

GREEN BANKSHARES, INC.
Form DEF 14A
November 20, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

- o Preliminary Proxy Statement
- o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

GREEN BANKSHARES, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

November 20, 2008

Dear Shareholder:

We invite you to attend a Special Meeting of Shareholders (the Special Meeting) of Green Bankshares, Inc. (the Company) to be held at the General Morgan Inn, 111 North Main Street, Greeneville, Tennessee, on Friday, December 19, 2008 at 9:00 a.m., local time.

The Special Meeting has been called to vote on an amendment to the Company s Charter to authorize a class of blank check preferred stock, consisting of one million (1,000,000) authorized shares, which may be issued in one or more series, with such rights, preferences, privileges and restrictions as shall be fixed by the Company s Board of Directors, and to transact such other business as may properly come before the Special Meeting or any adjournments thereof. Enclosed is a proxy statement and a proxy card. Directors and officers of the Company will be present to respond to any appropriate questions shareholders may have.

Your vote is important, regardless of the number of shares you own. On behalf of the Board of Directors, we urge you to sign, date and return the enclosed proxy as soon as possible, even if you currently plan to attend the Special Meeting. We also offer telephone and Internet voting, as more particularly described in the attached proxy statement. Voting by telephone, Internet or by returning a proxy in the mail will not prevent you from voting in person at the Special Meeting, but will assure that your vote is counted if you are unable to attend the Special Meeting.

Thank you for your cooperation and your continuing support.

Sincerely,

/s/ R. Stan Puckett
R. Stan Puckett
Chairman of the Board and
Chief Executive Officer

GREEN BANKSHARES, INC.
100 North Main Street
P.O. Box 1120
Greeneville, Tennessee 37743
(423) 639-5111

Notice of Special Meeting of Shareholders
To Be Held on December 19, 2008

Notice is hereby given that a Special Meeting of Shareholders (the Special Meeting) of Green Bankshares, Inc. (the Company) will be held on Friday, December 19, 2008 at 9:00 a.m., local time, at the General Morgan Inn, 111 North Main Street, Greeneville, Tennessee 37743.

A Proxy Card and a Proxy Statement for the Special Meeting are enclosed.

The Special Meeting is for the purpose of considering and acting upon the following matters:

- (1) to consider and act upon a proposal to amend the Company's Charter to authorize a class of blank check preferred stock, consisting of one million (1,000,000) authorized shares, which may be issued in one or more series, with such rights, preferences, privileges and restrictions as shall be fixed by the Company's Board of Directors;
- (2) to consider and vote on any proposal to adjourn or postpone the Special Meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to amend the Company's Charter to authorize a class of blank-check preferred stock if there are insufficient votes at the time of such adjournment or postponement to approve the amendment to the Company's Charter; and
- (3) to transact such other business as may properly come before the Special Meeting or any adjournments thereof.

NOTE: The Board of Directors is not aware of any other business to come before the Special Meeting.

Any action may be taken on any one of the foregoing proposals at the Special Meeting on the date specified above or on any date or dates to which, by original or later adjournments, the Special Meeting may be adjourned. Shareholders of record at the close of business on November 5, 2008 will be entitled to vote at the Special Meeting and any adjournments thereof.

You are requested to fill in and sign the enclosed form of proxy which is solicited by the Board of Directors and to mail it promptly in the enclosed envelope or vote by telephone or over the Internet as described in the attached proxy statement. The proxy will not be used if you attend and choose to vote in person at the Special Meeting.

BY ORDER OF THE BOARD OF
DIRECTORS

/s/ James E. Adams
James E. Adams
Secretary

Greeneville, Tennessee
November 20, 2008

It is important that proxies be returned promptly. Therefore, whether or not you plan to be present in person at the Special Meeting, please sign, date, and complete the enclosed proxy card and return it in the enclosed envelope. No postage is required if mailed in the United States. Alternatively, you can vote over the telephone or on the Internet, as more particularly described in the attached proxy statement. Should you subsequently desire to revoke your proxy, you may do so as provided in the attached proxy statement before it is voted at the Special Meeting.

PROXY STATEMENT
of
GREEN BANKSHARES, INC.
100 North Main Street
P.O. Box 1120
Greeneville, Tennessee 37743
(423) 639-5111

SPECIAL MEETING OF SHAREHOLDERS
December 19, 2008

General

This document is being furnished to Green Bankshares, Inc. (the Company) shareholders in connection with the solicitation of proxies by the Company's board of directors to be used at the Special Meeting of Shareholders of the Company (the Special Meeting), to be held on December 19, 2008, at 9:00 a.m., local time, at General Morgan Inn, 111 North Main Street, Greeneville, Tennessee 37743. The accompanying Notice of Special Meeting and form of proxy and this proxy statement are first being mailed to shareholders on or about November 20, 2008.

The Company's board of directors has fixed the close of business on November 5, 2008 as the record date for determining the holders of shares of the Company's common stock entitled to receive notice of and to vote at the Special Meeting. Only holders of record of shares of the Company's common stock at the close of business on that date will be entitled to vote at the Special Meeting and at any adjournment or postponement of that meeting. At the close of business on the record date, there were 12,992,681 shares of the Company's common stock outstanding, held by approximately 2,700 holders of record. Each Company shareholder will be entitled to one vote for each share held of record upon each matter properly submitted at the Special Meeting and at any adjournment or postponement of that meeting.

Matters to be Considered

At this Special Meeting, holders of the Company's common stock will be asked to:

approve an amendment to the Company's Charter to authorize a class of blank check preferred stock, consisting of one million (1,000,000) authorized shares, which may be issued in one or more series, with such rights, preferences, privileges and restrictions as shall be fixed by the Company's Board of Directors;

consider and vote on any proposal to adjourn or postpone the Special Meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to amend the Company's Charter to authorize a class of blank-check preferred stock if there are insufficient votes at the time of such adjournment or postponement to approve the amendment to the Company's Charter; and

to transact such other business as may properly come before the Special Meeting or any adjournments thereof.

Proxies

Each copy of this document mailed to Company shareholders is accompanied by a proxy card with instructions for voting by mail, by telephone or through the Internet. If voting by mail, you should complete and return the proxy card accompanying this document to ensure that your vote is counted at the Special Meeting, or at any adjournment or postponement of the Special Meeting, regardless of whether you plan to attend the Special Meeting. You may also vote your shares by telephone or through the Internet. Information and applicable deadlines for voting by telephone or through the Internet are set forth in the enclosed proxy card instructions.

The presence of a shareholder at the Special Meeting will not automatically revoke that shareholder's proxy. However, a shareholder may revoke a proxy at any time prior to its exercise by:

submitting a written revocation prior to the meeting to James E. Adams, Corporate Secretary, Green Bankshares, Inc., 100 North Main Street, Greeneville, Tennessee 37743-4992;

submitting another proxy by mail, internet or telephone that is dated later than the original proxy; or

attending the Special Meeting and voting in person.

If your shares are held by a broker or bank, you must follow the instructions on the form you receive from your broker or bank with respect to changing or revoking your proxy.

The shares represented by any proxy card that is properly executed and received by the Company in time to be voted at the Special Meeting will be voted in accordance with the instructions that are marked on the proxy card. **If you execute your proxy but do not provide the Company with any instructions, your shares will be voted FOR the amendment to the Company's Charter and FOR the adjournment or postponement of the Special Meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the amendment to the Company's Charter.**

Proxies that are returned to us where brokers have received instructions to vote on one or more proposals but do not vote on other proposal(s) are referred to as broker non-votes with respect to the proposal(s) not voted upon. Broker non-votes are included in determining the presence of a quorum.

Vote Required

In order to have a lawful meeting, a quorum of shareholders must be present at the Special Meeting. The presence, in person or by proxy, of the holders of a majority of the outstanding shares of the Company's common stock outstanding as of the record date will constitute a quorum at the meeting. A shareholder will be deemed to be present if the shareholder either attends the meeting or submits a properly executed proxy card that is received at or prior to the meeting (and not revoked). Under the law of Tennessee, the Company's state of incorporation, abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum, but are not counted as votes cast at the meeting. Broker non-votes occur when brokers who hold their customers' shares in street name submit proxies for such shares on some matters, but not others. Generally, this would occur when brokers have not received any instructions from their customers. In these cases, the brokers, as the holders of record, are permitted to vote on routine matters, but not on non-routine matters, such as the amendment to the Company's Charter. As such, unless you instruct your broker how to vote shares of yours held in a broker's name, those shares will not be voted on the proposal to amend the Charter to authorize a class of blank check preferred stock.

If a quorum exists, approval of the amendment to the Company's Charter requires the approval of a majority of the shares of the Company's common stock outstanding as of the record date and entitled to be voted at the Special Meeting. Abstentions and broker non-votes will have the effect of a vote against the amendment to the Company's Charter. If a quorum is present, a proposal to adjourn or postpone the Special Meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of such adjournment or postponement to approve the amendment to the Company's Charter requires that the votes cast in favor of adjournment or postponement exceed the votes cast against adjournment or postponement. Abstentions and broker non-votes will have no effect on the vote to adjourn or postpone the meeting.

Solicitation of Proxies

In addition to solicitation by mail, directors, officers and employees of the Company may solicit proxies for the Special Meeting from Company shareholders personally or by telephone and other electronic means without additional remuneration for soliciting such proxies. We also will provide persons, firms, banks and corporations holding shares in their names or in the names of nominees, which in either case are beneficially owned by others, proxy material for transmittal to such beneficial owners and will reimburse such record owners for their expenses in taking such actions.

PROPOSAL 1 AMENDMENT TO THE COMPANY S CHARTER TO AUTHORIZE A CLASS OF PREFERRED SHARES

Description of the Proposal

Upon approval by the Company s shareholders, this proposal would amend the Company s Charter to provide for the creation of a class of preferred stock in the amount of one million (1,000,000) shares, having such rights, preferences, privileges and restrictions as may be determined by the Board of Directors.

The term blank check is often used to refer to preferred stock, the creation and issuance of which is authorized by the shareholders in advance and the terms, rights and features of which are determined by the Board of Directors from time to time. The authorization of blank check preferred stock would permit the Board of Directors to create and issue preferred stock from time to time in one or more series without further shareholder approval. Subject to the Company s Charter, as amended from time to time, and the limitations prescribed by law or by any stock exchange or national securities association trading system on which the Company s securities may be listed, the Board of Directors would be expressly authorized, at its discretion, to adopt resolutions to issue preferred shares, to fix the number of shares and to change designations, preferences and relative, participating, optional or other special rights, qualifications, limitations or restrictions thereof, including dividend rights, dividend rates, terms of redemption, redemption prices, voting rights, conversion rights, and liquidation preferences of the shares constituting any series of preferred stock, in each case without any further action or vote by the shareholders. The Board of Directors would be required to make any determination to issue shares of preferred stock based on its judgment that doing so would be in the best interests of the Company and its shareholders.

If the shareholders approve this proposal, Article 6 of the Company s Charter would be amended in its entirety to read as follows:

6. The maximum number of shares which the Corporation shall have the authority to issue is:

a) One Hundred Thirty (130) shares of Organizational Common Stock with a par value of Ten Dollars (\$10.00) per share, which stock shall be callable by the Corporation at any time at the par value thereof by action of a majority of the Board of Directors.

b) Twenty million (20,000,000) shares of Common Stock, with a par value of Two Dollars (\$2.00) per share. Each share of Common Stock shall be entitled to one vote. No holder of any Common Stock of the Corporation, now or hereafter authorized, shall have any right, as such holder, to purchase, subscribe for or otherwise acquire any shares of stock of the Corporation, or any securities or obligations convertible into, or exchangeable for, or any right, warrant or option to purchase, any shares of any class which the Corporation may at any time hereafter issue or sell, whether now or hereafter authorized, but any and all such stock, securities, obligations, rights, warrants or options may be issued and disposed of by the Board of Directors to such persons, firms or corporations, and for such lawful consideration and on such terms as the Board of Directors in its discretion may, from time to time, determine, without first offering the same to the shareholders of the Corporation.

c) One million (1,000,000) shares of preferred stock, no par value per share. The preferred stock may be issued by the Corporation from time to time in one or more series and in such amounts as may be determined by the Board of Directors. The designations, voting rights, amounts of preference upon distribution of assets, rates of dividends, premiums of redemption, conversion rights and other variations, if any, the qualifications, limitations or restrictions thereof, if any, of the preferred stock, and of each series thereof, shall be such as are fixed by the Board of Directors, authority so to do being hereby expressly granted, and as are stated and expressed in a resolution or resolutions adopted by the Board of Directors providing for the issue of such series of preferred stock.

The Board of Directors approved the proposed amendment to the Company s Charter on October 28, 2008, subject to shareholder approval.

Rationale for Creating Blank Check Preferred Stock

Recent economic developments have adversely affected the capital markets and the availability of capital for financial institutions. The market for trust preferred securities has been particularly impacted. Also, the emergence of credit problems in the banking industry suggests that the industry is entering a period where capital conservation and

augmentation will be critically important. In light of these trends, the Board of Directors has concluded that the Company should have a full range of capital financing alternatives available in its Charter to, among other reasons, help support any future growth.

The proposed amendment to the Charter will provide the Company with increased flexibility in meeting future capital requirements by providing another type of security in addition to its common stock, as it will allow the Company to issue preferred stock from time to time with such features as may be determined by the Board of Directors for any proper corporate purpose. Such uses may include, without limitation, issuance for cash as a means of obtaining capital for use by the Company, or issuance as all or part of the consideration to be paid by the Company for acquisitions of other businesses or their assets. The Board of Directors could, among other things, create a series of preferred stock that is convertible into common stock on the basis of either a fixed or floating conversion rate.

The Board of Directors has authorized the Company's management to explore participating in the voluntary TARP Capital Purchase Program offered by the United States Treasury, the details of which were released on October 14, 2008, and on October 28, 2008, the Company applied to participate in the program. Under the program, the United States Treasury will purchase an amount of preferred shares from participating financial institutions in amounts ranging from not less than one percent (1%) of the financial institution's risk weighted assets and not more than the lesser of \$25 billion or three percent (3%) of the institution's risk-weighted assets on standardized terms pursuant to a public term sheet issued by the United States Treasury on October 14, 2008. These preferred shares will qualify as Tier 1 capital and will rank senior to the institution's common stock. The senior preferred shares will pay a cumulative dividend rate of five percent (5%) per annum for the first five years and will reset to a rate of nine percent (9%) per annum after year five. The senior preferred shares will be non-voting, other than class voting rights on matters that could adversely affect the shares. The senior preferred shares will be callable at 100% of the issue price after three years. Prior to the end of three years, the shares may be redeemed for 100% of their issue price, with the proceeds from a qualifying equity offering of any Tier 1 perpetual preferred or common stock, the aggregate gross proceeds of which exceed 25% of the issue price of the preferred shares.

If the Company was to issue the preferred shares, the Company would be prohibited from paying or declaring dividends on any junior preferred shares, preferred shares with equal ranking, or common shares unless all accrued and unpaid dividends for all past dividend periods have been declared and paid in full. The Company would also be prohibited from repurchasing or redeeming any junior or *pari passu* preferred shares, or common shares during periods dividends on the preferred shares are unpaid. During the initial three-year term, any increase in the Company's common stock dividends or repurchase of common shares or junior or *pari passu* preferred shares, would need to be approved by the United States Treasury unless it had transferred all of the preferred shares it acquired from the Company to third parties.

In addition to the preferred shares, if the Company participates in the program it would be required to issue the United States Treasury 10-year warrants to purchase shares of the Company's common stock having an aggregate market price equal to 15% of the preferred shares. The initial exercise price of these warrants, which will be subject to anti-dilution protection and will be immediately exercisable, will be the market price (based on a trailing 20-day trading average) of the Company's common shares on the date that the Company's application for participation in the program is accepted. The number of shares subject to the warrants will be reduced by 50% if, prior to December 31, 2009, the Company has received aggregate gross proceeds of not less than 100% of the issue price of the preferred shares in an offering of common stock or perpetual preferred stock, or any combination of common stock and perpetual preferred stock, that in each case qualify as Tier 1 capital. To the extent that the Company redeems the preferred shares held by the United States Treasury, the Company will have a right to repurchase any warrants or any common stock issued upon exercise of the warrants and held by the United States Treasury at fair market value. If the United States Treasury, or any person to whom the United States Treasury transfers the warrants, exercises the warrants, the Company will issue additional shares of its common stock, and the other holders of the Company's common stock will have their ownership interest in the Company diluted. The Company will be required to file a registration statement with the Securities and Exchange Commission, registering for resale the preferred shares and warrants issued to the United States Treasury and registering for sale, the shares of common stock issuable upon exercise of the warrants.

In addition, and as described below under "Description of the Preferred Stock - Voting Rights", if the Company fails to pay dividends on the preferred shares for a total of six quarters, whether or not consecutive, the Company's Board of Directors will automatically be increased by two members and the holders of the preferred shares, voting together with any other holders of preferred shares ranking *pari passu* with the preferred shares issued to the United States

Treasury, will have the right to elect two directors to fill the vacancies on the Board of Directors created by the increase. These directors will serve on the Board of Directors until such time as the Company has paid in full all dividends not previously paid, at which time these directors' terms of office shall terminate immediately.

For as long as the United States Treasury owns any debt or equity securities of the Company issued in connection with the Company's participation in the TARP capital purchase program, the Company will be required to take all necessary action to ensure that its benefit plans with respect to its senior executive officers comply in all respects with Section 111(b) of the Emergency Economic Stabilization Act of 2008, and the regulations issued and in effect thereunder as of the closing date of the sale of the preferred shares to the United States Treasury. This means that, among other things, while the United States

Treasury owns debt or equity securities issued by the Company in connection with the TARP capital purchase program, the Company must:

ensure that the incentive compensation programs for its senior executive officers do not encourage unnecessary and excessive risks that threaten the value of the Company;

implement a required clawback of any bonus or incentive compensation paid to the Company's senior executive officers based on statements of earnings, gains, or other criteria that are later proven to be materially inaccurate;

not make any golden parachute payment (as defined in the Internal Revenue Code) to any of the Company's senior executive officers; and

agree not to deduct for tax purposes executive compensation in excess of \$500,000 in any one fiscal year for each of the Company's senior executive officers.

The Company is currently reviewing its benefit plans and contracts to determine whether any amendments or modifications will be required to comply with the limits on executive compensation established by Section 111 of the Emergency Economic Stabilization Act of 2008. If any such modifications or amendments are required, the Company and its senior executive officers, if necessary, will modify or amend such plans and agreements prior to the Company's entering into the definitive documentation necessary to consummate the investment. The Company's senior executive officers have indicated that they are prepared to execute any such required amendments or modifications.

While the Company has applied to participate in the TARP capital purchase program, the Company has not yet been informed by the United States Treasury that it has been accepted for participation in the program. The Company can give you no assurance that the Company will ultimately be selected by the United States Treasury for participation in the program or that, if selected, it will choose to participate. If the Company were to participate, the minimum amount of preferred stock issuable would be approximately \$24.1 million and the maximum amount would be approximately \$72.3 million, based on the Company's risk-weighted assets as of September 30, 2008. In its application, the Company requested that it be allowed to participate at the maximum amount. The Company does not yet know how many shares of preferred stock, and related warrants, that it would issue to the United States Treasury if it does participate, but, if it participates at the maximum level, it believes the total number of preferred shares it would sell to the United States Treasury would be approximately 72,300. Financial institutions that desired to participate in the program were required to notify their primary federal regulator of such desire by 5:00 p.m. on November 14, 2008. The Board of Directors, in determining whether to participate in the program if the Company is accepted, will consider various factors, including but not limited to the ultimate terms of any preferred stock issuable, the impact of additional capital on the Company's strategic plans, growth opportunities, competitive position and safety and soundness, the impact of preferred stock dividends on earnings available to common shareholders, the dilutive impact of the common stock warrants, the restrictions associated with participation in the program, including restrictions on executive compensation and severance payments to executive officers and any other matters relevant.

If the Company participates in the TARP capital purchase program at the 1% of risk-weighted assets level, it would receive approximately \$24.1 million in additional capital and its subsidiary bank's Tier 1 leverage ratio would improve from 8.77% to 9.38%. At this 1% participation level, the Company's subsidiary bank's Tier 1 risk-based capital ratio would improve from 10.34% to 11.35% and its subsidiary bank's total risk-based capital ratio would increase from 11.59% to 12.60%. If the Company participates in the TARP capital purchase program at the 3% of risk-weighted assets level, it would receive approximately \$72.3 million in additional capital and its subsidiary bank's pro forma Tier 1 leverage ratio would be 11.03%. At this 3% participation level, the Company's subsidiary bank's pro forma Tier 1 risk-based capital ratio would be 13.34% and its subsidiary bank's pro forma total risk-based capital ratio would be 14.59%. Thus, whether the Company participates in the TARP capital purchase program or not the Company's subsidiary bank's capital levels are expected to continue to exceed the minimum capital levels required to be deemed a well-capitalized financial institution.

Anti-Takeover Effects of the Proposed Amendment

This proposal will, if approved, supplement and strengthen the Company's existing takeover defenses.

The issuance of preferred stock with voting rights could, under certain circumstances, have the effect of delaying or preventing a change of control of the Company by increasing the number of outstanding shares entitled to vote and by increasing the number of votes required to approve a change of control of the Company. Shares of voting or convertible preferred stock could be issued, or rights to purchase such shares could be issued, to make it more difficult to obtain control of the Company by means of a tender offer, proxy contest, merger or otherwise. The ability of the Board of Directors to issue such additional shares of preferred stock, with the rights and preferences it deems advisable, could discourage potential

acquirors, and could therefore deprive shareholders of benefits they might otherwise obtain from an attempt to acquire ownership or control of the Company, such as selling their shares at a premium over market price. Moreover, the issuance of such additional shares to persons friendly to the Board of Directors could make it more difficult to remove incumbent directors from office in the event such change were to be deemed advisable by the shareholders.

While the proposed amendment to the Company's Charter may have anti-takeover consequences, the Board of Directors believes that the benefits it would confer on the Company outweigh any disadvantages. In addition to the ability to participate in the capital purchase program component of the TARP program to support potential future growth, to finance purchases and secure capital, the Company would gain a degree of protection from hostile takeovers that might be contrary to the interests of the Company and the shareholders. The Board of Directors believes it is in the best interest of the Company and the shareholders to encourage potential acquirors to negotiate directly with the Board of Directors rather than taking unilateral action. Only when empowered to negotiate on behalf of the Company can the board have the best possible opportunity to secure the terms that best serve the interests of the Company and all the shareholders.

Although the Company believes that the material provisions of the amendment to the Charter are set forth above, reference should be made to the text of the amendment, a copy of which is attached to this proxy statement as Appendix A.

Pro Forma Financial Information

The following unaudited pro forma information of the Company for the fiscal year ended December 31, 2007 and the nine months ended September 30, 2008 show the effects of a minimum of \$24.1 million and a maximum of \$72.3 million of senior preferred shares issued to the United States Treasury pursuant to the TARP capital purchase program. The unaudited pro forma consolidated financial data gives effect to the events discussed below as if they had occurred on January 1, 2007 in the case of the statement of income data and September 30, 2008 in the case of the balance sheet data.

The pro forma financial data presented may change materially under either the Minimum or Maximum scenario based upon the actual proceeds received under the capital purchase program if the Company's application is approved by the Treasury, the timing and utilization of the proceeds as well as certain other factors including the strike price of the warrants, any subsequent changes in the Company's common stock price, and the discount rate used to determine the fair value of the preferred stock. Accordingly, the Company can provide no assurance that the Minimum or Maximum pro forma scenarios included in the following unaudited pro forma financial data will ever be achieved. The Company has included the following unaudited pro forma condensed consolidated data solely for the purpose of providing shareholders with information that may be useful for purposes of considering and evaluating the proposal to amend the Company's Charter.

The information should be read in conjunction with the Company's audited financial statements and the related notes as filed as part of the Company's Annual Report on Form 10-K for the year ended December 31, 2007, and the Company's unaudited consolidated financial statements and the related notes filed as part of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008.

The following unaudited pro forma condensed consolidated financial data is not necessarily indicative of the Company's financial position or results of operations that actually would have been attained had proceeds from the capital purchase program been received, or the issuance of the warrants pursuant to the capital purchase program been made, at the dates indicated, and is not necessarily indicative of the Company's financial position or results of operations that will be achieved in the future. In addition, as noted above, the Company's application to participate in the capital purchase program has not been approved by the United States Treasury. Accordingly, the Company can provide no assurance that the minimum or maximum estimated proceeds included in the following unaudited pro forma condensed consolidated financial data will ever be received.

The Company has included the following unaudited pro forma condensed consolidated financial data solely for the purpose of providing shareholders with information that may be useful for purposes of considering and evaluating the proposals to amend the Company's Charter. The Company's future results are subject to prevailing economic and industry specific conditions and financial, business and other known and unknown risks and uncertainties, certain of which are beyond the Company's control. These factors include, without limitation, those described in this proxy

statement and those described under Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

**Pro Forma Condensed Consolidated Balance Sheet
Data**

**Pro Forma
September 30, 2008**

	Actual September 30, 2008	Minimum TARP (in thousands)	Maximum TARP
ASSETS			
Cash and due from banks	\$ 46,168	\$ 46,168	\$ 46,168
Securities and short term investments ¹	365,432	389,532	437,732
Loans, net of unearned income	2,323,076	2,323,076	2,323,076
Other assets	277,365	277,365	277,365
Total assets	\$ 3,012,041	\$ 3,036,141	\$ 3,084,341
LIABILITIES AND EQUITY			
Liabilities			
Deposits	\$ 2,276,198	\$ 2,276,198	\$ 2,276,198
Borrowings	383,910	383,910	383,910
Other liabilities	25,451	25,451	25,451
Total liabilities	2,685,559	2,685,559	2,685,559
Shareholders' Equity			
Preferred stock ¹		22,392	67,169
Warrants ¹		1,708	5,131
Common stock	25,998	25,998	25,998
Retained earnings	114,742	114,742	114,742
Additional paid in capital	185,631	185,631	185,631
Accumulated comprehensive income	111	111	111
Total shareholders' equity	326,482	350,582	398,782
Total liabilities and shareholders' equity	\$ 3,012,041	\$ 3,036,141	\$ 3,084,341

¹ The pro forma financial information reflects the issuance of a minimum \$24,100 and a maximum of \$72,300 of the Company's senior preferred shares.

	Capital Ratios Actual September 30, 2008	Pro Forma Capital Ratios September 30, 2008 Minimum TARP	Maximum TARP
Tier 1 leverage ratio	9.03%	9.63%	11.28%
Tier 1 risk-based capital	10.34%	11.64%	13.63%
Total risk-based capital	11.89%	12.89%	14.88%

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Equity to assets ratio	10.84%	11.55%	12.93%
Tangible equity to tangible assets ratio ¹	5.97%	6.75%	8.29%

¹ Tangible shareholders' equity is shareholders' equity less goodwill and intangible assets and tangible assets is total assets less goodwill and intangible assets.

Pro Forma Condensed Consolidated Income Statement Data
Estimated Impact of Minimum TARP Proceeds Received of \$24,100,000 with 195,000¹ Warrants
Issued and Maximum TARP Proceeds Received of \$72,300,000 with 586,000¹ Warrants Issued
For the Nine Months ended September 30, 2008

	Actual	Pro Forma	
		Minimum TARP	Maximum TARP
	(In thousands, except shares and per share data)		
Condensed Income Statement Data:			
Net interest income ²	\$ 73,900	\$ 74,081	\$ 74,442
Provision for loan losses	20,527	20,527	20,527
Net interest income after provision for loan losses	53,373	53,554	53,915
Noninterest income	23,428	23,428	23,428
Noninterest expense	61,645	61,645	61,645
Income before income taxes	15,156	15,337	15,698
Provision for income taxes	5,282	5,351	5,488
Net Income	\$ 9,874	\$ 9,986	\$ 10,210
Preferred stock dividend ³		1,160	3,481
Net income available to common shareholders	\$ 9,874	\$ 8,826	\$ 6,729
Earning per share data:			
Basic	\$ 0.76	\$ 0.68	\$ 0.52
Diluted	0.76	0.68	0.52
Weighted Average Shares Outstanding:			
Basic	12,931,538	12,931,538	12,931,538
Diluted ⁴	12,936,084	12,936,084	12,936,084

¹The stock price of \$18.50 was used to calculate the warrants. This was the last 20 -day average closing price of GRNB stock on the NASDAQ Global Select Market on November 14, 2008.

²Assumes that the estimated TARP capital purchase program proceeds are used to temporarily increase short-term investments with an assumed annualized interest rate of 1%. The actual impact to net interest income would be different as the Company plans to utilize a portion of the proceeds to fund loan growth and for other corporate purposes. However, such impact cannot be determined at this time as the actual results would vary based upon the timing of when the loans are funded and the actual pricing of any such loans.

³Consists of dividends on preferred stock at a 5% annual rate as well as accretion on discount on preferred stock upon issuance. The discount is determined based on the value that is allocated to the warrants upon issuance. The discount is accreted back to par value on a constant effective yield method (approximately 7%) over a five year term, which is the expected life of the preferred stock upon issuance. The estimated accretion is based on a number of assumptions which are subject to change. These assumptions include the discount (market rate at issuance) rate on the preferred stock, and assumptions underlying the value of the warrants. The estimated proceeds are allocated based on the

relative fair value of the warrants as compared to the fair value of the preferred stock. The fair value of the warrants is determined under a Black-Scholes model. The model includes assumptions regarding the Company's common stock price, dividend yield, stock price volatility, as well as assumptions regarding the risk-free interest rate. The lower the value of the warrants, the less negative impact on net income and earnings per share available to common shareholders. The fair value of the preferred stock is determined based on assumptions regarding the discount rate (market rate) on the preferred stock (currently estimated at 12%). The lower the discount rate, the less negative impact on net income and earnings per share available to common shareholders.

⁴The calculated issue price of \$18.50 on the stock warrants (the 20-day average closing price for the Company's common stock on November 14, 2008) was greater than the average calculated \$16.73 stock price used for the Company's earning per share calculation (treasury stock method) at September 30, 2008, thus the warrants were not included in the pro forma diluted shares.

Pro Forma Condensed Consolidated Income Statement Data
Estimated Impact of Minimum TARP Proceeds Received of \$24,100,000 with 195,000¹ Warrants
Issued and Maximum TARP Proceeds Received of \$72,300,000 with 586,000¹ Warrants Issued
For the Twelve Months ended December 31, 2007

	Actual	Pro Forma	
		Minimum TARP	Maximum TARP
	(In thousands, except shares and per share data)		
Condensed Income Statement Data:			
Net interest income ²	\$ 94,653	\$ 94,894	\$ 95,376
Provision for loan losses	14,483	14,483	14,483
Net interest income after provision for loan losses	80,170	80,411	80,893
Noninterest income	27,678	27,678	27,678
Noninterest expense	69,328	69,328	69,328
Income before income taxes	38,520	38,761	39,243
Provision for income taxes	14,146	14,238	14,421
Net Income	\$ 24,374	\$ 24,523	\$ 24,822
Preferred stock dividend ³		1,547	4,641
Net income available to common shareholders	\$ 24,374	\$ 22,976	\$ 20,181
Earning per share data:			
Basic	\$ 2.07	\$ 1.95	\$ 1.72
Diluted	2.07	1.94	1.68
Weighted Average Shares Outstanding:			
Basic	11,756,699	11,756,699	11,756,699
Diluted	11,799,142	11,873,368	12,022,202

¹The stock price of \$18.50 was used to calculate the warrants. This was the last 20 -day average closing price of GRNB stock on the NASDAQ Global Select Market on November 14, 2008.

²Assumes that the estimated TARP capital purchase program proceeds are used to temporarily increase short-term investments with an assumed annualized interest rate of 1%. The actual impact to net interest income would be different as the Company plans to utilize a portion of the proceeds to fund loan growth and for other corporate purposes. However, such impact cannot be determined at this time as the actual results would vary based upon the timing of when the loans are funded and the actual pricing of any such loans.

³Consists of dividends on preferred stock at a 5% annual rate as well as accretion on discount on preferred stock upon issuance. The discount is determined based on the value that is allocated to the warrants upon issuance. The discount is accreted back to par value on a constant effective yield method (approximately 7%) over a five year term, which is the expected life of the preferred stock upon issuance. The estimated accretion is based on a number of assumptions which are subject to change. These assumptions include the discount (market rate at issuance) rate on the preferred stock, and assumptions underlying the value of the warrants. The estimated proceeds are allocated based on the

relative fair value of the warrants as compared to the fair value of the preferred stock. The fair value of the warrants is determined under a Black-Scholes model. The model includes assumptions regarding the Company's common stock price, dividend yield, stock price volatility, as well as assumptions regarding the risk-free interest rate. The lower the value of the warrants, the less negative impact on net income and earnings per share available to common shareholders. The fair value of the preferred stock is determined based on assumptions regarding the discount rate (market rate) on the preferred stock (currently estimated at 12%). The lower the discount rate, the less negative impact on net income and earnings per share available to common shareholders.

Vote Required

The Board of Directors has approved adoption of this proposal and recommends a vote FOR approval of this proposal. Approval of the proposal requires the affirmative vote of a majority of the total votes entitled to be cast at the Special Meeting at which a quorum is present.

DESCRIPTION OF THE PREFERRED STOCK

General

The proposed amendment to the Company's Charter would grant the Board of Directors the authority to issue 1,000,000 shares of preferred stock with no par value per share without further shareholder approval. The preferred stock would be issuable in one or more series, from time to time, with each such series to consist of such number of shares and to have such voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, as shall be stated in the resolution or resolutions providing for the issuance of such series adopted by the Board of Directors.

Capital Purchase Program

The following is a brief description of the terms of the shares (the Shares) of preferred stock that the Company may issue to the United States Treasury through the TARP capital purchase program, the only shares of preferred stock that the Company contemplates issuing in the proximate future. This description is based upon information currently available to the Company concerning the terms of the TARP capital purchase program and does not purport to be complete in all respects. The final terms of the Shares will be approved by the Company's Board of Directors, or an authorized committee thereof, and will be reflected in a subsequent amendment to the Company's Charter that will be adopted without shareholder approval.

General

Under the Company's Charter, as proposed to be amended, the Company will have authority to issue up to 1,000,000 shares of preferred stock, with no par value per share. Pending approval of the amendment to the Charter described in this Proxy Statement and the approval of the United States Treasury, the Company anticipates issuing between 24,000 and 72,300 Shares for an aggregate purchase price of between \$24.1 million and \$72.3 million pursuant to the capital purchase program based on the Company's risk-weighted assets as of September 30, 2008. Subject to limitations on use of proceeds that may be specified by the United States Treasury, the Company intends to use the proceeds of the issuance of the Shares for general corporate purposes. When issued, the Shares will be validly issued, fully paid and nonassessable. Holders of the Shares will be entitled to receive cash dividends when, as and if declared out of assets legally available for payment in respect of the Shares by the Company's Board of Directors or a duly authorized committee of the Board of Directors in their sole discretion. Dividends will be cumulative.

Prior to the issuance of the Shares, the Company will have filed Articles of Amendment to the Company's Charter with respect to the Shares with the Secretary of State of Tennessee. When issued, the Shares will have a fixed liquidation preference of \$1,000 per share. If the Company liquidates, dissolves or winds up its affairs, holders of the Shares will be entitled to receive, out of the Company's assets that are available for distribution to shareholders, an amount per Share equal to the liquidation preference per Share plus any accrued but unpaid dividends to the date of payment of the liquidation preference. The Shares will not be convertible into the Company's common stock or any other class or series of the Company's securities and will not be subject to any sinking fund or any other obligation of the Company for their repurchase or retirement.

Ranking

With respect to the payment of dividends and the amounts to be paid upon liquidation, the Shares will rank: senior to the Company's common stock and all other equity securities designated as ranking junior to the Shares; and

at least equally with all other equity securities designated as ranking on parity with the Shares as to payment of dividends or the amounts to be paid upon liquidation, as applicable.

For as long as any Shares remain outstanding, unless all accrued and unpaid dividends for all past Dividend Periods (as defined below) are fully paid:

no dividend whatsoever may be paid or declared on the Company's common stock or other junior stock or other equity securities designated as ranking *pari passu* with the Shares as to payment of dividends, other than, in the case of shares ranking *pari passu* with the Shares, dividends paid on a *pro rata* basis with the Shares and in the case of common stock and shares ranking *pari passu* with the Shares, dividends payable solely in shares of common stock;

no common stock or other junior stock or *pari passu* with the Shares may be purchased, redeemed or otherwise acquired for consideration by the Company.

Subject to the foregoing, such dividends (payable in cash, stock or otherwise) as may be determined by the Company's Board of Directors (or a duly authorized committee of the board) may be declared and paid on the Company's common stock and any other stock ranking *pari passu* with or junior to the Shares from time to time out of any funds legally available for such payment, and the Shares shall not be entitled to participate in any such dividend; *provided, however*, that the consent of the United States Treasury will be required for any increase in the dividends paid to the common stock until the earlier of (i) the third anniversary of the date of issue of the Shares and (ii) the date on which the Shares have been redeemed in whole or the United States Treasury has transferred all Shares to third parties.

Dividends

Holders of Shares, in preference to the holders of the Company's common stock and of any other shares of the Company's stock ranking junior to the Shares as to payment of dividends, will be entitled to receive, only when, as and if declared by the Company's Board of Directors or a duly authorized committee of the board, out of assets legally available for payment, cash dividends. These dividends will be payable at a rate of 5.00% *per annum* until the fifth anniversary of the date of issuance, and thereafter at a rate of 9.00% *per annum* (the Dividend Rate), applied to the \$1,000 liquidation preference per share and will be paid quarterly in arrears on the 15th day of February, May, August and November of each year commencing on February 15, 2009 (each, a Dividend Payment Date), with respect to the Dividend Period, or portion thereof, ending on the day preceding the respective Dividend Payment Date. A Dividend Period means each period commencing on (and including) a Dividend Payment Date and continuing to (but not including) the next succeeding Dividend Payment Date, except that the first Dividend Period for the initial issuance of Shares will commence upon the date of original issuance of the Shares. Dividends will be paid to holders of record on the respective date fixed for that purpose by the Company's Board of Directors or a committee thereof in advance of payment of each particular dividend.

The amount of dividends payable per Share on each Dividend Payment Date will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The Company is subject to various general regulatory policies and requirements relating to the payment of dividends, including requirements to maintain adequate capital above regulatory minimums. The Federal Reserve is authorized to determine, under certain circumstances relating to the financial condition of a bank holding company, such as the Company, that the payment of dividends would be an unsafe or unsound practice and to prohibit payment thereof. In addition, the Company is subject to Tennessee state laws and the bank is subject to the terms and regulations of the TDFC relating to the payment of dividends.

Conversion Rights

The Shares will not be convertible into shares of any other class or series of the Company's stock.

Redemption

The Shares may not be redeemed prior to the first Dividend Payment Date falling on or after the third anniversary of the date of issuance, except with the proceeds of a Qualified Equity Offering (as defined below) that results in proceeds to the Company of not less than 25% of the issue price of the Shares. A Qualified Equity Offering is the sale by the Company for cash, following the date of issuance of the Shares, of common stock or perpetual preferred stock that qualifies as Tier 1 capital under the rIRGIN-RIGHT: 0pt">•

THE UNDERLYING RETURN WILL NOT BE ADJUSTED FOR CHANGES IN THE EURO RELATIVE TO THE U.S. DOLLAR —The Underlying is composed of stocks denominated in, and the level of the Underlying is calculated

in, Euros. Because the level of the Underlying is calculated in Euros and not in U.S. dollars, the performance of the Underlying will not be adjusted for exchange rate fluctuations between the U.S. dollar and the Euro. Therefore, if the Euro strengthens or weakens relative to the U.S. dollar over the term of the notes, you will not receive any additional payment or incur any reduction in your return on the notes at maturity.

- **PAST PERFORMANCE OF THE UNDERLYING IS NO GUIDE TO FUTURE PERFORMANCE** — The actual performance of the Underlying over the term of the notes may bear little relation to the historical closing levels of the Underlying and may bear little relation to the hypothetical return examples set forth elsewhere in this term sheet. We cannot predict the future performance of the Underlying or whether the performance of the Underlying will result in the return of any of your investment.
- **ASSUMING NO CHANGES IN MARKET CONDITIONS AND OTHER RELEVANT FACTORS, THE PRICE YOU MAY RECEIVE FOR YOUR NOTES IN SECONDARY MARKET TRANSACTIONS WOULD GENERALLY BE LOWER THAN BOTH THE ISSUE PRICE AND THE ISSUER'S ESTIMATED VALUE OF THE NOTES ON THE TRADE DATE** — While the payment(s) on the notes described in this term sheet is based on the full Face Amount of your notes, the Issuer's estimated value of the notes on the Trade Date (as disclosed on the cover of this term sheet) is less than the Issue Price of the notes. The Issuer's estimated value of the notes on the Trade Date does not represent the price at which we or any of our affiliates would be willing to purchase your notes in the secondary market at any time. Assuming no changes in market conditions or our creditworthiness and other relevant factors, the price, if any, at which we or our affiliates would be willing to purchase the notes from you in secondary market transactions, if at all, would generally be lower than both the Issue Price and the Issuer's estimated value of the notes on the Trade Date. Our purchase price, if any, in secondary market transactions would be based on the estimated value of the notes determined by reference to (i) the then-prevailing internal funding rate (adjusted by a spread) or another appropriate measure of our cost of funds and (ii) our pricing models at that time, less a bid spread determined after taking into account the size of the

repurchase, the nature of the assets underlying the notes and then-prevailing market conditions. The price we report to financial reporting services and to distributors of our notes for use on customer account statements would generally be determined on the same basis. However, during the period of approximately three months beginning from the Trade Date, we or our affiliates may, in our sole discretion, increase the purchase price determined as described above by an amount equal to the declining differential between the Issue Price and the Issuer's estimated value of the notes on the Trade Date, prorated over such period on a straight-line basis, for transactions that are individually and in the aggregate of the expected size for ordinary secondary market repurchases.

In addition to the factors discussed above, the value of the notes and our purchase price in secondary market transactions after the Trade Date, if any, will vary based on many economic market factors, including our creditworthiness, and cannot be predicted with accuracy. These changes may adversely affect the value of your notes, including the price you may receive in any secondary market transactions. Any sale prior to the Maturity Date could result in a substantial loss to you. The notes are not designed to be short-term trading instruments. Accordingly, you should be able and willing to hold your notes to maturity.

- **THE NOTES WILL NOT BE LISTED AND THERE WILL LIKELY BE LIMITED LIQUIDITY** — The notes will not be listed on any securities exchange. There may be little or no secondary market for the notes. We or our affiliates intend to act as market makers for the notes but are not required to do so and may cease such market making activities at any time. Even if there is a secondary market, it may not provide enough liquidity to allow you to sell the notes when you wish to do so or at a price advantageous to you. Because we do not expect other dealers to make a secondary market for the notes, the price at which you may be able to sell your notes is likely to depend on the price, if any, at which we or our affiliates are willing to buy the notes. If, at any time, we or our affiliates do not act as market makers, it is likely that there would be little or no secondary market in the notes. If you have to sell your notes prior to maturity, you may not be able to do so or you may have to sell them at a substantial loss, even in cases where the level of the Underlying has increased since the Trade Date.
- **MANY ECONOMIC AND MARKET FACTORS WILL AFFECT THE VALUE OF THE NOTES** — While we expect that, generally, the level of the Underlying will affect the value of the notes more than any other single factor, the value of the notes will also be affected by a number of other factors that may either offset or magnify each other, including:
 - the expected volatility of the Underlying;
 - the composition of the Underlying;
 - the time remaining to the maturity of the notes;
- the market prices and dividend rates of the stocks composing the Underlying and changes that affect those stocks and their issuers;
 - interest rates and yields in the market generally;
- geopolitical conditions and a variety of economic, financial, political, regulatory or judicial events that affect the Underlying or markets generally;
 - supply and demand for the notes; and
 - our creditworthiness, including actual or anticipated downgrades in our credit ratings.

- **TRADING AND OTHER TRANSACTIONS BY US OR OUR AFFILIATES IN THE EQUITY AND EQUITY DERIVATIVE MARKETS MAY IMPAIR THE VALUE OF THE NOTES** — We or one or more of our affiliates expect to hedge our exposure from the notes by entering into equity and equity derivative transactions, such as over-the-counter options or exchange-traded instruments. Such trading and hedging activities may affect the Underlying and make it less likely that you will receive a positive return on your investment in the notes. It is possible that we or our affiliates could receive substantial returns from these hedging activities while the value of the notes declines. We or our affiliates may also engage in trading in instruments linked to the Underlying on a regular basis as part of our general broker-dealer and other businesses, for proprietary accounts, for other accounts under management or to facilitate transactions for customers, including block transactions. We or our affiliates may also issue or underwrite other securities or financial or derivative instruments with returns linked or related to the Underlying. By introducing competing products into the marketplace in this manner, we or our affiliates could adversely affect the value of the notes. Any of the foregoing activities described in this paragraph may reflect trading strategies that differ from, or are in direct opposition to, investors' trading and investment strategies related to the notes.
- **WE, OUR AFFILIATES OR OUR AGENTS, OR JPMORGAN CHASE & CO. OR ITS AFFILIATES, MAY PUBLISH RESEARCH, EXPRESS OPINIONS OR PROVIDE RECOMMENDATIONS THAT ARE INCONSISTENT WITH INVESTING IN OR HOLDING THE NOTES. ANY SUCH RESEARCH, OPINIONS OR RECOMMENDATIONS COULD ADVERSELY AFFECT THE LEVEL OF THE UNDERLYING TO WHICH THE NOTES ARE LINKED OR THE VALUE OF THE NOTES** — We, our affiliates or our agents, or JPMorgan Chase & Co. or its affiliates, may publish research from time to time on financial markets and other matters that could adversely affect the value of the

notes, or express opinions or provide recommendations that are inconsistent with purchasing or holding the notes. Any research, opinions or recommendations expressed by us, our affiliates or our agents, or JPMorgan Chase & Co. or its affiliates, may not be consistent with each other and may be modified from time to time without notice. You should make your own independent investigation of the merits of investing in the notes and the Underlying to which the notes are linked.

- **POTENTIAL CONFLICTS OF INTEREST** — We and our affiliates play a variety of roles in connection with the issuance of the notes, including acting as calculation agent, hedging our obligations under the notes and determining the Issuer's estimated value of the notes on the Trade Date and the price, if any, at which we or our affiliates would be willing to purchase the notes from you in secondary market transactions. In performing these roles, our economic interests and those of our affiliates are potentially adverse to your interests as an investor in the notes. The calculation agent will determine, among other things, all values and levels required to be determined for the purposes of the notes on any relevant date or time. The calculation agent will also be responsible for determining whether a market disruption event has occurred. Any determination by the calculation agent could adversely affect the return on the notes.
- **THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF AN INVESTMENT IN THE NOTES ARE UNCERTAIN** — There is no direct legal authority regarding the proper U.S. federal income tax treatment of the notes, and we do not plan to request a ruling from the IRS. Consequently, significant aspects of the tax treatment of the notes are uncertain, and the IRS or a court might not agree with the treatment of the notes as prepaid financial contracts that are not debt. If the IRS were successful in asserting an alternative treatment for the notes, the tax consequences of ownership and disposition of the notes could be materially and adversely affected. In addition, as described above under "Tax Consequences," in 2007 the U.S. Treasury Department and the IRS released a notice requesting comments on various issues regarding the U.S. federal income tax treatment of "prepaid forward contracts" and similar instruments. Any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the notes, possibly with retroactive effect. You should review carefully the section of the accompanying product supplement entitled "U.S. Federal Income Tax Consequences," and consult your tax adviser regarding the U.S. federal tax consequences of an investment in the notes (including possible alternative treatments and the issues presented by the 2007 notice), as well as tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

Use of Proceeds and Hedging

Part of the net proceeds we receive from the sale of the notes will be used in connection with hedging our obligations under the notes through one or more of our affiliates. The hedging or trading activities of our affiliates on or prior to the Trade Date or an Averaging Date could adversely affect the level of the Underlying, which could decrease the amount you may receive on the notes at maturity.

Historical Information

The following graph sets forth the historical performance of the EURO STOXX 50® Index based on the daily closing level of the Underlying from September 4, 2009 through September 4, 2014. The closing level of the Underlying on September 4, 2014 was 3,277.25. We obtained the historical closing levels of the Underlying below from Bloomberg, and we have not participated in the preparation of, or verified, such information.

The historical closing levels of the Underlying should not be taken as an indication of future performance, and no assurance can be given as to the closing level of the Underlying on any of the Averaging Dates. We cannot give you assurance that the performance of the Underlying will result in the return of any of your initial investment.

Supplemental Plan of Distribution

JPMorgan Chase Bank, N.A. and JPMS LLC or one of its affiliates will act as placement agents for the notes. The placement agents will receive a fee from the Issuer that will not exceed \$30.00 per \$1,000 Face Amount of notes, but will forgo any fees for sales to certain fiduciary accounts.