

INTERMOUNTAIN COMMUNITY BANCORP

Form S-1/A

May 17, 2012

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As filed with the Securities and Exchange Commission on May 17, 2012

Registration No. 333-180072

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D. C. 20549

**Pre-Effective Amendment No. 3**

**to**

**FORM S-1**

**REGISTRATION STATEMENT**

*UNDER*

*THE SECURITIES ACT OF 1933*

**INTERMOUNTAIN COMMUNITY BANCORP**

(Exact name of registrant as specified in its charter)

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<b>Idaho</b> (State or other jurisdiction of incorporation or organization)	<b>6022</b> (Primary Standard Industrial Classification Code Number) <b>414 Church Street</b>	<b>82-0499463</b> (I.R.S. Employer Identification No.)
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**Sandpoint, Idaho 83864**

**(208) 263-0505**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Curt Hecker**

**President and Chief Executive Officer**

**414 Church Street**

**Sandpoint, Idaho 83864**

**(208) 263-0505**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

*Copy to:*

**Stephen M. Klein**

**Graham & Dunn PC**

**Pier 70**

**2801 Alaskan Way, Suite 300**

**Seattle, Washington 98121**

**(206) 624-8300**

**Approximate date of commencement of proposed sale to the public:**

**From time to time on or after the effective date of this Registration Statement.**

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If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input checked="" type="checkbox"/>

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Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per share (1)	Proposed maximum aggregate offering price	Amount of registration fee
Common stock, no par value (2)	13,806,379	\$1.15	\$15,877,335	\$1,819.54
Warrants to purchase Non-Voting Common Stock, no par value, and shares issuable upon the exercise of warrants	1,700,000	\$1.00	\$ 1,700,000	\$ 194.82
Shares of Non-Voting Common Stock, no par value (3)	39,780,209	\$1.15	\$45,747,240	\$5,242.63
Underlying shares of Common Stock, no par value, with respect to the Non-Voting Common Stock (4)	41,480,209			
<b>Total</b>			<b>\$63,324,575</b>	<b>\$7,257.00(5)</b>

- (1) Estimated solely for the purpose of determining the amount of the registration fee in accordance with Rule 457(c) under the Securities Act with respect to the Common Stock, the Non-Voting Common Stock and the Warrants. With respect to the Common Stock and the Non-Voting Common Stock, it is based on the average of the high and low prices for the Common Stock reported on the Over-the-Counter Bulletin Board on March 7, 2012. With respect to the Warrants, it is based on the exercise price of the Warrants in accordance with Rule 457(i).
- (2) Represents: (i) the 12,350,352 shares of the Common Stock held by the Selling Securityholders; (ii) up to an estimated additional 1,456,027 shares of Common Stock that may become issuable upon the purchase by certain Selling Securityholders of Common Stock, pursuant to their agreement to backstop a Rights Offering conducted by Intermountain Community Bancorp; and (iii) any additional shares of Common Stock that may become issuable due to anti-dilution adjustments for changes resulting from stock splits, stock dividends, recapitalizations or similar transactions and certain other events specified in the terms of the Warrants.
- (3) Represents: (i) an estimated 34,949,648 shares of Non-Voting Common Stock and (ii) up to an estimated additional 4,830,561 shares of Non-Voting Common Stock that may become issuable upon the purchase by certain Selling Securityholders of Non-Voting Common Stock, pursuant to their agreement to backstop a Rights Offering conducted by Intermountain Community Bancorp; and (iii) any additional shares of Non-Voting Common Stock that may become issuable due to anti-dilution adjustments for changes resulting from stock splits, stock dividends, recapitalizations or similar transactions and certain other events specified in the terms of the Warrants.
- (4) Represents: an estimated 41,480,209 shares of Common Stock issuable upon conversion in full of the estimated 41,480,209 shares of Non-Voting Common Stock. The shares of Common Stock are issuable upon conversion of Non-Voting Common Stock upon certain transfers made in accordance with and as permitted by guidance and policies established by the Board of Governors of the Federal Reserve System.
- (5) Previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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**The information in this prospectus is not complete and may be changed. The Selling Securityholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED MAY 17, 2012**

PROSPECTUS

# **INTERMOUNTAIN COMMUNITY BANCORP**

**Up to 13,806,379 Shares of Common Stock**

**Warrants to Purchase 1,700,000 Shares of Non-Voting Common Stock**

**(and such underlying shares of Non-Voting Common Stock)**

**Up to 39,780,209 Shares of Non-Voting Common Stock**

**Up to 41,480,209 Shares of Common Stock Underlying the Non-Voting Common Stock**

This prospectus relates to the securities listed below (collectively, the Securities ) that may be offered for sale from time to time by certain Selling Securityholders:

Some or all of 13,806,379 shares of our common stock, no par value (the Common Stock );

Warrants, or portions thereof, to purchase 1,700,000 shares of Non-Voting Common Stock no par value (the Non-Voting Common Stock ) at an exercise price of \$1.00 per share (the Warrants ), and such underlying shares of Non-Voting Common Stock;

Some or all of 39,780,209 shares of our Non-Voting Common Stock; and

the shares of our Common Stock into which the Non-Voting Common Stock will convert upon certain transfers made in accordance with and as permitted by guidance and policies established by the Board of Governors of the Federal Reserve System, as discussed more fully herein.

We issued and sold the Securities as part of the Investment Transactions (as defined below in Prospectus Summary Recent Developments ). We are registering the resale of the Securities pursuant to agreements we entered into with the Selling Securityholders.

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The Selling Securityholders may sell all or a portion of the Securities from time to time, in amounts, at prices and on terms determined at the time of the offering. The Securities may be sold by any means described in the section of this prospectus entitled "Plan of Distribution" beginning on page 40. The registration of the Securities does not necessarily mean that any of the Securities will be sold by the Selling Securityholders. The timing and amount of any sale is within each Selling Securityholder's discretion.

We will not receive any proceeds from the sale of the Securities by the Selling Securityholders. We will, however, receive cash proceeds equal to the total exercise price of any Warrants that are exercised for cash but will receive no cash if and to the extent that Warrants are exercised pursuant to the net, or "cashless," exercise feature of the Warrants.

Our Common Stock is quoted on the Over-the-Counter Bulletin Board ( "OTCBB" ) under the symbol "IMCB.OB" . On May 16, 2012, the closing price of our Common Stock on the OTCBB was \$1.10 per share. None of the Warrants or Non-Voting Common Stock are listed or quoted on the OTCBB or any other stock exchange or quotation system. The Warrants will be sold for a price between \$0.25 and \$2.00 per Warrant. This price range was determined based on the Selling Securityholders' experience in valuing similar securities and the Black-Scholes option pricing model, which utilizes inputs such as the closing price of our Common Stock, exercise price of the Warrants, assumed dividend yield, assumed risk-free interest rate, expected volatility and expected term. The shares of Common Stock and the shares of Non-Voting Common Stock, if transferred or sold in accordance with and as permitted by guidance and policies established by the Board of Governors of the Federal Reserve System, shall be sold at the then-current market price of the Common Stock.

**Investing in our Securities involves risks. You should carefully read this prospectus, our periodic reports and other information we have filed with the Securities and Exchange Commission (the "SEC" ), and the information under the heading "Risk Factors" beginning on page 5 of this prospectus and in the documents incorporated by reference into this prospectus to read about factors you should consider before buying our Securities.**

The Securities are not savings accounts, deposits or other obligations of a bank or savings institution and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

**Neither the SEC nor any state securities regulator or other regulatory body has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The date of this prospectus is \_\_\_\_\_, 2012.

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**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus and the documents incorporated herein by reference may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements about our plans, objectives, expectations and intentions that are not historical facts, and other statements identified by words such as expects, anticipates, intends, plans, believes, will likely, should, projects, seeks, estimates or words of similar meaning. These forward-looking statements are based on current beliefs and expectations of management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. In addition to the factors set forth in (i) this prospectus, (ii) the sections titled Risk Factors, Business and Management's Discussion and Analysis of Financial Condition and Results of Operations, as applicable, from our Annual Report on Form 10-K for the year ended December 31, 2011, and (iii) the other documents incorporated by reference in this prospectus, the following factors, among others, could cause actual results to differ materially from the anticipated results:

further deterioration in economic conditions that could result in increased loan losses;

risks associated with concentrations in real estate-related loans;

declines in real estate values supporting loan collateral;

regulatory limits on our subsidiary bank's ability to pay dividends to us;

applicable laws and regulations and legislative or regulatory changes, including the ultimate financial and operational burden of financial regulatory reform legislation and related regulations;

inflation and interest rate levels, and market and monetary fluctuations;

the risks associated with lending and potential adverse changes in credit quality;

changes in market interest rates and spreads, which could adversely affect our net interest income and profitability;

increased credit delinquency rates;

trade, monetary and fiscal policies and laws, including interest rate and income tax policies of the federal government;

the timely development and acceptance of our new products and services;

the willingness of customers to substitute competitors' products and services for our products and services;



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technological and management changes;

our ability to recruit and retain key management and staff;

changes in estimates and assumptions used in financial accounting;

our critical accounting policies and the implementation of such policies;

growth and acquisition strategies;

lower-than-expected revenue or cost savings or other issues in connection with mergers and acquisitions;

changes in consumer spending, saving and borrowing habits;

the strength of the United States economy in general and the strength of the local economies in which we conduct our operations;

our ability to attract new deposits and loans;

competitive market pricing factors;

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stability of funding sources and continued availability of borrowings;

our success in gaining regulatory approvals, when required;

the costs and effects of any legal and regulatory restrictions including the results of regulatory examinations or reviews that could restrict growth and that may adversely impact our ability to increase market share and control expenses;

our ability to raise capital on reasonable terms;

our ability to effectively deploy funds from our recent capital raise;

future legislative or administrative changes to the Troubled Asset Relief Program ( TARP ) Capital Purchase Program;

the impact of the Emergency Economic Stabilization Act of 2008, the American Recovery and Reinvestment Act of 2009 and the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act ) and related rules and regulations on our business operations and competitiveness, including the impact of executive compensation restrictions, which may affect our ability to retain and recruit executives in competition with other firms who do not operate under those restrictions; and

our success at managing the risks involved in the foregoing.

Please take into account that forward-looking statements speak only as of the date of this prospectus or, in the case of documents incorporated by reference in this prospectus, the date of such document. We do not undertake any obligation to publicly correct or update any forward-looking statement whether as a result of new information, future events or otherwise.

**ABOUT THIS PROSPECTUS**

You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized anyone to provide any information or to make any representations other than those contained or incorporated by reference in this prospectus or in any free writing prospectuses we have prepared. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the securities offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is accurate only as of its date, and any information incorporated by reference is accurate only as of the date of the document incorporated by reference.

Neither we, nor any of our officers, directors, agents or representatives, make any representation to you about the legality of an investment in our Securities. You should not interpret the contents of this prospectus to be legal, business, investment or tax advice. You should consult with your own advisors for that type of advice and consult with them about the legal, tax, business, financial and other issues that you consider before investing in our Securities.

This prospectus does not offer to sell, or ask for offers to buy, any Securities in any state or jurisdiction where it would not be lawful or where the person making the offer is not qualified to do so.

It is important for you to read and consider all of the information contained in this prospectus in making your investment decision. You also should read and consider the information in the documents to which we have referred you in the sections entitled Where You Can Find More Information and Incorporation by Reference.

Unless otherwise indicated or unless the context requires otherwise, all references in this prospectus to Intermountain, the Company, we, us, or similar references mean Intermountain Community Bancorp and its subsidiaries on a consolidated basis. References to the Bank mean Panhandle State Bank, our wholly-owned banking subsidiary.



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**WHERE YOU CAN FIND MORE INFORMATION**

We file annual, quarterly, and current reports, proxy statements and other information with the Securities and Exchange Commission ( SEC ). Our SEC filings are available to the public over the Internet at the SEC 's web site at [www.sec.gov](http://www.sec.gov) and on the investor relations page of our website at [www.panhandlebank.com](http://www.panhandlebank.com). Except for those SEC filings incorporated by reference in this prospectus, information on our web site is not part of this prospectus. You may also read and copy any document we file with the SEC at its public reference facilities at 100 F Street N.E., Washington, D.C. 20549. You can also obtain copies of the documents upon the payment of a duplicating fee to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities.

This prospectus omits some information contained in the registration statement in accordance with SEC rules. You should review the information and exhibits included in the registration statement for further information about us and the Securities. Statements in this prospectus concerning any document we filed as an exhibit to the registration statement or that we otherwise filed with the SEC are not intended to be comprehensive and are qualified by reference to these filings. You should review the complete document to evaluate these statements.

**INCORPORATION BY REFERENCE**

The SEC allows us to incorporate by reference information we file with it, which means that we can disclose important information to you by referring you to other documents. The information incorporated by reference is considered to be a part of this prospectus. Information contained in this prospectus supersedes information incorporated by reference that we have filed with the SEC prior to the date of this prospectus.

We incorporate by reference the following documents listed below, except to the extent that any information contained in such filings is deemed furnished in accordance with SEC rules:

Our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, filed with the SEC on March 13, 2012;

Our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2012, filed with the SEC on May 14, 2012; and

Our Current Reports on Form 8-K filed with the SEC on January 23, 2012 (only with respect to Items 1.01, 3.02, 5.02 and the exhibits pertaining to such Items filed under Item 9.01), on January 26, 2012 (only with respect to Items 3.02, 3.03, 5.02, 5.03 and the exhibits pertaining to such Items filed under Item 9.01), on March 21, 2012, April 20, 2012, April 27, 2012 and May 2, 2012.

These documents contain important information about us, our business, financial condition and results of operations. You may request a copy of these filings, at no cost, by writing or calling Susan Pleasant, Asst. Vice President, Shareholder Relations, P.O. Box 967, Sandpoint, Idaho 83864, (208) 255-3432.

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**PROSPECTUS SUMMARY**

*This summary highlights selected information contained elsewhere or incorporated by reference in this prospectus and may not contain all the information that you need to consider in making your investment decision. You should carefully read this entire prospectus, as well as the information to which we refer you and the information incorporated by reference herein, before deciding whether to invest in the Securities. You should pay special attention to the Risk Factors section of this prospectus to determine whether an investment in the Securities is appropriate for you.*

**Intermountain Community Bancorp**

Intermountain Community Bancorp is a bank holding company incorporated in the State of Idaho in October 1997. We primarily provide commercial banking services in Idaho, Washington and Oregon through our full-service commercial bank subsidiary, Panhandle State Bank, which opened in 1981. Panhandle State Bank is an Idaho state-chartered bank and our primary markets consist of northern, southwestern and south central Idaho, eastern Washington and southwestern Oregon.

Panhandle State Bank maintains its main office in Sandpoint, Idaho and has 19 other branches. In addition to the main office, eight branch offices operate under the name of Panhandle State Bank, eight branches operate under the name of Intermountain Community Bank, a division of Panhandle State Bank, and three operate under the name of Magic Valley Bank, also a division of Panhandle State Bank.

As of March 31, 2012, we had total assets of \$959 million, total net loans receivable of \$493 million, total deposits of \$731 million, and total shareholders' equity of \$103 million.

As a bank holding company, Intermountain Community Bancorp is subject to regulation by the Federal Reserve Board and the Idaho Department of Finance. Panhandle State Bank is regulated by the Idaho Department of Finance, the State of Washington Department of Financial Institutions, the Oregon Division of Finance and Corporate Securities and, as an insured bank, is subject to regulation by the Federal Deposit Insurance Corporation (FDIC).

Our principal executive offices are located at 414 Church Street, Sandpoint, Idaho 83864, and our telephone number is (208) 263-0505. Our common stock is quoted on the OTC Bulletin Board under the symbol IMCB.OB.

**Recent Developments**

**Background of the 2012 Capital Raise**

*The Original Securities Purchase Agreements*

**Investment Transactions**

*The Original Securities Purchase Agreements*

As described in our Current Report on Form 8-K filed with the SEC on April 7, 2011, on April 6, 2011 we entered into securities purchase agreements (the Original Purchase Agreements) with Castle Creek Capital Partners IV, L.P. (Castle Creek), affiliates of Stadium Capital Management, LLC (Stadium) and, collectively with Castle Creek, the Lead Investors, and 14 other investors (collectively with the Lead Investors, the Original Investors), pursuant to which the Original Investors agreed to invest in private placements an aggregate of \$70 million in us for 70 million newly issued shares of Common Stock at a purchase price of \$1.00

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per share and, with respect to Castle Creek, a three-year warrant to purchase an additional 1,000,000 shares of Common Stock at \$1.25 per share. We negotiated the Original Purchase Agreements between the Original Investors and the Company with the assistance of Sandler O'Neill + Partners, L.P., the Company's placement agent.

The closing of the transactions was subject to certain customary conditions including required bank regulatory approvals and confirmations. Under the Change in Bank Control Act (CBCA) and the regulations, guidelines and policies of the Board of Governors of the Federal Reserve, investors seeking to acquire 10% or more of the voting securities of a bank holding company must file notices with and receive non-objections from the Federal Reserve, and make certain publications. Since each of the Lead Investors agreed to purchase in excess of 10% of the Common Stock on a pro forma basis under their respective Original Purchase Agreements, under the CBCA each was required to file a CBCA notice with the Federal Reserve and make such publications. Certain other Original investors were required to submit information to the Federal Reserve in connection with the Federal Reserve's review of the Lead Investors' respective CBCA notices, since those other investors planned to acquire 5% or more of our voting securities. In addition, the Company and the Lead Investors were required to make filings with and receive approvals from Idaho bank regulatory authorities and, with respect to proposed new members of the Company's and the Bank's respective boards of directors, the Federal Reserve and the Federal Deposit Insurance Corporation (FDIC), respectively, and the State of Idaho. The Company and each appropriate Original Investor made all necessary notices and filings with applicable bank regulators; however, the Federal Reserve did not complete its review of the CBCA notices by August 31, 2011. The Original Purchase Agreements provided that if the private placements did not close by August 31, 2011, each Original Investor could terminate its agreement in its discretion. On September 19, 2011, two of the Original Investors, who each would have purchased Common Stock representing approximately 9% of the Common Stock after giving effect to the private placements, separately notified us that they were terminating their respective Original Purchase Agreements. None of the Original Investors who terminated their respective Original Purchase Agreements was a Lead Investor.

It was also a condition to each Original Investor's obligation to close the transactions that the full \$70 million in capital be raised under the Original Purchase Agreements. As a result of the terminations of the two approximately 9% investors and the subsequent terminations of other smaller investors, although the Original Purchase Agreements with other Original Investors did not automatically terminate, the transactions had to be re-structured in order for a closing to occur, since \$70 million in capital could no longer be raised.

### ***The Amended Securities Purchase Agreements***

We worked with Sandler O'Neill and each of the Lead Investors, the other remaining Original Investors and potential additional investors to restructure the planned capital raise. In light of adverse market conditions and the loss of certain investors from the original investor group, the Company and Sandler O'Neill were not able to replace all of the Original Investors who had terminated their agreements and thereby complete a full \$70 million capital raise. We determined that the Company could satisfy the capital requirements of its regulators and its own internal capital needs as a result of improved Company conditions, with a smaller capital raise, so the Company and Sandler O'Neill focused on completing a smaller capital raise with the interested investors. To maximize the aggregate amount invested in the capital raise, each of the Lead Investors agreed to acquire up to 33.3% total equity in us by making a portion of their investments in non-voting stock, as permitted by the Federal Reserve policy statement on private equity investments in bank holding companies. Castle Creek and Stadium determined to acquire securities representing 9.9% and 14.9%, respectively, of the voting Common Stock, and the remainder of their 33.3% total equity investment in the form of Mandatorily Convertible Cumulative Participating Preferred Stock, Series B, no par value (Series B Preferred Stock) which would automatically convert into Non-Voting Common Stock at a conversion price of \$1.00 per share upon shareholder approval of an amendment to the Company's Amended and Restated Articles of Incorporation to authorize such Non-Voting Common Stock, and warrants for each of Castle Creek and Stadium exercisable for 850,000 shares

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of Non-Voting Common Stock at \$1.00 per share (or, in the event the Warrants were exercised prior to such shareholder approval, for Series B Preferred Stock at an economically equivalent exercise price).

On January 19, 2012, the Federal Reserve and the applicable Idaho regulators took the steps necessary to allow the restructured capital raise to close. Effective as of January 20, 2012, we entered into securities purchase agreements with respect to the restructured capital raise (the

Purchase Agreements ). On January 23, 2012, the re-structured capital raise closed, resulting in aggregate gross proceeds to the Company of approximately \$47.3 million and aggregate net proceeds of approximately \$42.2 million after paying transaction costs and expenses. Of the approximately \$5.1 million in expenses, we paid approximately \$2.4 million as a placement agent fee to Sandler O'Neill, approximately \$1.8 million for Company and investor legal fees and expenses, approximately \$84 thousand for the fees and expenses of BDO USA, the Company's outside audit firm, approximately \$661 thousand in investor due diligence costs and approximately \$52 thousand in registration and printing costs. Graham & Dunn PC, the Company's counsel, and BDO USA have each received fees from the Company during the last three years in their roles as outside counsel and auditors, respectively.

The Purchase Agreements provide the Selling Securityholders with registration rights with respect to the Initial Securities. Among other things, the Purchase Agreements require the Company to file a resale registration statement, or statements if necessary, with respect to the Securities within 60 days of the closing of the sale of the Initial Securities. We have filed the registration statement of which this prospectus is a part in accordance with those registration obligations under the Purchase Agreements.

Under the terms of the Purchase Agreements, we also agreed to conduct a rights offering (the Rights Offering ) to shareholders who were holders of record on the business day immediately preceding the closing. Such shareholders will be offered non-transferable rights ( Rights ) to purchase shares of Common Stock at the same per share purchase price of \$1.00 used in the private placements of the Initial Common Shares, for an aggregate offering of \$8.7 million. The Selling Securityholders who were not Intermountain shareholders before the closing of the private placements of the Initial Common Shares under the Purchase Agreements will not be issued any Rights in the Rights Offering; however, in the event the Rights Offering is undersubscribed, Castle Creek Capital Partners IV, L.P., Stadium Capital Management LLC (and its affiliates), and two other Selling Securityholders are required to purchase on a pro rata basis in a private placement any shares of Common Stock that are not purchased pursuant to the Rights Offering (any such shares purchased by such Selling Securityholders are referred to in this prospectus as the

Rights Offering Backstop Shares ). Such Selling Securityholders may, at their option, elect to purchase a like number of shares of Non-Voting Common Stock in lieu of their obligation to purchase all or a part of the shares of Common Stock that they would be obligated to buy pursuant to such backstop. The obligation to purchase shares pursuant to the backstop commitments is subject to the ownership limitations set forth in such Selling Securityholder's respective Purchase Agreement. This prospectus covers the offer and sale of any Rights Offering Backstop Shares in addition to the Initial Securities.

On May 17, 2012, the Company held its Annual Meeting at which its shareholders approved each of the proposals detailed in its Definitive Proxy Statement, which was filed with the Securities and Exchange Commission on April 19, 2012. At the Annual Meeting, the shareholders approved, among other proposals, the amendment to Intermountain's Amended and Restated Articles of Incorporation to authorize up to 100,000,000 shares of Non-Voting Common Stock. We filed the amendment to the Articles on May 17, 2012. The amendment permits (i) the conversion of each outstanding share of Series B Preferred Stock into shares of Non-Voting Common Stock, (ii) the exercise of Warrants issued to certain Investors for shares of Non-Voting Common Stock, and (iii) the purchase of Non-Voting Common Stock in a private placement (or the conversion of any Series B Preferred Stock already purchased in such private placement) by the Backstop Investors pursuant to their commitments in the rights offering conducted by the Company. Upon the conversion to Non-Voting Common Stock, all shares of Series B Preferred Stock ceased to exist and resumed the status of authorized and unissued shares of the Company's Preferred Stock.

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**Risk Factors**

An investment in the Securities involves certain risks. You should carefully consider the risks described under Risk Factors beginning on page 5 of this prospectus, as well as other information included or incorporated by reference into this prospectus, including our financial statements and the notes thereto, before making an investment decision.

**The Offering**

*The following summary of the offering contains basic information about the offering and the Securities and is not intended to be complete. It does not contain all the information that is important to an investment decision. For a more complete description of the Securities, please refer to the section of this prospectus entitled Description of Capital Stock.*

<i>Securities we are offering</i>	None
<i>Securities offered by the Selling Securityholders</i>	Up to 13,806,379 shares of Common Stock, the Warrants, up to 1,700,000 shares of Non-Voting Common Stock, issuable upon exercise of the Warrants, up to 39,780,209 shares of Non-Voting Common Stock, and up to 41,480,209 shares of Common Stock issuable upon conversion of the Non-Voting Common Stock into Common Stock, which conversion can occur only in connection with certain transfers made in accordance with and as permitted by the Board of Governors of the Federal Reserve System.
<i>Shares of Common Stock Outstanding (1)</i>	20,775,493, as of May 16, 2012
<i>Use of proceeds</i>	We will not receive any proceeds from the sale of the shares of Common Stock or Non-Voting Common Stock by the Selling Securityholders. We will, however, receive cash proceeds equal to the total exercise price of any Warrants that are exercised for cash but will receive no cash if and to the extent that Warrants are exercised pursuant to the net, or cashless, exercise feature of the Warrants.
<i>OTC Bulletin Board trading symbol, Common Stock</i>	IMCB.OB
<i>Risk factors</i>	An investment in our Securities is subject to risks. Please refer to the information contained under the caption <u>Risk Factors</u> and other information included or incorporated by reference in this prospectus for a discussion of factors you should carefully consider before investing in our Securities.

(1) Shares of Common Stock outstanding as of May 16, 2012 does not include shares subject to outstanding and unexercised warrants and options or shares issued pursuant to the Rights Offering.



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**RISK FACTORS**

*An investment in our common stock, no par value (the Common Stock ) involves certain risks. Before making an investment decision, you should read carefully and consider the risk factors below. You should also refer to other information contained in or incorporated by reference in this prospectus and any applicable prospectus supplement, including our financial statements and the related notes incorporated by reference herein. The risks and uncertainties described below are not the only ones facing our business. Additional risks and uncertainties not presently known to us at this time or that we currently deem immaterial may also materially and adversely affect our business and operations. This prospectus is qualified in its entirety by these risk factors. If any of the events or conditions discussed in the following risk factors actually occurs, our financial condition and results of operations could be materially and adversely affected. If this were to happen, the value of our Common Stock could decline significantly, and you could lose all or part of your investment.*

**Risks Associated with Our Business**

*The continued challenging economic environment could have a material adverse effect on our future results of operations or market price of our stock.*

The national economy and the financial services sector in particular, are still facing significant challenges. Substantially all of our loans are to businesses and individuals in northern, southwestern and south central Idaho, eastern Washington and southwestern Oregon, markets facing many of the same challenges as the national economy, including elevated unemployment and declines in commercial and residential real estate. Although some economic indicators are improving both nationally and in the markets we serve, unemployment remains high and there remains substantial uncertainty regarding when and how strongly a sustained economic recovery will occur. A further deterioration in economic conditions in the nation as a whole or in the markets we serve could result in the following consequences, any of which could have an adverse impact, which may be material, on our business, financial condition, results of operations and prospects, and could also cause the market price of our stock to decline:

economic conditions may worsen, increasing the likelihood of credit defaults by borrowers;

loan collateral values, especially as they relate to commercial and residential real estate, may decline further, thereby increasing the severity of loss in the event of loan defaults;

nonperforming assets and write-downs of assets underlying troubled credits could adversely affect our earnings;

demand for banking products and services may decline, including services for low cost and non-interest-bearing deposits; and

changes and volatility in interest rates may negatively impact the yields on earning assets and the cost of interest-bearing liabilities. ***Our allowance for loan losses may not be adequate to cover actual loan losses, which could adversely affect our earnings.***

We maintain an allowance for loan losses in an amount that we believe is adequate to provide for losses inherent in our loan portfolio. While we strive to carefully manage and monitor credit quality and to identify loans that may be deteriorating, at any time there are loans included in the portfolio that may result in losses, but that have not yet been identified as potential problem loans. Through established credit practices, we attempt to identify deteriorating loans and adjust the loan loss reserve accordingly. However, because future events are uncertain, there may be loans that deteriorate in an accelerated time frame. As a result, future additions to the allowance may be necessary. Because the loan portfolio contains a number of loans with relatively large balances, deterioration in the credit quality of one or more of these loans may require a significant increase to the allowance for loan losses. Future additions to the allowance may also be required based on changes in the

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financial condition of borrowers, such as have resulted due to the current, economic conditions or as a result of actual events turning out differently than forecasted in the assumptions we use to determine the allowance for loan losses. With respect to real estate loans and property taken in satisfaction of such loans ( other real estate owned or OREO ), we can be required to recognize significant declines in the value of the underlying real estate collateral or OREO quite suddenly as new appraisals are performed in the normal course of monitoring the credit quality of the loans. There are many factors that can cause the appraised value of real estate to decline, including declines in the general real estate market, changes in methodology applied by the appraiser, and/or using a different appraiser than was used for the prior appraisal. Our ability to recover on real estate loans by selling or disposing of the underlying real estate collateral is adversely impacted by declining appraised values, which increases the likelihood we will suffer losses on defaulted loans beyond the amounts provided for in the allowance for loan losses. This, in turn, could require material increases in our provision for loan losses.

Additionally, federal banking regulators, as an integral part of their supervisory function, periodically review our allowance for loan losses. These regulatory agencies may require us to recognize further loan loss provisions or charge-offs based upon their judgments, which may be different from ours. Any increase in the allowance for loan losses would have a negative effect, which may be material, on our financial condition and results of operations.

***We have entered into an informal agreement with our regulators to take steps to further strengthen the Bank.***

The Bank has entered into an informal agreement with the FDIC and the Idaho Department of Finance to take steps to further strengthen the Bank within specified timeframes, including, among other items, increasing capital by at least \$30 million by June 16, 2010 and thereafter maintaining a minimum 10% Tier 1 Capital to Average Assets ratio, not paying dividends from the Bank to the Company without prior approval, achieving staged reductions in the Bank's adversely classified assets and not engaging in transactions that would materially alter our balance sheet composition. Management has taken numerous steps to satisfy the conditions of the agreement, including raising net proceeds of approximately \$42.2 million in the recent capital raise and contributing \$30 million as additional capital to the Bank. Although management has taken these steps, there can be no assurance as to when, or if, the informal agreement will be lifted.

***If the proceeds from the recent private placement and the expected proceeds from the planned Rights Offering are not sufficient to satisfy our capital and liquidity needs or to satisfy changing regulatory requirements, we may need even more capital and could be subject to further regulatory restrictions, either of which could significantly adversely affect us and the trading price of our stock.***

The proceeds from the recent private placement and the expected proceeds from the planned Rights Offering have been raised, or will be raised, to strengthen our common equity capital base. Despite this increase in our capital base, if the proceeds from the private placement and the expected proceeds from the Rights Offering are not sufficient, or if economic conditions continue to be difficult or worsen or fail to improve in a timely manner, or if there is further deterioration in economic conditions in the nation as a whole or in the markets we serve, particularly in the residential and commercial real estate markets, we may need to raise significant additional capital. Factors affecting whether we would need to raise additional capital include, among others, changing requirements of regulators, further decline in loan collateral values, additional provisions for loan losses and loan charge-offs, and other risks discussed in this Risk Factors section. If we were to need to raise additional capital, there can be no assurance that we would be able to do so in the amounts required and in a timely manner, or at all. In addition, any such additional capital raised may be significantly dilutive to our existing shareholders and may result in the issuance of securities that have rights, preferences and privileges that are senior to our Common Stock.

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*As a result of the transactions contemplated by the Purchase Agreements, Castle Creek Capital Partners IV, L.P. ( Castle Creek ) and affiliates of Stadium Capital Management LLC ( Stadium ) became substantial holders of our Common Stock.*

Upon the completion of the transactions contemplated by the Purchase Agreements, Castle Creek and Stadium each became holders of a 33.3% ownership interest, and 9.9% and 14.9% voting interest, respectively, in Intermountain (after giving effect to the exercise of certain warrants issued thereby). Stadium has a representative on our board and each has the right to an observer and has a representative on the Bank's Board of Directors. Although Castle Creek and Stadium each entered into certain passivity agreements with the Federal Reserve in connection with their investments in us, Castle Creek and Stadium each have substantial influence over our corporate policy and business strategy. In pursuing their economic interests, Castle Creek and Stadium may have interests that are different from the interests of our other shareholders.

*Resales of our Common Shares in the public market may cause the market price of our Common Shares to fall.*

We issued a large number of shares of Common Stock and securities convertible into common stock to the Selling Securityholders pursuant to the Purchase Agreements. The Selling Securityholders have certain registration rights with respect to the shares of Common Stock and securities convertible into common stock held by them. The registration rights for the Selling Securityholders will allow them to sell their shares without compliance with the volume and manner of sale limitations under Rule 144 promulgated under the Securities Act. The market value of our Common Stock could decline as a result of sales by the Selling Securityholders from time to time of a substantial amount of the shares of Common Stock and securities convertible into common stock held by them.

*We have incurred significant losses in recent years and may incur losses again in the future.*

We have incurred significant losses in recent years. While there has been continued improvement in the quality of our loan portfolio and a corresponding improvement in operating results, economic conditions remain uncertain. As such, significant additional provisions for credit losses may be necessary to supplement the allowance for loan and lease losses in the future, which could cause us to incur a net loss in the future and could adversely affect the price of, and market for, our Common Stock.

*Concentration in real estate loans and the deterioration in the real estate markets we serve could require material increases in our allowance for loan losses and adversely affect our financial condition and results of operations.*

The current economic downturn and sluggish recovery is significantly affecting our market areas. At March 31, 2012, 61.1% of our loans were secured with real estate as the primary collateral. Further deterioration or a slow recovery in the local economies we serve could have a material adverse effect on our business, financial condition and results of operations due to a weakening of our borrowers' ability to repay these loans and a decline in the value of the collateral securing them. In light of the continuing effects of the economic downturn of the past three years, real estate values have been adversely affected. As we have experienced, significant declines in real estate collateral can occur quite suddenly as new appraisals are performed in the normal course of monitoring the credit quality of the loan. Significant declines in the value of real estate collateral due to new appraisals can occur due to declines in the real estate market, changes in methodology applied by the appraiser, and/or using a different appraiser than was used for the prior appraisal. Our ability to recover on these loans by selling or disposing of the underlying real estate collateral is adversely impacted by declining real estate values, which increases the likelihood we will suffer losses on defaulted loans secured by real estate beyond the amounts provided for in the allowance for loan losses. This, in turn, could require material increases in our allowance for loan losses and adversely affect our financial condition and results of operations, perhaps materially.

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### ***Non-performing assets take significant time to resolve and adversely affect our results of operations and financial condition.***

At March 31, 2012, our non-performing loans (which consist of non-accrual loans and loans that are 90 days or more past due) were 1.62% of the loan portfolio. At March 31, 2012, our non-performing assets (which also include OREO) were 1.55% of total assets. The level of non-performing loans to net loans decreased from 1.85% at December 31, 2011, to 1.62% at March 31, 2012, and the level of non-performing assets to total assets decreased from 1.71% at December 31, 2011 to 1.55% at March 31, 2012, but both ratios remain at elevated levels compared to historical norms. Non-performing loans and assets adversely affect us in a variety of ways. Until economic and market conditions improve, we may expect to continue to incur losses relating to elevated levels of non-performing assets. We do not record interest income on non-accrual loans, thereby adversely affecting our net interest income and increasing loan administration costs. When we receive collateral through foreclosures and similar proceedings, we are required to mark the related loan to the then fair market value of the collateral, which may ultimately result in a loss. An increase in the level of non-performing assets also increases our risk profile and may impact the capital levels our regulators believe are appropriate in light of such risks. We utilize various techniques such as loan sales, workouts and restructurings to manage our problem assets. Decreases in the value of these problem assets, the underlying collateral, or in the borrowers' performance or financial condition could adversely affect our business, results of operations and financial condition, perhaps materially. In addition, the resolution of non-performing assets requires significant commitments of time from management and staff, which can be detrimental to the performance of their other responsibilities. We may experience increases in non-performing loans and assets in the future.

### ***Our ability to receive dividends from our banking subsidiary accounts for most of our revenue and could affect our liquidity and ability to pay dividends.***

We are a separate and distinct legal entity from our banking subsidiary, Panhandle State Bank. We receive substantially all of our revenue from dividends from our banking subsidiary. Under normal circumstances, these dividends are the principal source of funds to fund holding company expenses and pay dividends on our Common Stock and our preferred stock, no par value per share (the Preferred Stock) and principal and interest on our outstanding debt. The other primary sources of liquidity for the Company are capital or borrowings. Various federal and/or state laws and regulations limit the amount of dividends that the Bank may pay us. For example, Idaho law limits a bank's ability to pay dividends subject to surplus reserve requirements. In addition, as noted above, we have entered into an informal agreement with our regulators prohibiting the payment of dividends from the Bank to the Company without prior approval. Also, our right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors. Limitations on our ability to receive dividends from our subsidiary could have a material adverse effect on our liquidity and on our ability to pay dividends on Common Stock or Preferred Stock. Additionally, if our subsidiary's earnings are not sufficient to make dividend payments to us while maintaining adequate capital levels, we may not be able to make dividend payments to our common and preferred shareholders or principal and interest payments on our outstanding debt.

In this regard, we have suspended payments on our trust preferred securities and Fixed Rate Cumulative Perpetual Preferred Stock, Series A (the Series A Preferred Stock). As of May 16, 2012, we will have not paid dividends on the Series A Preferred Stock for a total of ten quarterly dividend periods, which gives the U.S. Treasury the right to appoint two directors to our board of directors until all accrued but unpaid dividends have been paid. If we do not make payments on our trust preferred securities for over 20 consecutive quarters, we could be in default under those securities.

### ***A continued tightening of credit markets and liquidity risk could adversely affect our business, financial condition and results of operations.***

A continued tightening of the credit markets or any inability to obtain adequate funds for continued loan growth at an acceptable cost could negatively affect our asset growth and liquidity position and, therefore, our

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earnings capability. In addition to core deposit growth, maturity of investment securities and loan payments, the Bank also relies on alternative funding sources including unsecured bor