

CALLON PETROLEUM CO  
Form EFFECT  
April 28, 2008

8.0pt;font-weight:bold;">June 30,

(Dollars in thousands)

2008

2007

2007

Certificates of deposit

\$

1,020,414

\$

886,330

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\$

809,936

Interest-bearing demand deposits

**567,510**

588,289

572,344

Demand deposits

**322,209**

315,791

285,155

Savings deposits

**145,262**

137,129

114,544

Other time deposits

	1,451
	350
	1,290
Total deposits	
\$	2,056,846
\$	1,927,889
\$	1,783,269

The aggregate amount of time deposits in denominations of \$100,000 or more at June 30, 2008, December 31, 2007, and June 30, 2007 was \$500.1 million, \$427.2 million and \$369.1 million, respectively.

**Table of Contents****Note 7 Retirement Plans**

The Company and its subsidiaries provide certain retirement benefits to their employees in the form of a non-contributory defined benefit pension plan and an employees' savings plan. The non-contributory defined benefit pension plan covers all employees hired on or before December 31, 2005, who have attained age 21, and who have completed one year of eligible service. Employees hired on or after January 1, 2006 are not eligible to participate in the non-contributory defined benefit pension plan. On this date, a new benefit formula applies only to participants who have not attained age 45 or who do not have five years of service.

The components of net periodic pension expense recognized during the three and six months ended June 30 are as follows:

(Dollars in thousands)	Three Months Ended		Six Months Ended	
	2008	June 30, 2007	2008	June 30, 2007
Service cost	\$ 165	\$ 167	\$ 331	\$ 333
Interest cost	258	231	516	461
Expected return on plan assets	(336)	(301)	(671)	(601)
Amortization of prior service cost	(43)	(43)	(86)	(86)
Recognized net actuarial loss	79	104	157	209
Net periodic pension expense	\$ 123	\$ 158	\$ 247	\$ 316

The Company contributed \$195,000 and \$390,000 to the pension plan for the three and six months ended June 30, 2008 and anticipates making similar additional quarterly contributions during the remainder of the year.

Electing employees are eligible to participate in the employees' savings plan, under the provisions of Internal Revenue Code Section 401(k), after attaining age 21. Plan participants elect to contribute portions of their annual base compensation as a before tax contribution. The Company matches 50% of these contributions up to a 6% employee contribution for employees hired before January 1, 2006 who were age 45 and higher with five or more vesting years of service. The Company matches 100% of these contributions up to a 6% employee contribution for current employees under age 45 or with less than five years of service. Employees hired on January 1, 2006 or thereafter will not participate in the defined benefit pension plan, but are eligible to participate in the employees' savings plan and the Company matches 100% of the employees' contributions up to a 6%.

Employees can enter the savings plan on or after the first day of each month. If an employee's hire date is on or after April 1, 2007, and the employee does not elect to defer at least 2% of his or her salary by the required election date, the Company will automatically enroll the employee and defer (withhold) 2% of his or her salary and contribute that amount to the Plan as a salary deferral. The employee may enter into a salary deferral agreement at any time to select an alternative deferral amount or to elect not to defer in the Plan. If the employee does not elect an investment allocation, the plan administrator will select a retirement-based portfolio according to the employee's number of years until normal retirement age. The plan's investment valuations are generally provided on a daily basis.



**Table of Contents****Note 8 Earnings Per Share**

Basic earnings per share are calculated by dividing net income by the weighted-average shares of common stock outstanding during each period. The Company's diluted earnings per share are based on the weighted-average shares of common stock outstanding during each period plus the maximum dilutive effect of common stock issuable upon exercise of stock options or vesting of restricted shares. The weighted-average number of shares and equivalents are determined after giving retroactive effect to stock dividends and stock splits.

The following table sets forth the computation of basic and diluted earnings per share for the three and six months ended June 30:

(Dollars and shares in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
<b>Basic earnings per share:</b>				
Net income	\$ 6,149	\$ 5,571	\$ 12,112	\$ 10,781
Weighted-average basic shares	10,110	9,190	10,105	9,184
Basic earnings per share	\$ 0.61	\$ 0.61	\$ 1.20	\$ 1.17
<b>Diluted earnings per share:</b>				
Net income	\$ 6,149	\$ 5,571	\$ 12,112	\$ 10,781
Weighted-average basic shares	10,110	9,190	10,105	9,184
Effect of dilutive securities	143	30	133	30
Weighted-average dilutive shares	10,253	9,220	10,239	9,214
Diluted earnings per share	\$ 0.60	\$ 0.60	\$ 1.18	\$ 1.17

The calculation of diluted earnings per share excludes outstanding stock options that have exercise prices greater than the average market price of the common shares for the year as follows:

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Number of shares	45,545	41,445	58,145	41,445
Range of exercise prices	\$34.65 - \$39.74	\$37.70 - \$39.74	\$32.25 - \$39.74	\$37.70 - \$39.74

**Table of Contents****Note 9 Share-Based Compensation**

The Company's 1999 and 2004 stock option programs are long-term retention programs intended to attract, retain, and provide incentives for key employees and non-employee directors in the form of incentive and non-qualified stock options and restricted stock.

*Stock Options*

With the exception of non-qualified options granted to directors under the 1999 and 2004 plans, which in some cases may be exercised at any time prior to expiration and in some other cases may be exercised at intervals less than one year following the grant date, incentive stock options granted under the plans may not be exercised in whole or in part within one year following the date of the grant, as these incentive stock options become exercisable in 25% increments ratably over the four year period following the grant date. The options are granted at an exercise price at least equal to the fair value of the common stock at the date of grant and have terms ranging from five to ten years. No options were granted under the 1999 plan after January 2, 2004, and the plan is closed other than for any options still unexercised and outstanding. The 2004 plan is the only plan from which new share-based compensation grants may be issued. It is the Company's policy to grant options out of the 661,500 shares registered under the 2004 plan.

Activity in the Company's stock option plans is summarized in the following table. All information has been retroactively adjusted for stock dividends and stock splits.

<b>Options</b>	<b>Number of Shares</b>	<b>Weighted- Average Exercise Price</b>	<b>Weighted- Average Remaining Contractual Life (Yrs.)</b>	<b>Aggregate Intrinsic Value (000 \$)</b>
Outstanding at January 1, 2008	336,384	\$ 26.33		
Granted	29,482	31.50		
Exercised	(4,419)	22.20		
Expired/Forfeited	(222)	27.14		
Outstanding at June 30, 2008	361,225	26.77	5.84	\$ 1,460
Exercisable at June 30, 2008	286,148	24.82	5.16	\$ 1,459
Weighted-average fair value of options granted during the year	\$ 10.77			

The fair value of options is estimated at the date of grant using the Black-Scholes option pricing model and expensed over the options' vesting periods. The following weighted-average assumptions were used in valuing options issued:

**Six Months Ended**

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	2008	June 30, 2007
Dividend yield	1.87%	1.88%
Expected life	6 years	7 years
Expected volatility	37%	18%
Risk-free interest rate	3.44%	4.65%

**Table of Contents****Note 9 Share-Based Compensation (continued)***Restricted Stock*

The Company from time-to-time also grants shares of restricted stock to key employees and non-employee directors. These awards help align the interests of these employees and directors with the interests of the shareholders of the Company by providing economic value directly related to increases in the value of the Company's stock. The value of the stock awarded is established as the fair market value of the stock at the time of the grant. The Company recognizes expenses, equal to the total value of such awards, ratably over the vesting period of the stock grants. Grants to employees have typically vested over a 48-month period, and beginning in 2007, some grants cliff vest after four years. Grants to non-employee directors typically vest within a 12-month period.

Nonvested restricted stock for the six months ended June 30, 2008 is summarized in the following table. All information has been retroactively adjusted for stock dividends and stock splits.

<b>Restricted Stock</b>	<b>Shares</b>	<b>Weighted-Average Grant-Date Fair Value</b>
Nonvested at January 1, 2008	69,919	\$ 31.75
Granted	34,964	31.09
Vested	(13,080)	34.39
Forfeited		
Nonvested at June 30, 2008	91,803	31.13

As of June 30, 2008, there was \$2.7 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the plans. This cost is expected to be recognized over a weighted-average period of 2.57 years. The total fair value of shares vested during the six months ended June 30, 2008 was \$843,000.

**Note 10 Commitments and Contingent Liabilities**

In the normal course of business, the Company makes various commitments and incurs certain contingent liabilities, which are not reflected in the accompanying financial statements. The commitments and contingent liabilities include guarantees, commitments to extend credit, and standby letters of credit. At June 30, 2008, commitments to extend credit and standby letters of credit totaled \$523.0 million. The Company does not anticipate any material losses as a result of these transactions.

**Note 11 Fair Value**

On January 1, 2008, the Company adopted Statement of Financial Accounting Standards No. 157, Fair Value Measurements, (SFAS 157), which defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States, and enhances disclosures about fair value measurements. SFAS 157 clarifies that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions.

The Company utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Available for sale securities are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other assets on a nonrecurring basis, such as loans held for sale, loans held for investment and certain other assets. These nonrecurring fair value adjustments typically involve application of lower of cost or market accounting or write-downs of individual assets.

SFAS 157 establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

- Level 1 Observable inputs such as quoted prices in active markets;
- Level 2 Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

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**Note 11 Fair Value (continued)**

Following is a description of valuation methodologies used for assets recorded at fair value.

*Investment Securities*

Securities available for sale are valued on a recurring basis at quoted market prices where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable securities. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets and money market funds. Level 2 securities include mortgage-backed securities and debentures issued by government sponsored entities, municipal bonds and corporate debt securities. Securities classified as Level 3 include asset-backed securities in less liquid markets (although the Company has no such investments). Securities held to maturity are valued at quoted market prices or dealer quotes similar to securities available for sale. The carrying value of Federal Reserve Bank and Federal Home Loan Bank stock approximates fair value based on their redemption provisions.

*Mortgage Loans Held for Sale*

Mortgage loans held for sale are carried at the lower of cost or market value. The fair values of mortgage loans held for sale are based on commitments on hand from investors within the secondary market for loans with similar characteristics. As such, the fair value adjustments for mortgage loans held for sale is nonrecurring Level 2 and are at cost.

*Loans*

The Company does not record loans at fair value on a recurring basis. However, from time to time, a loan may be considered impaired and an allowance for loan losses may be established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment in accordance with SFAS 114, *Accounting by Creditors for Impairment of a Loan*, ( SFAS 114 ). The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, enterprise value, liquidation value and discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. At June 30, 2008, substantially all of the total impaired loans were evaluated based on the fair value of the collateral. In accordance with SFAS 157, impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, the Company records the impaired loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company records the impaired loan as nonrecurring Level 3.

*Assets and Liabilities Recorded at Fair Value on a Recurring Basis*

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The table below presents the recorded amount of assets and liabilities measured at fair value on a recurring basis.

(Dollars in thousands)	Fair Value June 30, 2008	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Securities available for sale	\$ 215,834	\$ 527	\$ 215,307	\$

There were no gains or losses for the six months ended June 30, 2008 included in earnings that are attributable to the change in unrealized gains or losses of the Company's securities available for sale at June 30, 2008.

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**Note 11 Fair Value (continued)**

*Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis*

(Dollars in thousands)	Fair Value June 30, 2008	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans	\$ 1,700	\$	\$ 1,700	\$

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**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Management's Discussion and Analysis of Financial Condition and Results of Operations relates to the financial statements contained in this quarterly report beginning on page 1. For further information, refer to Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in the Annual Report on Form 10-K for the year ended December 31, 2007.

**Overview**

We are a bank holding company headquartered in Columbia, South Carolina, and were incorporated under the laws of South Carolina in 1985. We provide a wide range of banking services and products to our customers through our wholly-owned bank subsidiaries: South Carolina Bank and Trust, N.A. and South Carolina Bank and Trust of the Piedmont, N.A., both national banks that opened for business in 1934 and 1996, respectively. On November 30, 2007, we acquired our third banking subsidiary, The Scottish Bank, N.A. (TSB). We do not engage in any significant operations other than the ownership of these banking subsidiaries.

At June 30, 2008, we had approximately \$2.8 billion in assets and approximately 711 full-time equivalent employees. Through our banking subsidiaries we provide our customers with checking accounts, NOW accounts, savings and time deposits of various types, brokerage services and alternative investment products such as annuities and mutual funds, trust and asset management services, business loans, agriculture loans, real estate loans, personal use loans, home improvement loans, automobile loans, credit cards, letters of credit, home equity lines of credit, safe deposit boxes, bank money orders, wire transfer services, correspondent banking services, and use of ATM facilities.

The following discussion describes our results of operations for the quarter ended June 30, 2008 as compared to the quarter ended June 30, 2007 as well as results for the six months ended June 30, 2008 and 2007, and also analyzes our financial condition as of June 30, 2008 as compared to December 31, 2007 and June 30, 2007. Like most financial institutions, we derive most of our income from interest we receive on our loans and investments. Our primary source of funds for making these loans and investments is our deposits, on which we may pay interest. Consequently, one of the key measures of our success is our amount of net interest income, or the difference between the income on our interest-earning assets, such as loans and investments, and the expense on our interest-bearing liabilities, such as deposits. Another key measure is the spread between the yield we earn on these interest-earning assets and the rate we pay on our interest-bearing liabilities.

Of course, there are risks inherent in all loans, so we maintain an allowance for loan losses to absorb probable losses on existing loans that may become uncollectible. We establish and maintain this allowance by charging a provision for loan losses against our operating earnings. In the following section, we have included a detailed discussion of this process.

In addition to earning interest on our loans and investments, we earn income through fees and other expenses we charge to our customers. We describe the various components of this noninterest income, as well as our noninterest expense, in the following discussion.

The following section also identifies significant factors that have affected our financial position and operating results during the periods included in the accompanying financial statements. We encourage you to read this discussion and analysis in conjunction with the financial statements

and the related notes and the other statistical information also included in this report.

### **Results of Operations**

We measure our progress based on soundness, profitability, and growth. Strong loan growth, solid asset quality and careful expense control led to higher consolidated net income for the second quarter of 2008 despite an extremely challenging banking and economic environment. Taxable equivalent net interest margin compressed by 4 basis points compared to the same quarter in June 30, 2007, and by 1 basis point for the six months ended June 30, 2008 compared to June 30, 2007. This minimal decline was the result of aggressively managing our deposit funding sources, continued solid asset quality and strong loan growth. Our focus on expense control during the second quarter led to a lower efficiency ratio of 62.27% as compared to 65.34% in the second quarter of 2007.

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Our company achieved an increase in consolidated net income compared to the second quarter of 2007, while maintaining strong credit quality and growing our loan portfolio. The following key operating highlights for the second quarter of 2008 are outlined below:

- Consolidated net income increased 10.4% to \$6.1 million in the second quarter of 2008 (which includes \$273,000 related to TSB), as compared to \$5.6 million in the second quarter of 2007.
- Diluted earnings per share ( EPS ) remained at \$0.60 for the second quarter of 2008. An increase in common shares issued and outstanding due to the TSB acquisition caused diluted EPS to remain unchanged even though consolidated net income increased from the second quarter of 2007.
- A 15.0% increase in noninterest income, increases in earning assets due to strong loan growth, and careful control of noninterest expense led to higher consolidated net income for the second quarter of 2008. While our provision for loan losses increased during the second quarter, we were able to offset the increase by focusing on expense control during a challenging economic environment.
- We experienced a decrease of 9 basis points in return on average assets ( ROAA ) and 214 basis points in return on average equity ( ROAE ) compared to the quarter ended June 30, 2007, due primarily to the acquisition of TSB during the latter part of the fourth quarter of 2007. This acquisition increased both assets and equity faster than the earnings increased. In a linked quarter comparison, ROAA and ROAE increased by 1 basis point and 12 basis points, respectively, for the quarter ended June 30, 2008 compared to the quarter ended March 31, 2008.
- Return on average tangible equity increased on a linked quarter comparison by 5 basis points for the quarter ended June 30, 2008 compared to the quarter ended March 31, 2008, but decreased on a quarter-to-quarter comparison by 75 basis points, also due to the acquisition of TSB.

Selected Figures and Ratios	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Return on average assets (annualized)	<b>0.91%</b>	1.00%	<b>0.91%</b>	0.98%
Return on average equity (annualized)	<b>11.13%</b>	13.27%	<b>11.07%</b>	13.08%
Return on average tangible equity (annualized)	<b>16.18%</b>	16.93%	<b>16.15%</b>	17.03%
Average shareholders' equity (in thousands)	\$ <b>222,274</b>	\$ 168,376	\$ <b>221,463</b>	\$ 166,273

**Net Interest Income and Margin**Summary

We have been able to increase non-taxable equivalent net interest income despite the Federal Reserve's dramatic rate reductions of 225 basis points during the first six months of 2008. Non-taxable equivalent and taxable equivalent net margin compressed by 4 basis points from the second quarter of 2007; however, we experienced margin expansion of 2 basis points from the first quarter of 2008. Margin compression on a

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quarter-to-quarter comparison was largely driven by the volume increase in new loans priced at lower market interest rates during the three months ended June 30, 2008, even as we aggressively reduced our pricing on deposits and made use of other funding sources. Compared to the first quarter of 2008, the expansion was partially driven by reducing deposit and funding rates in step with the Fed Funds rate more quickly than average yields on interest-earning assets.

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Non-TE net interest income	\$ 23,562	\$ 19,764	\$ 46,476	\$ 38,598
Non-TE yield on interest-earning assets	6.16%	7.08%	6.39%	7.04%
Non-TE rate on interest-bearing liabilities	2.78%	3.84%	3.06%	3.83%
Non-TE net interest margin	3.77%	3.81%	3.76%	3.77%
TE net interest margin	3.81%	3.85%	3.80%	3.81%

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Non-taxable equivalent net interest income increased 19.2% in the second quarter of 2008 compared to the same period in 2007. Some key highlights are outlined below:

- Average earning assets increased 20.8% to \$2.51 billion in the second quarter of 2008 compared to the same period last year due to the acquisition of TSB which increased average earning assets by \$199.4 million for the second quarter of 2008. Excluding TSB, the increase is primarily reflected within commercial real estate loans of the loan portfolio and investment securities.
- Non-taxable equivalent yield on interest-earning assets for the second quarter of 2008 decreased 92 basis points from the comparable period in 2007, and by 47 basis points compared to the first quarter of 2008. The yield on a portion of our earning assets adjusts simultaneously, but to varying degrees of magnitude, with changes in the general level of interest rates.
- The average cost of interest-bearing liabilities for the second quarter of 2008 decreased 106 basis points from the same period in 2007, and by 56 basis points compared to the first quarter of 2008. This is a reflection of the impact of the Company's adjusting rates on all deposit accounts as quickly as we could in the first quarter of 2008, given the dramatic reduction in interest rates by the Federal Reserve Board.
- Taxable equivalent net interest margin decreased by 4 basis points to 3.81% for the second quarter of 2008, compared to 3.85% for the second quarter of 2007. Compared to the first quarter of 2008, taxable equivalent net interest margin expanded by 2 basis points primarily attributable to the rapid pace of the Federal Reserve's rate cuts and our growth in loans.

Loans

Loans acquired in the TSB merger and growth in core commercial real estate loans drove the increase in total loans (excluding mortgage loans held for sale) in the second quarter of 2008 from the comparable period in 2007. Total loans grew 24.4% from the balance at June 30, 2007 and an annualized 18.9% from the balance at March 31, 2008. Total loans, net of deferred loan costs and fees, at June 30, 2008 were \$2.2 billion compared to \$1.8 billion at June 30, 2007. The increase was driven in part by \$156.2 million in loans acquired in the TSB merger. Excluding the TSB acquisition, our loans grew \$284.2 million, or 15.7%, from the amount at June 30, 2007.

Loans are our largest category of earning assets and commercial real estate loans represented approximately 40.9% of our total loans as of June 30, 2008. Commercial real estate in Note 4 (*Loans and Allowance for Loan Losses*) to the consolidated financial statements also includes owner occupied commercial real estate not reflected in the percentage above. At June 30, 2008, consumer construction and development loans represented 8.3% of our total loan portfolio. Consumer construction and development loans were comprised of \$132.9 million in lot loans and \$54.5 million in construction loans, which represented 5.9% and 2.4%, respectively, of our total loan portfolio.

Three Months Ended

Six Months Ended

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(Dollars in thousands)	June 30,		June 30,	
	2008	2007	2008	2007
Average total loans	\$ 2,188,036	\$ 1,783,715	\$ 2,154,925	\$ 1,774,970
Interest income on total loans	34,737	32,929	71,122	64,725
Non-TE yield	6.39%	7.40%	6.64%	7.35%

Interest earned on loans increased 5.5% in the second quarter of 2008 compared to the second quarter of 2007. Some key highlights for the quarter ended June 30, 2008 are outlined below:

- Average total loans in the second quarter of 2008 increased 22.7%, as compared to the second quarter of 2007, leading to a volume-driven increase in interest income even though the average yield fell.
- Commercial real estate loans (including owner occupied commercial real estate) increased \$349.7 million, or 40.0%, to \$1.2 billion from June 30, 2007. Core commercial real estate loans increased \$257.0 million, or 29.4%, from the same quarter in 2007.
- Commercial non-real estate loans increased \$17.3 million, or 8.5%, to \$222.2 million from the amount at June 30, 2007. Core commercial non-real estate loans decreased \$7.1 million, or 3.5%, from the same quarter in 2007.
- Our non-taxable equivalent yield decreased by 101 basis points compared to the yield for the second quarter of 2007.

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We use investment securities, our second largest category of earning assets, to generate interest income through the employment of excess funds, to provide liquidity, to fund loan demand or deposit liquidation, and to pledge as collateral for public funds deposits and repurchase agreements. At June 30, 2008, the composition of the portfolio remained relatively consistent with the composition at June 30, 2007. During the second quarter of 2008, we continued to slightly lengthen the average life of the portfolio in response to the Federal Reserve's easing cycle that started in late 2007. At June 30, 2008, investment securities were \$256.4 million, compared to \$258.5 million at December 31, 2007 and \$234.8 million at June 30, 2007.

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Average investment securities	\$ 247,759	\$ 227,343	\$ 253,035	\$ 220,722
Interest income on investment securities	3,189	2,833	6,517	5,479
Non-TE yield	5.18%	5.00%	5.18%	5.00%

Interest earned on investment securities increased 12.6% in the second quarter of 2008 compared to the second quarter of 2007. The increase resulted from a 16 basis point increase on the yield on taxable investment securities and a 4.0% increase in balances of average taxable investment securities. The average yield of tax-exempt investment securities increased 27 basis points and the average balance increased 49.2% from the second quarter of 2007. The increase in the average balances of securities primarily resulted from the acquisition of TSB during the latter part of the fourth quarter of 2007.

Although securities classified as available for sale may be sold from time to time to meet liquidity or other needs, it is not our normal practice to trade this segment of the investment securities portfolio. While management generally holds these assets on a long-term basis or until maturity, any short-term investments or securities available for sale could be converted at an earlier point, depending partly on changes in interest rates and alternative investment opportunities.

At June 30, 2008, we had 95 securities available for sale in an unrealized loss position, which totaled \$5.2 million. Information pertaining to our securities available for sale with gross unrealized losses at June 30, 2008 and December 31, 2007, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position follows:

(Dollars in thousands)	Less Than Twelve Months		Twelve Months or More	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
<b>June 30, 2008:</b>				
Government-sponsored enterprises	\$ 62	\$ 6,530	\$	\$
State and municipal	316	9,650		
Mortgage-backed	1,205	63,146	68	1,438
FHLMC preferred*	2,020	8,230		
Trust preferred	1,113	7,362	336	2,645
Other corporate bonds	34	343		
	\$ 4,750	\$ 95,261	\$ 404	\$ 4,083



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(Dollars in thousands)	Less Than Twelve Months		Twelve Months or More	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
<b>December 31, 2007:</b>				
Government-sponsored enterprises	\$ 49	\$ 15,480	\$ 3	\$ 4,997
State and municipal	89	5,314		
Mortgage-backed	32	7,545	200	21,178
FHLMC preferred*	220	5,780		
Trust preferred	19	2,962		
	\$ 409	\$ 37,081	\$ 203	\$ 26,175

\* Securities issued by the Federal Home Loan Mortgage Corporation ( FHLMC or Freddie Mac )

During the second quarter of 2008, 29 additional securities moved into an unrealized loss position, of which four were trust preferred securities which totaled \$1.1 million. The majority of our unrealized losses as of June 30, 2008 continue to result from changes in six Freddie Mac preferred securities and five trust preferred securities due to significant changes in market interest rates and increased spreads to U.S. Treasury securities. All of these investment securities continue to perform as scheduled. We have the ability and intent to hold all securities within the portfolio until the maturity or until the value recovers, therefore, we do not consider these investments to be other-than-temporarily impaired at June 30, 2008. We continue to monitor all of these securities with a high degree of scrutiny. There can be no assurance that we will not conclude in future periods that conditions existing at that time indicate some or all of these securities are other than temporarily impaired, which would require a charge to earnings in such periods. Any charges for other-than-temporary impairment related to securities available for sale would not impact cash flow, tangible capital or liquidity.

Subsequent to June 30, 2008, the market value of the Freddie Mac preferred securities continued their decline. At July 31, 2008, the Freddie Mac preferred securities and trust preferred securities had gross unrealized losses of \$4.2 million and \$1.3 million, respectively, in a continuous unrealized loss position less than twelve months.

During the second quarter of 2008, we sold an equity security which resulted in a realized gain of \$340,000.

Interest-Bearing Liabilities

Interest-bearing liabilities include interest-bearing transaction accounts, savings deposits, certificates of deposits ( CDs ), other time deposits, federal funds purchased, and other borrowings. Interest-bearing transaction accounts include NOW, HSA, IOLTA, and Market Rate checking accounts.

(Dollars in thousands)	Three Months Ended		Six Months Ended	
	2008	June 30, 2007	2008	June 30, 2007
Average interest-bearing liabilities	\$ 2,158,405	\$ 1,772,683	\$ 2,138,516	\$ 1,765,578

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Interest expense	<b>14,927</b>	16,964	<b>32,547</b>	33,530
Average rate	<b>2.78%</b>	3.84%	<b>3.06%</b>	3.83%

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Interest expense on interest-bearing liabilities decreased 12.0% in the second quarter of 2008 compared to the second quarter of 2007, driven largely by a decrease in the average rates on transaction and money market balances and federal funds purchased and securities sold under agreements to repurchase. In addition, we experienced a 106 basis point decrease in the average rate on all interest-bearing liabilities with decreases in every category. Some key highlights are outlined below:

- Average interest-bearing deposits for the three months ended June 30, 2008 grew 16.8% compared to the same period in 2007.
- Interest-bearing deposits grew 15.8% to \$1.7 billion at June 30, 2008 from the period end balance at June 30, 2007, and increased \$34.0 million, or 8.0% annualized from the balance at December 31, 2007.
- The average rate on transaction and money market account deposits for the three months ended June 30, 2008 decreased 116 basis points from the comparable period in 2007, which caused interest expense to decrease by \$1.6 million for the second quarter of 2008.
- Average federal funds purchased and securities sold under agreements to repurchase increased 46.4%, up \$91.7 million from the average balance in the second quarter of 2007. The Federal Reserve has held the federal funds rate to 2.00%, and we continued to elect to meet a greater portion of our funding needs through these non-deposit sources. The average rate for the three months ended June 30, 2008 decreased 267 basis points from the comparable period in 2007, which caused interest expense to decrease by \$890,000.
- Interest expense on average interest-bearing liabilities decreased \$2.0 million, or 12.0%, for the three months ended June 30, 2008 from the comparable period in 2007 even though total interest-bearing liabilities increased \$385.7 million for the second quarter of 2008. This resulted from a 106 basis point drop in the average rate on total interest-bearing liabilities.

**Noninterest-Bearing Deposits**

Noninterest-bearing deposits (or demand deposits) are transaction accounts that provide our banks with interest-free sources of funds. Average noninterest-bearing deposits grew \$36.4 million, or 13.1%, to \$313.9 million in the second quarter of 2008 compared to the second quarter of 2007. From the first quarter of 2008, average noninterest-bearing deposits grew \$9.3 million, or 3.1%.

For the six months ended June 30, 2008, new demand deposit transaction accounts grew by 22.2% compared to the same period in 2007. We grew new business demand deposit accounts by 14.4% during the six months ended June 30, 2008 compared to the prior period in 2007. Our customers opened approximately 9,500 new demand deposit checking accounts (approximately 7,600 personal accounts and 1,900 business accounts) during the first six months of 2008 compared to the first six months of 2007. New savings accounts during the first six months of 2008 grew 37.4% to approximately 3,700, as compared to new savings accounts during the first six months of 2007.

**Provision for Loan Losses and Nonperforming Assets**

We have established an allowance for loan losses through a provision for loan losses charged to expense. The allowance for loan losses represents an amount that we believe will be adequate to absorb probable losses on existing loans that may become uncollectible. We assess the adequacy of the allowance for loan losses by using an internal risk rating system, independent credit reviews, and regulatory agency examinations all of which evaluate the quality of the loan portfolio and seek to identify problem loans. Based on this analysis, management and the board of directors consider the current allowance to be adequate. Nevertheless, our evaluation is inherently subjective as it requires estimates that are susceptible to significant change. Actual losses may vary from our estimates, and there is a possibility that charge-offs in future periods could exceed the allowance for loan losses as estimated at any point in time.

In addition, regulatory agencies, as an integral part of the examination process, periodically review the banking subsidiaries allowance for loan losses. Such agencies may require additions to the allowance based on their judgments about information available to them at the time of their examination.

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The following table presents a summary of the changes in the allowance for loan losses for the three and six months ended June 30, 2008 and 2007.

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Balance at beginning of period	\$ 27,335	\$ 22,955	\$ 26,570	\$ 22,668
Loans charged-off	(1,153)	(684)	(1,884)	(1,413)
Recoveries	246	298	497	532
Net charge-offs	(907)	(386)	(1,387)	(881)
Provision for loan losses	2,332	800	3,577	1,582
Balance at end of period	\$ 28,760	\$ 23,369	\$ 28,760	\$ 23,369
Total loans:				
At period end	\$ 2,246,353	\$ 1,806,000	\$ 2,246,353	\$ 1,806,000
Average	2,188,036	1,783,715	2,154,925	1,774,970
As a percentage of average loans (annualized):				
Net charge-offs	0.17%	0.09%	0.13%	0.10%
Provision for loan losses	0.43%	0.18%	0.33%	0.18%
Allowance as a percentage of period end loans	1.28%	1.29%	1.28%	1.29%
Allowance as a percentage of period end non-performing loans ( NPLs )	388.96%	542.20%	388.96%	542.20%

The provision for loan losses as a percent of average loans reflects an increase due to an increase in our nonperforming assets and an increase in net charge-offs during the second quarter of 2008 compared to year end 2007. Additionally, there is continued concern about the economy as a whole and the market conditions throughout the Southeast. The allowance for loan losses as a percent of total loans has slightly decreased due to the inclusion of the TSB loan portfolio where the allowance for loan losses to loans was lower, which is reflective of its minimal net charge offs, lower relative level of non-performing loans (assets), and fewer past due loans to date, historically.

The table below summarizes our nonperforming assets ( NPAs ).

(Dollars in thousands)	June 30, 2008	December 31, 2007	June 30, 2007
Non accrual loans	\$ 6,897	\$ 5,353	\$ 3,315
Accruing loans past due 90 days or more	497	985	995
Total nonperforming loans	7,394	6,338	4,310
Other real estate owned ( OREO )	1,140	490	771
Other nonperforming assets	181	82	
Total nonperforming assets	\$ 8,715	\$ 6,910	\$ 5,081
Total NPLs as a % of total loans	0.33%	0.30%	0.24%
Total NPAs as a % of total loans and OREO	0.39%	0.33%	0.28%
Total NPAs as a % of total assets	0.31%	0.27%	0.22%

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In the table above, other nonperforming assets consist of non-real estate such as vehicles repossessed and OREO which includes certain real estate acquired as a result of foreclosure and property not intended for bank use. The increase in non-accrual loans and OREO from the end of 2007 is reflective of the pressure on the real estate market and economy. Both of these factors can have a negative impact on real estate absorption rates and nonperforming assets could continue to rise, as they have over the past year.

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Overall, our loan portfolio remains well within our historical trends in terms of charge-offs and NPAs as a percentage of total loans. Given the industry-wide rise in credit costs, we have taken additional proactive measures to identify problem loans including in-house and independent review of larger transactions and updating credit scores on all consumer real estate loans. We continue to monitor and review frequently the overall asset quality within the loan portfolio.

**Noninterest Income**

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Service charges on deposit accounts	\$ 4,032	\$ 3,639	\$ 7,837	\$ 7,043
Mortgage banking income	1,240	1,091	2,270	2,102
Bankcard services income	1,276	1,038	2,432	2,015
Trust and investment services income	681	651	1,377	1,274
Securities gains, net	340	42	340	42
Other	558	609	1,376	1,207
Total noninterest income	\$ 8,127	\$ 7,070	\$ 15,632	\$ 13,683

Noninterest income increased 15.0% in the second quarter of 2008 as compared to the same period in 2007. The quarterly increases are the result of the following:

- Service charges on deposit accounts increased 10.8%, driven primarily by an increase in non-sufficient funds and return check charges.
- Mortgage banking income increased 13.7%, driven by a slight increase in service release premiums for the second quarter. Production in secondary market mortgages continues to slow down compared to the second quarter of 2007 due to the overall slowdown within the real estate industry and the industry-wide tightening of credit relative to mortgage lending.
- Bankcard services income increased 22.9%, driven largely by the number of new accounts opened in the second quarter and more customers using our debit cards. Debit card income and credit card income contributed 63.4% and 25.4%, respectively, of the total increase in bankcard services income.
- Trust and investment services income increased 4.6%, driven primarily by an increase in trust assets under management to approximately \$170.6 million, which led to higher trust income during the second quarter of 2008. Compared to the first quarter of 2008, trust assets under management decreased by \$12.3 million primarily as a result of a few large relationships moving their accounts and several clients selling trust assets to pay their tax obligations.
- We sold shares of an equity security and recorded a pre-tax gain of \$340,000 during the second quarter of 2008.
- Other noninterest income decreased 8.4%, primarily driven by our decision to bring the bank certified check

product in-house.

Table of Contents**Noninterest Expense**

(Dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Salaries and employee benefits	\$ 10,863	\$ 9,894	\$ 22,084	\$ 19,296
Furniture and equipment	1,573	1,388	3,090	2,768
Net occupancy expense	1,494	1,237	2,992	2,338
Information services expense	1,141	1,115	2,320	2,113
Advertising and marketing	1,092	842	2,011	1,448
Business development and staff related	493	528	1,113	1,114
Professional fees	507	525	1,041	1,009
Amortization of intangibles	145	125	289	252
Other	2,387	1,976	4,884	4,343
Total noninterest expense	\$ 19,695	\$ 17,630	\$ 39,824	\$ 34,681

Noninterest expense increased 11.7% in the second quarter of 2008 compared to the same period in 2007. The quarterly increases primarily resulted from the following:

- Salaries and employee benefits expense increased 9.8%, driven mainly by additional employees acquired in the TSB merger. Excluding TSB, salaries and benefits expense increased 2.8% or \$274,000, compared to the second quarter of 2007. We expect that salaries and commissions expense will continue to be driven largely by sales volume incentives in 2008.
- Furniture and equipment expense and net occupancy expense increased 13.3% and 20.8%, respectively, as a result of additional financial centers acquired in the TSB acquisition in the fourth quarter of 2007.
- Advertising and marketing expense increased 29.7%, driven by advertising related to deposit pricing given the reduction in rates by the Federal Reserve and an increase in debit card rewards expense as more customers used their SCBT debit cards.
- Other noninterest expense increased 20.8%, due primarily to a \$215,000 increase in FDIC insurance premiums. We expected our premiums to increase as we have already used in prior periods the one-time credit provided under the FDIC's amended assessment structure.

**Income Tax Expense**

The Company's effective income tax rate increased to 36.4% at June 30, 2008 compared to 33.7% at June 30, 2007. The higher effective tax rate in 2008 is reflective of changes in various permanent differences, and an increase in the effective rate projected for fiscal year 2008 compared to 2007.

## Capital Resources

Our ongoing capital requirements have been met primarily through retained earnings, less the payment of cash dividends. As of June 30, 2008, shareholders' equity was \$221.5 million, an increase of \$6.4 million, or 3.0%, from \$215.1 million at December 31, 2007. Shareholders' equity has increased 30.4%, or \$51.6 million, from June 30, 2007. The quarter-to-quarter comparison reflects the issuance of \$34.0 million in equity related to the TSB acquisition. Excluding the TSB acquisition, shareholders' equity increased 8.6%, or \$17.6 million, from June 30, 2007.

We are subject to certain risk-based capital guidelines. Certain ratios measure the relationship of capital to a combination of balance sheet and off-balance sheet risks. The values of both balance sheet and off-balance sheet items are adjusted to reflect credit risk. Under the guidelines promulgated by the Board of Governors of the Federal Reserve System, which are substantially similar to those of the Comptroller of the Currency, Tier 1 risk-based capital must be at least 4% of risk-weighted assets, while total risk-based capital must be at least 8% of risk-weighted assets.

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In conjunction with the risk-based ratios, the regulatory agencies have also prescribed a leverage capital ratio for assessing capital adequacy. The minimum Tier 1 leverage ratio required for banks is between 3% and 5%, depending on the institution's composite rating as determined by its regulators.

*Capital Adequacy Ratios*

	<b>June 30, 2008</b>	<b>December 31, 2007</b>	<b>June 30, 2007</b>
Tier 1 risk-based capital	9.41%	9.64%	10.05%
Total risk-based capital	10.66%	10.89%	11.31%
Tier 1 leverage	7.66%	8.42%	8.10%

Compared to December 31, 2007, our Tier 1 risk-based capital, total risk-based capital, and Tier 1 leverage ratios have decreased primarily because of the growth in loans during the six months ended June 30, 2008. Our capital ratios are currently in excess of the minimum standards and continue to be in the well capitalized regulatory classification.

**Liquidity**

Liquidity refers to the ability for us to generate sufficient cash to meet our financial obligations, which arise primarily from the withdrawal of deposits, extension of credit and payment of operating expenses. Asset liquidity is maintained by the maturity structure of loans, investment securities and other short-term investments. Management has policies and procedures governing the length of time to maturity on loans and investments. Normally, changes in the earning asset mix are of a longer-term nature and are not utilized for day-to-day corporate liquidity needs.

Our liabilities provide liquidity on a day-to-day basis. Daily liquidity needs are met from deposit levels or from our use of federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings. We engage in routine activities to retain deposits intended to enhance our liquidity position. These routine activities include various measures, such as the following:

- Emphasizing relationship banking to new and existing customers, where borrowers are encouraged and normally expected to maintain deposit accounts with our banks,
- Pricing deposits, including certificates of deposit, at rate levels that will attract and/or retain balances of deposits that will enhance our banks' asset/liability management and net interest margin requirements, and
- Continually working to identify and introduce new products that will attract customers or enhance our banks' appeal as a primary provider of financial services.

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In the first six months of 2008, we increased both deposits and non-deposit sources of funding. Compared to the fourth quarter of 2007, we slightly lengthened the terms of borrowed funds to lock in relatively low rates that were available. We continue to emphasize shorter maturities of funds in anticipation of an ongoing accommodative Federal Reserve monetary policy. Our approach may provide an opportunity to lower our cost of funds but could also increase our cost of funds if interest rates rise.

Our ongoing philosophy is to remain in a liquid position as reflected by such indicators as the composition of our earning assets, typically including some level of federal funds sold, reverse repurchase agreements, and/or other short-term investments; asset quality; well-capitalized position; and profitable operating results. Cyclical and other economic trends and conditions can disrupt our banks' desired liquidity position at any time. We expect that these conditions will generally be of a short-term nature. Under such circumstances, the banks' federal funds sold position, if any, serves as the primary source of immediate liquidity. At June 30, 2008, our banks had federal funds credit lines of \$154.1 million available. Subsequent to June 30, 2008, our banks acquired an additional \$125.0 million available as an additional source of funding. If additional liquidity were needed, the banks would turn to short-term borrowings as an alternative immediate funding source and would consider other appropriate actions such as promotions to increase core deposits or the sale of a portion of our investment portfolio. In addition, we could seek alternative immediate funding sources from lines of credit extended to us from our correspondent banks and/or the Federal Home Loan Bank. At June 30, 2008, our banks had an FHLB credit facility of \$47.9 million available. We believe that our liquidity position continues to be adequate.

Our contingency funding plan provides several potential stages based on liquidity levels. Our board of directors reviews liquidity benchmarks quarterly. Also, we review on at least an annual basis our liquidity position and our contingency funding plans with our principal banking regulator. Our subsidiary banks maintain various wholesale sources of funding. If our deposit retention efforts were to be unsuccessful, our banks would utilize these alternative sources of funding. Under such

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circumstances, depending on the external source of funds, our interest cost would vary based on the range of interest rates charged to our banks. This could increase our banks' cost of funds, impacting net interest margins and net interest spreads.

**Deposit and Loan Concentration**

We have no material concentration of deposits from any single customer or group of customers. We have no significant portion of our loans concentrated within a single industry or group of related industries. Furthermore, we attempt to avoid making loans that, in an aggregate amount, exceed 10% of total loans to a multiple number of borrowers engaged in similar business activities. As of June 30, 2008, there were no aggregated loan concentrations of this type. We do not believe there are any material seasonal factors that would have a material adverse effect on us. We do not have foreign loans or deposits.

**Concentration of Credit Risk**

We consider concentrations of credit to exist when, pursuant to regulatory guidelines, the amounts loaned to a multiple number of borrowers engaged in similar business activities which would cause them to be similarly impacted by general economic conditions represents 25% of total risk-based capital, or \$57.4 million at June 30, 2008. Based on these criteria, we had six such credit concentrations at June 30, 2008, including \$262.5 million of loans to borrowers engaged in other activities related to real estate, \$91.5 million of loans to lessors of nonresidential buildings, \$78.5 million of loans to religious organizations, \$75.2 million of loans to borrowers constructing new single family housing, \$74.4 million of loans to physicians for office buildings and \$73.3 million of loans for land subdivision.

**Cautionary Note Regarding Any Forward-Looking Statements**

*Statements included in Management's Discussion and Analysis of Financial Condition and Results of Operations which are not historical in nature are intended to be, and are hereby identified as, forward-looking statements for purposes of the safe harbor provided by Section 21E of the Securities and Exchange Act of 1934. The words may, will, anticipate, should, would, believe, contemplate, expect, estimate, and intend, as well as other similar words and expressions of the future, are intended to identify forward-looking statements. We caution readers that forward-looking statements are estimates reflecting our judgment based on current information, and are subject to certain risks and uncertainties that could cause actual results to differ materially from anticipated results. Such risks and uncertainties include, among others, the matters described in Item 1A, Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2007 and the following:*

- **Credit risk** associated with an obligor's failure to meet the terms of any contract with the bank or otherwise fail to perform as agreed;
- **Interest rate risk** involving the effect of a change in interest rates on both the bank's earnings and the market value of the portfolio equity;

- **Liquidity risk** affecting our banks' ability to meet their obligations when they come due;
- **Price risk** focusing on changes in market factors that may affect the value of financial instruments which are mark-to-market periodically;
- **Transaction risk** arising from problems with service or product delivery;
- **Compliance risk** involving risk to earnings or capital resulting from violations of or nonconformance with laws, rules, regulations, prescribed practices, or ethical standards;
- **Strategic risk** resulting from adverse business decisions or improper implementation of business decisions;
- **Reputation risk** that adversely affects earnings or capital arising from negative public opinion;
- **Terrorist activities risk** that result in loss of consumer confidence and economic disruptions; and
- **Merger integration risk** including potential deposit attrition, higher than expected costs, customer loss and business disruption associated with the integration of TSB, including, without limitation, potential difficulties in maintaining relationships with key personnel and other integration related-matters.

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**Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We have no material changes in our quantitative and qualitative disclosures about market risk as of June 30, 2008 from that presented in the Annual Report on Form 10-K for the year ended December 31, 2007.

**Item 4. CONTROLS AND PROCEDURES**

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of management, including our President and Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Management necessarily applied its judgment in the process of reviewing these controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives. Based upon this evaluation, our President and Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report.

There have been no significant changes in our internal controls over financial reporting that occurred during the second quarter of 2008 that materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of future events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

**PART II OTHER INFORMATION**

**Item 1. LEGAL PROCEEDINGS**

To the best of our knowledge, we are not a party to, nor is any of our property the subject of, any pending material proceeding other than those that may occur in our ordinary course of business.

**Item 1A. RISK FACTORS**

Investing in SCBT Financial Corporation's common shares involves certain risks, including those identified and described in Item 1A. of our Annual Report on Form 10-K for the fiscal year ended December 31, 2007 ( Form 10-K ), as well as cautionary statements contained in this Form 10-Q, including those under the caption Cautionary Note Regarding Any Forward-Looking Statements set forth in Part I, Item 2 of this

Form 10-Q. There has been no material change in the risk factors previously disclosed in our Form 10-K.

Table of Contents**Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

(a) and (b) not applicable

(c) Issuer Purchases of Equity Securities:

In February 2004, we announced a stock repurchase program with no formal expiration date to repurchase up to 250,000 shares of our common stock. There are 147,872 shares that may yet be purchased under that program. The following table reflects share repurchase activity during the second quarter of 2008:

<b>Period</b>	<b>(a) Total Number of Shares (or Units) Purchased</b>	<b>(b) Average Price Paid per Share (or Unit)</b>	<b>(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs</b>	<b>(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs</b>
April 1 - April 30		\$		147,872
May 1 - May 31	699*	34.62		147,872
June 1 - June 30				147,872
<b>Total</b>	<b>699</b>			<b>147,872</b>

\* These shares were repurchased under arrangements, authorized by our stock-based compensation plans and Board of Directors, whereby officers or directors may sell previously owned shares to SCBT in order to pay for the exercises of stock options or for income taxes owed on vesting shares of restricted stock. These shares are not purchased under the plan to repurchase 250,000 shares announced in February 2004.

**Item 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

**Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

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At the Annual Meeting of Shareholders of SCBT Financial Corporation held on April 22, 2008, the following proposals were submitted to a vote of the holders of SCBT Financial Corporation's common stock voting as indicated:

1) Approval of a proposal to elect the following individuals as directors of SCBT Financial Corporation:

<b>Nominees for Director</b>	<b>Votes For</b>	<b>Votes Withheld</b>
Luther J. Battiste, III	7,949,615	87,860
Robert R. Hill, Jr.	7,969,225	68,250
Ralph W. Norman	7,956,029	81,446
Alton C. Phillips	7,955,139	82,336
Susie H. VanHuss	7,947,017	90,458

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2) Approval to ratify the appointment of Dixon Hughes PLLC as SCBT Financial Corporation's auditors for 2008:

	Votes	% of Shares Outstanding
Voting For	7,937,574	77.93%
Voting Against	62,872	0.62%
Abstain From Voting	37,029	0.36%
Total	8,037,475	78.91%

The following individuals continue to serve as directors until our Annual Shareholders Meeting in the year indicated:

*Directors Whose Terms Will Expire in 2011*

Luther J. Battiste, III  
 Robert R. Hill, Jr.  
 Ralph W. Norman  
 Alton C. Phillips  
 Susie H. VanHuss

*Directors Whose Terms Will Expire in 2010*

Jimmy E. Addison  
 Robert R. Horger  
 Harry M. Mims, Jr.  
 James W. Roquemore  
 John W. Williamson, III

*Directors Whose Terms Will Expire in 2009*

Dalton B. Floyd, Jr.  
 M. Oswald Fogle  
 Dwight W. Frierson  
 Thomas E. Suggs

**Item 5. OTHER INFORMATION**

Not applicable.

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**Item 6. EXHIBITS**

- Exhibit 31.1 Rule 13a-14(a) Certification of Principal Executive Officer
- Exhibit 31.2 Rule 13a-14(a) Certification of Principal Financial Officer
- Exhibit 32.1 Section 1350 Certification of Principal Executive Officer
- Exhibit 32.2 Section 1350 Certification of Principal Financial Officer

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 thereunto duly authorized.

SCBT FINANCIAL CORPORATION  
(Registrant)

Date: August 8, 2008

/s/ Robert R. Hill, Jr.  
Robert R. Hill, Jr.  
President and Chief Executive Officer

Date: August 8, 2008

/s/ John C. Pollok  
John C. Pollok  
Senior Executive Vice President and  
Chief Financial Officer

Date: August 8, 2008

/s/ Karen L. Dey  
Karen L. Dey  
Senior Vice President and  
Controller (Principal Accounting Officer)

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**Exhibit Index**

<b>Exhibit No.</b>	<b>Description</b>
Exhibit 31.1	Rule 13a-14(a) Certification of Principal Executive Officer
Exhibit 31.2	Rule 13a-14(a) Certification of Principal Financial Officer
Exhibit 32.1	Section 1350 Certification of Principal Executive Officer
Exhibit 32.2	Section 1350 Certification of Principal Financial Officer