulator, reviews us annually. In this examination, the OCC reviews our business, including credit and other risks, accounting issues, operational matters, internal controls and management systems. Those reviews have required us to enhance our operational, risk management and internal control practices, planning processes, procedures and policies, among other things.

Following our most recent OCC review, we entered into an agreement with the OCC on April 17, 2009. In this agreement, we committed to enhance the Bank s existing practices and procedures in several areas, including the following: strategic planning, credit risk management, other real estate owned, criticized assets, internal loan review, internal audit, commercial real estate concentration risk management, brokere