GUARANTY FEDERAL BANCSHARES INC
Form S-1/A
February 27, 2014

As filed with the Securities and Exchange Commission on February 27, 2014 Registration No. 333-191440

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 2

to

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

GUARANTY FEDERAL BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**6022**	**43-1792717**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

1341 West Battlefield

Springfield, Missouri 65807

(417) 520-4333

(Address, including zip code, and telephone number, including area code, of

registrant's principal executive offices)

Shaun A. Burke, President and CEO

Guaranty Federal Bancshares, Inc.

1341 West Battlefield

Springfield, Missouri 65807

(417) 520-4333

(Name, address, including zip code, and telephone number, including

area code, of agent for service)

Copies to:

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St. Louis, Missouri 63105	**Chicago, Illinois 60606**
(314) 480-1500	**(312) 984-3100**

Approximate date of commencement of proposed sale to the public: **as soon as practicable after this Registration Statement becomes effective.**

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.

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. (Check one):

Large accelerated filer [ ]	Accelerated Filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [X]

CALCULATION OF REGISTRATION FEE

Title of each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price	Proposed Maximum Aggregate	Amount of Registration Fee(3)

		Per Share	Offering Price(1)(2)	
Common Stock, $0.10 par value	—	—	$23,000,000	$3,137

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended.
(2) Includes offering price of shares that the underwriter has the option to purchase to cover over-allotments, if any.
(3) Previously paid.

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 that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this preliminary 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 preliminary prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, Dated February 27, 2014

PRELIMINARY PROSPECTUS

$15 Million of Common Stock

GUARANTY FEDERAL BANCSHARES, INC.

This prospectus relates to the public offering of shares of the common stock, $0.10 par value per share, of Guaranty Federal Bancshares, Inc., a bank holding company headquartered in Springfield, Missouri (the "Company"), at a price of $ per share. Our common stock is quoted on the NASDAQ Global Market under the symbol "GFED." On February 24, 2014, the last reported sale price of our common stock on the NASDAQ Global Market was $11.10 per share.

Investing in our common stock involves risks. You should read the "Risk Factors" section beginning on page 15 of this prospectus before making a decision to invest in our common stock.

	Per Share	Total

Public offering price	$	$ 15,000,000
Underwriting discounts and commissions (1)	$	$
Proceeds to us, before expenses	$	$

(1) See the "Underwriting" section for additional information regarding the underwriting discount and certain expenses payable to the underwriter by us.

The underwriter also may purchase up to an additional shares of our common stock within 30 days of the date of this prospectus to cover over-allotments, if any.

None of the Securities and Exchange Commission (the "SEC"), the Federal Deposit Insurance Corporation (the "FDIC"), the Board of Governors of the Federal Reserve System (the "Federal Reserve"), any state or other securities commission or any other federal or state bank regulatory agency has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The securities are not savings accounts, deposits or other obligations of any bank, thrift or other depositary institution and are not insured or guaranteed by the FDIC or any other governmental agency or instrumentality.

The offering price per share to the public will be agreed to by the underwriter and us. At the time that the offering price per share to the public is determined, we will enter into a firm commitment underwriting agreement with the underwriter.

The underwriter expects to deliver the shares of common stock in book-entry form through the facilities of The Depository Trust Company and its participants against payment on or about , 2014.

RAYMOND JAMES

The date of this prospectus is , 2014.

TABLE OF CONTENTS

Prospectus

Contents

ABOUT THIS PROSPECTUS	ii
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS	ii
WHERE YOU CAN FIND MORE INFORMATION	iii
INCORPORATION OF CERTAIN INFORMATION BY REFERENCE	iv
PROSPECTUS SUMMARY	1
RISK FACTORS	15
USE OF PROCEEDS	27
CAPITALIZATION	28
DIVIDEND POLICY	29
PRICE RANGE OF COMMON STOCK AND DIVIDEND INFORMATION	29
DESCRIPTION OF CAPITAL STOCK	30
EXECUTIVE COMPENSATION	39
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	46
UNDERWRITING	47
LEGAL MATTERS	49
EXPERTS	49

ABOUT THIS PROSPECTUS

You should rely only on the information contained in or incorporated by reference into this prospectus and any free writing prospectus we authorize to be delivered to you. We have not, and the underwriter has not, authorized anyone to provide you with additional information or information different from that contained in or incorporated by reference into this prospectus and any free writing prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. To the extent information in this prospectus and any free writing prospectus is inconsistent with any of the documents incorporated by reference into this prospectus and any free writing prospectus, you should rely on this prospectus and any free writing prospectus. We are offering to sell, and seeking offers to buy, our common stock only in states where those offers and sales are permitted. You should assume that the information contained in or incorporated by reference into this prospectus and any free writing prospectus is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

You should read this prospectus, all of the information incorporated by reference into this prospectus and the additional information about us described in the section entitled “Where You Can Find More Information” beginning on page iii before making your investment decision.

Neither we, nor any of our officers, directors, agents or representatives or the underwriter, make any representation to you about the legality of an investment in our common stock. You should not interpret the contents of this prospectus or any free writing prospectus to be legal, business, investment or tax advice. You should consult with your own advisors for that type of advice and consult with them about the legal, tax, business, financial and other issues that you should consider before investing in our common stock.

No action is being taken in any jurisdiction outside the United States to permit a public offering of our common stock or possession or distribution of this prospectus in that jurisdiction. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about, and to observe, any restrictions as to the offering and the distribution of this prospectus applicable to those jurisdictions.

In this prospectus, we rely on and refer to information and statistics regarding the banking industry and banking markets in Missouri. We obtained this market data from independent publications or other publicly available information. In addition, the sources of the demographic information that we have included in our discussion of our market areas in this prospectus include United States Census Bureau, economic development authorities and chamber of commerce materials. Although we believe these sources are reliable, we have not independently verified and do not guarantee the accuracy and completeness of this information.

In this prospectus, we frequently use the terms “we,” “our,” “us” and the “Company” to refer to Guaranty Federal Bancshares, Inc., Guaranty Bank, and other subsidiaries which we own as a combined entity, except where it is clear that the terms mean only Guaranty Federal Bancshares, Inc. We also use the term the “Bank” to refer to Guaranty Bank.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The Company may from time to time make written or oral “forward-looking statements,” including statements contained in the Company’s filings with the SEC, in its reports to stockholders and in other communications by the Company, which are made in good faith by the Company pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. When used in this prospectus, words such as “anticipates,” “estimates,” “believes,” “expects,” and similar expressions are intended to identify such forward-looking statements but are not the exclusive means of identifying such statements.

These forward-looking statements involve risks and uncertainties, such as statements of the Company's plans, objectives, expectations, estimates and intentions, that are subject to change based on various important factors (some of which are beyond the Company's control). The following factors, among others, could cause the Company's financial performance to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements:

- the strength of the United States economy in general and the strength of the local economies in which we conduct operations;
- the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve, inflation, interest rates, market and monetary fluctuations;
- the timely development of and acceptance of new products and services and the perceived overall value of these products and services by users, including the features, pricing and quality compared to competitors' products and services;
- the willingness of users to substitute competitors' products and services for our products and services;
- our success in gaining regulatory approval of our products and services, when required;
- the impact of changes in financial services laws and regulations (including laws concerning taxes, banking, securities and insurance);
- technological changes;
- the ability to successfully manage and integrate any future acquisitions if and when our Board of Directors and management conclude any such acquisitions are appropriate;
- changes in consumer spending and saving habits;
- our success at managing the risks resulting from these factors; and
- other factors set forth in reports and other documents filed by the Company with the SEC from time to time.

For further information about these and other risks, uncertainties and factors, please review the disclosure under the heading “Risk Factors” beginning on page 15 of this prospectus and the information under the heading “Risk Factors” beginning on page 32 of our Annual Report on Form 10-K for the year ended December 31, 2012 and page 38 of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2013.

The Company cautions that the listed factors are not exclusive. The Company does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the Company.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and file with the SEC proxy statements, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as required of a U.S. listed company. You may read and copy any document we file at the SEC’s public reference room at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings are also available to the public from the SEC’s web site at www.sec.gov or on our website at www.gbankmo.com. However, the information on, or that can be accessible through, our website does not constitute a part of, and is not incorporated by reference in, this prospectus. Written requests for copies of the documents we file with the SEC should be directed to Vicki L. Lindsay, Secretary, Guaranty Federal Bancshares, Inc., 1341 W. Battlefield St., Springfield, MO 65807-4181.

This prospectus is part of a registration statement on Form S-1 filed by us with the SEC under the Securities Act of 1933, as amended (the "Securities Act"). As permitted by the SEC, this prospectus does not contain all the information in the registration statement filed with the SEC. For a more complete understanding of this offering, you should refer to the complete registration statement, including exhibits, on Form S-1 that may be obtained as described above. Statements contained in this prospectus about the contents of any contract or other document are not necessarily complete. If we have filed any contract or other document as an exhibit to the registration statement or any other document incorporated by reference in the registration statement, you should read the exhibit for a more complete understanding of the contract or other document or matter involved. Each statement regarding a contract or other document is qualified in its entirety by reference to the actual contract or other document.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC allows us to incorporate by reference the information that we file with it, which means that we can disclose important information to you by referring you to other documents. The information incorporated by reference is an important part of this prospectus. We incorporate by reference the following documents (other than information "furnished" rather than "filed" in accordance with SEC rules):

the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012;

the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2013; June 30, 2013; and September 30, 2013;

the Company's Current Reports on Form 8-K filed on February 8, 2013; May 15, 2013; May 28, 2013; September 30, 2013; and February 5, 2014; and

the Company's Definitive Proxy Statement related to its 2013 Annual Meeting of Stockholders, as filed with the SEC on April 22, 2013.

Any statement contained in a document that is incorporated by reference will be modified or superseded for all purposes to the extent that a statement contained in this prospectus modifies or is contrary to that previous statement. Any statement so modified or superseded will not be deemed a part of this prospectus except as so modified or superseded.

We will provide without charge, upon written or oral request, a copy of any or all of the documents that are incorporated by reference into this prospectus and a copy of any or all other contracts or documents which are referred to in this prospectus. Requests should be directed to: Vicki L. Lindsay, Secretary, Guaranty Federal Bancshares, Inc., 1341 W. Battlefield St., Springfield, MO 65807-4181, Telephone: (417) 520-4333.

Prospectus Summary

This summary highlights selected information contained elsewhere or incorporated by reference in this prospectus and may not contain all the information that you need to consider in making your investment decision to purchase our common stock. You should carefully read this entire prospectus, as well as the information incorporated by reference herein, before deciding whether to invest in our common stock. You should carefully consider the section entitled "Risk Factors" on page 15 of this prospectus and the documents incorporated by reference herein to determine whether an investment in our common stock is appropriate for you.

The Company

Guaranty Federal Bancshares, Inc. is a bank holding company headquartered in Springfield, Missouri. Our wholly-owned subsidiary, Guaranty Bank, operates nine branches in Greene and Christian Counties in southwest Missouri, primarily concentrated in the Springfield, Missouri market and one loan production office in Webster County. We are a community-oriented financial institution that offers traditional banking services for individuals and small to medium sized businesses in our markets. We seek to be the provider of choice for financial solutions to customers in our markets who value exceptional personalized service and local decision making.

The Company was formed in 1997 in conjunction with a plan of reorganization involving the Bank and its then existing mutual holding company. Our Bank was established in 1913 as Guaranty Savings and Loan Association, became Guaranty Federal Savings and Loan in 1935 and was renamed Guaranty Bank when it converted from a federal savings bank to a state-chartered trust company with banking powers in 2003. Currently, the Bank is regulated by the Missouri Division of Finance ("MDF") and the FDIC.

As of September 30, 2013, on a consolidated basis, we had total assets of $640.5 million, total gross loans of $468.1 million, total deposits of $510.7 million and tangible common equity of $37.7 million. For the three months ended September 30, 2013, net income available to common stockholders was $1.1 million, diluted earnings per common share was $0.41 and our annualized return on average assets was 0.85%. Also, at September 30, 2013, our Tier 1 leverage capital ratio was 10.58%, Tier 1 risk-based capital ratio was 13.22% and total risk-based capital ratio was 14.47%.

Like many commercial banks in our market, our loan portfolio is comprised of different types of industries. However, real estate lending is a significant portion of our business and accounted for more than 75% of our loan portfolio by value as of September 30, 2013. W e were not immune to asset quality issues as a result of the very challenging

economic environment and real estate market that began in 2008. This created loan losses over the last several years that were above historical levels. For example, in fiscal years 2009 and 2008, the Bank's net charge-offs as a percentage of average loans was 1.86% and 0.70%, respectively, compared to pre-recession net charge-off percentages of 0.14%, 0.08% and 0.02% for fiscal years 2007, 2006 and 2005, respectively. See "Summary Consolidated Financial Data" on page 14 of this prospectus for further details of the Bank's net charge-off percentages. Our nonperforming assets peaked at $42.1 million at June 30, 2012. We have made significant progress since then , having reduced nonperforming assets to $22.5 million at September 30, 2013. Of the $18.6 million of nonperforming loans, $17.7 million was attributable to seven relationships, and of the $3.9 million of foreclosed assets, $2.9 million was made up of two pieces of land. While these few asset issues remain outstanding, we feel that we are properly reserved and well positioned to build on our recent strong earnings performance and grow profitability going forward.

1

Summary Financial Highlights

The following table presents summary financial information as of or for the three months ended September 30, 2013 and 2012 and each of the three years ended December 31, 2012.

	As of or For the Quarter Ended September 30,		**As of or For the** **Year Ended December 31,**		
	2013	**2012**	**2012**	**2011**	**2010**
	(Unaudited)		(Dollar Amounts in Thousands, Except Per Share Data)		
Balance Sheet Data:					
Total Assets	$ 640,503	$ 653,584	$ 660,432	$ 648,506	$ 682,668
Net Loans	459,594	466,266	468,376	482,664	504,665
Total Deposits	510,724	493,377	500,015	484,584	480,694
Tangible Common Equity to Tangible Assets	5.89 %	5.85 %	5.92 %	5.83 %	5.26 %
Performance Data:					
Net Income (Loss)	$ 1,346	$ (717)	$ 1,944	$ 3,836	$ 1,131
Return on Average Assets (1)	0.85 %	(0.44%)	0.30 %	0.57 %	0.16 %
Net Interest Margin (2)	3.39 %	3.34 %	3.40 %	3.29 %	2.59 %
Asset Quality Data:					
Nonperforming Assets	$ 22,519	$ 24,142	$ 19,861	$ 27,014	$ 33,552
Nonperforming Assets to Total Assets	3.52 %	3.69 %	3.01 %	4.17 %	4.91 %

(1) Net income (loss) divided by average total assets.
(2) Net interest income divided by average interest-earning assets.

Background of the Offering

On January 30, 2009, as part of the U.S. Department of the Treasury's Troubled Asset Relief Program's Capital Purchase Program ("CPP"), we sold to the United States Department of the Treasury ("Treasury") 17,000 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series A, $1,000 liquidation preference per share (the "Series A Preferred

Stock”). On June 13, 2012, we repurchased 5,000 shares of the Series A Preferred Stock held by Treasury. On April 29, 2013, Treasury sold its remaining 12,000 shares of our Series A Preferred Stock to six parties unrelated to us.

As of the date of this prospectus, we have outstanding 12,000 shares of Series A Preferred Stock, with a liquidation preference amount of $1,000 per share. In February of 2014, our coupon rate on the Series A Preferred Stock accelerated to 9.0% from its previous rate of 5.0%. We are conducting this offering primarily to provide us with additional capital to redeem all outstanding shares of the Series A Preferred Stock and to increase the amount of common equity in our capital structure. Subject to the completion of this offering and the receipt of all required regulatory approvals, we intend to repurchase all of the outstanding Series A Preferred Stock through the exercise of the redemption right that we have under the terms of the Series A Preferred Stock. See “Use of Proceeds” beginning on page 27 below.

In order for the Company to redeem all of its Series A Preferred Stock, we must submit a request to the Federal Reserve Bank of St. Louis (the “FRB”) for approval to redeem all of the Company’s 12,000 shares of its outstanding Series A Preferred Stock. We also will notify the FDIC and the MDF on the request. The request will include documentation certifying that sufficient funds have been raised and are available to pay the redemption price. Additionally, the request will include:

actual calculations for each of the Bank and the Company on a consolidated basis of their respective Tier 1 leverage capital ratio, Tier 1 risk-based capital ratio, and total risk-based capital ratio as of a specified date;

pro forma calculations for the Company on a consolidated basis of its Tier 1 leverage capital ratio, Tier 1 risk-based capital ratio, and total risk-based capital ratio reflecting the preferred stock redemption; and

projected consolidated capital ratio calculations for each of the Bank and the Company on a consolidated basis as of and for the dates requested by the FRB, both on an expected case basis and a stressed case basis.

There can be no assurance that the FRB will approve our request to redeem all of the Series A Preferred Stock. Once we receive the approval of the FRB to redeem the Series A Preferred Stock, we will provide the holders of the Series A Preferred Stock with a formal notice of redemption and will work with the holders of the Series A Preferred Stock to effect the redemption as soon as practicable.

We intend to use the remaining proceeds of the offering for working capital and for general corporate purposes, including to support organic growth and, potentially, acquisitions in the future to expand our market area and product offerings. While we are not in discussions with any particular acquisition target at this time, we may use a whole bank acquisition as an opportunity to acquire complementary non-interest income generating products such as trust, asset management or insurance that we currently do not offer. See “Our Business Strategy” beginning on page 6 and “Use of Proceeds” beginning on page 27 below.

Our Markets

All 10 of the Bank’s facilities are located within the Springfield, Missouri Metropolitan Statistical Area (the “Springfield MSA”) which had an aggregate population of 444,617 and total deposits of $7.9 billion at June 30, 2012. Our primary market within the Springfield MSA is the city of Springfield where we hold the fourth highest deposit market share and operate six branches in which approximately 90% of our deposits are domiciled. Springfield had a population of 162,191 and total deposits of $5.5 billion at June 30, 2012.

The Springfield MSA is an attractive banking market that combines a low unemployment rate with a diversified and stable local economy. At December 31, 2013, the Springfield MSA’s unemployment rate of 4.6% was well below the Missouri rate of 5.9% and the national rate of 6.7%. The principal components of the Springfield MSA economy are service industries, education, health care, retail industries and light manufacturing. Springfield is a regional health care hub for surrounding markets with two large regional hospitals. In addition, the area is home to Missouri State University and four accredited colleges that have a combined enrollment of over 45,000. Our local area serves as the corporate headquarters for Bass Pro, Inc., O’Reilly Automotive, Inc. and Expedia, Inc. Part of the area’s growth can be attributed to its proximity to Branson, Missouri, which has developed a strong tourism industry related to country music and entertainment. Branson is located 30 miles south of Springfield, and attracts between five and six million tourists each year, many of whom pass through Springfield.

Our Management Team

Our leadership structure has materially evolved from the mutually-owned savings bank that fully converted to stock form in 1997. Each of our eight Board members has joined the Company since our conversion. The Board hired Shaun Burke, our Chief Executive Officer, in 2004 to continue this evolution from a savings bank to a commercial bank. Since his hiring, Mr. Burke has assembled a strong management team by focusing on hiring individuals with diversified banking experiences in the local market that have the energy and drive to take our Company to the next level.

The members of our management team all have significant experience in the financial services industry. They have been able to leverage that experience to provide a greater level of expertise to our community bank operations. Combined, our management team has over 138 years of banking and financial services experience:

Executive (age)	**Years of Experience**	**Years of Experience in Springfield, MO**	**Previous Employers (years)**
Shaun Burke (50) Chief Executive Officer	30	30	Boatmen’s Bank (14) Signature Bank (7)
Carter Peters (44) Chief Financial Officer	21	21	BKD, LLP (11) Southern Missouri Bank (2)
H. Michael Mattson (60) Chief Lending Officer	36	28	United Kansas Bank (8) Mercantile Bank (8) Boatmen’s Bank (4) Metropolitan National Bank (4) Liberty Bank (5)
Sheri Biser (50) Chief Credit Officer	27	27	Mercantile Bank (14) Metropolitan National Bank (8)
Robin E. Robeson (47) Chief Operating Officer	24	18	Boatmen’s Bank (3) Commerce Bank (15) Duck Creek Software (3)

4

Our Competitive Strengths

We believe we distinguish ourselves from our competitors through the following competitive strengths:

Franchise Value Built on Relationships. The Company is dedicated to being the provider of choice for financial solutions to local businesses, professionals and other individuals in our markets who want to bank with an institution that offers local decision-making and individualized service. We believe that we present a natural alternative to the larger regional and national competitors for customers who prefer “high touch” customer service and that our service level is valued by our customers. We believe that this business philosophy enables us to build long-term relationships with desirable customers, which enhances the quality and stability of our funding and lending operations.

Core Funding Strength. Customer deposits are our primary source of funds. Core deposits, which exclude certificates over $100,000 and brokered deposits, comprised 87.3% of our total deposits as of September 30, 2013. Non-interest bearing, NOW, money-market and savings accounts were $379.0 million, or approximately 74.2%, of our deposit base at September 30, 2013, having grown by $39.2 million or 11.5% since September 30, 2012. With a total cost of interest-bearing deposits of 0.63% for the three months ended September 30, 2013 and a modest 18.8% of our deposit base in traditional certificate form at September 30, 2013, we are confident that our funding structure will be a source of strength in the future.

Balanced Loan Portfolio. We have developed a loan portfolio to create a commercial bank loan composition that is not highly concentrated in any one type or sector of the economy. At September 30, 2013, our loan portfolio consisted of 20.8% commercial and industrial, 20.0% single family, 10.4% multi-family, 36.8% commercial real estate and 8.4% construction and development loans.

Profitable Core Banking Operations. Like many financial institutions in the market downturn that began in 2008, including in our market area, our recent earnings performance has been negatively impacted by elevated loan loss provisions and non-interest expenses as we have dealt with our elevated nonperforming assets. We believe the negative earnings pressures from our asset quality issues are in our past. In the three months ended September 30, 2013, we reported an income statement that was void of these issues and that we believe is reflective of our future earnings power. We believe that the availability of a portion of the proceeds of this capital raise for potential future acquisitions will allow for future growth that will improve both of these measures.

Experienced and Energized Management Team. Our management team includes executives with extensive experience in the banking industry and significant connections to our Missouri markets. We are committed to the long

term growth of our franchise as we expand our customer base and product offerings. Our Board and management team are particularly excited about this capital offering, as we intend to use a portion of the proceeds to help support our growth.

Ability to Attract and Retain Talented Banking Professionals. Integral to the continued implementation of our plan to grow our business and expand our market area will be our ability to attract and retain new talent. Evidenced by the experienced banking professionals we have already hired, we believe we have the ability to recruit and hire the type of banking and management talent that will be necessary to contribute to the future growth in asset quality and expanded banking services and to manage it effectively. We recently hired an experienced recruiter to find the banking and management talent we will need going forward.

Our Business Strategy

The Company is focused on growing business relationships and building core deposits, profitable loans and non-interest income. We believe that we have built a solid franchise that meets the financial needs of our clients by providing an array of personalized products and services delivered by seasoned banking professionals with decisions made at the local level. Our overall strategic goal is to provide the highest level of service to our customers and to be a high-performing financial institution. Our specific business strategies include:

Produce Profitable Organic Growth. We believe that we can attract new customers and expand our total loans and deposits within our existing market areas consistent with our capital raising intentions. Further, we believe that the Tier 1 common equity resulting from this offering will provide us with a more sound capital foundation upon which to prudently grow our balance sheet going forward.

Acquisitions of Banks or Complementary Business Lines. We expect the persistent challenges presented by the economic climate coupled with the significant legislation and regulation enacted in response to the current economic crisis, along with increased compliance costs and an accelerated need for economies of scale, will encourage many smaller financial institutions to seek a merger partner. In the past few years, as we assembled our current management team, we had neither the currency nor the capital to realistically participate in the merger arena. With the excess capital and increased liquidity in our stock that this offering will provide coupled with the extensive relationships we have developed with local community bankers throughout our careers, we are confident that we will be an attractive merger partner for institutions with total assets between $100 million and $300 million. Within 50 miles of Springfield, 16 community banks exist that fit our asset size criteria. Broadening our range to 100 miles increases the number of institutions to 66.

In addition, while we offer a competitive array of banking services to assist our commercial clients, we do not offer non-interest products such as trust, asset management or insurance. While we would like to offer these services to increase our profitability and we have experience in these fields within our management team, we do not anticipate developing these businesses from within. We would look to acquire these businesses as stand-alone entities or as part of a whole bank acquisition. We are confident that we would be able to leverage any acquisition in these spaces with our existing customer base to provide for meaningful financial returns.

Notwithstanding the future possibilities discussed above, we have no current plans, arrangements, and/or understandings to engage in any mergers with another entity or make any material acquisitions.

Maintain Financial Discipline. We are committed to being a high performing financial institution and will look to expand our franchise, but only in a disciplined manner. We plan to grow the loan portfolio, open new branches and consider new acquisitions only after rigorous due diligence and substantial quantitative analysis regarding the financial and capital impacts of such transactions. Our experience with our asset quality issues in the recent economic crisis has given us a hardened appreciation for the values of a clean portfolio and quality loan assets. We will not reduce our credit standards or pricing discipline to generate new loans or make acquisitions. We believe that maintaining our financial discipline will generate long-term stockholder value.

Recent Developments

Termination of the ESOP

The Bank's Employee Stock Ownership Plan (the "ESOP") is a tax-qualified retirement plan sponsored and maintained by the Bank for the benefit of employees of the Company and the Bank. Effective as of December 31, 2012, the Bank's Board of Directors approved the termination of the ESOP. Prior to distributing participant account balances held under the ESOP, the Bank allocated all then unallocated shares held by the ESOP as of December 31, 2012 to the appropriate participants' accounts. The Bank also submitted to the Internal Revenue Service an application for a determination letter in connection with the termination of the ESOP. By letter dated September 9, 2013, the Service indicated that, based upon the information contained in the Bank's application, it had determined that the termination of the ESOP does not adversely affect its qualification for federal tax purposes. Based on the Service's issuance of a favorable determination letter, the Bank distributed all 233,224 shares of common stock held in the account balances to all of the ESOP's 145 participants by December 31, 2013.

Preliminary December 31, 2013 Financial Information

The information below summarizes our preliminary financial data as of and for the three months and year ended December 31, 2013, for which consolidated financial statements are not yet available and for which the audit has not been completed. Our independent registered public accounting firm, BKD, LLP, has not audited, reviewed, compiled or performed any procedures on this preliminary financial data, and accordingly, does not express an opinion or other form of assurance with respect to this preliminary financial data. The financial information for the three months and year ended December 31, 2013 is preliminary and may change and any such changes could be material. This preliminary information should not be viewed as a substitute for our full annual financial statements prepared in accordance with U.S. generally accepted accounting principles, which will be filed with the SEC pursuant to the Exchange Act. In addition, these preliminary results of operations for the three months and year ended December 31, 2013 are not necessarily indicative of the results to be achieved for any future period.

Net income for the fiscal year 2013 was $5,240,000 as compared to $1,944,000 in fiscal year 2012. After preferred stock dividends, diluted earnings per common share was $1.58 for 2013 as compared to $.30 earned in 2012, an increase of $1.28 (427%). The complete preliminary financial highlights are set forth in the following table.

Operating Data:	**Quarter ended December 31, 2013**	**December 31, 2012**	**Year ended December 31, 2013**	**December 31, 2012**
	(Dollar amounts are in thousands, except per share data)			
Total interest income	$6,619	$ 7,047	$25,855	$ 27,606
Total interest expense	1,158	1,572	5,097	6,858
Net interest income	5,461	5,475	20,758	20,748
Provision for loan losses	700	350	1,550	5,950
Net interest income after provision for loan losses	4,761	5,125	19,208	14,798
Noninterest income	739	992	5,319	3,256
Noninterest expense	3,689	4,188	17,657	16,241
Income before income taxes	1,811	1,929	6,870	1,813
Provision (credit) for income taxes	437	447	1,630	(131)
Net income	$1,374	$ 1,482	$5,240	$ 1,944
Preferred stock dividends and discount accretion	199	199	795	1,076
Net income available to common shareholders	$1,175	$ 1,283	$4,445	$ 868
Basic income per common share	$0.43	$ 0.47	$1.63	$ 0.32
Diluted income per common share	$0.42	$ 0.45	$1.58	$ 0.30
Annualized return on average assets (1)	0.87 %	0.91 %	0.82 %	0.30 %
Annualized return on average equity (2)	10.81 %	11.73 %	10.34 %	3.67 %
Net interest margin (3)	3.63 %	3.55 %	3.44 %	3.42 %
Efficiency ratio (4)	59.50 %	64.76 %	67.71 %	67.66 %

(1) Net income divided by average total assets.
(2) Net income divided by average stockholder's equity.
(3) Net interest income divided by average interest-earning assets.
(4) Non-interest expense divided by the sum of net interest income plus non-interest income.

Financial Condition Data:	**As of December 31, 2013**	**As of December 31, 2012**
Cash and cash equivalents	$ 12,303	$ 41,663
Investments and interest bearing deposits	97,772	102,162
Loans, net of allowance for loan losses 12/31/2013 - $7,802; 12/31/2012 - $8,740	465,003	468,376
Other assets	44,810	48,231
Total assets	$ 619,888	$ 660,432
Deposits	$ 487,319	$ 500,015
Advances from correspondent banks	55,350	68,050
Subordinated debentures	15,465	15,465
Securities sold under agreements to repurchase	10,000	25,000
Other liabilities	1,399	1,034
Total liabilities	569,533	609,564
Stockholders' equity	50,355	50,868
Total liabilities and stockholders' equity	$ 619,888	$ 660,432
Equity to assets ratio	8.12 %	7.70 %
Tangible book value per common share	$ 14.04	$ 14.34
Nonperforming assets	$ 19,670	$ 19,861

The following key issues contributed to the fourth quarter results as compared to the same period in 2012:

Net interest income – As a result of an environment with weak loan demand and continued low interest rates, the Company experienced significant pressures on interest income. Throughout fiscal year 2013, the declines in loan balances and increased competition in loan pricing has significantly elevated the challenge to improve or maintain loan yield. For the quarter, the Company’s asset yield declined to 4.39% from 4.58% during the same period in 2012. However, the Company has been able to hold net interest income steady and expand its net interest margin.

During the quarter, the Company recognized approximately $200,000 of interest income on a credit relationship that had been classified as non-accrual. This credit relationship was fully paid off during the quarter. Margin also improved due to the continued decline in the Company’s cost of funds. Bank-wide efforts to grow lower cost core deposit relationships have been successful allowing reductions in non-core, wholesale funding and higher cost retail certificates of deposit. The average cost of funds for the quarter was 0.85% compared to 1.11% during the same period in 2012.

Non-interest income – Non-interest income declined $253,000 during the quarter primarily due to a $383,000 decrease in the Company's gains on sales of loans in the secondary market from the same period in 2012. Long-term interest rates increased substantially over the last six months of 2013, dramatically reducing consumer demand for long-term secondary market mortgage loans. With mortgage interest rates expected to remain near or higher than current levels, management anticipates that secondary market income will remain a significant challenge compared to income recognized in recent quarters. Offsetting the decline in mortgage income was an increase of $73,000 in service charges and debit/credit card income compared to the same period in 2012.

Non-interest expense – Non-interest expense decreased $499,000 over the prior year quarter. First, the Company received proceeds on an insurance claim relating to a loss on deposit accounts recognized in the first quarter of 2013 ($231,000). As of December 31, 2013, the Company received a total of $291,000 on its claim representing $217,000 of the previously recognized loss plus $74,000 in reimbursable expenses incurred throughout 2013. These amounts were recognized as an offset to non-interest expense to the extent they were incurred in 2013. Also, impacting the quarter over quarter results were losses recognized during the fourth quarter of 2012 for settlements of two investor indemnification claims associated with six secondary market loans. Total 2012 expenses incurred on the settlements were $147,000.

Provision for loan loss expense and allowance for loan losses – Based on its reserve analysis and methodology, the Company recorded a provision for loan loss expense of $700,000 during the quarter, an increase from the $350,000 recognized in the prior year quarter. In addition to the provision for loan loss expense of $700,000 recorded by the Company, loan charge-offs of specific loans (classified as nonperforming) exceeded recoveries by $1,371,000 during the quarter. Also, the Company experienced a decline in loan balances during fiscal year 2013 that reduced allowance for loan loss reserve requirements. The allowance for loan losses as of December 31, 2013 was 1.65% of gross loans outstanding (excluding mortgage loans held for sale) compared to 1.84% as of December 31, 2012. Management believes the allowance for loan losses is at a level to be sufficient in providing for potential loan losses in the Bank's existing loan portfolio.

Capital – At December 31, 2013, as compared to December 31, 2012, stockholders' equity decreased $513,000, with a corresponding reduction in book value per common share by $0.30 to $14.04. This is due to a few factors. First, stockholders' equity increased due to $4.4 million in net income after preferred stock dividends and accretion. However, other factors reduced stockholders' equity. In May 2013, the Company completed a $2 million repurchase of the warrant issued to the Treasury in 2009 as part of the CPP. The Treasury no longer has any equity interest in the Company which eliminates any potential stockholder dilution that would have occurred had the warrant been exercised rather than repurchased. Additionally, as a result of increases in market interest rates on many debt securities during the second and third quarters of 2013, the banking industry has experienced a sharp decline in the value of its investment portfolios. The Company's unrealized gains on available-for-sale securities declined $3.3 million at December 31, 2013 as compared to December 31, 2012.

Despite the reduction in stockholders' equity, the Company's tangible common equity as a percentage of tangible assets increased 27 basis points to 6.19% at December 31, 2013 compared to 5.92% at December 31, 2012. Also, the regulatory capital ratios for both the Company and the Bank remain strong and well above regulatory requirements.

2013 Nonperforming assets – The Company reduced its nonperforming assets to $19.7 million as of December 31, 2013 as compared to $22.5 million at September 30, 2013. The balance at December 31, 2013 is also a decline of $200,000 from its level at December 31, 2012. Nonperforming assets as a percentage of total assets was 3.17% as of December 31, 2013 compared to 3.52% as of September 30, 2013 and 3.01% as of December 31, 2012. Reducing

nonperforming assets will continue to be a significant focus of the Company.

2014 Nonperforming Assets Update

Following the end of 2013, the Company significantly reduced its nonperforming assets due to the payoff of a $3.7 million non-accrual loan relationship. If this had occurred in 2013, on an adjusted basis at year end, nonperforming assets would have been reduced to $16.0 million compared to $19.7 million at year end, representing a decline of approximately 19% from the year end. Nonperforming assets as a percentage of total assets would have been approximately 2.58% compared to the actual 3.17% as of December 31, 2013. From the payoffs and the collection of accrued interest, in January the Company has recognized $335,000 of income from the transactions.

Corporate Information

Our principal executive offices are located at 1341 West Battlefield, Springfield, Missouri 65807, and the telephone number is (417) 520-4333. Our website is www.gbankmo.com. The information on our website does not constitute a part of, and is not incorporated by reference in, this prospectus.

Our common stock trades on the Nasdaq Global Market under the ticker symbol “GFED.”

The Offering

Common stock offered	shares (shares if the underwriter exercises its over-allotment option in full).
Common stock outstanding after the offering (1)(2)	shares (shares if the underwriter exercises its over-allotment option in full).
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. The amount of net proceeds will be approximately $ million if the underwriter exercises its over-allotment option in full.
Use of proceeds	We intend to use the proceeds of the offering to redeem all of the Series A Preferred Stock, and to use the remainder for working capital and for general corporate purposes, including to support organic growth and, potentially, acquisitions in the future to expand our market area or product offerings. We intend to repurchase our Series A Preferred Stock through the exercise of the redemption right that we have under the terms of the Series A Preferred Stock. Any redemption of the Series A Preferred Stock by the Company would require regulatory approval. We can make no assurances as to when, or if, we will receive such approvals. The redemption of the Series A Preferred Stock will require the use of $12.0 million which is the aggregate liquidation value of the 12,000 shares outstanding, which amount does not include the accrued dividends thereon to be paid through the date of redemption which cannot be calculated until the date of redemption is known. We intend to use the remaining proceeds of this offering for working capital and for general corporate purposes. If we were to conclude that we will not receive such approvals within a reasonable period of time, then we may decide to use the proceeds of this offering that would otherwise have been used for the repurchase of the Series A Preferred Stock, instead for working capital and for general corporate purposes, including potential future acquisitions. See “Use of Proceeds” beginning on page 27 below.
Dividend policy	We are not currently paying any cash dividends on our common stock and our ability to pay cash dividends is limited by the factors described under “Dividend Policy” beginning on page 29 below.
NASDAQ Global Market Symbol	GFED

Risk factors	Investing in our common stock involves risks. You should carefully consider the information under "Risk Factors" beginning on page 15 below and the other information included in or incorporated by reference into this prospectus before making an investment decision.

(1) The number of shares outstanding immediately after the closing of this offering is based on 2,760,026 shares outstanding as of February 25, 2014.

(2) Unless otherwise indicated, the number of shares of common stock presented in this prospectus does not include:
(i) shares of common stock issuable pursuant to the exercise of the underwriter's over-allotment option; and (ii) 270,550 shares reserved for issuance upon exercise of stock options with a weighted-average exercise price per share of $17.32 which have been granted and remained outstanding as of February 25, 2014.

As of February 25, 2014, our directors and executive officers beneficially owned approximately 501,348 shares of common stock (approximately 17.0% of our outstanding common stock). Our directors and executive officers may purchase additional shares in this offering. The directors and executive officers currently intend to purchase, in the aggregate, approximately 50,000 shares in the offering, which would change their beneficial ownership percentage to approximately % if shares are sold in the offering.

These prospective purchasers have the right to purchase these shares, but are under no obligation to purchase any shares in the offering and their interest in purchasing shares in this offering is not a commitment to do so. Any shares purchased by such directors and officers will be subject to lock-up restrictions described in the section entitled "Underwriting" beginning on page 47 below.

Summary Consolidated Financial Data

The following tables present our summary consolidated financial data as of or for the nine months ended September 30, 2013 and 2012 and each of the five years ended December 31, 2012. Financial data as of or for the nine months ended September 30, 2013 and 2012 is derived from our unaudited consolidated financial statements, and financial data as of or for each of the five years ended December 31, 2012 is derived from our audited consolidated financial statements. You should read this table together with the historical consolidated financial information contained in our consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 28 of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 and beginning on page 5 of our 2012 Annual Report, filed as Exhibit 13 to our Annual Report on Form 10-K for the year ended December 31, 2012, which have been filed with the SEC and are incorporated by reference in this prospectus.

	As of or For the Nine Months Ended September 30,		**As of or For the Year Ended December 31,**				
	2013	**2012**	**2012**	**2011**	**2010**	**2009**	**2008**
	(Unaudited)		(Dollar Amounts in Thousands, Except Per Share Data)				
Selected Balance Sheet Data:							
Total assets	$640,503	$653,584	$660,432	$648,506	$682,668	$737,780	$675,670
Net loans	459,594	466,266	468,376	482,664	504,665	528,503	558,327
Total deposits	510,724	493,377	500,015	484,584	480,694	513,051	447,079
Total borrowings	78,415	108,515	108,515	108,515	148,265	171,265	187,651
Total common shareholder's equity	37,729	38,250	39,079	37,809	35,891	35,536	37,313
Total preferred equity	11,935	11,741	11,789	16,426	16,150	15,875	-
Operating Data:							
Interest income	$19,236	$20,559	$27,606	$30,376	$32,331	$33,873	$36,363
Interest expense	3,939	5,286	6,858	9,611	14,806	20,527	19,524
Net interest income	15,297	15,273	20,748	20,765	17,525	13,346	16,839
Provision for loan losses	850	5,600	5,950	3,350	5,200	6,900	14,744
	14,447	9,673	14,798	17,415	12,325	6,446	2,095

Net interest income after provision for loan losses							
Noninterest income	4,580	2,264	3,256	4,485	4,279	4,240	2,316
Noninterest expense	13,968	12,053	16,241	17,361	15,530	15,161	12,760
Income (loss) before income taxes	5,059	(116)	1,813	4,539	1,074	(4,475)	(8,349)
Provision (credit) for income taxes	1,193	(578)	(131)	703	(57)	(2,134)	(2,989)
Net income (loss)	$3,866	$462	$1,944	$3,836	$1,131	$(2,341)	$(5,360)
Preferred stock dividends and discount accretion	596	878	1,077	1,126	1,126	1,032	-
Net income (loss) available to common shareholders	$3,270	$(416)	$867	$2,710	$5	$(3,373)	$(5,360)
Per Share Data:							
Diluted income (loss) per common share	$1.16	$(0.15)	$0.30	$1.01	$-	$(1.29)	$(2.06)
Tangible book value per common share	$13.81	$14.05	$14.34	$14.07	$13.51	$13.49	$14.28
Average share outstanding , basic	2,734,487	2,712,446	2,715,186	2,675,654	2,644,355	2,622,895	2,604,440
Average share outstanding , diluted	2,812,559	2,712,446	2,859,929	2,676,480	2,644,355	2,622,895	2,604,440
Performance Ratios:							
Return on average assets (1)	0.80%	0.09%	0.30%	0.57%	0.16%	-0.32%	-0.83%
Return on average equity (2)	10.21%	1.15%	3.67%	7.08%	2.12%	-4.48%	-13.02%
Net interest margin (3)	3.38%	3.37%	3.40%	3.29%	2.59%	1.86%	2.71%
Efficiency ratio (4)	70.27%	68.73%	67.66%	68.76%	71.23%	86.21%	66.61%

Asset Quality Ratios:							
Nonperforming assets to total assets	3.52%	3.69%	3.01%	4.17%	4.91%	5.56%	3.90%
Nonperforming loans to total loans	3.98%	3.85%	3.21%	3.45%	4.44%	6.32%	3.60%
Net charge-offs to average total loans, net	0.32%	2.14%	1.68%	1.19%	1.25%	1.86%	0.70%
Allowance for loan losses to total loans	1.81%	1.80%	1.83%	2.15%	2.53%	2.59%	2.91%
Allowance for loan losses to nonperforming assets	37.63%	35.11%	44.01%	39.29%	38.99%	34.29%	63.49%
Capital Ratios:							
Tangible common equity to tangible assets	5.89%	5.85%	5.92%	5.83%	5.26%	4.82%	5.52%
Leverage ratio	10.58%	9.72%	9.91%	10.42%	9.31%	8.81%	7.51%
Tier 1 risk-based capital ratio	13.22%	12.89%	13.25%	13.19%	12.06%	11.19%	8.92%
Total risk-based capital ratio	14.47%	14.14%	14.50%	14.44%	13.32%	12.45%	10.19%

(1) Net income (loss) divided by average total assets.
(2) Net income (loss) divided by average stockholder's equity.
(3) Net interest income divided by average interest-earning assets.
(4) Non-interest expense divided by the sum of net interest income plus non-interest income.

RISK FACTORS

An investment in our common stock involves certain risks and uncertainties. The material risks and uncertainties that management believes affect your investment in our common stock are described below, and in our Annual Report on Form 10-K for the year ended December 31, 2012 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 incorporated by reference herein. Before making an investment decision, you should carefully consider the risks and uncertainties described below and information included or incorporated by reference in this prospectus. The risks described below are not the only ones we face in our business. In addition to the risks and uncertainties described below, other risks and uncertainties not currently known to us or that we currently believe to be immaterial also may impair our business operations. If any of the following risks or uncertainties are realized, our business, financial condition, capital levels, cash flows, liquidity, results of operations and prospects could be materially and adversely affected and the market price of our common stock could decline significantly and you could lose some or all of your investment.

Risk Factors Related to Our Business

Our business has been and may continue to be adversely affected by conditions in the financial markets and economic conditions generally.

Since late 2007, the U.S. economy has generally experienced challenging economic conditions. Business activity across a range of industries and regions remains reduced from historical levels, and some businesses have experienced difficulty in remaining profitable. Likewise, many local governments have been experiencing lower tax revenues, impacting their ability to cover costs. Unemployment also generally increased during this period and remains at elevated levels. For the past few years, the financial services industry has generally been affected by significant declines in the values of many significant asset classes, reduced levels of liquidity and the lack of opportunities to originate new loans.

As a result of these economic conditions, the Bank experienced declines in the performance of its loans from historical norms. In addition, these economic conditions have also resulted in a decline of the values of real estate collateral supporting many of the Bank’s loans, and this decline may continue. If the overall economic climate in the United States, generally, or our market areas, specifically, fails to continue to improve or declines further, this may affect consumer confidence levels and may cause adverse changes in payment patterns, causing increases in delinquencies and default rates, which may impact our charge-offs and provisions for credit losses. A worsening of these conditions likely would exacerbate the adverse effects of the recent market conditions on us.

Our loan/lease portfolio is comprised in part of real estate loans, which involve risks specific to real estate values.

Real estate lending comprises a significant portion of our lending business. Real estate loans were $353.3 million, or approximately 75.6% of our total loan/lease portfolio, as of September 30, 2013. The market value of real estate securing our real estate loans can fluctuate significantly in a short period of time as a result of market conditions in the geographic area in which the real estate is located, and in the past several years our market areas have experienced a general weakening in real estate valuations. Continued adverse developments affecting real estate values in one or more of our markets could increase the credit risk associated with our loan portfolio. Additionally, real estate lending typically involves higher loan principal amounts and the repayment of the loans generally is dependent, in large part, on sufficient income from the properties securing the loans to cover operating expenses and debt service. Economic events or governmental regulations outside of the control of the borrower or lender could negatively impact the future cash flow and market values of the affected properties.

The problems that have occurred in the residential real estate and mortgage markets throughout much of the United States in recent years also affected the commercial real estate market. Our operations are heavily concentrated in Greene and Christian Counties, which are in the southwestern corner of Missouri, including the cities of Springfield, Nixa and Ozark, Missouri (our “Market Area”). In our Market Area, we generally experienced a downturn in credit performance by our commercial real estate loan customers in recent years relative to historical norms. Despite recent improvements in certain aspects of the economy, a level of uncertainty continues to exist in the economy and credit markets nationally and in our Market Area, and there can be no guarantee that we will not experience further deterioration in the performance of commercial real estate and other real estate loans in the future. In such case, we may not be able to realize the amount of security that we anticipated at the time of originating the loan, including the support of personal guarantees, if any, which could cause us to increase our provision for loan losses and adversely affect our operating results, financial condition and/or capital.

Rapidly changing interest rate environments could reduce net interest margin and otherwise negatively impact our results of operations.

Interest and fees on loans and securities, net of interest paid on deposits and borrowings, are a large part of our net income. Interest rates are the key drivers of the Company's net interest margin and are subject to many factors beyond the control of management. As interest rates change, our net interest income is affected. Rapid increases in interest rates in the future could result in our interest expense increasing faster than interest income because of mismatches in the maturities of the Company's assets and liabilities. Furthermore, substantially higher rates generally reduce loan demand and may result in slower loan growth for us. Decreases or increases in interest rates could have a negative effect on the spreads between our interest rates earned on assets and our rates of interest paid on liabilities, and therefore decrease our net interest income.

Interest rate changes may affect borrowers' repayment schedules, negatively impacting our financial condition.

Interest rate increases often result in larger payment requirements for our borrowers, which increases the potential for default. At the same time, the marketability of underlying collateral may be adversely affected by any reduced demand resulting from higher interest rates. In a declining interest rate environment, there may be an increase in prepayments on certain of our loans as borrowers refinance at lower rates. Fluctuation in interest rates may therefore change borrowers' timing of repayment of, or ability to repay, loans, which could have a material adverse impact on our financial condition.

Changes in interest rates could negatively impact our nonperforming assets, decreasing net interest income.

Changes in interest rates also can affect the value of loans. An increase in interest rates that adversely affects the ability of borrowers to pay the principal or interest on loans may lead to an increase in our nonperforming assets and a reduction of income recognized, which could have a material adverse effect on our results of operations and cash flows. Further, when we place a loan on nonaccrual status, we reverse any accrued but unpaid interest receivable, which decreases interest income. Subsequently, we continue to have a cost to fund the loan, which is reflected as interest expense, without any interest income to offset the associated funding expense. Thus, an increase in the amount of nonperforming assets would have an adverse impact on net interest income.

The financial condition of the Bank's customers and borrowers could adversely affect the Bank's liquidity.

Two of the Bank's primary source of funds are customer deposits and loan repayments. Though scheduled loan repayments are a relatively stable source of liquidity, they are subject to the ability of the borrowers to repay their loans. The ability of the borrowers to repay their loans can be adversely affected by a number of factors, including changes in the economic conditions, adverse trends or events affecting the business environment, natural disasters and various other factors. Customer deposit levels may be affected by a number of factors, including the competitive interest rate environment in both the national market and our Market Area, local and national economic conditions, natural disasters and other various events.

A decrease in cash flows from our investment portfolio may adversely affect our liquidity.

Another primary source of liquidity for the Bank is cash flows from investment instruments. Cash flows from the investment portfolio may be affected by changes in interest rates, resulting in excessive levels of cash flow during periods of declining interest rates and lower levels of cash flow during periods of rising interest rates. These changes may be beyond our control and could significantly influence our available cash.

Difficult U.S. economic conditions could adversely affect the Company's ability to borrow or raise capital.

As discussed above, since late 2007, the U.S. economy has experienced challenging economic conditions. As a result of such market conditions, the Company's stock prices have generally been negatively affected over this time period, and the ability of the Company to raise capital or borrow in the debt markets has become more difficult than it had been prior to 2007. If we cannot raise additional capital when needed or desired, our ability to continue or expand our operations could be materially impaired and our financial condition and liquidity could be materially adversely affected.

Liquidity needs could adversely affect the Company's results of operations and financial condition.

Liquidity issues have been particularly acute for the Bank, as a community bank, as many of the larger financial institutions have significantly curtailed their lending to regional and community banks to reduce their exposure to the risks of other banks. In addition, many of the larger correspondent lenders have reduced or even eliminated federal funds lines for their correspondent customers. Furthermore, regional and community banks, including the Bank, generally have less access to the capital markets than do the national and super-regional banks because of their smaller size and limited analyst coverage. Any decline in available funding could adversely impact the Company's ability to originate loans, invest in securities, meet its expenses, pay dividends to its stockholders, or fulfill obligations such as repaying its borrowings or meeting deposit withdrawal demands, any of which could have a material adverse impact on its liquidity, business, results of operations and financial condition.

If the Company is required to rely on secondary sources of liquidity, those sources may not be immediately available.

The Company may be required from time to time to rely on secondary sources of liquidity to meet withdrawal demands or otherwise fund operations. Such sources include the Federal Home Loan Bank advances, brokered deposits and federal funds lines of credit from correspondent banks. The Company may also pledge investments as collateral to borrow money from third parties. In certain cases, the Company may sell investment instruments for sizable losses to meet liquidity needs, reducing net income. While the Company believes that these sources are currently adequate, there can be no assurance they will be sufficient to meet future liquidity needs.

Our future success is dependent on our ability to compete effectively in the highly competitive banking industry.

We face competition in attracting and retaining deposits, making loans, and providing other financial services throughout our market area. Our competitors include other community banks, regional and super-regional banking institutions, national banking institutions, and a wide range of other financial institutions such as credit unions, government-sponsored enterprises, mutual fund companies, insurance companies, brokerage companies, and other non-bank businesses. Many of these competitors have substantially greater resources than the Company and are not subject to the same regulatory restrictions as the Company is subject. Many of our unregulated competitors compete across geographic boundaries and are able to provide customers with a feasible alternative to traditional banking services. In addition, challenging economic conditions nationally and in our Market Area have resulted in an increase in competition for the Bank with other depository institutions for deposits and quality loans.

Increased competition in our markets may result in a decrease in the amounts of our loans and deposits, reduced spreads between loan rates and deposit rates or loan terms that are more favorable to the borrower as we try to meet our competitors' terms and pricing. Any of these results could have a material adverse effect on its ability to grow and remain profitable. If increased competition causes us to significantly discount the interest rates we offer on loans or increase the amount we pay on deposits, our net interest income could be adversely impacted. If increased competition causes us to modify our underwriting standards, we could be exposed to higher losses from lending activities.

Inability to hire or retain certain key professionals, management and staff could adversely affect our revenues, net income and growth plans.

We rely on key personnel to manage and operate our business, including major revenue generating functions such as our loan and deposit portfolios. None of our employees, including those who comprise our key management team on whom we rely to operate the Company successfully and to grow it, are subject to employment contracts with us. Such employees are at-will and thus are not restricted from terminating their employment with us. The loss of key management and staff may adversely affect our ability to maintain and manage these portfolios effectively, which could negatively affect our revenues. In addition, loss of key personnel could result in increased recruiting, hiring, and training expenses, resulting in lower net income. The lack of employment contracts with key employees could also have a material adverse impact on our ability to retain such employees to implement our acquisition strategy and therefore effectively use capital for such purposes.

The Company is subject to extensive regulation that can limit or restrict its activities.

The Company operates in a highly regulated industry and is subject to examination, supervision, and comprehensive regulation by various agencies, including the Federal Reserve, the MDF and FDIC. The Company's regulatory compliance is costly. The Company is also subject to capitalization guidelines established by its regulators, which require it and the Bank to maintain adequate capital to support its and the Bank's growth. The laws and regulations applicable to the banking industry can change at any time, and the Company cannot predict the effects of these changes on its business. To the extent activities of the Company and/or the Bank are restricted or limited by regulation or regulators' supervisory authority, the Company's future profitability may be adversely affected.

Financial reform legislation has, among other things, tightened capital standards, resulted in the creation of a new Consumer Financial Protection Bureau and resulted in and will result in new regulations that have already increased and are expected to further increase our costs of operations.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was signed into law on July 21, 2010 and, although it became generally effective in July 2010, many of its provisions have extended implementation periods and delayed effective dates and will require extensive rulemaking by regulatory authorities although some new regulations are already effective. The Dodd-Frank Act, including future rules implementing its provisions and the interpretation of those rules, could result in a number of adverse impacts on us.

The levels of capital and liquidity with which the Company must operate may be subject to more stringent capital requirements, as described in more detail below.

Another aspect of the Dodd-Frank Act that may adversely affect the Company is that it allows financial institutions to pay interest on business checking accounts. Depending on competitive responses, this significant change to existing law could have an adverse impact on our interest expense.

The Dodd-Frank Act created a Consumer Financial Protection Bureau as a new independent entity within the Federal Reserve. This entity has broad rulemaking, supervisory and enforcement authority over consumer financial products and services, including deposit products, residential mortgages, home-equity loans and credit cards. These and other provisions of the Dodd-Frank Act may impose significant additional costs on the Company, impede its growth opportunities and place it at a competitive disadvantage.

These provisions, as well as any other aspects of current or proposed regulatory or legislative changes to laws applicable to the financial industry, may impact the profitability of our business activities and may change certain of our business practices, including the ability to offer new products, obtain financing, attract deposits, make loans, and achieve satisfactory interest spreads, and could expose us to additional costs, including increased compliance costs. These changes also may require us to invest significant management attention and resources to make any necessary changes to operations in order to comply, and could therefore also materially and adversely affect our business, financial condition and results of operations. Our management is actively reviewing the provisions of the Dodd-Frank Act, many of which are to be phased-in over the next several months and years, and assessing the probable impact on our operations. However, the ultimate effect of these changes on the financial services industry in general, and us in particular, is uncertain at this time.

The short-term and long-term impact of the changing regulatory capital requirements and anticipated new capital rules on the Company is uncertain.

In July 2013, the U.S. federal banking authorities approved the implementation of the Basel III regulatory capital reforms and issued rules effecting certain changes required by the Dodd-Frank Act (the "Basel III Rules"). The Basel III Rules are applicable to all U.S. banks that are subject to minimum capital requirements, as well as to bank and savings and loan holding companies other than "small bank holding companies" (generally bank holding companies with consolidated assets of less than $500 million). The Basel III Rules not only increase most of the required minimum regulatory capital ratios, but they introduce a new Common Equity Tier 1 Capital ratio and the concept of a capital conservation buffer. The Basel III Rules also expand the definition of capital as in effect currently by establishing criteria that instruments must meet to be considered Additional Tier 1 Capital (Tier 1 Capital in addition to Common Equity) and Tier 2 Capital. A number of instruments that now generally qualify as Tier 1 Capital will not qualify, or their qualifications will change when the Basel III Rules are fully implemented. The Basel III Rules also permit banking organizations with less than $15.0 billion in assets to retain, through a one-time election, the existing treatment for accumulated other comprehensive income, which currently does not affect regulatory capital. The Basel III Rules have maintained the general structure of the current prompt corrective action framework, while incorporating the increased requirements. The prompt corrective action guidelines were also revised to add the Common Equity Tier 1 Capital ratio. In order to be a "well-capitalized" depository institution under the new regime, a bank and holding company must maintain a Common Equity Tier 1 Capital ratio of 6.5% or more; a Tier 1 Capital ratio of 8% or more; a Total Capital ratio of 10% or more; and a leverage ratio of 5% or more. Generally, financial institutions become subject to the new Basel III Rules on January 1, 2015, with phase-in periods for many of the changes.

Our management is actively reviewing the provisions of the Basel III Rules. The application of the more stringent capital requirements for the Company and the Bank could, among other things, result in lower returns on invested capital, require the issuance of additional capital, and result in regulatory actions if we were unable to comply with such requirements. However, the ultimate effect of these changes on the financial services industry in general, and us in particular, is uncertain at this time.

Management's analysis of the necessary funding for the allowance for loan loss account may be incorrect or may suddenly change resulting in lower earnings.

The funding of the allowance for loan loss account is the most significant estimate made by management in its financial reporting to stockholders and regulators. The determination of the appropriate level of the allowance for loan losses involves a high degree of subjectivity and requires us to make significant estimates of current credit risks and future trends, all of which are subject to material changes. Although management believes that the allowance for loan/lease losses as of September 30, 2013 was adequate to absorb losses on any existing loans/leases that may become uncollectible, in light of the current economic environment, which remains challenging, the Company cannot predict loan losses with certainty, and the Company cannot assure you that our allowance for loan losses will prove sufficient to cover actual loan losses in the future, particularly if economic conditions are more difficult than management currently expects. If negative changes to the performance of the Company's loan portfolio were to occur,

management may find it necessary or be required to fund the allowance for loan loss account through additional charges to the Company's provision for loan loss expense. These changes may occur suddenly and be dramatic in nature. Additional provisions to the allowance for loan losses and loan losses in excess of the Company's allowance for loan losses may adversely affect our business, financial condition and results of operations.

The Series A Preferred Stock impacts net income available to our common stockholders and earnings per common share.

The dividends declared on the Series A Preferred Stock that the Company intends to attempt to redeem with the proceeds of this offering, reduce the net income available to common stockholders and our earnings per common share. The Series A Preferred Stock also receives preferential treatment in the event of liquidation, dissolution or winding up of the Company. Though we intend to redeem the Series A Preferred Stock as soon as practicable after this offering, there can be no assurance that we will receive the necessary regulatory approvals to redeem the Series A Preferred Stock.

System failure or breaches of our network security could subject us to increased operating costs as well as litigation and other liabilities.

The computer systems and network infrastructure we use could be vulnerable to unforeseen problems. Our operations are dependent upon our ability to protect our computer equipment against damage from physical theft, fire, power loss, telecommunications failure or a similar catastrophic event, as well as from security breaches, denial of service attacks, viruses, worms and other disruptive problems caused by hackers. Any damage or failure that causes an interruption in our operations could have a material adverse effect on our financial condition and results of operations. Computer break-ins, phishing and other disruptions could also jeopardize the security of information stored in and transmitted through our computer systems and network infrastructure, as well as that of our customers engaging in internet banking activities, which may result in significant liability to us and may cause existing and potential customers to refrain from doing business with us. Although we, with the help of third-party service providers, intend to continue to implement security technology and establish operational procedures to prevent such damage, there can be no assurance that these security measures will be successful. In addition, advances in computer capabilities, new discoveries in the field of cryptography or other developments could result in a compromise or breach of the algorithms used to encrypt and protect customer transaction data. Any interruption in, or breach of security of, our computer systems and network infrastructure, or that of our internet banking customers, could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations.

We are dependent upon outside third parties for processing and handling of our records and data.

We rely on third-party service providers for a substantial portion of our communications, information, operating and financial control systems technology. While we have selected these third-party vendors carefully, we do not control their actions. If any of these third-party service providers experience financial, operational or technological difficulties, security breaches, or if there is any disruption in our relationships with them, we may be required to locate alternative sources for these services. There can be no assurance that we could negotiate terms as favorable to us or obtain services with similar functionality as we currently have without the expenditure of substantial resources. Any of these circumstances could have a material adverse effect on our business.

We are subject to certain operational risks, including, but not limited to, customer or employee fraud and data processing system failures and errors.

Employee errors and employee and customer misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. Misconduct by our employees could include hiding unauthorized activities from us, improper or unauthorized activities on behalf of our customers or improper use of confidential information. It is not always possible to prevent employee errors and misconduct, and the precautions we take to prevent and detect this

activity may not be effective in all cases. Employee errors could also subject us to financial claims for negligence.

We maintain a system of internal controls and insurance coverage to mitigate against operational risks, including data processing system failures and errors and customer or employee fraud. If our internal controls fail to prevent or detect an occurrence, or if any resulting loss is not insured or exceeds applicable insurance limits, such failures could have a material adverse effect on our business, financial condition and results of operations.

Monetary policies and regulations of the Federal Reserve could adversely affect our business, financial condition and results of operations.

In addition to being affected by general economic conditions, including economic conditions specifically in our Market Area, our earnings and growth are affected by the policies of the Federal Reserve. An important function of the Federal Reserve is to regulate the money supply and credit conditions. Among the instruments used by the Federal Reserve to implement these objectives are open market operations in U.S. government securities, adjustments of the discount rate and changes in reserve requirements against bank deposits. These instruments are used in varying combinations to influence overall economic growth and the distribution of credit, bank loans, investments and deposits. Their use also affects interest rates charged on loans or paid on deposits.

The effects of the monetary policies and regulations of the Federal Reserve upon our business, financial condition and results of operations in the future cannot be predicted, but have had a significant effect on the operating results of commercial banks, including our Bank, in the past.

We could recognize losses on securities held in our securities portfolio, particularly if interest rates increase or economic and market conditions deteriorate.

As of September 30, 2013, the fair value of our securities portfolio was approximately $106.0 million. Factors beyond our control can significantly influence the fair value of securities in our portfolio and can cause potential adverse changes to the fair value of these securities. For example, fixed-rate securities acquired by us are generally subject to decreases in market value when interest rates rise. Additional factors include, but are not limited to, rating agency downgrades of the securities, defaults by the issuer or individual mortgagors with respect to the underlying securities, and continued instability in the credit markets. Any of the foregoing factors could cause an other-than-temporary impairment in future periods and result in realized losses. The process for determining whether impairment is other-than-temporary usually requires us to make difficult, subjective judgments about the future financial performance of the issuer and any collateral underlying the security in order to assess the probability of receiving all contractual principal and interest payments on the security. Because of changing economic and market conditions affecting interest rates, the financial condition of issuers of the securities and the performance of the underlying collateral, we may recognize realized and/or unrealized losses in future periods, which could have an adverse effect on our financial condition and results of operations.

Our business is concentrated in and largely dependent upon the continued growth and welfare of the general geographical markets in which we operate.

Our operations are heavily concentrated in our Market Area and, as a result, our financial condition, results of operations and cash flows are significantly impacted by changes in the economic conditions in those areas. Our success depends to a significant extent upon the business activity, population, income levels, deposits and real estate activity in these markets. Although our customers' business and financial interests may extend well beyond these market areas, adverse economic conditions that affect these market areas could reduce our growth rate, affect the ability of our customers to repay their loans to us, affect the value of collateral underlying loans and generally affect our financial condition and results of operations. Because of our geographic concentration, we are less able than other regional or national financial institutions to diversify our credit risks across multiple markets.

The soundness of other financial institutions could negatively affect the Company.

Our ability to engage in routine funding and other transactions could be negatively affected by the actions and commercial soundness of other financial institutions. Financial services institutions, including the Bank, are interrelated as a result of trading, clearing, counterparty or other relationships. Defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, have led to market-wide liquidity problems and losses of depositor, creditor and counterparty confidence and could lead to losses or defaults by us or by other institutions. We could experience increases in deposits and assets as a result of the difficulties or failures of other banks, which would increase the capital we need to support our growth.

Our reputation could be damaged by negative publicity.

Reputational risk, or the risk to us from negative publicity, is inherent in our business. Negative publicity can result from actual or alleged conduct in a number of areas, including legal and regulatory compliance, lending practices, corporate governance, litigation, inadequate protection of customer data, ethical behavior of our employees, and from actions taken by regulators, ratings agencies and others as a result of that conduct. Damage to our reputation could impact our ability to attract new or maintain existing loan and deposit customers, employees and business relationships.

The repeal of federal prohibitions on payment of interest on business demand deposits could increase our interest expense and have a material adverse effect on us.

All federal prohibitions on the ability of financial institutions to pay interest on business demand deposit accounts were repealed as part of the Dodd-Frank Act. As a result, some financial institutions have commenced offering interest on these demand deposits to compete for customers. If competitive pressures require us to pay interest on these demand deposits to attract and retain business customers, our interest expense would increase and our net interest margin would decrease. This could have a material adverse effect on us. Further, the effect of the repeal of the prohibition could be more significant in a higher interest rate environment as business customers would have a greater incentive to seek interest on demand deposits.

The preparation of our consolidated financial statements requires us to make estimates and judgments, which are subject to an inherent degree of uncertainty and which may differ from actual results.

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles and general reporting practices within the financial services industry, which require us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Some accounting policies, such as those pertaining to our allowance for loan losses, require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these estimates and judgments are subject to an inherent degree of uncertainty and actual results may differ from these estimates and judgments under different assumptions or conditions, which may have a material adverse effect on our financial condition or results of operations in subsequent periods.

Our compensation expense may increase substantially now that Treasury no longer owns the Series A Preferred Stock and we are no longer subject to certain restrictions moving forward.

As a result of our participation in the CPP, among other things, we were subject to Treasury's standards for executive compensation and corporate governance for the period during which Treasury held any of our shares of Series A Preferred Stock. These standards are set forth in the Interim Final Rule on TARP Standards for Compensation and Corporate Governance, published June 15, 2009. Except as noted below, because Treasury sold all of its shares of Series A Preferred Stock, we will no longer be subject to any restrictions on executive compensation that we may pay in the future or additional certification obligations beyond 2013 that were previously imposed on us as participants in the CPP. We do, however, remain subject to the administration of a restriction on the Chief Executive Officer's previously awarded restricted stock and to the modified certification obligation to be satisfied in 2014 with respect to a portion of our fiscal 2013. Due to the restrictions on executive compensation no longer being applicable coupled with this capital raise and the potential implementation of our intended growth strategy, our compensation expense for our executive officers and other senior employees, including expenses relating to the hiring of new employees to

implement our growth strategy, may increase substantially.

Risks Related to Investing in Our Common Stock

There is a limited trading market for our common shares, and you may not be able to resell your shares at or above the price you paid for them.

Although our common stock is listed for trading on the NASDAQ Global Market, it has a low average daily trading volume relative to many other stocks whose shares are also quoted on the NASDAQ Global Market. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the market of willing buyers and sellers of our common shares at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which we have no control. We cannot assure you that the volume of trading in our common stock will increase in the future. Additionally, general market forces may have a negative effect on our stock price, independent of factors affecting our stock specifically.

The price of our common stock may fluctuate significantly, and this may make it difficult for you to resell our common stock when you want or at prices you find attractive.

We cannot predict how our common stock will trade in the future. The market value of our common stock will likely continue to fluctuate in response to a number of factors including the following, most of which are beyond our control, as well as the other factors described in this “Risk Factors” section:

- actual or anticipated quarterly fluctuations in our operating and financial results;
- developments related to investigations, proceedings or litigation that involve us;
- changes in financial estimates and recommendations by financial analysts;
- dispositions, acquisitions and financings;
- actions of our current stockholders, including sales of common stock by existing stockholders and our directors and executive officers;
- fluctuations in the stock price and operating results of our competitors;
- regulatory developments; and
- developments related to the financial services industry.

The market value of our common stock may also be affected by conditions affecting the financial markets in general, including price and trading fluctuations. These conditions may result in (i) volatility in the level of, and fluctuations in, the market prices of stocks generally and, in turn, our common stock and (ii) sales of substantial amounts of our common stock in the market, in each case that could be unrelated or disproportionate to changes in our operating performance. These broad market fluctuations may adversely affect the market value of our common stock. Our common stock also has a low average daily trading volume relative to many other stocks, which may limit an investor’s ability to quickly accumulate or divest themselves of large blocks of our stock. This can lead to significant price swings even when a relatively small number of shares are being traded.

The Bank recently acted to terminate its Employee Stock Ownership Plan (ESOP), which may result in additional shares in the market.

The ESOP is a tax-qualified retirement plan sponsored and maintained by the Bank for the benefit of employees of the Company and the Bank. Effective as of December 31, 2012, the Bank's Board of Directors approved the termination of the ESOP. Prior to distributing participant account balances held under the ESOP, the Bank allocated any unallocated shares held by the ESOP as of December 31, 2012. The Bank also submitted to the Internal Revenue Service an application for a determination letter in connection with the termination of the ESOP. By letter dated September 9, 2013, the Service indicated that, based upon the information contained in the Bank's application, it had determined that the termination of the ESOP does not adversely affect its qualification for federal tax purposes. Based on the Service's issuance of a favorable determination letter, the Bank distributed all 233,224 shares of common stock held in the account balances to all of the ESOP's 145 participants by December 31, 2013, including 19,739 shares distributed to executive officers subject to the 90-day lock-up discussed under "Underwriting" beginning on page 47. As a result of such distribution, shares owned by participants are freely tradable in the market, except where shares are subject to restrictions on trading by employees or restrictions on sales by executive officers, including the 90-day lock-up.

There may be future sales of additional common stock or preferred stock or other dilution of our equity, which may adversely affect the market price of our common stock.

We are not restricted from issuing additional common stock or preferred stock, including any securities that are convertible into or exchangeable for, or that represent the right to receive, common stock or preferred stock or any substantially similar securities. The market value of our common stock could decline as a result of sales by us of a large number of shares of common stock or preferred stock or similar securities in the market or the perception that such sales could occur.

Anti-takeover provisions could negatively impact our stockholders.

Provisions in our restated certificate of incorporation and bylaws, the General Corporation Law of the State of Delaware (the "DGCL") and federal regulations could delay or prevent a third party from acquiring us, despite the possible benefit to our stockholders, or otherwise adversely affect the market price of any class of our equity securities, including our common stock. These provisions include, but are not limited to: a prohibition on voting shares of common stock beneficially owned in excess of 10% of total shares outstanding without prior Board approval; supermajority voting requirements for certain business combinations with any person who beneficially owns 10% or more of our outstanding common stock; the election of directors to staggered terms of three years; advance notice requirements for nominations for election to our Board of Directors and for proposing matters that stockholders may act on at stockholder meetings; a requirement that only directors may fill a vacancy in our Board of Directors; supermajority voting requirements to remove any of our directors and the other provisions described under "Description of Capital Stock – Anti-takeover Effects" beginning on page 36. Our restated certificate of incorporation also authorizes our Board of Directors to issue preferred stock, and preferred stock could be issued as a defensive measure in response to a takeover proposal (subject to the voting rights of Series A Preferred Stock with respect to any such preferred stock ranking senior to the Series A Preferred Stock; see "Description of Capital Stock – Preferred Stock – Voting Rights" beginning on page 34). In addition, because we are a bank holding company, purchasers of 10% or more of our common stock may be required to obtain approvals under the Change in Bank Control Act of 1978, as amended, or the Bank Holding Company Act of 1956, as amended (the "BHCA") (and in certain cases such approvals may be required at a lesser percentage of ownership). Specifically, under regulations adopted by the Federal Reserve, (a) any other bank holding company may be required to obtain the approval of the Federal Reserve to acquire or retain 5% or more of our common stock and (b) any person other than a bank holding company may be required to obtain the approval of the Federal Reserve to acquire or retain 10% or more of our common stock.

These provisions may discourage potential takeover attempts, discourage bids for our common stock at a premium over market price or adversely affect the market price of, and the voting and other rights of the holders of, our common stock. These provisions could also discourage proxy contests and make it more difficult for holders of our common stock to elect directors other than the candidates nominated by our Board of Directors.

There are restrictions on our ability to pay dividends on and repurchase our common stock.

Holders of our common stock are entitled to receive dividends only when, as and if declared by our Board of Directors. Although we historically paid cash dividends on our common stock, we were not required to do so. In the third quarter of 2008, our Board of Directors decided to suspend the payment of quarterly cash dividends on our common stock.

Our ability to pay dividends is limited by Delaware law, as well as regulatory restrictions and the need to maintain sufficient consolidated capital. The ability of the Bank to pay dividends to us is limited by its obligation to maintain

sufficient capital and liquidity and by other general restrictions on dividends that are applicable to the Bank. If current or any future regulatory requirements are not met, the Bank will not be able to pay dividends to us, and we may be unable to pay dividends on our common stock.

The DGCL provides that dividends by a Delaware corporation may be paid only from: (1) "surplus" determined in the manner described in the DGCL, or (2) in case there is no "surplus," net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Dividends paid from the second source may not be paid unless the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets at current market value is intact.

Moreover, as a bank holding company, our ability to declare and pay dividends is subject to the guidelines of the Federal Reserve regarding capital adequacy and dividends. The Federal Reserve guidelines generally require us to review the effects of the cash payment of dividends on common stock and other Tier 1 capital instruments (i.e., perpetual preferred stock and trust preferred debt) in light of our earnings, capital adequacy and financial condition. As a general matter, the Federal Reserve indicates that the Board of Directors of a bank holding company should eliminate, defer or significantly reduce the dividends if:

- the company's net income available to stockholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends;
- the prospective rate of earnings retention is inconsistent with the company's capital needs and overall current and prospective financial condition; or
- the company will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios.

As long as the Series A Preferred Stock is outstanding, dividend payments and repurchases or redemptions relating to certain equity securities, including our common stock, are prohibited until all accrued and unpaid dividends are paid on such preferred stock, subject to certain limited exceptions. Furthermore, in the future if we default on certain of our outstanding debts or elect to defer interest payments on our trust preferred securities, we will be prohibited from making dividend payments on our common stock until such payments have been brought current.

Failure to pay interest on our debt or dividends on our preferred stock may adversely impact our ability to pay common stock dividends.

As of September 30, 2013, we had $15.5 million of junior subordinated debentures held by two business trusts. Interest payments on the Company's existing debentures, which totaled $556,000 for 2012, must be paid before the Company can pay dividends on its capital stock, including its common stock. The Company has the right to defer interest payments on the debentures for up to 20 consecutive quarters. However, if it elects to defer interest payments, all deferred interest must be paid before the Company can pay dividends on its capital stock.

In addition, as of September 30, 2013, the Company had 12,000 shares of the Series A Preferred Stock issued and outstanding. So long as any of the Series A Preferred Stock remain outstanding, we generally may not declare or pay a dividend or other distribution on our common stock and we generally may not directly or indirectly purchase, redeem or otherwise acquire any shares of our common stock, unless all accrued and unpaid dividends on the Series A Preferred Stock for all past dividend periods are paid in full.

Although the Company expects to be able to pay all required interest on the junior subordinated debentures and dividends on any Series A Preferred Stock that is not redeemed or repurchased following the offering, there is no guarantee that it will be able to do so.

Our common stock is equity and is subordinate to our and our subsidiaries' indebtedness and any preferred stock.

Shares of the common stock are equity interests in us and do not constitute indebtedness. As such, shares of our common stock rank junior to all current and future indebtedness and other nonequity claims on us with respect to assets available to satisfy claims on us, including in a liquidation of our company. We may incur additional indebtedness from time to time and may increase our aggregate level of outstanding indebtedness. Additionally, holders of our common stock are subject to the prior dividend and liquidation rights of any holders of our preferred stock, if any, then outstanding.

Our Board of Directors is authorized to cause us to issue preferred stock, in one or more series, without any action on the part of our stockholders. If we issue shares of preferred stock that have a preference over our common stock with respect to the payment of dividends or upon liquidation, or if we issue shares of preferred stock with voting rights that dilute the voting power of the common stock, then the rights of holders of our common stock or the market price of our common stock could be adversely affected.

The Series A Preferred Stock negatively impacts net income available to our common stockholders and earnings per common shares.

If the Company is unable to repurchase the Series A Preferred Stock with the proceeds of this offering, then the dividends declared on the Series A Preferred Stock will continue to reduce both the net income available to common stockholders and our earnings per common share. Dividends on the Series A Preferred Stock increased from 5% per annum to 9% per annum in February 2014, which further reduces both the net income available to common stockholders and our earnings per common share. The Series A Preferred Stock will also receive preferential treatment over the common stock in the event of liquidation, dissolution or winding up of the Company.

We may be unable able to redeem our Series A Preferred Stock resulting in dilution of the common stock without the benefits of eliminating the Series A Preferred Stock.

Any redemption of the Series A Preferred Stock by the Company will require regulatory approval. There can be no assurance that the Company will receive all required regulatory approvals to permit us to redeem the Series A Preferred Stock. In such event, all of the shares of the Company’s common stock held by the stockholders, including the stockholders who purchase our common stock in this offering, will be diluted without obtaining the benefit of eliminating the Series A Preferred Stock and the Company will have far more current capital than it needs for the reasonably foreseeable future.

The voting limitation provision in our restated certificate of incorporation could limit your voting rights as a holder of our common stock.

Our restated certificate of incorporation provides that any person or group who acquires beneficial ownership of our common stock in excess of 10% of the outstanding shares may not vote the excess shares without prior Board approval. Accordingly, if you acquire beneficial ownership of more than 10% of the outstanding shares of our common stock, your voting rights with respect to the common stock might not be commensurate with your economic interest in our company.

To maintain adequate capital levels, we may be required to raise additional capital in the future, but that capital may not be available when it is needed and could be dilutive to our existing stockholders.

We are required by regulatory authorities to maintain adequate levels of capital to support our operations. In order to ensure our ability to support the operations of the Bank we may need to limit or terminate cash dividends that can be

paid to our stockholders. In addition, we may need to raise capital in the future. Our ability to raise capital, if needed, will depend in part on our financial performance and conditions in the capital markets at that time, and accordingly, we cannot provide assurance of our ability to raise capital on terms acceptable to us. In addition, if we decide to raise equity capital in the future, the interest of our stockholders could be diluted. Any issuance of common stock at prices below tangible book value would dilute the ownership of our current stockholders. In addition, the market price of our common stock could decrease as a result of the sale of a large number of shares or similar securities, or the perception that such sales could occur. If we cannot raise capital when needed, our ability to serve as a source of strength to the Bank, pay dividends, maintain adequate capital levels and liquidity, or further expand our operations could be materially impaired.

USE OF PROCEEDS

We estimate that the net proceeds of this offering, after deducting underwriting discounts, commissions and the estimated expenses of this offering payable by us, will be approximately $ million, or approximately $ million if the underwriter's over-allotment option is exercised in full. We intend to use the proceeds of the offering to repurchase all of the Series A Preferred Stock, and to use the remainder for working capital and for general corporate purposes, including to support organic growth and, potentially, acquisitions in the future to expand our market area or product offerings. We intend to repurchase all of our Series A Preferred Stock through the exercise of the redemption right that we have under the terms of the Series A Preferred Stock.

The approval of our banking regulators is required for the redemption of our Series A Preferred Stock. We can make no assurances as to when, or if, we will receive such approvals.

The redemption of the Series A Preferred Stock will require the use of $12.0 million which is the aggregate liquidation value of the 12,000 shares outstanding, which amount does not include the accrued dividends thereon to be paid through the date of redemption which cannot be calculated until the date of redemption is known. We intend to use the remaining proceeds of this offering for working capital and for general corporate purposes, including to support organic growth and, potentially, acquisitions in the future to expand our market area or product offerings. If we were to conclude that we will not receive such approvals within a reasonable period of time, then we may decide to use the proceeds of this offering that would otherwise have been used for the redemption of the Series A Preferred Stock, instead for working capital and for general corporate purposes, including potential future acquisitions.

The aggregate liquidation preference of our Series A Preferred Stock is $12.0 million. Cumulative dividends on the Series A Preferred Stock increased from 5% per annum to 9% per annum in February 2014, at which it will remain until such Series A Preferred Stock is no longer outstanding.

CAPITALIZATION

The following table sets forth our unaudited consolidated capitalization as of September 30, 2013. Our capitalization is presented:

on an actual basis;

on an as adjusted basis to give effect to the sale of shares of common stock, and assuming a public offering price of $ per share based on the last reported sale price of our common stock on the NASDAQ Global Market on , 2014, as if the offering had been completed as of September 30, 2013 (assuming the net proceeds of the offering are $ million, after deducting the estimated underwriting discount and estimated offering expenses of $ million, and the underwriter's over-allotment option is not exercised); and

on an as further adjusted basis to give effect to (i) the sale of shares of common stock, and assuming a public offering price of $ per share based on the last reported sale price of our common stock on the NASDAQ Global Market on , 2014, as if the offering had been completed as of September 30, 2013 (assuming the net proceeds of the offering are $ million, after deducting the estimated underwriting discount and estimated offering expenses of $ million, and the underwriter's over-allotment option is not exercised); and (ii) the application of the net proceeds of this offering to redeem in full the 12,000 shares of our Series A Preferred Stock outstanding, assuming we receive all necessary approvals from our banking regulators, at a price equal to such shares' liquidation preference plus the amount of any accrued dividends.

	September 30, 2013		
	Actual	As Adjusted for this Offering	As Further Adjusted for this Offering and the Intended Repurchase of our Series A

		Preferred Stock
LONG-TERM INDEBTEDNESS (1):		
Subordinated debentures (2)	$15,465,000	
STOCKHOLDERS' EQUITY:		
Capital Stock:		
Series A preferred stock, $0.01 par value; authorized 2,000,000 shares; 12,000 shares issued and outstanding	$11,935,162	
Common stock, $0.10 par value; authorized 10,000,000 shares; 6,783,603 shares issued and outstanding	678,360	
Additional paid-in capital	57,619,722	
Retained earnings, substantially restricted	42,594,785	
Accumulated other comprehensive loss	(1,939,925)	
	110,888,104	
Treasury stock, at cost; 4,051,172 shares (actual), and _________ shares (as adjusted and as further adjusted)	(61,224,331)	
	$49,663,773	
Total Capitalization	$65,128,773	
Book Value per common share	$13.81	
Tangible Book Value per common share	$13.81	
Capital Ratios:		
Leverage ratio	10.58 %	
Tier 1 risk-based capital ratio	13.22 %	