COMMUNITY HEALTH SYSTEMS INC
Form 8-K
August 22, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 22, 2012 (August 22, 2012)

COMMUNITY HEALTH SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**001-15925**	**13-3893191**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

4000 Meridian Boulevard

Franklin, Tennessee 37067

(Address of principal executive offices)

Registrant s telephone number, including area code: (615) 465-7000

N/A

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement.

On August 22, 2012 (the Closing Date), Community Health Systems, Inc. (the Company) and its wholly-owned subsidiary CHS/Community Health Systems, Inc. (the Borrower) entered into a loan modification agreement (the Loan Modification) effective as of the Closing Date with respect to their existing credit agreement, dated as of July 25, 2007, as amended and restated as of November 5, 2010 and February 2, 2010, and as amended as of August 3, 2012, among the Company, the Borrower, the lenders party thereto and Credit Suisse AG, as administrative agent and collateral agent (as amended, the Credit Agreement).

The Loan Modification extends the maturities and increases the interest rate margins of approximately $340 million of the existing non-extended term loans under the Credit Agreement to match the maturity and interest rate margins of the extended term loans under the Credit Agreement.

The foregoing summary of the Loan Modification and the transactions contemplated thereby does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Loan Modification, which is filed as Exhibit 10.1 hereto and incorporated into this report by reference.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The disclosures under Item 1.01 of this report are also responsive to Item 2.03 of this report and are incorporated by reference into this Item 2.03.

Item 9.01. Financial Statements and Exhibits.
(d) Exhibits.

The following items are included as Exhibits to this report and incorporated herein by reference:

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
10.1	Loan Modification Agreement, dated as of August 22, 2012, to the Credit Agreement, dated as of July 25, 2007, as amended and restated as of November 5, 2010, and February 2, 2012, and as amended as of August 3, 2012, among CHS/Community Health Systems, Inc., Community Health Systems, Inc., the guarantors party thereto, the lenders party thereto and Credit Suisse AG, as administrative agent and as collateral agent for the Lenders.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

COMMUNITY HEALTH SYSTEMS, INC.

Date: August 22, 2012

By: /s/ Wayne T. Smith
Wayne T. Smith
Chairman of the Board, President and Chief Executive Officer
(principal executive officer)

By: /s/ W. Larry Cash
W. Larry Cash
Executive Vice President, Chief Financial Officer and Director
(principal financial officer)

EXHIBIT INDEX

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>523,885 $480,806
Cumulative rate sensitive assets

to rate sensitive liabilities
101.3% 111.3% 109.3% 109.2% 120.2% 123.6% 120.6%
Cumulative Gap as a % of

earning assets
0.5% 4.9% 4.8% 5.6% 13.9% 18.6% 17.1%

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ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Note: Supplementary Data may be found in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations – Quarterly Results" on page 47 hereof.

Management's Report on Internal Control Over Financial Reporting

The management of Simmons First National Corporation (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with generally accepted accounting principles.

As of December 31, 2009, management assessed the effectiveness of the Company's internal control over financial reporting based on the criteria for effective internal control over financial reporting established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the assessment, management determined that the Company maintained effective internal control over financial reporting as of December 31, 2009, based on those criteria.

BKD, LLP, the independent registered public accounting firm that audited the consolidated financial statements of the Company included in this Annual Report on Form 10-K, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2009. The report, which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2009, immediately follows.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Audit Committee, Board of Directors and Stockholders
Simmons First National Corporation
Pine Bluff, Arkansas

We have audited Simmons First National Corporation's internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenances of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Simmons First National Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of Simmons First National Corporation and our report dated March 2, 2010, expressed an unqualified opinion thereon.

BKD, LLP

/s/ BKD, LLP

Pine Bluff, Arkansas
March 2, 2010

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Audit Committee, Board of Directors and Stockholders
Simmons First National Corporation
Pine Bluff, Arkansas

We have audited the accompanying consolidated balance sheets of Simmons First National Corporation as of December 31, 2009, and 2008, and the related consolidated statements of income, cash flows, and stockholders' equity for each of the years in the three-year period ended December 31, 2009. The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Simmons First National Corporation as of December 31, 2009, and 2008, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Simmons First National Corporation's internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 2, 2010, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

BKD, LLP

/s/ BKD, LLP

Pine Bluff, Arkansas
March 2, 2010

Simmons First National Corporation
Consolidated Balance Sheets
December 31, 2009 and 2008

(In thousands, except share data)	2009	2008
ASSETS		
Cash and non-interest bearing balances due from banks	$71,575	$71,801
Interest bearing balances due from banks	282,010	61,085
Federal funds sold	--	6,650
Cash and cash equivalents	353,585	139,536
Investment securities	646,915	646,134
Mortgage loans held for sale	8,397	10,336
Assets held in trading accounts	6,886	5,754
Loans	1,874,989	1,933,074
Allowance for loan losses	(25,016)	(25,841)
Net loans	1,849,973	1,907,233
Premises and equipment	78,126	78,904
Foreclosed assets held for sale, net	9,179	2,995
Interest receivable	17,881	20,930
Bank owned life insurance	40,920	39,617
Goodwill	60,605	60,605
Core deposit premiums	1,769	2,575
Other assets	19,086	8,490
Total assets	$3,093,322	$2,923,109
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing transaction accounts	$363,154	$334,998
Interest bearing transaction accounts and savings deposits	1,156,264	1,026,824
Time deposits	912,754	974,511
Total deposits	2,432,172	2,336,333
Federal funds purchased and securities sold under agreements to repurchase	105,910	115,449
Short-term debt	3,640	1,112
Long-term debt	159,823	158,671
Accrued interest and other liabilities	20,530	22,752
Total liabilities	2,722,075	2,634,317
Stockholders' equity:		
Preferred stock, $0.01 par value; 40,040,000 shares authorized and unissued at December 31, 2009; no shares authorized at December 31, 2008	--	--
Common stock, Class A, $0.01 par value; 60,000,000 shares authorized: 17,093,931and 13,960,680 shares issued and outstanding at December 31, 2009 and 2008, respectively	171	140
Surplus	111,694	40,807
Undivided profits	258,620	244,655
Accumulated other comprehensive income		

Unrealized appreciation on available-for-sale securities, net of income taxes of $457 and $1,913 at December 31,2009 and 2008, respectively	762	3,190
Total stockholders' equity	371,247	288,792
Total liabilities and stockholders' equity	$3,093,322	$2,923,109

See Notes to Consolidated Financial Statements.

Simmons First National Corporation
Consolidated Statements of Income
Years Ended December 31, 2009, 2008 and 2007

(In thousands, except per share data)	2009	2008	2007
INTEREST INCOME			
Loans	$113,648	$126,079	$141,706
Federal funds sold	27	748	1,418
Investment securities	21,791	27,415	23,646
Mortgage loans held for sale	608	411	505
Assets held in trading accounts	20	73	100
Interest bearing balances due from banks	439	1,415	1,161
TOTAL INTEREST INCOME	136,533	156,141	168,536
INTEREST EXPENSE			
Deposits	31,046	53,150	65,474
Federal funds purchased and securities sold under agreements to repurchase	769	2,110	5,371
Short-term debt	33	111	804
Long-term debt	6,958	6,753	4,771
TOTAL INTEREST EXPENSE	38,806	62,124	76,420
NET INTEREST INCOME	97,727	94,017	92,116
Provision for loan losses	10,316	8,646	4,181
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	87,411	85,371	87,935
NON-INTEREST INCOME			
Trust income	5,227	6,230	6,218
Service charges on deposit accounts	17,944	15,145	14,794
Other service charges and fees	2,668	2,681	3,016
Income on sale of mortgage loans, net of commissions	4,032	2,606	2,766
Income on investment banking, net of commissions	2,153	1,025	623
Credit card fees	14,392	13,579	12,217
Premiums on sale of student loans	2,333	1,134	2,341
Bank owned life insurance income	1,270	1,547	1,493
Gain on mandatory partial redemption of Visa shares	--	2,973	--
Other income	2,548	2,406	2,535
Gain on sale of securities	144	--	--
TOTAL NON-INTEREST INCOME	52,711	49,326	46,003
NON-INTEREST EXPENSE			
Salaries and employee benefits	58,317	57,050	54,865
Occupancy expense, net	7,457	7,383	6,674
Furniture and equipment expense	6,195	5,967	5,865
Other real estate and foreclosure expense	453	239	212
Deposit insurance	4,642	793	328

Other operating expenses	27,658	24,928	26,253
TOTAL NON-INTEREST EXPENSE	104,722	96,360	94,197
INCOME BEFORE INCOME TAXES	35,400	38,337	39,741
Provision for income taxes	10,190	11,427	12,381
NET INCOME	$25,210	$26,910	$27,360
BASIC EARNINGS PER SHARE	$1.75	$1.93	$1.95
DILUTED EARNINGS PER SHARE	$1.74	$1.91	$1.92

See Notes to Consolidated Financial Statements.

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Simmons First National Corporation
Consolidated Statements of Cash Flows
Years Ended December 31, 2009, 2008 and 2007

(In thousands)	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 25,210	$ 26,910	$ 27,360
Items not requiring (providing) cash			
Depreciation and amortization	5,841	5,729	5,510
Provision for loan losses	10,316	8,646	4,181
Gain on mandatory partial redemption of Visa shares	--	(2,973)	--
Net amortization of investment securities	(48)	194	116
Stock-based compensation expense	627	548	338
Deferred income taxes	1,613	739	865
Gain on sale of securities, net	(144)	--	--
Bank owned life insurance income	(1,270)	(1,547)	(1,493)
Changes in			
Interest receivable	3,049	415	629
Mortgage loans held for sale	1,939	761	(4,006)
Assets held in trading accounts	(1,132)	(96)	(1,171)
Other assets	(12,417)	(960)	2,603
Accrued interest and other liabilities	(5,387)	(2,709)	508
Income taxes payable	1,552	(768)	538
Net cash provided by operating activities	29,749	34,889	35,978
CASH FLOWS FROM INVESTING ACTIVITIES			
Net collections (originations) of loans	36,621	(96,447)	(75,161)
Purchases of premises and equipment, net	(4,257)	(8,353)	(12,240)
Proceeds from sale of foreclosed assets	4,139	5,353	3,250
Proceeds from mandatory partial redemption of Visa shares	--	2,973	--
Sales (purchases) of short-term investment securities	84,033	(85,536)	--
Proceeds from sale of securities	361	--	--
Proceeds from maturities of available-for-sale securities	573,604	318,114	146,379
Purchases of available-for-sale securities	(384,080)	(349,416)	(136,033)
Proceeds from maturities of held-to-maturity securities	281,986	41,680	31,123
Purchases of held-to-maturity securities	(558,921)	(38,778)	(41,466)
Purchases of bank owned life insurance	(33)	(32)	(413)
Net cash provided by (used in) investing activities	33,453	(210,442)	(84,561)

CASH FLOWS FROM FINANCING ACTIVITIES			
Net change in deposits	95,839	153,476	7,326
Net change in short-term debt	2,528	(665)	(4,337)
Dividends paid	(11,245)	(10,601)	(10,234)
Proceeds from issuance of long-term debt	9,166	91,029	10,786
Repayment of long-term debt	(8,014)	(14,643)	(11,812)
Net change in Federal funds purchased and securities sold under agreements to repurchase	(9,539)	(13,357)	23,770
Shares issued from public stock offering, net of offering costs of $4,178	70,486	--	--
Shares issued (exchanged) under stock compensation plans, net	1,626	900	725
Repurchase of common stock	--	(1,280)	(8,562)
Net cash provided by financing activities	150,847	204,859	7,662
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	214,049	29,306	(40,921)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	139,536	110,230	151,151
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 353,585	$ 139,536	$ 110,230

See Notes to Consolidated Financial Statements.

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Simmons First National Corporation
Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2009, 2008 and 2007

(In thousands, except share data)	Common Stock	Surplus	Accumulated Other Comprehensive Income (Loss)	Undivided Profits	Total
Balance, December 31, 2006	$ 142	$ 48,678	$ (2,198)	$ 212,394	$ 259,016
Comprehensive income:					
Net income	--	--	--	27,360	27,360
Change in unrealized depreciation on available-for-sale securities, net of income taxes of $2,356	--	--	3,926	--	3,926
Comprehensive income					31,286
Stock issued as bonus shares – 15,146 shares	--	419	--	--	419
Exercise of stock options – 33,720 shares	--	509	--	--	509
Stock granted under stock-based compensation plans	--	178	--	--	178
Securities exchanged under stock option plan	--	(203)	--	--	(203)
Repurchase of common stock – 320,726 shares	(3)	(8,562)	--	--	(8,565)
Cash dividends declared ($0.73 per share)	--	--	--	(10,234)	(10,234)
Balance, December 31, 2007	139	41,019	1,728	229,520	272,406
Cumulative effect of adoption of a new accounting principle, January 1, 2008 (Note 16)	--	--	--	(1,174)	(1,174)
Comprehensive income:					
Net income	--	--	--	26,910	26,910
Change in unrealized appreciation on available-for-sale securities, net of income taxes of $877	--	--	1,462	--	1,462
Comprehensive income					28,372
Stock issued as bonus shares – 17,490 shares	--	530	--	--	530
Stock issued for employee stock					

purchase plan – 5,359 shares	--	135	--	--	135
Exercise of stock options – 97,497 shares	1	1,207	--	--	1,208
Stock granted under stock-based compensation plans	--	169	--	--	169
Securities exchanged under stock option plan	--	(973)	--	--	(973)
Repurchase of common stock – 45,180 shares	--	(1,280)	--	--	(1,280)
Cash dividends declared ($0.76 per share)	--	--	--	(10,601)	(10,601)
Balance, December 31, 2008	140	40,807	3,190	244,655	288,792
Comprehensive income:					
Net income	--	--	--	25,210	25,210
Change in unrealized appreciation on available-for-sale securities, net of income tax credits of $1,456	--	--	(2,428)	--	(2,428)
Comprehensive income					22,782
Stock issued from public stock offering, net of offering costs of $4,178	30	70,456	--	--	70,486
Stock issued as bonus shares – 27,915 shares	--	702	--	--	702
Cancelled bonus shares – 1,113 shares	--	29	--	--	29
Non-vested bonus shares	--	(1,208)	--	--	(1,208)
Stock issued for employee stock purchase plan – 5,823 shares	--	141	--	--	141
Exercise of stock options – 56,700 shares	1	689	--	--	690
Stock granted under stock-based compensation plans	--	180	--	--	180
Securities exchanged under stock option plan	--	(102)	--	--	(102)
Cash dividends declared ($0.76 per share)	--	--	--	(11,245)	(11,245)
Balance, December 31, 2009	$ 171	$ 111,694	$ 762	$ 258,620	$ 371,247

See Notes to Consolidated Financial Statements.

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Simmons First National Corporation
Notes to Consolidated Financial Statements

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Simmons First National Corporation (the "Company") is primarily engaged in providing a full range of banking services to individual and corporate customers through its subsidiaries and their branch banks in Arkansas. The Company is subject to competition from other financial institutions. The Company also is subject to the regulation of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

Operating Segments

The Company is organized on a subsidiary bank-by-bank basis upon which management makes decisions regarding how to allocate resources and assess performance. Each of the subsidiary banks provides a group of similar community banking services, including such products and services as loans; time deposits, checking and savings accounts; personal and corporate trust services; credit cards; investment management; and securities and investment services. The individual bank segments have similar operating and economic characteristics and have been reported as one aggregated operating segment.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses, the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans. In connection with the determination of the allowance for loan losses and the valuation of foreclosed assets, management obtains independent appraisals for significant properties.

Principles of Consolidation

The consolidated financial statements include the accounts of Simmons First National Corporation and its subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation.

Reclassifications

Various items within the accompanying consolidated financial statements for previous years have been reclassified to provide more comparative information. These reclassifications had no effect on net earnings.

Cash Equivalents

The Company Bank considers all liquid investments with original maturities of three months or less to be cash equivalents. The financial institutions holding the Company's cash accounts are participating in the FDIC's Transaction Account Guarantee Program. Under that program, through June 30, 2010, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account.

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Interest Bearing Deposits in Banks

Interest-bearing deposits in banks mature within one year and are carried at cost.

Investment Securities

Held-to-maturity securities, which include any security for which the Company has the positive intent and ability to hold until maturity, are carried at historical cost adjusted for amortization of premiums and accretion of discounts. Premiums and discounts are amortized and accreted, respectively, to interest income using the constant yield method over the period to maturity.

Available-for-sale securities, which include any security for which the Company has no immediate plan to sell but which may be sold in the future, are carried at fair value. Realized gains and losses, based on specifically identified amortized cost of the individual security, are included in other income. Unrealized gains and losses are recorded, net of related income tax effects, in stockholders' equity. Premiums and discounts are amortized and accreted, respectively, to interest income using the constant yield method over the period to maturity.

Trading securities, which include any security held primarily for near-term sale, are carried at fair value. Gains and losses on trading securities are included in other income.

Effective April 1, 2009, the Company adopted new accounting guidance related to recognition and presentation of other-than-temporary impairment, ASC 320-10. When the Company does not intend to sell a debt security, and it is more likely than not, the Company will not have to sell the security before recovery of its cost basis, it recognizes the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income. For held-to-maturity debt securities, the amount of an other-than-temporary impairment recorded in other comprehensive income for the noncredit portion of a previous other-than-temporary impairment is amortized prospectively over the remaining life of the security on the basis of the timing of future estimated cash flows of the security.

As a result of this guidance, the Company’s consolidated statement of income as of December 31, 2009, reflects the full impairment (that is, the difference between the security’s amortized cost basis and fair value) on debt securities that the Company intends to sell or would more likely than not be required to sell before the expected recovery of the amortized cost basis. For available-for-sale and held-to-maturity debt securities that management has no intent to sell and believes that it more likely than not will not be required to sell prior to recovery, only the credit loss component of the impairment is recognized in earnings, while the noncredit loss is recognized in accumulated other comprehensive income. The credit loss component recognized in earnings is identified as the amount of principal cash flows not expected to be received over the remaining term of the security as projected based on cash flow projections. Prior to the adoption of the recent accounting guidance on April 1, 2009, management considered, in determining whether other-than-temporary impairment exists, (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Mortgage Loans Held For Sale

Mortgage loans held for sale are carried at the lower of cost or fair value, determined using an aggregate basis. Write-downs to fair value are recognized as a charge to earnings at the time the decline in value occurs. Forward commitments to sell mortgage loans are acquired to reduce market risk on mortgage loans in the process of origination and mortgage loans held for sale. The forward commitments acquired by the Company for mortgage loans in process of origination are not mandatory forward commitments. These commitments are structured on a best efforts basis; therefore, the Company is not required to substitute another loan or to buy back the commitment if the original loan does not fund. Gains and losses resulting from sales of mortgage loans are recognized when the respective loans are sold to investors. Gains and losses are determined by the difference between the selling price and the carrying amount of the loans sold, net of discounts collected or paid. Fees received from borrowers to guarantee the funding of mortgage loans held for sale are recognized as income or expense when the loans are sold or when it becomes evident that the commitment will not be used.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-offs are reported at their outstanding principal adjusted for any loans charged off and any deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, as well as premiums and discounts, are deferred and amortized as a level yield adjustment over the respective term of the loan.

The accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

Discounts and premiums on purchased residential real estate loans are amortized to income using the interest method over the remaining period to contractual maturity, adjusted for anticipated prepayments. Discounts and premiums on purchased consumer loans are recognized over the expected lives of the loans using methods that approximate the interest method.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance is maintained at a level considered adequate to provide for potential loan losses related to specifically identified loans as well as probable credit losses inherent in the remainder of the loan portfolio as of period end. This estimate is based on management's evaluation of the loan portfolio, as well as on prevailing and anticipated economic conditions and historical losses by loan category. General reserves have been established, based upon the aforementioned factors and allocated to the individual loan categories. Allowances are accrued on specific loans evaluated for impairment for which the basis of each loan, including accrued interest, exceeds the discounted amount of expected future collections of interest and principal or, alternatively, the fair value of loan collateral. The unallocated reserve generally serves to compensate for the uncertainty in estimating loan losses, including the possibility of changes in risk ratings and specific reserve allocations in the loan portfolio as a result of the Company’s ongoing risk management system.

A loan is considered impaired when it is probable that the Company will not receive all amounts due according to the contractual terms of the loan. This includes loans that are delinquent 90 days or more, nonaccrual loans and certain other loans identified by management. Certain other loans identified by management consist of performing loans with specific allocations of the allowance for loan losses. Specific allocations are applied when quantifiable factors are present requiring a greater allocation than that established by the Company based on its analysis of historical losses for each loan category. Accrual of interest is discontinued and interest accrued and unpaid is removed at the time such amounts are delinquent 90 days unless management is aware of circumstances which warrant continuing the interest accrual. Interest is recognized for nonaccrual loans only upon receipt and only after all principal amounts are current according to the terms of the contract.

Premises and Equipment

Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and amortized by the straight-line method over the terms of the respective leases or the estimated useful lives of the improvements, whichever is shorter.

Foreclosed Assets Held For Sale

Assets acquired by foreclosure or in settlement of debt and held for sale are valued at estimated fair value as of the date of foreclosure, and a related valuation allowance is provided for estimated costs to sell the assets. Management evaluates the value of foreclosed assets held for sale periodically and increases the valuation allowance for any subsequent declines in fair value. Changes in the valuation allowance are charged or credited to other expense.

Goodwill and Intangible Assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Other intangible assets represent purchased assets that also lack physical substance but can be separately distinguished from goodwill because of contractual or other legal rights or because the asset is capable of being sold or exchanged either on its own or in combination with a related contract, asset or liability. The Company performs an annual goodwill impairment test, and more than annually if circumstances warrant, in accordance with ASC Topic 350, Intangibles – Goodwill and Other. ASC Topic 350 requires that goodwill and intangible assets that have indefinite lives be reviewed for impairment annually, or more frequently if certain conditions occur. Impairment losses on recorded goodwill, if any, will be recorded as operating expenses.

Derivative Financial Instruments

The Company may enter into derivative contracts for the purposes of managing exposure to interest rate risk to meet the financing needs of its customers. The Company records all derivatives on the balance sheet at fair value. Historically, the Company's policy has been not to invest in derivative type investments, but, in an effort to meet the financing needs of its customers, the Company has entered into one fair value hedge. Fair value hedges include interest rate swap agreements on fixed rate loans. For derivatives designated as hedging the exposure to changes in the fair value of the hedged item, the gain or loss is recognized in earnings in the period of change together with the offsetting loss or gain of the hedging instrument. The fair value hedge is considered to be highly effective and any hedge ineffectiveness was deemed not material. The notional amount of the loan being hedged was $1.7 million at December 31, 2009, and $1.8 million at December 31, 2008.

Securities Sold Under Agreements to Repurchase

The Company sells securities under agreements to repurchase to meet customer needs for sweep accounts. At the point funds deposited by customers become investable, those funds are used to purchase securities owned by the Company and held in its general account with the designation of Customers' Securities. A third party maintains control over the securities underlying overnight repurchase agreements. The securities involved in these transactions are generally U.S. Treasury or Federal Agency issues. Securities sold under agreements to repurchase generally mature on the banking day following that on which the investment was initially purchased and are treated as collateralized financing transactions which are recorded at the amounts at which the securities were sold plus accrued interest. Interest rates and maturity dates of the securities involved vary and are not intended to be matched with funds from customers.

Fee Income

Periodic bankcard fees, net of direct origination costs, are recognized as revenue on a straight-line basis over the period the fee entitles the cardholder to use the card. Origination fees and costs for other loans are being amortized over the estimated life of the loan.

Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance in ASC 740, Income Taxes. The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The Company files consolidated income tax returns with its subsidiaries.

Earnings Per Share

Basic earnings per share are computed based on the weighted average number of shares outstanding during each year. Diluted earnings per share are computed using the weighted average common shares and all potential dilutive common shares outstanding during the period.

The computation of per share earnings is as follows:

(In thousands, except per share data)	2009	2008	2007
Net Income	$25,210	$26,910	$27,360
Average common shares outstanding	14,375	13,945	14,044
Average common share stock options outstanding	90	163	197
Average diluted common shares	14,465	14,108	14,241
Basic earnings per share	$1.75	$1.93	$1.95
Diluted earnings per share	$1.74	$1.91	$1.92

Stock options to purchase 100,290 and 57,000 shares, respectively, for the years ended December 31, 2009 and 2007, were not included in the earnings per share calculation because the exercise price exceeded the average market price. All stock options were included in the earnings per share calculation for the year ended December 31, 2008.

Stock-Based Compensation

The Company has adopted various stock-based compensation plans. The plans provide for the grant of incentive stock options, nonqualified stock options, stock appreciation rights and bonus stock awards. Pursuant to the plans, shares are reserved for future issuance by the Company, upon exercise of stock options or awarding of bonus shares granted to directors, officers and other key employees.

In accordance with ASC Topic 718, Compensation – Stock Compensation, the fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model that uses various assumptions. This model requires the input of highly subjective assumptions, changes to which can materially affect the fair value estimate. For additional information, see Note 10, Employee Benefit Plans.

NOTE 2: INVESTMENT SECURITIES

The amortized cost and fair value of investment securities that are classified as held-to-maturity and available-for-sale are as follows:

	Years Ended December 31							
	2009				2008			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
Held-to-Maturity								
U.S. Government agencies	$254,229	$ 799	$ (1,348)	$253,680	$18,000	$ 629	$ --	$18,629
Mortgage-backed securities	90	5	--	95	109	2	--	111
State and political subdivisions	208,812	2,728	(580)	210,960	168,262	1,264	(1,876)	167,650
Other securities	930	--	--	930	930	--	--	930
Total	$464,061	$ 3,532	$ (1,928)	$465,665	$187,301	$ 1,895	$ (1,876)	$187,320
Available-for-Sale								
U.S. Treasury	$4,297	$ 32	$ --	$4,329	$5,976	$ 113	$ --	$6,089
U.S. Government agencies	160,807	953	(236)	161,524	346,585	5,444	(868)	351,161
Mortgage-backed securities	2,896	78	(2)	2,972	2,909	37	(67)	2,879
State and political subdivisions	--	--	--	--	635	2	--	637
Other securities	13,633	399	(3)	14,029	97,625	448	(6)	98,067
Total	$181,633	$ 1,462	$ (241)	$182,854	$453,730	$ 6,044	$ (941)	$458,833

Certain investment securities are valued at less than their historical cost. Total fair value of these investments at December 31, 2009 and 2008, was $256.6 million and $167.8 million, which is approximately 39.7% and 25.9%, respectively, of the Company's available-for-sale and held-to-maturity investment portfolio.

The following table shows the gross unrealized losses and fair value of the Company’s investments with unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31:

	Less Than 12 Months		12 Months or More		Total	
(In thousands)	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
December 31, 2009						
Held-to-Maturity						
U.S. Government agencies	$161,081	$1,348	$--	$--	$161,081	$1,348
Mortgage-backed securities	2,188	--	--	--	2,188	--
State and political subdivisions	24,140	321	5,075	259	29,215	580
Total	$187,409	$1,669	$5,075	$259	$192,484	$1,928
Available-for-Sale						
U.S. Government agencies	$62,822	$236	$--	$--	$62,822	$236
Mortgage-backed securities	1,195	1	128	1	1,323	2
Other securities	4	3	--	--	4	3
Total	$64,021	$240	$128	$1	$64,149	$241
December 31, 2008						
Held-to-Maturity						
Mortgage-backed securities	$3,623	$--	$--	$--	$3,623	$--
State and political subdivisions	58,790	1,673	3,854	203	62,644	1,876
Total	$62,413	$1,673	$3,854	$203	$66,267	$1,876
Available-for-Sale						
U.S. Government agencies	$99,424	$868	$--	$--	$99,424	$868
Mortgage-backed securities	1,571	46	493	21	2,064	67
Other securities	49	6	--	--	49	6
Total	$101,044	$920	$493	$21	$101,537	$941

U.S. Government Agencies

The unrealized losses on the Company’s investments in direct obligations of U.S. government agencies were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2009.

State and Political Subdivisions

The unrealized losses on the Company's investments in securities of state and political subdivisions were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2009.

Should the impairment of any of these securities become other than temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period the other-than-temporary impairment is identified.

During the third quarter of 2008, the Company determined that its investment in FNMA common stock, held in the available-for-sale other securities category, had become other-than-temporarily impaired. As a result of this impairment the security was written down by $75,000. The Company had accumulated this stock over several years in the form of stock dividends from FNMA. The remaining balance of this investment is approximately $5,000. The Company has no investment in FNMA or FHLMC preferred stock.

Management has the ability and intent to hold the securities classified as held to maturity until they mature, at which time the Company expects to receive full value for the securities. Furthermore, as of December 31, 2009, management also had the ability and intent to hold the securities classified as available-for-sale for a period of time sufficient for a recovery of cost. The unrealized losses are largely due to increases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the bonds approach their maturity date or repricing date or if market yields for such investments decline. Management does not believe any of the securities are impaired due to reasons of credit quality. Accordingly, as of December 31, 2009, management believes the impairments detailed in the table above are temporary.

Income earned on the above securities for the years ended December 31, 2009, 2008 and 2007, is as follows:

(In thousands)	2009	2008	2007
Taxable			
Held-to-maturity	$2,880	$1,444	$2,521
Available-for-sale	11,016	19,613	15,841
Non-taxable			
Held-to-maturity	7,874	6,323	5,228
Available-for-sale	21	35	56
Total	$21,791	$27,415	$23,646

The Statement of Stockholders' Equity includes other comprehensive income. Other comprehensive income for the Company includes the change in the unrealized appreciation on available-for-sale securities. The changes in the unrealized appreciation on available-for-sale securities for the years ended December 31, 2009, 2008 and 2007, are as follows:

(In thousands)	2009	2008	2007
Unrealized holding gains (losses) arising during the period	$(3,740)	$2,339	$6,282
Gains realized in net income	144	--	--
	(3,884)	2,339	6,282
Income tax expense (benefit)	(1,456)	877	2,356
Net change in unrealized appreciation on available-for-sale securities	$(2,428)	$1,462	$3,926

The amortized cost and estimated fair value by maturity of securities are shown in the following table. Securities are classified according to their contractual maturities without consideration of principal amortization, potential prepayments or call options. Accordingly, actual maturities may differ from contractual maturities.

	Held-to-Maturity		Available-for-Sale	
(In thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
One year or less	$9,833	$9,967	$11,297	$11,336
After one through five years	190,191	190,989	94,159	94,066
After five through ten years	181,734	181,846	62,536	63,415
After ten years	82,303	82,863	8	8
Other securities	--	--	13,633	14,029
Total	$464,061	$465,665	$181,633	$182,854

The carrying value, which approximates the fair value, of securities pledged as collateral, to secure public deposits and for other purposes, amounted to $446,189,000 at December 31, 2009 and $435,120,000 at December 31, 2008.

The book value of securities sold under agreements to repurchase amounted to $80,050,000 and $87,514,000 for December 31, 2009 and 2008, respectively.

The Company had gross realized gains of $144,000 and no gross realized losses during the year ended December 31, 2009, from the sale of available for sale securities. There were no gross realized gains or losses from the sale of available for sale securities during the years ended December 31, 2008 and 2007. The income tax expense related to security gains was 39.225% of the gross amounts.

The state and political subdivision debt obligations are primarily non-rated bonds and represent small, Arkansas issues, which are evaluated on an ongoing basis.

NOTE 3: LOANS AND ALLOWANCE FOR LOAN LOSSES

The various categories of loans are summarized as follows:

(In thousands)	2009	2008
Consumer		
Credit cards	$189,154	$169,615
Student loans	114,296	111,584
Other consumer	139,647	138,145
Total consumer	443,097	419,344
Real estate		
Construction	180,759	224,924
Single family residential	392,208	409,540
Other commercial	596,517	584,843
Total real estate	1,169,484	1,219,307
Commercial		
Commercial	168,206	192,496
Agricultural	84,866	88,233

Financial institutions	3,885	3,471
Total commercial	256,957	284,200
Other	5,451	10,223
Total loans before allowance for loan losses	$1,874,989	$1,933,074

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As of December 31, 2009, credit card loans, which are unsecured, were $189,154,000 or 10.1% of total loans, versus $169,615,000, or 8.8% of total loans at December 31, 2008. The credit card loans are diversified by geographic region to reduce credit risk and minimize any adverse impact on the portfolio. Credit card loans are regularly reviewed to facilitate the identification and monitoring of creditworthiness.

At December 31, 2009 and 2008, impaired loans, net of Government guarantees, totaled $46,859,000 and $15,689,000, respectively. Allocations of the allowance for loan losses relative to impaired loans were $8,343,000 and $4,238,000 at December 31, 2009 and 2008, respectively. During the second quarter of 2009, the Company made adjustments to its methodology in the evaluation of the collectability of loans, which added quantitative factors to the internal and external influences used in determining the credit quality of loans and the allocation of the allowance. This adjustment in methodology resulted in an addition to impaired loans from classified loans and a redistribution of allocated and unallocated reserves. Approximately $1,398,000, $198,000 and $203,000 of interest income was recognized on average impaired loans of $36,843,000, $15,315,000 and $11,724,000 for 2009, 2008 and 2007, respectively. Interest recognized on impaired loans on a cash basis during 2009, 2008 and 2007 was immaterial.

At December 31, 2009 and 2008, accruing loans delinquent 90 days or more totaled $3,322,000 and $1,292,000, respectively. Nonaccruing loans at December 31, 2009 and 2008 were $21,994,000 and $14,358,000, respectively.

Transactions in the allowance for loan losses are as follows:

(In thousands)	2009	2008	2007
Balance, beginning of year	$25,841	$25,303	$25,385
Additions			
Provision for loan losses	10,316	8,646	4,181
	36,157	33,949	29,566
Deductions			
Losses charged to allowance, net of recoveries of $3,687 for 2009, $2,138 for 2008 and $2,569 for 2007	11,141	8,108	4,263
Balance, end of year	$25,016	$25,841	$25,303

NOTE 4: GOODWILL AND CORE DEPOSIT PREMIUMS

Goodwill is tested annually for impairment. If the implied fair value of goodwill is lower than its carrying amount, goodwill impairment is indicated, and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the financial statements. Goodwill totaled $60.6 million at December 31, 2009, unchanged from December 31, 2008, as the Company made no acquisitions during the year ended December 31, 2009, and no goodwill impairment was recorded.

Core deposit premiums are periodically evaluated as to the recoverability of their carrying value. The carrying basis and accumulated amortization of core deposit premiums (net of core deposit premiums that were fully amortized) at December 31, 2009 and 2008, were as follows:

	December 31, 2009			December 31, 2008		
(In thousands)	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net

Core deposit premiums	$ 6,822	$ 5,053	$ 1,769	$6,822	$ 4,247	$ 2,575

Core deposit premium amortization expense recorded for the years ended December 31, 2009, 2008 and 2007, was $805,000, $807,000 and $817,000, respectively. The Company's estimated amortization expense for each of the following five years is: 2010 – $701,000; 2011 – $451,000; 2012 – $321,000; 2013 – $268,000; and 2014 – $28,000.

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NOTE 5: TIME DEPOSITS

Time deposits included approximately $420,537,000 and $418,394,000 of certificates of deposit of $100,000 or more, at December 31, 2009 and 2008, respectively. Brokered deposits were $21,443,000 and $33,155,000 at December 31, 2009 and 2008, respectively. At December 31, 2009, time deposits with a remaining maturity of one year or more amounted to $114,447,000. Maturities of all time deposits are as follows: 2010 – $798,307,000; 2011 – $89,323,000; 2012– $24,472,000; 2013 – $442,000; 2014 – $210,000 and none thereafter.

Deposits are the Company's primary funding source for loans and investment securities. The mix and repricing alternatives can significantly affect the cost of this source of funds and, therefore, impact the interest margin.

NOTE 6: INCOME TAXES

The provision for income taxes is comprised of the following components:

(In thousands)	2009	2008	2007
Income taxes currently payable	$8,577	$10,688	$11,516
Deferred income taxes	1,613	739	865
Provision for income taxes	$10,190	$11,427	$12,381

The tax effects of temporary differences related to deferred taxes shown on the consolidated balance sheets were:

(In thousands)	2009	2008
Deferred tax assets		
Allowance for loan losses	$8,859	$9,057
Valuation of foreclosed assets	99	63
Deferred compensation payable	1,603	1,451
FHLB advances	6	14
Vacation compensation	898	866
Loan interest	195	88
Other	385	276
Gross deferred tax assets	12,045	11,815
Deferred tax liabilities		
Accumulated depreciation	(451)	(406)
Deferred loan fee income and expenses, net	(1,310)	(1,229)
FHLB stock dividends	(503)	(586)
Goodwill and core deposit premium amortization	(9,805)	(8,643)
Available-for-sale securities	(457)	(1,913)
Other	(1,657)	(1,019)
Gross deferred tax liabilities	(14,183)	(13,796)
Net deferred tax liability	$(2,138)	$(1,981)

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense is shown below.

(In thousands)	2009	2008	2007
Computed at the statutory rate (35%)	$ 12,390	$ 13,418	$ 13,910
Increase (decrease) in taxes resulting from:			
State income taxes, net of federal tax benefit	566	466	647
Tax exempt interest income	(2,877)	(2,369)	(2,020)
Tax exempt earnings on BOLI	(444)	(542)	(523)
Other differences, net	555	454	367
Actual tax provision	$ 10,190	$ 11,427	$ 12,381

The Company follows ASC Topic 740, Income Taxes, which prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Benefits from tax positions should be recognized in the financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met. ASC Topic 740 also provides guidance on the accounting for and disclosure of unrecognized tax benefits, interest and penalties.

The amount of unrecognized tax benefits may increase or decrease in the future for various reasons including adding amounts for current tax year positions, expiration of open income tax returns due to the statutes of limitation, changes in management’s judgment about the level of uncertainty, status of examinations, litigation and legislative activity and the addition or elimination of uncertain tax positions.

The Company files income tax returns in the U.S. federal jurisdiction. The Company’s U.S. federal income tax returns are open and subject to examinations from the 2006 tax year and forward. The Company’s various state income tax returns are generally open from the 2003 and later tax return years based on individual state statute of limitations.

NOTE 7: SHORT-TERM AND LONG-TERM DEBT

Long-term debt at December 31, 2009, and 2008 consisted of the following components.

(In thousands)	2009	2008
FHLB advances, due 2010 to 2033, 2.02% to 8.41%, secured by residential real estate loans	$ 128,893	$ 127,741
Trust preferred securities, due 12/30/2033, fixed at 8.25%, callable without penalty	10,310	10,310
Trust preferred securities, due 12/30/2033, floating rate of 2.80% above the three-month LIBOR rate, reset quarterly, callable without penalty	10,310	10,310
Trust preferred securities, due 12/30/2033, fixed rate		

of 6.97% through 2010, thereafter, at a floating rate of 2.80% above the three-month LIBOR rate, reset quarterly, callable in 2010 without penalty	10,310	10,310
Total long-term debt	$159,823	$158,671

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At December 31, 2009 the Company had Federal Home Loan Bank ("FHLB") advances with original maturities of one year or less of $2.0 million with a weighted average rate of 0.65% which are not included in the above table.

The Company had total FHLB advances of $128.9 million at December 31, 2009, with approximately $388.8 million of additional advances available from the FHLB.

The trust preferred securities are tax-advantaged issues that qualify for Tier 1 capital treatment. Distributions on these securities are included in interest expense on long-term debt. Each of the trusts is a statutory business trust organized for the sole purpose of issuing trust securities and investing the proceeds thereof in junior subordinated debentures of the Company, the sole asset of each trust. The preferred trust securities of each trust represent preferred beneficial interests in the assets of the respective trusts and are subject to mandatory redemption upon payment of the junior subordinated debentures held by the trust. The common securities of each trust are wholly-owned by the Company. Each trust's ability to pay amounts due on the trust preferred securities is solely dependent upon the Company making payment on the related junior subordinated debentures. The Company's obligations under the junior subordinated securities and other relevant trust agreements, in aggregate, constitute a full and unconditional guarantee by the Company of each respective trust's obligations under the trust securities issued by each respective trust.

Aggregate annual maturities of long-term debt at December 31, 2009 are as follows:

(In thousands)	Year	Annual Maturities
	2010	$ 29,013
	2011	43,766
	2012	6,713
	2013	16,658
	2014	4,985
	Thereafter	58,688
	Total	$ 159,823

NOTE 8: CAPITAL STOCK

On February 27, 2009, at a special meeting, the Company's shareholders approved an amendment to the Articles of Incorporation to establish 40,040,000 authorized shares of preferred stock, $0.01 par value. The aggregate liquidation preference of all shares of preferred stock cannot exceed $80,000,000. As of December 31, 2009, no preferred stock has been issued.

On November 28, 2007, the Company announced the substantial completion of the existing stock repurchase program and the adoption by the Board of Directors of a new stock repurchase program. The program authorizes the repurchase of up to 700,000 shares of Class A common stock, or approximately 5% of the outstanding common stock. Under the repurchase program, there is no time limit for the stock repurchases, nor is there a minimum number of shares the Company intends to repurchase. The shares are to be purchased from time to time at prevailing market prices, through open market or unsolicited negotiated transactions, depending upon market conditions. The Company intends to use the repurchased shares to satisfy stock option exercises, for payment of future stock dividends and for general corporate purposes. The Company may discontinue purchases at any time that management determines additional purchases are not warranted.

As part of its strategic focus on building capital, management suspended the Company's stock repurchase program in July 2008. During the year ended December 31, 2008, by June 30, the Company repurchased a total of 45,180 shares of stock with a weighted average repurchase price of $28.38 per share. The Company made no purchases of its common stock during the three months or year ended December 31, 2009. Under the current stock repurchase plan, the Company can repurchase an additional 645,672 shares. However, because of the recently completed stock offering and based on management's strategy to retain capital, the Company does not anticipate resuming its stock repurchases during 2010.

On August 26, 2009, the Company filed a shelf registration statement with the Securities and Exchange Commission ("SEC"). The shelf registration statement, which was declared effective on September 9, 2009, will allow the Company to raise capital from time to time, up to an aggregate of $175 million, through the sale of common stock, preferred stock, or a combination thereof, subject to market conditions. Specific terms and prices will be determined at the time of any offering under a separate prospectus supplement that the Company will be required to file with the SEC at the time of the specific offering.

In November 2009, the Company raised common equity through an underwritten public offering by issuing 2,650,000 shares of common stock at a price of $24.50 per share, less underwriting discounts and commissions. The net proceeds of the offering after deducting underwriting discounts and commissions and offering expenses were $61.3 million. In December 2009, the underwriters of the Company's stock offering exercised and completed their option to purchase an additional 397,500 shares of common stock at $24.50 to cover over-allotments. The net proceeds of the exercise of the over-allotment option after deducting underwriting discounts and commissions were $9.2 million. The total net proceeds of the offering after deducting underwriting discounts and commissions and offering expenses were approximately $70.5 million.

NOTE 9: TRANSACTIONS WITH RELATED PARTIES

At December 31, 2009 and 2008, the subsidiary banks had extensions of credit to executive officers and directors and to companies in which the subsidiary banks' executive officers or directors were principal owners in the amount of $23.5 million in 2009 and $35.3 million in 2008.

(In thousands)	2009	2008
Balance, beginning of year	$35,311	$30,445
New extensions of credit	9,240	14,808
Repayments	(21,064)	(9,942)
Balance, end of year	$23,487	$35,311

In management's opinion, such loans and other extensions of credit and deposits (which were not material) were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, these extensions of credit did not involve more than the normal risk of collectability or present other unfavorable features.

NOTE 10: EMPLOYEE BENEFIT PLANS

Retirement Plans

The Company's 401(k) retirement plan covers substantially all employees. Contribution expense totaled $578,000, $575,000 and $550,000, in 2009, 2008 and 2007, respectively.

The Company has a discretionary profit sharing and employee stock ownership plan covering substantially all employees. Contribution expense totaled $2,640,000 for 2009, $2,565,000 for 2008 and $2,490,000 for 2007.

The Company also provides deferred compensation agreements with certain active and retired officers. The agreements provide monthly payments which, together with payments from the deferred annuities issued pursuant to the terminated pension plan equal 50 percent of average compensation prior to retirement or death. The charges to income for the plans were $65,000 for 2009, $12,000 for 2008 and $358,000 for 2007. Such charges reflect the straight-line accrual over the employment period of the present value of benefits due each participant, as of their full eligibility date, using an 8 percent discount factor.

Employee Stock Purchase Plan

The Company established an Employee Stock Purchase Plan in 2007 which generally allows participants to make contributions of up 3% of the employee's salary, up to a maximum of $7,500 per year, for the purpose of acquiring the Company's stock. Substantially all employees with at least two years of service are eligible for the plan. At the end of each plan year, full shares of the Company's stock are purchased for each employee based on that employee's contributions. The stock is purchased for an amount equal to 95% of its fair market value at the end of the plan year, or, if lower, 95% of its fair market value at the beginning of the plan year.

Stock-Based Compensation Plans

The Company's Board of Directors has adopted various stock-based compensation plans. The plans provide for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, and bonus stock awards. Pursuant to the plans, shares are reserved for future issuance by the Company upon exercise of stock options or awarding of bonus shares granted to directors, officers and other key employees.

Stock-based compensation expense for all stock-based compensation awards granted after January 1, 2006, is based on the grant date fair value. For all awards except stock option awards, the grant date fair value is the market value per share as of the grant date. For stock option awards, the fair value is estimated at the date of grant using the Black-Scholes option-pricing model. This model requires the input of highly subjective assumptions, changes to which can materially affect the fair value estimate. Additionally, there may be other factors that would otherwise have a significant effect on the value of employee stock options granted but are not considered by the model. Accordingly, while management believes that the Black-Scholes option-pricing model provides a reasonable estimate of fair value, the model does not necessarily provide the best single measure of fair value for the Company's employee stock options.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model that uses various assumptions. Expected volatility is based on historical volatility of the Company's stock and other factors. The Company uses historical data to estimate option exercise and employee termination within the valuation model. The expected term of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Forfeitures are estimated at the time of grant, and are based partially on historical experience.

The table below summarizes the transactions under the Company's active stock compensation plans at December 31, 2009, 2008 and 2007, and changes during the years then ended:

	Stock Options Outstanding		Non-Vested Stock Awards Outstanding	
	Number of Shares (000)	Weighted Average Exercise Price	Number of Shares (000)	Weighted Average Grant-Date Fair-Value
Balance, December 31, 2006	517	$ 16.32	22	$ 25.69
Granted	57	28.42	15	27.68
Stock Options Exercised	(34)	15.11	--	--
Stock Awards Vested	--	--	(6)	25.31
Forfeited/Expired	(4)	12.13	--	--
Balance, December 31, 2007	536	17.71	31	26.72
Granted	49	30.31	18	30.31
Stock Options Exercised	(98)	12.38	--	--
Stock Awards Vested	--	--	(12)	27.16
Forfeited/Expired	(35)	14.77	--	--
Balance, December 31, 2008	452	20.46	37	28.28
Granted	--	--	28	25.15
Stock Options Exercised	(57)	12.17	--	--
Stock Awards Vested	--	--	(15)	26.90
Forfeited/Expired	(21)	19.36	(1)	26.22
Balance, December 31, 2009	374	$ 21.78	49	$ 26.96
Exercisable, December 31, 2009	289	$ 19.72		

The following table summarizes information about stock options under the plans outstanding at December 31, 2009:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Shares (000)	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Shares (000)	Weighted Average Exercise Price
$12.13 - $12.13	121	1.35	$ 12.13	121	$ 12.13
23.78 - 24.50	91	4.87	24.05	91	24.05
26.19 - 27.67	56	6.26	26.20	35	26.21

28.42 - 28.42	52	7.41	28.42	26	28.42
30.31 - 30.31	48	8.41	30.31	10	30.31

Stock-based compensation expense totaled $627,000 in 2009, $548,000 in 2008 and $338,000 in 2007. Stock-based compensation expense is recognized ratably over the requisite service period for all stock-based awards. Unrecognized stock-based compensation expense related to stock options totaled $422,000 at December 31, 2009. At such date, the weighted-average period over which this unrecognized expense is expected to be recognized was 1.41 years. Unrecognized stock-based compensation expense related to non-vested stock awards was $1.2 million at December 31, 2009. At such date, the weighted-average period over which this unrecognized expense is expected to be recognized was 2.70 years.

Aggregate intrinsic value of outstanding stock options and exercisable stock options was $2.3 million and $2.3 million, respectively, at December 31, 2009. Aggregate intrinsic value represents the difference between the Company's closing stock price on the last trading day of the period, which was $27.80 at December 31, 2009, and the exercise price multiplied by the number of options outstanding. The total intrinsic value of stock options exercised was $886,000 in 2009, $1.7 million in 2008 and $384,000 in 2007.

The fair value of the Company's employee stock options granted is estimated on the date of grant using the Black-Scholes option-pricing model. There were no stock options granted in 2009. The weighted-average fair value of stock options granted was $6.60 for 2008 and $5.96 for 2007. The Company estimated expected market price volatility and expected term of the options based on historical data and other factors. The weighted-average assumptions used to determine the fair value of options granted are detailed in the table below:

	2009	2008	2007
Expected dividend yield	--	2.51%	2.53%
Expected stock price volatility	--	23.00%	19.00%
Risk-free interest rate	--	3.68%	5.17%
Expected life of options	--	7 Years	7 - 10 Years

NOTE 11: ADDITIONAL CASH FLOW INFORMATION

The following table presents additional information on cash payments and non-cash items:

(In thousands)	2009	2008	2007
Interest paid	$ 40,673	$ 64,302	$ 76,958
Income taxes paid	7,040	11,456	10,563
Transfers of loans to other real estate	10,323	5,713	3,939
Post-retirement benefit liability established upon adoption of EITF 06-4	--	1,174	--

NOTE 12: OTHER OPERATING EXPENSES

Other operating expenses consist of the following:

(In thousands)	2009	2008	2007
Professional services	$ 3,643	$ 2,824	$ 2,780
Postage	2,409	2,256	2,309
Telephone	2,113	1,868	1,820
Credit card expense	5,051	4,671	4,095
Operating supplies	1,470	1,588	1,669
Amortization of core deposit premiums	805	807	817
Visa litigation liability expense	--	(1,220)	1,220
Other expense	12,167	12,134	11,543
Total	$ 27,658	$ 24,928	$ 26,253

The Company had aggregate annual equipment rental expense of approximately $317,000 in 2009, $356,000 in 2008 and $546,000 in 2007. The Company had aggregate annual occupancy rental expense of approximately $1,208,000 in 2009, $1,220,000 in 2008 and $1,168,000 in 2007.

NOTE 13: DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

Effective January 1, 2008, the Company adopted ASC Topic 820, Fair Value Measurements and Disclosures. ASC Topic 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance also establishes a fair value hierarchy that requires the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Topic 820 describes three levels of inputs that may be used to measure fair value:

- Level 1 Inputs – Quoted prices in active markets for identical assets or liabilities.

- Level 2 Inputs – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets; quoted prices for similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 Inputs – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and the Company's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. The Company's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While the use of different methodologies or assumptions to determined the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Furthermore, the reported fair value amounts have not been comprehensively revalued since the presentation dates, and therefore, estimates of fair value after the balance sheet date may differ significantly from the amounts presented herein. A more detailed description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Following is a description of the financial assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such financial assets and liabilities pursuant to the valuation hierarchy.

Available-for-sale securities – Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid Government bonds, mortgage products and exchange traded equities. Other securities classified as available-for-sale are reported at fair value utilizing Level 2 inputs. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the security's terms and conditions, among other things. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Company's investment in a Government money market mutual fund (the "AIM Fund") is reported at fair value utilizing

Level 1 inputs. The remainder of the Company's available-for-sale securities are reported at fair value utilizing Level 2 inputs.

Assets held in trading accounts – The Company’s trading account investment in the AIM Fund is reported at fair value utilizing Level 1 inputs. The remainder of the Company's assets held in trading accounts are reported at fair value utilizing Level 2 inputs.

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The following table sets forth the Company's financial assets by level within the fair value hierarchy that were measured at fair value on a recurring basis as of December 31, 2009 and 2008.

(In thousands)	Fair Value	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2009				
Available-for-sale securities				
U.S. Treasury	$ 4,329	$ --	$ 4,329	$ --
U.S. Government agencies	161,524	--	161,524	--
Mortgage-backed securities	2,972	--	2,972	--
Other securities	14,029	1,503	12,526	--
Assets held in trading accounts	6,886	5,350	1,536	--
December 31, 2008				
Available-for-sale securities				
U.S. Treasury	6,089	--	6,089	--
U.S. Government agencies	351,161	--	351,161	--
Mortgage-backed securities	2,879	--	2,879	--
States and political subdivisions	637	--	637	--
Other	98,067	85,536	12,531	--
Assets held in trading accounts	5,754	4,850	904	--

Certain financial assets are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). Financial assets measured at fair value on a nonrecurring basis include the following:

Impaired loans (Collateral Dependent) – Loan impairment is reported when full payment under the loan terms is not expected. Allowable methods for determining the amount of impairment include estimating fair value using the fair value of the collateral for collateral-dependent loans. If the impaired loan is identified as collateral dependent, then the fair value method of measuring the amount of impairment is utilized. This method requires obtaining a current independent appraisal of the collateral and applying a discount factor to the value. A portion of the allowance for loan losses is allocated to impaired loans if the value of such loans is deemed to be less than the unpaid balance. If these allocations cause the allowance for loan losses to require an increase, such increase is reported as a component of the provision for loan losses. Loan losses are charged against the allowance when management believes the uncollectability of a loan is confirmed. Impaired loans that are collateral dependent are classified within Level 3 of the fair value hierarchy when impairment is determined using the fair value method.

Mortgage loans held for sale – Mortgage loans held for sale are reported at fair value if, on an aggregate basis, the fair value of the loans is less than cost. In determining whether the fair value of loans held for sale is less than cost when quoted market prices are not available, the Company may consider outstanding investor commitments, discounted cash flow analyses with market assumptions or the fair value of the collateral if the loan is collateral dependent. Such loans are classified within either Level 2 or Level 3 of the fair value hierarchy. Where assumptions are made using significant unobservable inputs, such loans held for sale are classified as Level 3. At December 31, 2009 and 2008, the aggregate fair value of mortgage loans held for sale exceeded their cost. Accordingly, no mortgage loans held for sale were marked down and reported at fair value.

The following table sets forth the Company's financial assets and liabilities by level within the fair value hierarchy that were measured at fair value on a non-recurring basis as of December 31, 2009 and 2008.

		Fair Value Measurements Using		
(In thousands)	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2009				
Impaired loans (collateral dependent)	$ 40,445	$ --	$ --	$ 40,445
December 31, 2008				
Impaired loans (collateral dependent)	12,992	--	--	12,992

ASC Topic 825, Financial Instruments, requires disclosure in annual financial statements of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or nonrecurring basis. The following methods and assumptions were used to estimate the fair value of each class of financial instruments.

Cash and cash equivalents – The carrying amount for cash and cash equivalents approximates fair value.

Held-to-maturity securities – Fair values for held-to-maturity securities equal quoted market prices, if available. If quoted market prices are not available, fair values are estimated based on quoted market prices of similar securities.

Loans – The fair value of loans is estimated by discounting the future cash flows, using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. Loans with similar characteristics were aggregated for purposes of the calculations. The carrying amount of accrued interest approximates its fair value.

Deposits – The fair value of demand deposits, savings accounts and money market deposits is the amount payable on demand at the reporting date (i.e., their carrying amount). The fair value of fixed-maturity time deposits is estimated using a discounted cash flow calculation that applies the rates currently offered for deposits of similar remaining maturities. The carrying amount of accrued interest payable approximates its fair value.

Federal Funds purchased, securities sold under agreement to repurchase and short-term debt – The carrying amount for Federal funds purchased, securities sold under agreement to repurchase and short-term debt are a reasonable estimate of fair value.

Long-term debt – Rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate the fair value of existing debt.

Commitments to Extend Credit, Letters of Credit and Lines of Credit – The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair values of letters of credit and lines of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate or otherwise settle the obligations with the counterparties at the reporting date.

The following table represents estimated fair values of the Company's financial instruments. The fair values of certain of these instruments were calculated by discounting expected cash flows. This method involves significant judgments by management considering the uncertainties of economic conditions and other factors inherent in the risk management of financial instruments. Fair value is the estimated amount at which financial assets or liabilities could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Because no market exists for certain of these financial instruments and because management does not intend to sell these financial instruments, the Company does not know whether the fair values shown below represent values at which the respective financial instruments could be sold individually or in the aggregate.

(In thousands)	December 31, 2009 Carrying Amount	Fair Value	December 31, 2008 Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	$ 353,585	$ 353,585	$ 139,536	$ 139,536
Held-to-maturity securities	464,061	465,665	187,301	187,320
Mortgage loans held for sale	8,397	8,397	10,336	10,336
Interest receivable	17,881	17,881	20,930	20,930
Loans, net	1,849,973	1,844,509	1,907,233	1,904,421
Financial liabilities				
Non-interest bearing transaction accounts	363,154	363,154	334,998	334,998
Interest bearing transaction accounts and savings deposits	1,156,264	1,156,264	1,026,824	1,026,824
Time deposits	912,754	914,977	974,511	977,789
Federal funds purchased and securities sold under agreements to repurchase	105,910	105,910	115,449	115,449
Short-term debt	3,640	3,640	1,112	1,112
Long-term debt	159,823	173,847	158,671	173,046
Interest payable	2,712	2,712	4,579	4,579

The fair value of commitments to extend credit and letters of credit is not presented since management believes the fair value to be insignificant.

NOTE 14: SIGNIFICANT ESTIMATES AND CONCENTRATIONS

The current economic environment presents financial institutions with continuing circumstances and challenges which in some cases have resulted in large declines in the fair values of investments and other assets, constraints on liquidity and significant credit quality problems, including severe volatility in the valuation of real estate and other collateral supporting loans. The financial statements have been prepared using values and information currently available to the Company.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the consolidated financial statements could change rapidly, resulting in material future adjustments in asset values, the allowance for loan losses and capital that could negatively impact the Company’s ability to meet regulatory capital requirements and maintain sufficient liquidity.

Estimates related to the allowance for loan losses and certain concentrations of credit risk are reflected in Note 3, Loans and Allowance for Loan Losses, and Note 15, Commitments and Credit Risk.

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NOTE 15: COMMITMENTS AND CREDIT RISK

The Company grants agri-business, credit card, commercial and residential loans to customers throughout Arkansas. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since a portion of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate.

At December 31, 2009, the Company had outstanding commitments to extend credit aggregating approximately $262,257,000 and $393,437,000 for credit card commitments and other loan commitments, respectively. At December 31, 2008, the Company had outstanding commitments to extend credit aggregating approximately $247,969,000 and $422,127,000 for credit card commitments and other loan commitments, respectively.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. The Company had total outstanding letters of credit amounting to $10,391,000 and $10,186,000 at December 31, 2009 and 2008, respectively, with terms ranging from 90 days to three years. The Company’s deferred revenue under standby letter of credit agreements was approximately $46,000 and $52,000 at December 31 2009, and 2008, respectively.

At December 31, 2009, the Company did not have concentrations of 5% or more of the investment portfolio in bonds issued by a single municipality.

NOTE 16: NEW ACCOUNTING STANDARDS

In June 2009, the Financial Accounting Standards Board (“FASB”) issued an accounting standard which established the Accounting Standards Codification (“Codification” or “ASC”) to become the single source of authoritative U.S. generally accepted accounting principles (“GAAP”) recognized by the FASB to be applied by nongovernmental entities, with the exception of guidance issued by the SEC and its staff. All guidance contained in the Codification carries an equal level of authority. The Codification is not intended to change GAAP, but rather is expected to simplify accounting research by reorganizing current GAAP into approximately 90 accounting topics. The switch to the ASC affects the away companies refer to GAAP in financial statements and accounting policies. Citing particular content in the ASC involves specifying the unique numeric path to the content through the Topic, Subtopic, Section and Paragraph structure. The Company adopted this accounting standard in preparing the Consolidated Financial Statements for the period ended September 30, 2009. The adoption of this accounting standard, which was subsequently codified into ASC Topic 105, Generally Accepted Accounting Principles, had no impact on the Company’s ongoing financial position or results of operations.

New authoritative accounting guidance under ASC Topic 715, Compensation – Retirement Benefits, provides guidance related to an employer’s disclosures about plan assets of defined benefit pension or other post-retirement benefit plans. Under ASC Topic 715, disclosures should provide users of financial statements with an understanding of how investment allocation decisions are made, the factors that are pertinent to an understanding of investment policies and strategies, the major categories of plan assets, the inputs and valuation techniques used to measure the fair value of plan assets, the effect of fair value measurements using significant unobservable inputs on changes in plan assets for the period and significant concentrations of risk within plan assets. The new authoritative accounting guidance under ASC Topic 715 became effective for the Company's financial statements for the year-ended December 31, 2009, and did not have a material impact on the Company's ongoing financial position or results of operations.

Additional new authoritative accounting guidance under ASC Topic 715, Compensation – Retirement Benefits, requires the recognition of a liability and related compensation expense for endorsement split-dollar life insurance policies that provide a benefit to an employee that extends to post-retirement periods. Under ASC Topic 715, life insurance policies purchased for the purpose of providing such benefits do not effectively settle an entity's obligation to the employee. Accordingly, the entity must recognize a liability and related compensation expense during the employee's active service period based on the future cost of insurance to be incurred during the employee's retirement. The Company adopted the new authoritative accounting guidance under ASC Topic 715 on January 1, 2008, as a change in accounting principle through a cumulative-effect adjustment to retained earnings of approximately $1 million. The adoption of this guidance did not have a material impact on the Company's ongoing financial position or results of operations.

New authoritative accounting guidance under ASC Topic 810, Consolidation, amends prior guidance to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. ASC Topic 810 clarifies that a non-controlling interest in a subsidiary, which is sometimes referred to as minority interest, is an ownership interest in the consolidated entity that should be reported as a component of equity in the consolidated financial statements. Among other requirements, ASC Topic 810 requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest. It also requires disclosure, on the face of the consolidated income statement, of the amounts of consolidated net income attributable to the parent and to the non-controlling interest. ASC Topic 810 was effective on January 1, 2009, and did not have a significant impact on the Company's ongoing financial position or results of operations.

New authoritative accounting guidance under ASC Topic 815, Derivatives and Hedging, amends prior guidance to amend and enhance the disclosure requirements for derivatives and hedging to provide greater transparency about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedge items are accounted for under ASC Topic 815, and (iii) how derivative instruments and related hedged items affect an entity's financial position, results of operations and cash flows. To meet those objectives, ASC Topic 815 requires qualitative disclosures about objectives and strategies for using derivative instruments, quantitative disclosures about fair values of derivative instruments and their gains and losses and disclosures about credit-risk-related contingent features of the derivative instruments and their potential impact on an entity's liquidity. ASC Topic 815 was effective on January 1, 2009, and did not have a significant impact on the Company's ongoing financial position or results of operations.

New authoritative accounting guidance under ASC Topic 855, Subsequent Events, establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or available to be issued. ASC Topic 855 defines (i) the period after the balance sheet date during which a reporting entity's management should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and (iii) the disclosures an entity should make about events or transactions that occurred after the balance sheet date. ASC Topic 855 became effective for the Company's financial statements for periods ending after June 15, 2009, and did not have a significant impact on the Company's ongoing financial position or results of operations.

New authoritative accounting guidance under ASC Topic 820, Fair Value Measurements and Disclosures, affirms that the objective of fair value when the market for an asset is not active is the price that would be received to sell the asset in an orderly transaction, and clarifies and includes additional factors for determining whether there has been a significant decrease in market activity for an asset when the market for that asset is not active. ASC Topic 820 requires an entity to base its conclusion about whether a transaction was not orderly on the weight of the evidence. The new accounting guidance amended prior guidance to expand certain disclosure requirements. The Company adopted the new authoritative accounting guidance under ASC Topic 820 during the first quarter of 2009. Adoption of the new guidance did not have a significant impact on the Company's ongoing financial position or results of operations.

Further new authoritative accounting guidance (Accounting Standards Update No. 2009-5) under ASC Topic 820 provides guidance for measuring the fair value of a liability in circumstances in which a quoted price in an active market for the identical liability is not available. In such instances, a reporting entity is required to measure fair value utilizing a valuation technique that uses (i) the quoted price of the identical liability when traded as an asset, (ii) quoted prices for similar liabilities or similar liabilities when traded as assets, or (iii) another valuation technique that is consistent with the existing principles of ASC Topic 820, such as an income approach or market approach. The new authoritative accounting guidance also clarifies that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. The foregoing new authoritative accounting guidance under ASC Topic 820 became effective for the Company’s financial statements beginning October 1, 2009, and did not have a significant impact on the Company’s ongoing financial position or results of operations.

New authoritative accounting guidance under ASC Topic 825, Financial Instruments, requires an entity to provide disclosures about the fair value of financial instruments in interim financial information and amends prior guidance to require those disclosures in summarized financial information at interim reporting periods. The Company adopted this accounting standard in preparing its financial statements for the period ended June 30, 2009. As ASC Topic 825 amended only the disclosure requirements about the fair value of financial instruments in interim periods, the adoption had no impact on the Company's ongoing financial position or results of operations.

New authoritative accounting guidance under ASC Topic 320, Investments – Debt and Equity Securities, amended other-than-temporary impairment ("OTTI") guidance in GAAP for debt securities by requiring a write-down when fair value is below amortized cost in circumstances where: (1) an entity has the intent to sell a security; (2) it is more likely than not that an entity will be required to sell the security before recovery of its amortized cost basis; or (3) an entity does not expect to recover the entire amortized cost basis of the security. If an entity intends to sell a security or if it is more likely than not that the entity will be required to sell the security before recovery, an OTTI write-down is recognized in earnings equal to the entire difference between the security's amortized cost basis and its fair value. If an entity does not intend to sell the security or it is not more likely than not that it will be required to sell the security before recovery, the OTTI write-down is separated into an amount representing credit loss, which is recognized in earnings, and an amount related to all other factors, which is recognized in other comprehensive income. This accounting standard does not amend existing recognition and measurement guidance related to OTTI write-downs of equity securities. This accounting standard also extends disclosure requirements related to debt and equity securities to interim reporting periods. ASC Topic 320 became effective for the Company's financial statements for periods ending after June 15, 2009, and did not have a significant impact on the Company's ongoing financial position or results of operations.

On January 1, 2009, new authoritative accounting guidance under ASC Topic 805, Business Combinations, became applicable to the Company's accounting for business combinations closing on or after January 1, 2009. ASC Topic 805 applies to all transactions and other events in which one entity obtains control over one or more other businesses. ASC Topic 805 requires an acquirer, upon initially obtaining control of another entity, to recognize the assets, liabilities and any non-controlling interest in the acquiree at fair value as of the acquisition date. Contingent consideration is required to be recognized and measured at fair value on the date of acquisition rather than at a later date when the amount of that consideration may be determinable beyond a reasonable doubt. This fair value approach replaces the cost-allocation process required under previous accounting guidance whereby the cost of an acquisition was allocated to the individual assets acquired and liabilities assumed based on their estimated fair value. ASC Topic 805 requires acquirers to expense acquisition-related costs as incurred rather than allocating such costs to the assets acquired and liabilities assumed, as was previously the case under prior accounting guidance. Assets acquired and liabilities assumed in a business combination that arise from contingencies are to be recognized at fair value if fair value can be reasonably estimated. If fair value of such an asset or liability cannot be reasonably estimated, the asset or liability would generally be recognized in accordance with ASC Topic 450, Contingencies. Under ASC Topic 805, the requirements of ASC Topic 420, Exit or Disposal Cost Obligations, would have to be met in order to accrue for a restructuring plan in purchase accounting. Pre-acquisition contingencies are to be recognized at fair value, unless it is a non-contractual contingency that is not likely to materialize, in which case, nothing should be recognized in purchase accounting and, instead, that contingency would be subject to the probable and estimable recognition criteria of ASC Topic 450, Contingencies. Although the Company has not entered into any business combinations since adopting ASC Topic 805 on January 1, 2009, the new accounting guidance is expected to have a significant impact on the Company's accounting for future business combinations.

New authoritative accounting guidance under ASC Topic 860, Transfers and Servicing, amends prior accounting guidance to enhance reporting about transfers of financial assets, including securitizations, and where companies have continuing exposure to the risks related to transferred financial assets. The new authoritative accounting guidance eliminates the concept of a "qualifying special-purpose entity" and changes the requirements for derecognizing financial assets. The new authoritative accounting guidance also requires additional disclosures about all continuing involvements with transferred financial assets including information about gains and losses resulting from transfers during the period. The new authoritative accounting guidance under ASC Topic 860 will be effective January 1, 2010, and is not expected to have a significant impact on the Company's ongoing financial position or results of operations.

Presently, the Company is not aware of any other changes to the Accounting Standards Codification that will have a material impact on the Company's present or future financial position or results of operations.

NOTE 17: CONTINGENT LIABILITIES

The Company and/or its subsidiaries have various unrelated legal proceedings, most of which involve loan foreclosure activity pending, which, in the aggregate, are not expected to have a material adverse effect on the financial position of the Company and its subsidiaries. The Company or its subsidiaries remain the subject of the following lawsuit asserting claims against the Company or its subsidiaries.

On October 1, 2003, an action in Pulaski County Circuit Court was filed by Thomas F. Carter, Tena P. Carter and certain related entities against Simmons First Bank of South Arkansas and Simmons First National Bank alleging wrongful conduct by the banks in the collection of certain loans. The Company was later added as a party defendant. The plaintiffs were seeking $2,000,000 in compensatory damages and $10,000,000 in punitive damages. The Company and the banks filed Motions to Dismiss. The plaintiffs were granted additional time to discover any evidence for litigation, and submitted such findings. At the hearing on the Motions for Summary Judgment, the Court dismissed Simmons First National Bank due to lack of venue. Venue was changed to Jefferson County for the Company and Simmons First Bank of South Arkansas. Non-binding mediation failed on June 24, 2008. A pretrial was conducted on July 24, 2008. Several dispositive motions previously filed were heard on April 9, 2009, and arguments were presented on June 22, 2009. On July 10, 2009, the Court issued its Order dismissing five claims, leaving only a single claim for further pursuit in this matter. On August 18, 2009, Plaintiffs took a nonsuit on their remaining claim of breach of good faith and fair dealing, thereby bringing all claims set forth in this action to a conclusion.

Plaintiffs subsequently filed their Notice of Appeal to the appellate court, have timely lodged the transcript with the Supreme Court Clerk, and a briefing schedule has been issued. The Company intends to contest the appeal and seek affirmance of the Court's dismissal of Plaintiffs' claims. At this time, no basis for any material liability has been identified.

In October 2007, the Company, as a member of Visa U.S.A. Inc. (Visa U.S.A.), received shares of restricted stock in Visa, Inc. (Visa) as a result of its participation in the global restructuring of Visa U.S.A., Visa Canada Association, and Visa International Service Association in preparation for an initial public offering. Visa U.S.A asserts that the Company and other Visa U.S.A. member banks are obligated to share in potential losses resulting from certain litigation. The Company accrued $1.2 million in 2007 in connection with the Company's obligation to indemnify Visa U.S.A. for costs and liabilities incurred in connection with certain litigation based on the Company's proportionate membership interest in Visa U.S.A.

As part of Visa's IPO in the first quarter of 2008, Visa set aside a cash escrow fund for future settlement of covered litigation. As a result, in the first quarter of 2008, the Company reversed the $1.2 million contingent liability established in 2007. On October 27, 2008, Visa notified its U.S.A. members that it had reached a settlement on covered litigation with Discover Financial Services, Inc. This obligation was covered by the litigation escrow fund through an additional dilution of Visa Class B shares in the fourth quarter of 2008. The remaining covered litigation against Visa is primarily with card retailers and merchants, mostly related to fees and interchange rates. As of December 31, 2009, the Company has no litigation liability recorded for any additional contingent indemnification obligation. The Company believes that it will not incur litigation expense on the remaining litigation due to the value of its Visa Class B shares; however, additional accruals may be required in future periods should the Company's estimate of its obligations under the indemnification agreement change. The Company must rely on disclosures made by Visa to the public about the covered litigation in making estimates of this contingent indemnification obligation.

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NOTE 18: STOCKHOLDERS' EQUITY

The Company's subsidiaries are subject to a legal limitation on dividends that can be paid to the parent company without prior approval of the applicable regulatory agencies. The approval of the Office of the Comptroller of the Currency is required if the total of all the dividends declared by a national bank in any calendar year exceeds the total of its net profits, as defined, for that year, combined with its retained net profits of the preceding two years. Arkansas bank regulators have specified that the maximum dividend limit state banks may pay to the parent company without prior approval is 75% of the current year earnings plus 75% of the retained net earnings of the preceding year. At December 31, 2009, the Company subsidiaries had approximately $15.2 million in undivided profits available for payment of dividends to the Company without prior approval of the regulatory agencies.

The Company's subsidiaries are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined). Management believes that, as of December 31, 2009, the Company meets all capital adequacy requirements to which it is subject.

As of the most recent notification from regulatory agencies, the subsidiaries were well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Company and subsidiaries must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the institutions' categories.

The Company's actual capital amounts and ratios along with the Company's most significant subsidiaries are presented in the following table.

(In thousands)	Actual Amount	Ratio-%	Minimum For Capital Adequacy Purposes Amount	Ratio-%	To Be Well Capitalized Under Prompt Corrective Action Provision Amount	Ratio-%
As of December 31, 2009						
Total Risk-Based Capital Ratio						
Simmons First National Corporation	$ 373,766	19.2	$ 155,736	8.0	$ N/A	
Simmons First National Bank	115,945	12.2	76,030	8.0	95,037	10.0
Simmons First Bank of Jonesboro	29,832	12.0	19,888	8.0	24,860	10.0
Simmons First Bank of Russellville	25,726	21.0	9,800	8.0	12,250	10.0
Simmons First Bank of Northwest Arkansas	29,275	14.9	15,718	8.0	19,648	10.0
Simmons First Bank of El Dorado, N.A.	21,056	14.4	11,698	8.0	14,622	10.0
Tier 1 Capital Ratio						
Simmons First National Corporation	349,357	17.9	78,069	4.0	N/A	
Simmons First National Bank	106,740	11.2	38,121	4.0	57,182	6.0
Simmons First Bank of Jonesboro	27,124	10.9	9,954	4.0	14,931	6.0
Simmons First Bank of Russellville	24,189	19.7	4,911	4.0	7,367	6.0
Simmons First Bank of Northwest Arkansas	26,811	13.6	7,886	4.0	11,828	6.0
Simmons First Bank of El Dorado, N.A.	19,793	13.5	5,865	4.0	8,797	6.0
Leverage Ratio						
Simmons First National Corporation	349,357	11.6	120,468	4.0	N/A	
Simmons First National Bank	106,740	6.8	62,788	4.0	78,485	5.0
Simmons First Bank of Jonesboro	27,124	8.7	12,471	4.0	15,589	5.0
Simmons First Bank of Russellville	24,189	13.2	7,330	4.0	9,163	5.0
Simmons First Bank of Northwest Arkansas	26,811	9.9	10,833	4.0	13,541	5.0
Simmons First Bank of El Dorado, N.A.	19,793	6.9	11,474	4.0	14,343	5.0

As of December 31, 2008									
Total Risk-Based Capital Ratio									
Simmons First National Corporation	$	287,594	14.5	$	158,673	8.0	$	N/A	
Simmons First National Bank		112,220	11.6		77,393	8.0		96,741	10.0
Simmons First Bank of Jonesboro		27,532	11.9		18,509	8.0		23,136	10.0
Simmons First Bank of Russellville		24,639	19.4		10,160	8.0		12,701	10.0
Simmons First Bank of Northwest Arkansas		24,358	11.4		17,093	8.0		21,367	10.0
Simmons First Bank of El Dorado, N.A.		20,325	13.4		12,134	8.0		15,168	10.0
Tier 1 Capital Ratio									
Simmons First National Corporation		262,568	13.2		79,566	4.0		N/A	
Simmons First National Bank		102,412	10.6		38,646	4.0		57,969	6.0
Simmons First Bank of Jonesboro		24,891	10.7		9,305	4.0		13,958	6.0
Simmons First Bank of Russellville		23,051	18.2		5,066	4.0		7,599	6.0
Simmons First Bank of Northwest Arkansas		21,669	10.1		8,582	4.0		12,873	6.0
Simmons First Bank of El Dorado, N.A.		18,790	12.4		6,061	4.0		9,092	6.0
Leverage Ratio									
Simmons First National Corporation		262,568	9.1		115,415	4.0		N/A	
Simmons First National Bank		102,412	7.3		56,116	4.0		70,145	5.0
Simmons First Bank of Jonesboro		24,891	8.4		11,853	4.0		14,816	5.0
Simmons First Bank of Russellville		23,051	11.5		8,018	4.0		10,022	5.0
Simmons First Bank of Northwest Arkansas		21,669	7.7		11,257	4.0		14,071	5.0
Simmons First Bank of El Dorado, N.A.		18,790	7.3		10,296	4.0		12,870	5.0

NOTE 19: CONDENSED FINANCIAL INFORMATION (PARENT COMPANY ONLY)

CONDENSED BALANCE SHEETS
DECEMBER 31, 2009 and 2008

(In thousands)	2009	2008
ASSETS		
Cash and cash equivalents	$ 29,439	$ 19,890
Investment securities	62,851	2,401
Investments in wholly-owned subsidiaries	303,183	291,392
Intangible assets, net	147	158
Premises and equipment	716	796
Other assets	6,950	7,079
TOTAL ASSETS	$ 403,286	$ 321,716
LIABILITIES		
Long-term debt	$ 30,930	$ 30,930
Other liabilities	1,109	1,994
Total liabilities	32,039	32,924
STOCKHOLDERS' EQUITY		
Common stock	171	140
Surplus	111,694	40,807
Undivided profits	258,620	244,655
Accumulated other comprehensive income		
Unrealized appreciation on available-for-sale securities, net of income taxes of $457 at 2009 and $1,913 at 2008	762	3,190
Total stockholders' equity	371,247	288,792
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 403,286	$ 321,716

CONDENSED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2009, 2008 and 2007

(In thousands)	2009	2008	2007
INCOME			
Dividends from subsidiaries	$ 20,082	$ 27,705	$ 21,548
Other income	6,308	6,015	6,288
	26,390	33,720	27,836
EXPENSE	12,201	10,969	10,797
Income before income taxes and equity in undistributed net income of subsidiaries	14,189	22,751	17,039
Provision for income taxes	(1,931)	(1,799)	(1,438)
Income before equity in undistributed net			

income of subsidiaries		16,120		24,550		18,477
Equity in undistributed net income of subsidiaries		9,090		2,360		8,883
NET INCOME	$	25,210	$	26,910	$	27,360

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CONDENSED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009, 2008 and 2007

(In thousands)	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$25,210	$26,910	$27,360
Items not requiring (providing) cash			
Depreciation and amortization	251	265	298
Deferred income taxes	(411)	1,122	33
Equity in undistributed income of bank subsidiaries	(9,090)	(2,360)	(8,883)
Changes in			
Other assets	(202)	(295)	366
Other liabilities	(885)	(2,763)	505
Net cash provided by operating activities	14,873	22,879	19,679
CASH FLOWS FROM INVESTING ACTIVITIES			
Net (purchases) sales of premises and equipment	(172)	1,431	(126)
Additional investment in subsidiary	(5,000)	--	--
Purchase of held-to-maturity securities	--	(19)	(74)
Purchase of available-for-sale securities	(59,825)	(1,511)	--
Proceeds from sale or maturity of investment securities	--	1,481	--
Net cash provided by (used in) investing activities	(64,997)	1,382	(200)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal reduction on long-term debt	--	--	(2,000)
Issuance (repurchase) of common stock, net	70,918	(212)	(7,661)
Dividends paid	(11,245)	(10,601)	(10,234)
Net cash provided by (used in) financing activities	59,673	(10,813)	(19,895)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,549	13,448	(416)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	19,890	6,442	6,858
CASH AND CASH EQUIVALENTS, END OF YEAR	$29,439	$19,890	$6,442

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

No items are reportable.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures. The Company's Chief Executive Officer and Chief Financial Officer have reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in 15 C. F. R. 240.13a-14(c) and 15 C. F. R. 240.15-14(c)) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's current disclosure controls and procedures are effective.

(b) Changes in Internal Controls. There were no significant changes in the Company's internal controls or in other factors that could significantly affect those controls subsequent to the date of evaluation.

ITEM 9B. OTHER INFORMATION

No items are reportable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

Incorporated herein by reference from the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held April 20, 2010, to be filed pursuant to Regulation 14A on or about March 18, 2010.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated herein by reference from the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held April 20, 2010, to be filed pursuant to Regulation 14A on or about March 18, 2010.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Incorporated herein by reference from the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held April 20, 2010, to be filed pursuant to Regulation 14A on or about March 18, 2010.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated herein by reference from the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held April 20, 2010, to be filed pursuant to Regulation 14A on or about March 18, 2010.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated herein by reference from the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held April 20, 2010, to be filed pursuant to Regulation 14A on or about March 18, 2010.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1 and 2. Financial Statements and any Financial Statement Schedules

The financial statements and financial statement schedules listed in the accompanying index to the consolidated financial statements and financial statement schedules are filed as part of this report.

(b) Listing of Exhibits

Exhibit No.	Description
3.1	Restated Articles of Incorporation of Simmons First National Corporation (incorporated by reference to Exhibit 3.1 to Simmons First National Corporation's Quarterly Report on Form 10-Q for the Quarter ended March 31, 2009 (File No. 6253)).
3.2	Amended By-Laws of Simmons First National Corporation (incorporated by reference to Exhibit 3.2 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2007 (File No. 6253)).
10.1	Amended and Restated Trust Agreement, dated as of December 16, 2003, among the Company, Deutsche Bank Trust Company Americas, Deutsche Bank Trust Company Delaware and each of J. Thomas May, Barry L. Crow and Bob Fehlman as administrative trustees, with respect to Simmons First Capital Trust II (incorporated by reference to Exhibit 10.1 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 6253)).
10.2	Guarantee Agreement, dated as of December 16, 2003, between the Company and Deutsche Bank Trust Company Americas, as guarantee trustee, with respect to Simmons First Capital Trust II (incorporated by reference to Exhibit 10.2 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 6253)).
10.3	Junior Subordinated Indenture, dated as of December 16, 2003, among the Company and Deutsche Bank Trust Company Americas, as trustee, with respect to the junior subordinated note held by Simmons First Capital Trust II (incorporated by reference to Exhibit 10.3 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 6253)).
10.4	Amended and Restated Trust Agreement, dated as of December 16, 2003, among the Company, Deutsche Bank Trust Company Americas, Deutsche Bank Trust Company Delaware and each of J. Thomas May, Barry L. Crow and Bob Fehlman as administrative trustees, with respect to Simmons First Capital Trust III (incorporated by reference to Exhibit 10.4 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 6253)).
10.5	Guarantee Agreement, dated as of December 16, 2003, between the Company and Deutsche Bank Trust Company Americas, as guarantee trustee, with respect to Simmons First Capital Trust III (incorporated by reference to Exhibit 10.5 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 6253)).

10.6	Junior Subordinated Indenture, dated as of December 16, 2003, among the Company and Deutsche Bank Trust Company Americas, as trustee, with respect to the junior subordinated note held by Simmons First Capital Trust III (incorporated by reference to Exhibit 10.6 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 6253)).
10.7	Amended and Restated Trust Agreement, dated as of December 16, 2003, among the Company, Deutsche Bank Trust Company Americas, Deutsche Bank Trust Company Delaware and each of J. Thomas May, Barry L. Crow and Bob Fehlman as administrative trustees, with respect to Simmons First Capital Trust IV (incorporated by reference to Exhibit 10.7 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 6253)).
10.8	Guarantee Agreement, dated as of December 16, 2003, between the Company and Deutsche Bank Trust Company Americas, as guarantee trustee, with respect to Simmons First Capital Trust IV (incorporated by reference to Exhibit 10.8 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 6253)).
10.9	Junior Subordinated Indenture, dated as of December 16, 2003, among the Company and Deutsche Bank Trust Company Americas, as trustee, with respect to the junior subordinated note held by Simmons First Capital Trust IV (incorporated by reference to Exhibit 10.9 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 6253)).
12.1	Computation of Ratios of Earnings to Fixed Charges.*
14	Code of Ethics, dated December 2003, for CEO, CFO, controller and other accounting officers (incorporated by reference to Exhibit 14 to Simmons First National Corporation's Annual Report on Form 10-K for the Year ended December 31, 2003 (File No. 6253)).
23	Consent of BKD, LLP.*
31.1	Rule 13a-14(a)/15d-14(a) Certification – J. Thomas May, Chairman and Chief Executive Officer.*
31.2	Rule 13a-14(a)/15d-14(a) Certification – Robert A. Fehlman, Executive Vice President and Chief Financial Officer.*
32.1	Certification Pursuant to 18 U.S.C. Sections 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – J. Thomas May, Chairman and Chief Executive Officer.*
32.2	Certification Pursuant to 18 U.S.C. Sections 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Robert A. Fehlman, Executive Vice President and Chief Financial Officer.*

* Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

/s/ John L. Rush John L. Rush, Secretary	March 2, 2010

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on or about March 2, 2010.

Signature	Title
/s/ J. Thomas May J. Thomas May	Chairman and Chief Executive Officer and Director
/s/ Robert A. Fehlman Robert A. Fehlman	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ William E. Clark II William E. Clark II	Director
/s/ Steven A. Cossé Steven A. Cossé	Director
/s/ Edward Drilling Edward Drilling	Director
/s/ Eugene Hunt Eugene Hunt	Director
/s/ George A. Makris, Jr. George A. Makris, Jr.	Director
/s/ W. Scott McGeorge W. Scott McGeorge	Director
/s/ Stanley E. Reed Stanley E. Reed	Director

/s/ Harry L. Ryburn Harry L. Ryburn	Director
/s/ Robert L. Shoptaw Robert L. Shoptaw	Director

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