

# CRFN 10-K/A 12/31/2007

## Section 1: 10-K/A

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

### FORM 10-K/A

Amendment No. 1

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2007

OR

TRANSITIONAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

COMMISSION FILE NUMBER 000-32951

**CRESCENT FINANCIAL CORPORATION**  
(Exact name of registrant as specified in its charter)

NORTH CAROLINA  
(State or Other Jurisdiction of  
Incorporation or Organization)

56-2259050  
(I.R.S. Employer  
Identification No.)

1005 High House Road, Cary, North Carolina  
27513  
(Address of Principal Executive Offices)  
(Zip Code)

Registrant's Telephone number, including area code: (919) 460-7770

Securities registered pursuant to Section 12(b) of the Act

**NONE**

Securities registered pursuant to Section 12(g) of the Act:

### **COMMON STOCK, PAR VALUE \$1.00 PER SHARE**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of

1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K

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

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: \$91,441,019.

Indicate the number of shares outstanding of each of the registrant's classes of Common Stock as of the latest practicable date: 9,496,555 shares of Common Stock outstanding as of March 7, 2008.

#### **Documents Incorporated by Reference.**

Portions of the registrant's definitive proxy statement as filed with the Federal Deposit Insurance Corporation in connection with its 2008 annual meeting are incorporated into Part III of this report.

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## EXPLANATORY NOTE

We are filing this Amendment to our Form 10-K so as to include the appropriate certifications required by Exchange Act Rule 13a-14(a). Our original Form 10-K filing included certifications that omitted the relevant language pertaining to the Registrant's internal controls and procedures.

### ITEM 15 - Exhibits, financial statement schedules

(a)

#### (1) and (2) Lists of Financial Statements and Schedules

The following consolidated financial statements of the Registrant are filed as a part of this report:

- Consolidated Balance Sheets as of December 31, 2007 and December 31, 2006
- Consolidated Statements of Operations for the years ended December 31, 2007, 2006 and 2005
- Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2007, 2006 and 2005
- Consolidated Statements of Cash Flows for the years ended December 31, 2007, 2006 and 2005
- Notes to Consolidated Financial Statements
- Report of Independent Registered Public Accounting Firm

#### (3) Listing of Exhibits

Exhibits filed with this report are listed in the Index to Exhibits. The following management contracts or compensatory plans or arrangements are required to be filed as exhibits to this report:

- 1999 Incentive Stock Option Plan
- 1999 Nonqualified Stock Option Plan for Directors
- Employment Agreement between the Registrant and Michael G. Carlton
- Employment Agreement between the Registrant and Bruce W. Elder
- Employment Agreement between the Registrant and Thomas E. Holder, Jr.
- Employment Agreement between the Registrant and Ray D. Vaughn
- Employment Agreement between the Registrant and W. Keith Betts
- Salary Continuation Agreement with Michael G. Carlton
- Salary Continuation Agreement with Bruce W. Elder
- Salary Continuation Agreement with Thomas E. Holder, Jr.
- Salary Continuation Agreement with Ray D. Vaughn
- Salary Continuation Agreement with W. Keith Betts
- Endorsement Split Dollar Agreement with Michael G. Carlton
- Endorsement Split Dollar Agreement with Bruce W. Elder
- Endorsement Split Dollar Agreement with Thomas E. Holder, Jr.
- Endorsement Split Dollar Agreement with Ray D. Vaughn
- Endorsement Split Dollar Agreement with W. Keith Betts
- Crescent State Bank Directors' Compensation Plan
- 2006 Omnibus Stock Ownership and Long Term Incentive Plan

#### (b) Exhibits

Exhibits filed with this report are listed in the Index to Exhibits.

## SIGNATURES

In accordance with the requirements of Section 13 of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

### CRESCENT FINANCIAL CORPORATION

Registrant

By: /s/ Michael G. Carlton

Michael G. Carlton

Date: April 29, 2008

President and Chief Executive Officer

In accordance with the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>/s/ Michael G. Carlton</u> Michael G. Carlton, President and Chief Executive Officer, Director	April 29, 2008
<u>/s/ Bruce W. Elder</u> Bruce W. Elder, Vice President (Principal Accounting Officer)	April 29, 2008
<u>/s/ Brent D. Barringer</u> Brent D. Barringer, Director	April 29, 2008
<u>/s/ William H. Cameron</u> William H. Cameron, Director	April 29, 2008
<u>/s/ Bruce I. Howell</u> Bruce I. Howell, Director	April 29, 2008
<u>/s/ James A. Lucas</u> James A. Lucas, Director	April 29, 2008
<u>/s/ Kenneth A. Lucas</u> Kenneth A. Lucas, Director	April 29, 2008
<u>/s/ Sheila Hale Ogle</u> Sheila Hale Ogle, Director	April 29, 2008
<u>/s/ Charles A. Paul</u> Charles A. Paul, Director	April 29, 2008
<u>/s/ Francis R. Quis, Jr.</u> Francis R. Quis, Jr., Director	April 29, 2008
<u>/s/ Jon S. Rufty</u> Jon S. Rufty, Director	April 29, 2008
<u>/s/ Jon T. Vincent</u> Jon T. Vincent, Director	April 29, 2008
<u>/s/ Stephen K. Zaytoun</u> Stephen K. Zaytoun, Director	April 29, 2008



## EXHIBIT INDEX

Exhibit Number	Exhibit	
3(i)	Articles of Incorporation.	*
3(ii)	Bylaws	*
4	Form of Stock Certificate	*
10(i)	1999 Incentive Stock Option Plan	**
10(ii)	1999 Nonqualified Stock Option Plan	**
10(iii)	Employment Agreement Michael G. Carlton	*****
10(iv)	Employment Agreement of Bruce W. Elder	*****
10(v)	Employment Agreement of Thomas E. Holder, Jr.	*****
10(vi)	Amended and Restated Trust Agreement of Crescent Financial Capital Trust I	***
10(vii)	Indenture	***
10(viii)	Junior Subordinated Debenture	***
10(ix)	Guarantee Agreement	***
10(x)	Salary Continuation Agreement with Michael G. Carlton	*****
10(xi)	Salary Continuation Agreement with Bruce W. Elder	*****
10(xii)	Salary Continuation Agreement with Thomas E. Holder, Jr.	*****
10(xiii)	Endorsement Split Dollar Agreement with Michael G. Carlton	***
10(xiv)	Endorsement Split Dollar Agreement with Bruce W. Elder	***
10(xv)	Endorsement Split Dollar Agreement with Thomas E. Holder, Jr.	***
10(xvi)	Crescent State Bank Directors' Compensation Plan	*****
10(xvii)	Salary Continuation Agreement with Ray D. Vaughn	*****
10(xviii)	Salary Continuation Agreement with W. Keith Betts	*****
10(xix)	Employment Agreement with Ray D. Vaughn	*****
10(xx)	Employment Agreement of W. Keith Betts	*****
10(xxi)	Endorsement Split Dollar Agreement with Ray D. Vaughn.	*****
10(xxii)	Endorsement Split Dollar Agreement with W. Keith Betts.	*****



21	Subsidiaries	*****
23	Consent of Dixon Hughes PLLC	*****
31(i)	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes Oxley Act	Filed herewith
31(ii)	Certification of Principal Accounting Officer Pursuant to Section 302 of the Sarbanes Oxley Act	Filed herewith
32(i)	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes Oxley Act	*****
32(ii)	Certification of Principal Accounting Officer Pursuant to Section 906 of the Sarbanes Oxley Act	*****
99(i)	Registrant's Proxy Statement for the 2007 Annual Meeting of Shareholders	*****

\* Incorporated by reference to the Registrant's 10-KSB for the year ended December 31, 2001, as filed with the SEC on March 27, 2002.

\*\* Incorporated by reference to the Registrant's Registration Statement on Form S-8 as filed with the SEC on September 5, 2001.

\*\*\* Incorporated by reference from Annual Report on Form 10-KSB filed with the SEC on March 30, 2004.

\*\*\*\* Incorporated by reference from Annual Report on Form 10-K filed with the SEC on March 28, 2006.

\*\*\*\*\* Incorporated by reference from Annual Report on Form 10-K filed with the SEC on March 11, 2008.

\*\*\*\*\* Filed with the Securities and Exchange Commission pursuant to Rule 14a-6.

## Section 2: EX-31.I

Exhibit 31(i)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**  
**Pursuant to Rule 13a - 14(a)**

I, Michael G. Carlton, certify that:

1. I have reviewed this annual report on Form 10-K of Crescent Financial Corporation (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;



3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13(a)-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that all material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusion about the effectiveness of the disclosure controls and procedures, and of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based upon our most recent evaluation of internal control over financial reporting, to the registrant's auditor and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2008

By: /s/ Michael G. Carlton

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Michael G. Carlton  
President and Chief Executive Officer

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## Section 3: EX-31.II

Exhibit 31(ii)

I, Bruce W. Elder, certify that:

1. I have reviewed this annual report on Form 10-K of Crescent Financial Corporation (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that all material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusion about the effectiveness of the disclosure controls and procedures, and of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based upon our most recent evaluation of internal control over financial reporting, to the registrant’s auditor and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: April 29, 2008

By: /s/ Bruce W. Elder

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Bruce W. Elder  
Vice President (Principal Financial Officer)

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