

HOME BANCSHARES INC

Form 10-Q

August 09, 2010

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549  
FORM 10-Q**

(Mark One)

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the Quarterly Period Ended June 30, 2010**

**or**

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the Transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number: 000-51904**

**HOME BANCSHARES, INC.**

(Exact Name of Registrant as Specified in Its Charter)

Arkansas

71-0682831

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

719 Harkrider, Suite 100, Conway, Arkansas

72032

(Address of principal executive offices)

(Zip Code)

(501) 328-4770

(Registrant's telephone number, including area code)

Not Applicable

Former name, former address and former fiscal year, if changed since last report

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting  
company)

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practical date.

Common Stock Issued and Outstanding: 28,429,291 shares as of August 4, 2010.

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**HOME BANCSHARES, INC.**  
**FORM 10-Q**  
**June 30, 2010**  
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**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Some of our statements contained in this document, including matters discussed under the caption Management's Discussion and Analysis of Financial Condition and Results of Operation are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements relate to future events or our future financial performance and include statements about the competitiveness of the banking industry, potential regulatory obligations, our entrance and expansion into other markets, our other business strategies and other statements that are not historical facts. Forward-looking statements are not guarantees of performance or results. When we use words like may, plan, contemplate, anticipate, believe, intend, continue, expect, project, predict, estimate, could, should, or other expressions, you should consider them as identifying forward-looking statements, although we may use other phrasing. These forward-looking statements involve risks and uncertainties and are based on our beliefs and assumptions, and on the information available to us at the time that these disclosures were prepared. These forward-looking statements involve risks and uncertainties and may not be realized due to a variety of factors, including, but not limited to, the following:

the effects of future economic conditions, including inflation, deflation or a continued decrease in residential housing values;

governmental monetary and fiscal policies, as well as legislative and regulatory changes;

the risks of changes in interest rates or the level and composition of deposits, loan demand and the values of loan collateral, securities and interest sensitive assets and liabilities;

the effects of terrorism and efforts to combat it;

credit risks;

the effects of competition from other commercial banks, thrifts, mortgage banking firms, consumer finance companies, credit unions, securities brokerage firms, insurance companies, money market and other mutual funds and other financial institutions operating in our market area and elsewhere, including institutions operating regionally, nationally and internationally, together with competitors offering banking products and services by mail, telephone and the Internet;

the effect of any mergers, acquisitions or other transactions to which we or our subsidiaries may from time to time be a party, including our ability to successfully integrate any businesses that we acquire;

the failure of assumptions underlying the establishment of our allowance for loan losses; and

the failure of assumptions underlying the estimates of the fair values for our covered assets and FDIC indemnification receivable.

All written or oral forward-looking statements attributable to us are expressly qualified in their entirety by this Cautionary Note. Our actual results may differ significantly from those we discuss in these forward-looking statements. For other factors, risks and uncertainties that could cause our actual results to differ materially from estimates and projections contained in these forward-looking statements, see the Risk Factors section of our Form 10-K filed with the Securities and Exchange Commission on March 5, 2010.

**Table of Contents****PART I: FINANCIAL INFORMATION****Item 1: Financial Statements****Home BancShares, Inc.  
Consolidated Balance Sheets**

| <b>(In thousands, except share data)</b>                   | <b>June 30,<br/>2010<br/>(Unaudited)</b> | <b>December<br/>31,<br/>2009</b> |
|--|--|----------------------------------|
| <b>Assets</b>  |  |                                  |
| Cash and due from banks                                    | \$ 34,912                                | \$ 39,970                        |
| Interest-bearing deposits with other banks                 | 153,302                                  | 133,520                          |
| Cash and cash equivalents                                  | 188,214                                  | 173,490                          |
| Federal funds sold   | 8,665                                    | 11,760                           |
| Investment securities available for sale                   | 346,621                                  | 322,115                          |
| Loans receivable not covered by loss share                 | 1,965,489                                | 1,950,285                        |
| Loans receivable covered by FDIC loss share                | 218,283                                  |                                  |
| Allowance for loan losses                                  | (43,614)                                 | (42,968)                         |
| Loans receivable, net                                      | 2,140,158                                | 1,907,317                        |
| Bank premises and equipment, net                           | 75,314                                   | 70,810                           |
| Foreclosed assets held for sale not covered by loss share  | 11,638                                   | 16,484                           |
| Foreclosed assets held for sale covered by FDIC loss share | 7,420                                    |                                  |
| FDIC indemnification asset                                 | 83,262                                   |                                  |
| Cash value of life insurance                               | 51,366                                   | 52,176                           |
| Accrued interest receivable                                | 13,071                                   | 13,137                           |
| Deferred tax asset, net                                    | 9,652                                    | 14,777                           |
| Goodwill   | 53,039                                   | 53,039                           |
| Core deposit and other intangibles                         | 6,406                                    | 4,698                            |
| Mortgage servicing rights                                  |  | 1,090                            |
| Other assets   | 44,063                                   | 43,972                           |
| <b>Total assets</b>  | <b>\$ 3,038,889</b>                      | <b>\$ 2,684,865</b>              |
| <b>Liabilities and Stockholders Equity</b>                 |  |                                  |
| Deposits:  |  |                                  |
| Demand and non-interest-bearing                            | \$ 337,073                               | \$ 302,228                       |
| Savings and interest-bearing transaction accounts          | 833,912                                  | 714,744                          |
| Time deposits  | 1,015,507                                | 818,451                          |
| Total deposits   | 2,186,492                                | 1,835,423                        |
| Federal funds purchased                                    |  |                                  |
| Securities sold under agreements to repurchase             | 62,869                                   | 62,000                           |
| FHLB borrowed funds  | 232,416                                  | 264,360                          |
| Accrued interest payable and other liabilities             | 22,558                                   | 10,625                           |
| Subordinated debentures                                    | 47,439                                   | 47,484                           |

|  |                     |                     |
|--|---------------------|---------------------|
| <b>Total liabilities</b>   | 2,551,774           | 2,219,892           |
| <b>Stockholders equity:</b>  |                     |                     |
| Preferred stock; \$0.01 par value; 5,500,000 shares authorized:<br>Series A fixed rate cumulative perpetual; liquidation preference of \$1,000 per<br>share; 50,000 shares issued and outstanding at June 30, 2010 and<br>December 31, 2009. | 49,366              | 49,275              |
| Common stock, par value \$0.01; shares authorized 50,000,000; shares issued<br>and outstanding 28,343,726 in 2010 and 28,259,150 (stock dividend adjusted)<br>in 2009  | 283                 | 257                 |
| Capital surplus  | 431,343             | 363,519             |
| Retained earnings  | 2,580               | 51,746              |
| Accumulated other comprehensive income   | 3,543               | 176                 |
| <b>Total stockholders equity</b>   | 487,115             | 464,973             |
| <b>Total liabilities and stockholders equity</b>   | <b>\$ 3,038,889</b> | <b>\$ 2,684,865</b> |

See Condensed Notes to Consolidated Financial Statements.



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**Home BancShares, Inc.**  
**Consolidated Statements of Income**

| (In thousands, except per share data(1))                   | Three Months Ended<br>June 30, |               | Six Months Ended<br>June 30, |               |
|--|--------------------------------|---------------|------------------------------|---------------|
|  | 2010                           | 2009          | 2010                         | 2009          |
|  | (Unaudited)                    |               |                              |               |
| <b>Interest income:</b>                                    |                                |               |                              |               |
| Loans  | \$ 33,136                      | \$ 29,389     | \$ 63,002                    | \$ 58,527     |
| Investment securities                                      |                                |               |                              |               |
| Taxable  | 1,935                          | 2,252         | 3,562                        | 4,905         |
| Tax-exempt   | 1,500                          | 1,343         | 2,979                        | 2,641         |
| Deposits other banks                                       | 81                             | 8             | 166                          | 20            |
| Federal funds sold   | 5                              | 4             | 10                           | 11            |
| <b>Total interest income</b>                               | <b>36,657</b>                  | <b>32,996</b> | <b>69,719</b>                | <b>66,104</b> |
| <b>Interest expense:</b>                                   |                                |               |                              |               |
| Interest on deposits                                       | 5,872                          | 7,131         | 11,167                       | 15,249        |
| Federal funds purchased                                    |                                | 2             |                              | 4             |
| FHLB borrowed funds  | 2,082                          | 2,359         | 4,259                        | 4,749         |
| Securities sold under agreements to repurchase             | 118                            | 124           | 212                          | 235           |
| Subordinated debentures                                    | 600                            | 659           | 1,197                        | 1,335         |
| <b>Total interest expense</b>                              | <b>8,672</b>                   | <b>10,275</b> | <b>16,835</b>                | <b>21,572</b> |
| <b>Net interest income</b>                                 | <b>27,985</b>                  | <b>22,721</b> | <b>52,884</b>                | <b>44,532</b> |
| Provision for loan losses                                  | 3,750                          | 2,750         | 6,850                        | 3,750         |
| <b>Net interest income after provision for loan losses</b> | <b>24,235</b>                  | <b>19,971</b> | <b>46,034</b>                | <b>40,782</b> |
| <b>Non-interest income:</b>                                |                                |               |                              |               |
| Service charges on deposit accounts                        | 3,583                          | 3,633         | 6,724                        | 7,007         |
| Other service charges and fees                             | 1,899                          | 1,841         | 3,537                        | 3,625         |
| Mortgage lending income                                    | 650                            | 815           | 1,062                        | 1,695         |
| Mortgage servicing income                                  | 154                            | 191           | 314                          | 391           |
| Insurance commissions                                      | 309                            | 198           | 656                          | 455           |
| Income from title services                                 | 148                            | 151           | 255                          | 291           |
| Increase in cash value of life insurance                   | 348                            | 574           | 776                          | 1,051         |
| Dividends from FHLB, FRB & bankers bank                    | 142                            | 99            | 268                          | 206           |
| Gain on acquisitions                                       |                                |               | 9,334                        |               |
| Gain on sale of SBA loans                                  | 18                             |               | 18                           |               |
| Gain (loss) on sale of premises and equipment, net         | 12                             | (19)          | 219                          | (12)          |
| Gain (loss) on OREO, net                                   | (404)                          | (28)          | (245)                        | (145)         |
| Gain (loss) on securities, net                             |                                | (3)           |                              | (3)           |
| FDIC indemnification asset                                 | 663                            |               | 736                          |               |
| Other income   | 698                            | 538           | 1,211                        | 1,044         |
| <b>Total non-interest income</b>                           | <b>8,220</b>                   | <b>7,990</b>  | <b>24,865</b>                | <b>15,605</b> |

|  |          |          |           |           |
|--|----------|----------|-----------|-----------|
| <b>Non-interest expense:</b>   |          |          |           |           |
| Salaries and employee benefits   | 9,080    | 8,432    | 17,614    | 17,376    |
| Occupancy and equipment  | 2,973    | 2,667    | 5,772     | 5,344     |
| Data processing expense  | 954      | 844      | 1,816     | 1,651     |
| Other operating expenses   | 5,983    | 8,355    | 12,343    | 15,219    |
| Total non-interest expense   | 18,990   | 20,298   | 37,545    | 39,590    |
| <b>Income before income taxes</b>                                      |          |          |           |           |
| Income tax expense   | 13,465   | 7,663    | 33,354    | 16,797    |
|  | 4,508    | 2,222    | 11,516    | 5,111     |
| <b>Net income available to all stockholders</b>                        |          |          |           |           |
| Preferred stock dividends and accretion of discount on preferred stock | 8,957    | 5,441    | 21,838    | 11,686    |
|  | 670      | 670      | 1,340     | 1,236     |
| <b>Net income available to common stockholders</b>                     |          |          |           |           |
|  | \$ 8,287 | \$ 4,771 | \$ 20,498 | \$ 10,450 |
| <b>Basic earnings per common share</b>                                 |          |          |           |           |
|  | \$ 0.29  | \$ 0.22  | \$ 0.72   | \$ 0.48   |
| <b>Diluted earnings per common share</b>                               |          |          |           |           |
|  | \$ 0.29  | \$ 0.22  | \$ 0.72   | \$ 0.47   |

(1) All per share amounts have been restated to reflect the effect of the 10% stock dividend.

See Condensed Notes to Consolidated Financial Statements.

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**Home BancShares, Inc.**  
**Consolidated Statements of Stockholders Equity**  
**Six Months Ended June 30, 2010 and 2009**

| (In thousands, except share data(1))  | Preferred<br>Stock | Common<br>Stock | Capital<br>Surplus | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) | Total     |
|---|--------------------|-----------------|--------------------|----------------------|---|-----------|
| <b>Balance at January 1, 2009</b>   | \$                 | \$199           | \$253,581          | \$32,639             | \$ (3,375)  | \$283,044 |
| Comprehensive income:   |                    |                 |                    |                      |   |           |
| Net income  |                    |                 |                    | 11,686               |   | 11,686    |
| Other comprehensive income:   |                    |                 |                    |                      |   |           |
| Unrealized gain on investment securities available for sale, net of tax effect of \$1,053                 |                    |                 |                    |                      | 1,632   | 1,632     |
| Comprehensive income  |                    |                 |                    |                      |   | 13,318    |
| Issuance of 50,000 shares of preferred stock and a warrant for 158,471.50 shares of common stock          | 49,094             |                 | 906                |                      |   | 50,000    |
| Accretion of discount on preferred stock  | 91                 |                 |                    | (91)                 |   |           |
| Net issuance of 47,444 shares of common stock from exercise of stock options                              |                    |                 | 301                |                      |   | 301       |
| Tax benefit from stock options exercised  |                    |                 | 237                |                      |   | 237       |
| Share-based compensation  |                    |                 | (16)               |                      |   | (16)      |
| Cash dividends Preferred Stock 5%   |                    |                 |                    | (1,145)              |   | (1,145)   |
| Cash dividends Common Stock, \$0.109 per share  |                    |                 |                    | (2,385)              |   | (2,385)   |
| <b>Balances at June 30, 2009 (unaudited)</b>  | 49,185             | 199             | 255,009            | 40,704               | (1,743)   | 343,354   |
| Comprehensive income:   |                    |                 |                    |                      |   |           |
| Net income  |                    |                 |                    | 15,120               |   | 15,120    |
| Other comprehensive income:   |                    |                 |                    |                      |   |           |
| Unrealized gain on investment securities available for sale, net of tax effect of \$1,239                 |                    |                 |                    |                      | 1,919   | 1,919     |
| Comprehensive income  |                    |                 |                    |                      |   | 17,039    |
| Issuance of 6,261,750 shares of common stock from public stock offering, net of offering costs of \$5,634 |                    | 57              | 107,284            |                      |   | 107,341   |

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|  |        |     |         |         |     |         |
|--|--------|-----|---------|---------|-----|---------|
| Accretion of discount on preferred stock                                     | 90     |     |         | (90)    |     |         |
| Net issuance of 92,377 shares of common stock from exercise of stock options |        | 1   | 1,089   |         |     | 1,090   |
| Tax benefit from stock options exercised                                     |        |     | 202     |         |     | 202     |
| Share-based compensation   |        |     | (65)    |         |     | (65)    |
| Cash dividends Preferred stock 5%  |        |     |         | (1,250) |     | (1,250) |
| Cash dividends Common Stock, \$0.109 per share                               |        |     |         | (2,738) |     | (2,738) |
| <b>Balances at December 31, 2009</b>   | 49,275 | 257 | 363,519 | 51,746  | 176 | 464,973 |

See Condensed Notes to Consolidated Financial Statements.

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**Home BancShares, Inc.**  
**Consolidated Statements of Stockholders Equity Continued**  
**Six Months Ended June 30, 2010 and 2009**

| (In thousands, except share data(1))  | Preferred<br>Stock | Common<br>Stock | Capital<br>Surplus | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) | Total            |
|---|--------------------|-----------------|--------------------|----------------------|---|------------------|
| Comprehensive income:   |                    |                 |                    |                      |   |                  |
| Net income  |                    |                 |                    | 21,838               |   | 21,838           |
| Other comprehensive income:   |                    |                 |                    |                      |   |                  |
| Unrealized gain on investment securities available for sale, net of tax effect of \$2,173 |                    |                 |                    |                      | 3,367   | 3,367            |
| Comprehensive income  |                    |                 |                    |                      |   | 25,205           |
| Accretion of discount on preferred stock  | 91                 |                 |                    | (91)                 |   |                  |
| Net issuance of 66,205 shares of common stock from exercise of stock options              |                    | 1               | 659                |                      |   | 660              |
| Disgorgement of profits   |                    |                 | 11                 |                      |   | 11               |
| Tax benefit from stock options exercised  |                    |                 | 342                |                      |   | 342              |
| Share-based compensation  |                    |                 | 272                |                      |   | 272              |
| Cash dividend Preferred Stock 5%  |                    |                 |                    | (1,249)              |   | (1,249)          |
| Cash dividends Common Stock, \$0.109 per share  |                    |                 |                    | (3,088)              |   | (3,088)          |
| Stock dividend Common Stock 10%   |                    | 25              | 66,540             | (66,576)             |   | (11)             |
| <b>Balances at June 30, 2010 (unaudited)</b>  | <b>\$49,366</b>    | <b>\$283</b>    | <b>\$431,343</b>   | <b>\$ 2,580</b>      | <b>\$ 3,543</b>   | <b>\$487,115</b> |

(1) All per share amounts have been restated to reflect the effect of the 10% stock dividend.

See Condensed Notes to Consolidated Financial Statements.

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**Home BancShares, Inc.**  
**Consolidated Statements of Cash Flows**

1 All ownership percentages reported herein are based on 73,701,705 shares of the Issuer's common stock issued and outstanding as of February 5, 2010, as reported by the Issuer in its Form 10-K filed with the SEC on February 8, 2010.

---

1 NAME OF REPORTING PERSONS

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (entities only)

Spencer C. Fleischer

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) [ ]

(b) [X]

3 SEC USE ONLY

4 SOURCE OF FUNDS

BK/00

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) [ ]

Not applicable

6 CITIZENSHIP OR PLACE OF ORGANIZATION

United States of America

|                          |    |  |                          |
|--------------------------|----|--|--------------------------|
|                          | 7  |  | SOLE VOTING POWER        |
| NUMBER OF<br>SHARES      |    |  | 22,000                   |
| BENEFICIALLY             | 8  |  | SHARED VOTING POWER      |
| OWNED BY<br>EACH         |    |  | 3,013,517                |
| REPORTING<br>PERSON WITH | 9  |  | SOLE DISPOSITIVE POWER   |
|                          |    |  | 22,000                   |
|                          | 10 |  | SHARED DISPOSITIVE POWER |
|                          |    |  | 3,013,517                |

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  
3,035,517

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN  
SHARES [ ]

13 Not applicable  
PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

14 4.1%  
TYPE OF REPORTING PERSON

IN

1 All ownership percentages reported herein are based on 73,701,705 shares of the Issuer's common stock issued and outstanding as of February 5, 2010, as reported by the Issuer in its Form 10-K filed with the SEC on February 8, 2010.

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CUSIP No. 88023U101

SCHEDULE 13D/A

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1 NAME OF REPORTING PERSONS

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (entities only)

Tully M. Friedman

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) [ ]

(b) [X]

3 SEC USE ONLY

4 SOURCE OF FUNDS

BK/00

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) [ ]

Not applicable

6 CITIZENSHIP OR PLACE OF ORGANIZATION

United States of America

|   |    |  |
|---|----|--|
|   | 7  | SOLE VOTING POWER                          |
| NUMBER OF<br>SHARES<br>BENEFICIALLY<br>OWNED BY<br>EACH<br>REPORTING<br>PERSON WITH | 8  | 0<br>SHARED VOTING POWER                   |
|   | 9  | 3,013,517<br>SOLE DISPOSITIVE POWER        |
|   | 10 | 0<br>SHARED DISPOSITIVE POWER<br>3,013,517 |

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  
3,013,517

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN  
SHARES [ ]

13 Not applicable  
PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

14 4.1%  
TYPE OF REPORTING PERSON

IN

1 All ownership percentages reported herein are based on 73,701,705 shares of the Issuer's common stock issued and outstanding as of February 5, 2010, as reported by the Issuer in its Form 10-K filed with the SEC on February 8, 2010.

---

1 NAME OF REPORTING PERSONS

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (entities only)

Christopher A. Masto

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) [ ]

(b) [X]

3 SEC USE ONLY

4 SOURCE OF FUNDS

BK/OO

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) [ ]

Not applicable

6 CITIZENSHIP OR PLACE OF ORGANIZATION

United States of America

|                     |    |                          |           |
|---------------------|----|--------------------------|-----------|
|                     | 7  | SOLE VOTING POWER        |           |
| NUMBER OF<br>SHARES |    |                          | 186,5952  |
| BENEFICIALLY        | 8  | SHARED VOTING POWER      |           |
| OWNED BY            |    |                          | 3,013,517 |
| EACH                |    |                          |           |
| REPORTING           | 9  | SOLE DISPOSITIVE POWER   |           |
| PERSON WITH         |    |                          | 186,5952  |
|                     | 10 | SHARED DISPOSITIVE POWER |           |
|                     |    |                          | 3,013,517 |

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  
3,200,112

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN  
SHARES [ ]

13 Not applicable  
PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

14 4.3%<sup>1</sup>  
TYPE OF REPORTING PERSON

IN

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1 All ownership percentages reported herein are based on 73,701,705 shares of the Issuer's common stock issued and outstanding as of February 5, 2010, as reported by the Issuer in its Form 10-K filed with the SEC on February 8, 2010.

2 Includes 57,200 shares of common stock issuable (within 60 days) upon exercise of outstanding and currently exercisable options and 129,395 shares of common stock held by the Masto Revocable Trust UA dated 4/12/04, for which Mr. Masto is a trustee.

The Schedule 13D (the "Initial Schedule 13D") filed on March 31, 2008 by the FFL Funds, FFL GP II, FFL GP II, LLC and the Managing Members (the "Reporting Persons") with respect to the shares of common stock, par value \$0.01 per share (the "Shares") of Tempur-Pedic International Inc. (the "Issuer") is hereby amended by this Amendment No. 1. Capitalized terms used herein and not otherwise defined in this Amendment have the meanings set forth in the Initial Schedule 13D. This Amendment No. 1 constitutes an 'exit' filing with respect to the Schedule 13D.

Item 4. Purpose of Transaction

Item 4 is hereby supplemented as follows:

The Shares are held by the respective Reporting Persons for investment purposes, and the dispositions of Shares reflected in this Amendment No. 1 have been made in connection therewith.

Item 5. Interest in Securities of Issuer

Paragraphs (a) and (b) of Item 5 is hereby amended as follows:

(a) The following table describes the number of Shares and the percentage of outstanding Shares that are owned by the Reporting Persons as of the date of the filing of this Amendment. All percentages below are based on 73,701,705 shares of Common Stock issued and outstanding as of February 5, 2010, as reported by the Issuer in its Form 10-K, as filed with the SEC on February 8, 2010.

| Name                         | Number of<br>Shares of<br>Common Stock<br>Beneficially<br>Owned | Percent<br>Ownership<br>of<br>Common<br>Stock<br>Outstanding |                      | Shared<br>Voting<br>Power | Sole<br>Dispositive<br>Power | Shared<br>Dispositive<br>Power |
|------------------------------|---|--|----------------------|---------------------------|------------------------------|--------------------------------|
|                              |   | Common<br>Stock  | Sole Voting<br>Power |                           |                              |                                |
| FFL Capital Partners II      | 2,852,042   | 3.87%  | 0                    | 2,852,042                 | 0                            | 2,852,042                      |
| FFL Executive Partners<br>II | 54,720  | 0.07%  | 0                    | 54,720                    | 0                            | 54,720                         |
| FFL Parallel Fund II         | 106,755   | 0.14%  | 0                    | 106,755                   | 0                            | 106,755                        |
| FFL GP II                    | 3,013,517   | 4.09%  | 0                    | 3,013,517                 | 0                            | 3,013,517                      |
| FFL GP II, LLC               | 3,013,517   | 4.09%  | 0                    | 3,013,517                 | 0                            | 3,013,517                      |
| David L. Lowe                | 3,013,517   | 4.09%  | 0                    | 3,013,517                 | 0                            | 3,013,517                      |
| Spencer C. Fleischer         | 3,035,517   | 4.12%  | 22,000               | 3,013,517                 | 22,000                       | 3,013,517                      |

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|                      |           |       |          |           |          |           |
|----------------------|-----------|-------|----------|-----------|----------|-----------|
| Tully M. Friedman    | 3,013,517 | 4.09% | 0        | 3,013,517 | 0        | 3,013,517 |
| Christopher A. Masto | 3,200,112 | 4.34% | 186,5951 | 3,013,517 | 186,5951 | 3,013,517 |

1

1 Includes 57,200 shares of common stock issuable (within 60 days) upon exercise of outstanding and currently exercisable options and 129,395 shares of common stock held by the Masto Revocable Trust UA dated 4/12/04, for which Mr. Masto is a trustee.

Paragraph (c) of Item 5 is hereby amended as follows:

(c) The table below lists the sales of Shares that each Reporting Person has made during the period February 3, 2010 - February 12, 2010.

| Reporting Person          | Date of Sale      | Number of Shares Sold |
|---------------------------|-------------------|-----------------------|
| FFL Capital Partners II   | February 3, 2010  | 12,398                |
| FFL Capital Partners II   | February 10, 2010 | 472,188               |
| FFL Capital Partners II   | February 11, 2010 | 208,135               |
| FFL Capital Partners II   | February 12, 2010 | 501,570               |
| FFL Executive Partners II | February 3, 2010  | 238                   |
| FFL Executive Partners II | February 10, 2010 | 9,059                 |
| FFL Executive Partners II | February 11, 2010 | 3,993                 |
| FFL Executive Partners II | February 12, 2010 | 9,623                 |
| FFL Parallel Fund II      | February 3, 2010  | 464                   |
| FFL Parallel Fund II      | February 10, 2010 | 17,675                |
| FFL Parallel Fund II      | February 11, 2010 | 7,791                 |
| FFL Parallel Fund II      | February 12, 2010 | 18,774                |
| Spencer C. Fleischer      | February 10, 2010 | 3,7451                |
| Spencer C. Fleischer      | February 11, 2010 | 1,5981                |
| Spencer C. Fleischer      | February 12, 2010 | 3,8691                |
| Christopher A. Masto      | February 10, 2010 | 13,0002               |
| Christopher A. Masto      | February 11, 2010 | 8,8002                |
| Christopher A. Masto      | February 12, 2010 | 16,2002               |

1 Represents a donation of Shares by Mr. Fleischer to an unaffiliated charity.

2 Represents the sale of Shares by the Masto Revocable Trust UA dated 4/12/04, for which Mr. Masto is a trustee.

Paragraph (e) of Item 5 is hereby amended as follows:

(e) The Reporting Persons ceased to own more than five percent (5%) of the issued and outstanding Shares on February 12, 2010.

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SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: February 16, 2010

FRIEDMAN FLEISCHER & LOWE CAPITAL  
PARTNERS II, L.P.

By: Friedman Fleischer & Lowe GP II, L.P.,  
its general partner

By: Friedman Fleischer & Lowe GP II, LLC,  
its general partner

By: /s/ Christopher A. Masto  
Name: Christopher A. Masto  
Title: Managing Member

Dated: February 16, 2010

FFL EXECUTIVE PARTNERS II, L.P.

By: Friedman Fleischer & Lowe GP II, L.P.,  
its general partner

By: Friedman Fleischer & Lowe GP II, LLC,  
its general partner

By: /s/ Christopher A. Masto  
Name: Christopher A. Masto  
Title: Managing Member

Dated: February 16, 2010

FFL PARALLEL FUND II, L.P.

By: Friedman Fleischer & Lowe GP II, L.P.,  
its general partner

By: Friedman Fleischer & Lowe GP II, LLC,  
its general partner

By: /s/ Christopher A. Masto  
Name: Christopher A. Masto  
Title: Managing Member





Dated: February 16, 2010

FRIEDMAN FLEISCHER & LOWE GP II, L.P.

By: Friedman Fleischer & Lowe GP II, LLC,  
its general partner

By: /s/ Christopher A. Masto  
Name: Christopher A. Masto  
Title: Managing Member

Dated: February 16, 2010

FRIEDMAN FLEISCHER & LOWE GP II, LLC

By: /s/ Christopher A. Masto  
Name: Christopher A. Masto  
Title: Managing Member

Dated: February 16, 2010

DAVID L. LOWE

/S/ DAVID L. LOWE

Dated: February 16, 2010

SPENCER C. FLEISCHER

/S/ SPENCER C. FLEISCHER

Dated: February 16, 2010

TULLY M. FRIEDMAN

/S/ TULLY M. FRIEDMAN

Dated: February 16, 2010

CHRISTOPHER A. MASTO

/S/ CHRISTOPHER A. MASTO