

FIRST BANCORP /NC/
Form S-3
February 09, 2009

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON FEBRUARY 9, 2009
REGISTRATION NO. 333-_____

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form S-3
REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933

FIRST BANCORP
(Exact Name of Registrant as Specified in Its Charter)

North Carolina
(State or Other Jurisdiction
of Incorporation or Organization)

56-1421916
(IRS Employer Identification
No.)

341 NORTH MAIN STREET
TROY, NORTH CAROLINA 27371-0508
(910) 576-6171
(Address, Including Zip Code, and Telephone Number, Including Area Code, of
Registrant's Principal Executive Offices)

JERRY L. OCHELTREE
PRESIDENT, CHIEF EXECUTIVE OFFICER AND TREASURER
FIRST BANCORP
341 NORTH MAIN STREET
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Approximate date of commencement of proposed sale to the public: From time to time after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, check the following box.

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, other than securities offered only in connection with dividend or interest reinvestment plans, 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, 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 registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

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 Smaller reporting Company

(Do not check if a smaller reporting company)

CALCULATION OF REGISTRATION FEE

Title of Each Class Securities to be Registered	Amount to Be Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Fixed Rate Cumulative Perpetual Preferred Stock, Series A, no par value (1)	65,000(2)\$	1,000(2)\$	65,000,000 \$	2,554.50
Depository Shares (1)	—	—	—	—
Common Stock, no par value (3)	616,308 \$	15.82(4)\$	9,749,993 \$	383.17
Warrant to Purchase Common Stock, no par value (5)	—	—	—	—
Total			\$ 74,749,993 \$	2,937.67

- (1) In the event the United States Department of the Treasury (the “U.S. Treasury”) requests that we deposit the shares of Fixed Rate Cumulative Perpetual Preferred Shares, Series A (“Series A Preferred Stock”) with a depository pursuant to a depository arrangement, depository shares evidencing fractional shares of Series A Preferred Stock may be sold pursuant to this Registration Statement in lieu of whole shares of Series A Preferred Stock.
- (2) Represents the liquidation preference amount for each share of Series A Preferred Stock which we sold in a non-public offering to the U.S. Treasury under its Troubled Asset Relief Program Capital Purchase Program. Calculated in accordance with Rule 457(a) under the Securities Act of 1933, as amended (the “Securities Act”) and includes such number of additional shares of Series A Preferred Stock of a currently indeterminable amount, as may from time to time become issuable by reason of share splits, share dividends or similar transactions, which shares of Series A Preferred Stock are registered hereunder pursuant to Rule 416 under the Securities Act.
- (3) The shares of Common Stock being registered are purchasable upon exercise of the Warrant to Purchase Common Stock (the “Warrant”) being registered, which we issued to the U.S. Treasury in a non-public offering concurrent with the sale of Series A Preferred Stock to the U.S. Treasury as described in footnote (2). In addition to the number of shares of Common Stock stated in the table above, there is registered, pursuant to Rule 416 under the Securities Act, such additional number of shares of Common Stock of a currently indeterminable amount as may from time to time become issuable by reason of share splits, share dividends or similar transactions and certain anti-dilution provisions set forth in the Warrant.
- (4) Calculated in accordance with Rule 457(i) under the Securities Act on the basis of the \$15.82 per share exercise price of the Warrant.

- (5) Pursuant to Rule 457(i) under the Securities Act, no additional fee is payable for the Warrant.
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The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until 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 prospectus is not complete and may be changed. The selling securityholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PROSPECTUS

Subject to Completion, Dated February 9, 2009

FIRST BANCORP

65,000 Shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series A (or Depositary Shares Evidencing Fractional Interests in such Fixed Rate Cumulative Perpetual Preferred Stock, Series A)
Warrant to Purchase 616,308 Shares of Common Stock
616,308 Shares of Common Stock

This prospectus relates to the potential resale from time to time by the selling securityholders of some or all of 65,000 shares of our Fixed Rate Cumulative Perpetual Preferred Stock, Series A, or, in the event such shares of Series A preferred stock are deposited with a depositary as described in this prospectus, depositary shares evidencing fractional interests in such shares of Series A preferred stock, a warrant to purchase 616,308 shares of our common stock, and any common stock issuable from time to time upon exercise of the warrant. The Series A preferred stock and the warrant were initially issued by us pursuant to a Letter Agreement dated January 9, 2009 and a related Securities Purchase Agreement – Standard Terms, between us and the United States Department of Treasury, which we refer to as the U.S. Treasury, in a transaction exempt from the registration requirements of the Securities Act of 1933, as amended, or the Securities Act.

The U.S. Treasury and its successors, including transferees, which we collectively refer to as the selling securityholders, may offer the securities from time to time directly or through underwriters, broker-dealers or agents and in one or more public or private transactions and at fixed prices, at prevailing market prices, at prices related to prevailing market prices or at negotiated prices. If these securities are sold through underwriters, broker-dealers or agents, the selling securityholders will be responsible for underwriting discounts or commissions or agents' commissions. We will not receive any proceeds from the sale of securities by the selling securityholders.

Neither the Series A preferred stock nor the warrant is listed on any national securities exchange, and unless requested by the U.S. Treasury, we do not intend to seek such a listing for the Series A preferred stock or the warrant.

Our common stock is listed on the Nasdaq Global Select Market under the trading symbol "FBNC." On February 6, 2009 the closing price for our common stock was \$15.00 per share.

Investing in our securities involves risks. You should refer to the information contained in this prospectus under the caption "Risk Factors" beginning on page 2.

Our principal executive offices are located at 341 North Main Street, Troy, North Carolina and our telephone number is (910) 576-6171.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense. These securities are not savings accounts, deposits or obligations of any bank and are not insured by the FDIC or any other governmental agency.

This prospectus is dated _____, 2009.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form S-3 that we, First Bancorp, filed with the Securities and Exchange Commission, or SEC, using a “shelf” registration process. Under this shelf process, the selling securityholders may from time to time sell or otherwise dispose of the securities covered by this prospectus in one or more offerings.

We may provide a prospectus supplement containing specific information about the terms of a particular offering by the selling securityholders. The prospectus supplement may add, update, or change the information in this prospectus. If the information in this prospectus is inconsistent with a prospectus supplement, you should rely on the information in that prospectus supplement. You should read both this prospectus and the applicable prospectus supplement together with the information described under the heading “WHERE YOU CAN FIND MORE INFORMATION.” In addition, a number of the documents and agreements that we refer to or summarize in this prospectus, like our articles of incorporation, have been filed with the SEC as exhibits to the registration statement. Before you invest in any of our securities, you should read the relevant documents and agreements.

Unless the context otherwise requires, references to “First Bancorp,” “we,” “us” or “our” refer collectively to First Bancorp and its subsidiaries.

You should rely only on the information contained or incorporated by reference in this prospectus or any prospectus supplement. We have not authorized anyone else to provide you with different information. Neither we, nor any other person on our behalf, is making an offer to sell or soliciting an offer to buy any of the securities described in this prospectus or in any prospectus supplement in any state where the offer is not permitted. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of these documents. There may have been changes in our affairs since the date of the prospectus or any prospectus supplement.

PROSPECTUS SUMMARY

This summary highlights certain information contained elsewhere in this prospectus. Because it is a summary, it does not contain all of the information that you should consider before investing in our securities. You should read the entire prospectus, including the “Risk Factors” section and the other documents we refer to or incorporate by reference, to understand this offering.

Our Company

We are a bank holding company. Our principal activity is the ownership and operation of First Bank, a state-chartered bank with its main office in Troy, North Carolina. We also own a nonbank subsidiary, Montgomery Data Services, Inc., that operates as a data processing company. Our subsidiaries are fully consolidated for financial reporting purposes. In addition, we own a series of statutory business trusts organized under the laws of the State of Delaware that were created for the purpose of issuing trust preferred debt securities.

Our principal executive offices are located at 341 North Main Street, Troy, North Carolina and our telephone number is (910) 576-6171.

Securities Being Offered

On October 14, 2008, the U.S. Treasury announced a voluntary Capital Purchase Program to provide U.S. financial institutions with the opportunity to raise additional capital. On January 9, 2009, pursuant to the Capital Purchase Program, we sold to the U.S. Treasury 65,000 shares of our Series A preferred stock for an aggregate purchase price of \$65 million and concurrently issued to the U.S. Treasury a ten-year warrant to purchase up to 616,308 shares of our common stock at an exercise price of \$15.82 per share. The issuance of the Series A preferred stock and the warrant were completed in a private placement to the U.S. Treasury exempt from the registration requirements of the Securities Act.

In accordance with the securities purchase agreement between the U.S. Treasury and us, we are required to register for resale the shares of Series A preferred stock, the warrant and the shares of our common stock underlying the warrant. This registration also includes depositary shares, representing fractional interest in the Series A preferred stock, which may be resold pursuant to this prospectus in lieu of whole shares of Series A preferred stock if the U.S. Treasury requests that we deposit the Series A preferred stock held by the U.S. Treasury with a depositary under a depositary arrangement. We have filed with the SEC a registration statement on Form S-3 with respect to the securities offered by this prospectus.

RISK FACTORS

An investment in our securities involves certain risks. You should carefully consider the following risk factors and other information contained in this prospectus, any prospectus supplement and the documents incorporated by reference in this prospectus, before making an investment decision. Each of the risks described in such documents as well as those listed below could materially and adversely affect our business, financial condition, results of operations, and prospects and could result in partial or complete loss of your investment. The risks discussed below also include forward-looking statements, and our actual results may differ materially from those discussed in these forward-looking statements. Risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations.

Risks Related to First Bancorp

Difficult market conditions and economic trends have adversely affected our industry and our business.

Negative developments beginning in the latter half of 2007 and throughout 2008 in the sub-prime mortgage market and the securitization markets for such loans, together with substantial volatility in oil prices and other factors, have resulted in uncertainty in the financial markets in general and a related general economic downturn, continuing into 2009. Dramatic declines in the housing market, with decreasing home prices and increasing delinquencies and foreclosures, have negatively impacted the credit performance of mortgage and construction loans and resulted in significant write-downs of assets by many financial institutions. In addition, the values of real estate collateral supporting many loans have declined and may continue to decline. General downward economic trends, reduced availability of commercial credit and increasing unemployment have negatively impacted the credit performance of commercial and consumer credit, resulting in additional write-downs. Concerns over the stability of the financial markets and the economy have resulted in decreased lending by financial institutions to their customers and to each other. This market turmoil and tightening of credit has led to increased commercial and consumer deficiencies, lack of confidence, increased market volatility and widespread reduction in general business activity. Competition among depository institutions for deposits has increased significantly. Financial institutions, including us, have experienced a decrease in access to deposits and borrowings. The resulting economic pressure on consumers and businesses and the lack of confidence in the financial markets may adversely affect our business, financial condition, results of operations and stock price.

Our ability to assess the creditworthiness of customers and to estimate the losses inherent in our credit exposure is made more complex by these difficult market and economic conditions. As a result of the foregoing factors, there is a potential for new federal or state laws and regulations regarding lending and funding practices and liquidity standards, and bank regulatory agencies are expected to be very aggressive in responding to concerns and trends identified in examinations. This increased governmental action may increase our costs and limit our ability to pursue certain business opportunities. We also may be required to pay even higher premiums to the Federal Deposit Insurance Corporation, or the FDIC, than the recently increased level, because financial institution failures resulting from the depressed market conditions have depleted and may continue to deplete the deposit insurance fund and reduce its ratio of reserves to insured deposits.

A worsening of these conditions would likely exacerbate the adverse effects of these difficult market and economic conditions on us, our customers and the other financial institutions in our market.

As a result, we may experience increases in foreclosures, delinquencies and customer bankruptcies, as well as more restricted access to funds.

There can be no assurance that recent legislative and regulatory initiatives to address difficult market and economic conditions will stabilize the U.S. banking system.

The recently enacted Emergency Economic Stabilization Act of 2008, or EESA, authorizes the U.S. Treasury to, among other things, purchase up to \$700 billion of mortgages, mortgage-backed securities and certain other financial instruments from financial institutions and their holding companies, under a Troubled Asset Relief Program, or TARP. The purpose of TARP is to restore confidence and stability to the U.S. banking system and to encourage financial institutions to increase their lending to customers and to each other. Under the TARP Capital Purchase Program, the U.S. Treasury is investing capital in qualified financial institutions in exchange for senior preferred stock and a warrant to purchase shares of equity securities of the financial institution. The EESA also increased federal deposit insurance on most deposit accounts from \$100,000 to \$250,000. This increase is in place until the end of 2009 and is not covered by deposit insurance premiums paid by the banking industry.

The EESA followed, and has been followed by, numerous actions by the Federal Reserve Board, the U.S. Congress, the U.S. Treasury, the FDIC, the SEC and others to address the current liquidity and credit crisis that has followed the sub-prime mortgage market meltdown that began in 2007. These measures include homeowner relief that encourages loan restructuring and modification; the establishment of significant liquidity and credit facilities for financial institutions and investment banks; the lowering of the federal funds rate; emergency action against short selling practices; a temporary guaranty program for money market funds; the establishment of a commercial paper funding facility to provide back-stop liquidity to commercial paper issuers; and coordinated international efforts to address illiquidity and other weaknesses in the banking sector. The purpose of these legislative and regulatory actions is to stabilize the U.S. banking system.

The EESA and the other regulatory initiatives described above may not have their desired effects. If the volatility in the markets continues and economic conditions fail to improve or worsen, our business, financial condition and results of operations could be materially and adversely affected.

Current levels of market volatility are unprecedented.

The capital and credit markets have been experiencing volatility and disruption for more than a year. In recent months, the volatility and disruption has reached unprecedented levels. In some cases, the markets have produced downward pressure on stock prices and credit availability for certain issuers without regard to those issuers' underlying financial strength. If current levels of market disruption and volatility continue or worsen, there can be no assurance that we will not experience an adverse effect, which may be material, on our ability to access capital and on our business, financial condition and results of operations.

The market value of the Series A preferred stock and our common stock may also be affected by conditions affecting the financial markets generally, 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, the Series A preferred stock and our common stock and (ii) sales of substantial amounts of the Series A preferred stock or 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 the Series A preferred stock and our common stock.

Because of our participation in the Capital Purchase Program, we are subject to several restrictions, including restrictions on our ability to declare or pay dividends and repurchase our shares as well as restrictions on compensation paid to our executive officers.

Pursuant to the terms of the securities purchase agreement between us and the U.S. Treasury, our ability to declare or pay dividends on any of our shares is limited. Specifically, we are unable to declare dividend payments on common stock if we are in arrears on the payment of dividends on the Series A preferred stock. Further, until January 9, 2012, we are not permitted to increase dividends on our common stock above the amount of the last quarterly cash dividend per share declared prior to October 14, 2008 (\$0.19 per share) without the U.S. Treasury's approval, unless all of the shares of Series A preferred stock have been redeemed or transferred by the U.S. Treasury to unaffiliated third parties.

In addition, our ability to repurchase our shares is restricted. The consent of the U.S. Treasury generally is required for us to make any stock repurchase (other than in connection with the administration of any employee benefit plan in the ordinary course of business and consistent with past practice) until January 9, 2012, unless all of the shares of Series A preferred stock have been redeemed or transferred by the U.S. Treasury to unaffiliated third parties. Further, we may not repurchase any shares of our common stock if we are in arrears on the payment of Series A preferred stock dividends.

In addition, pursuant to the terms of the securities purchase agreement between us and the U.S. Treasury, we agreed to adhere to the U.S. Treasury's standards for executive compensation and corporate governance for the period during which the U.S. Treasury holds the equity securities issued pursuant to the agreement, including the shares of common stock which may be issued upon exercise of the warrant. These standards generally apply to our chief executive officer, chief financial officer and the three next most highly compensated senior executive officers, who we refer to collectively as our senior executive officers. The standards include (i) periodically reviewing our incentive compensation plans and arrangements for senior executive officers to evaluate if they encourage unnecessary and excessive risks that threaten our value; (ii) required clawback of any bonus or incentive compensation paid (or under a legally binding obligation to be paid) to a senior executive officer based on materially inaccurate financial statements or other materially inaccurate performance metric criteria; (iii) prohibition on making golden parachute payments to senior executive officers; and (iv) agreement not to claim a deduction, for federal income tax purposes, for compensation paid to any of the senior executive officers in excess of \$500,000 per year. In particular, the change to the deductibility limit on executive compensation could increase the overall cost of our compensation programs in future periods. Since the warrant has a ten-year term, we could potentially be subject to the executive compensation and corporate governance restrictions for at least a ten-year time period. This period could be extended based upon the period during which the U.S. Treasury continues to hold Series A preferred stock or common stock acquired upon exercise of the warrant.

We are subject to interest rate risk, which could negatively impact earnings.

Net interest income is the most significant component of our earnings. Our net interest income results from the difference between the yields we earn on our interest-earning assets, primarily loans and investments, and the rates that we pay on our interest-bearing liabilities, primarily deposits and borrowings. When interest rates change, the yields we earn on our interest-earning assets and the rates we pay on our interest-bearing liabilities do not necessarily move in tandem with each other because of the difference between their maturities and repricing characteristics. This mismatch can negatively impact net interest income if the margin between yields earned and rates paid narrows, as described below. Interest rate environment changes can occur at any time and are affected by many factors that are outside

our control, including inflation, recession, unemployment trends, the Federal Reserve's monetary policy, domestic and international disorder and instability in domestic and foreign financial markets.

From mid-2004 through mid-2007, interest rates were generally increasing, although short-term interest rates rose faster than long-term interest rates. In 2006, this resulted in short-term interest rates reaching the same level as long-term interest rates, which is referred to as a "flat yield curve." A flat yield curve is unfavorable for us and many other financial institutions because our funding costs are generally tied to short-term interest rates, while our investment rates, in the form of securities and loans, are more closely correlated to long-term interest rates. Largely as a result of the flat yield curve, our net interest margin declined throughout 2006. The flat yield curve prevailed for most of 2007, which resulted in our net interest margin remaining at levels lower than our historical average. However, the strong growth that we achieved in loans and deposits in 2006 and 2007 more than offset the negative impact of the flat yield curve, resulting in an increase in net interest income in 2006 and 2007 in comparison to the immediately preceding year.

Beginning in late 2007 and continuing throughout 2008, the Federal Reserve Board began reducing interest rates in response to unfavorable economic conditions in the United States economy. From September 2007 through December 2008, the Federal Reserve Board reduced interest rates by 500 basis points. When interest rates decline, most of our adjustable rate loans, which represent approximately 45% of all of our loans, reprice downwards immediately by the full amount of the rate cut. However, most of our interest expense relates to customer certificates of deposit, which cannot be repriced at lower interest rates until they mature. As a result, interest rate cuts negatively impact our profitability, particularly in the short-term. Additionally, given the sharp decline in interest rates, the interest rates we pay on our deposit accounts either cannot be repriced downwards by the full amount of the rate cut due to competitive pressures or because the rate is so close to zero already. Accordingly, our net interest margin declined during 2008 compared to 2007.

Based on prevailing economic forecasts that interest rates will remain relatively unchanged in 2009, we expect our profitability to be further negatively impacted during the early part of 2009 as a result of interest rate reductions that occurred late in 2008 until we are able to reprice maturing certificates of deposit at lower interest rates.

We face strong competition, which could hurt our business.

Our business operations are centered primarily in North Carolina, southwestern Virginia and northeastern South Carolina. Increased competition within this region may result in reduced loan originations and deposits. Ultimately, we may not be able to compete successfully against current and future competitors. Many competitors offer the types of loans and banking services that we offer. These competitors include savings associations, national banks, regional banks and other community banks. We also face competition from many other types of financial institutions, including finance companies, internet banks, brokerage firms, insurance companies, credit unions, mortgage banks and other financial intermediaries.

We compete in our market areas with several large interstate bank holding companies, including three of the largest in the nation, which are headquartered or have significant operations in North Carolina. These large competitors have substantially greater resources than we have, including broader geographic markets, more banking locations, higher lending limits and the ability to make greater use of large-scale advertising and promotions. Also, these institutions, particularly to the extent they are more diversified than we are, may be able to offer the same products and services that we offer at more competitive rates and prices.

We also compete in some of our market areas with many banks that have been organized within the past ten years. These new banks often focus on loan and deposit balance sheet growth, and not necessarily on earnings profitability. This strategy often allows them to offer more attractive terms on loans and deposits than we are able to offer because we must achieve an acceptable level of profitability.

Moore County, North Carolina, which represents a disproportionate share of our deposits, is a particularly competitive market, with at least ten other financial institutions having a physical presence there, including both large interstate bank holding companies and recently organized banks.

Our allowance for loan losses may not be adequate to cover actual losses.

Like all financial institutions, we maintain an allowance for loan losses to provide for probable losses caused by customer loan defaults. The allowance for loan losses may not be adequate to cover actual loan losses, and in this case additional and larger provisions for loan losses would be required to replenish the allowance. Provisions for loan losses are a direct charge against income.

We establish the amount of the allowance for loan losses based on historical loss rates, as well as estimates and assumptions about future events. Because of the extensive use of estimates and assumptions, our actual loan losses could differ, possibly significantly, from our estimate. We believe that our allowance for loan losses is adequate to provide for probable losses, but it is possible that the allowance for loan losses will need to be increased for credit reasons or that regulators will require us to increase this allowance. Either of these occurrences could materially and adversely affect our earnings and profitability.

We are vulnerable to the economic conditions within the fairly small geographic region in which we operate.