

SCBT FINANCIAL CORP

Form S-4/A

September 19, 2005

As filed with the Securities and Exchange Commission on September 19, 2005

Registration No. 333-127878

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**AMENDMENT NO. 1  
TO  
FORM S-4**

**REGISTRATION STATEMENT  
UNDER THE SECURITIES ACT OF 1933**

**SCBT FINANCIAL CORPORATION**

(Exact name of registrant as specified in its charter)

**South Carolina**  
(State or other jurisdiction of  
incorporation or organization)

**6021**  
(Primary Standard Industrial  
Classification Code Number)

**57-0799315**  
(I.R.S. Employer  
Identification No.)

**520 Gervais Street**

**Columbia, South Carolina 29201-3046**

**(803) 277-2175**

(Address, including zip code, and telephone number,

including area code, of registrant's principal executive offices)

**Robert R. Hill, Jr.**

**President and Chief Executive Officer**

**SCBT Financial Corporation**

**520 Gervais Street**

**Columbia, South Carolina 29201-3046**

**(803) 277-2175**

(Name, address, including zip code, and telephone number,

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including area code of agent for service)

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Approximate date of commencement of the proposed sale to the public: As soon as practicable after the effectiveness of this registration statement and the satisfaction or waiver of all other conditions to the merger described in the proxy statement/prospectus.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 464(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(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.

**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 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to Section 8(a), may determine.**

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September 19, 2005

Dear Sun Bancshares, Inc. shareholder:

You are cordially invited to attend a special meeting of shareholders of Sun Bancshares to be held on October 20, 2005, at 4 p.m., local time, in the Community Room on the second floor of SunBank's Murrells Inlet location at 4210 Highway 17 Bypass. At this special meeting, you will be asked to approve the acquisition of Sun Bancshares by SCBT Financial Corporation and to approve the proposal to authorize the board of directors to adjourn the special meeting to allow time for further solicitation of proxies in the event there are insufficient votes at the special meeting to approve the acquisition. As a result of the acquisition, the outstanding Sun Bancshares common stock will be converted into cash and SCBT Financial Corporation common stock. The acquisition will be effected through the merger of Sun Bancshares with and into SCBT Financial Corporation.

In the merger, SCBT Financial Corporation will pay consideration of approximately \$4.4 million cash and 564,387 shares of SCBT Financial Corporation common stock for Sun Bancshares issued and outstanding shares of common stock. The value of the consideration to be received by each Sun Bancshares shareholder will depend upon the value of the SCBT Financial Corporation common stock and the number of shares of Sun Bancshares common stock issued and outstanding at the effective time of the merger. Sun Bancshares had 1,215,000 shares of common stock issued and outstanding as of both July 21, 2005 and September 15, 2005. Based upon the foregoing, Sun Bancshares' shareholders would receive \$3.60 cash and 0.464516 shares (a fixed exchange ratio) of SCBT Financial Corporation common stock for each of their issued and outstanding shares. Based on the closing price of SCBT Financial Corporation common stock of \$33.67 on July 21, 2005 (the date the merger was announced) and \$32.15 on September 15, 2005 (the most recent practicable trading date prior to the mailing of the proxy statement/prospectus), the value of the consideration, including cash and SCBT Financial Corporation common stock, to be received by each shareholder of Sun Bancshares would be approximately \$19.24 as of July 21, 2005 and \$18.53 as of September 15, 2005.

In addition, SCBT Financial Corporation will pay each holder of a Sun Bancshares option or warrant cash (without interest) equal to the amount by which, if any, \$18.00 (which was the value of consideration per share as calculated by SCBT Financial Corporation and Sun Bancshares at the time the merger was negotiated) exceeds the exercise price per share of Sun Bancshares common stock under such option or warrant less applicable taxes, if any, required to be withheld with respect to such payment. No consideration shall be paid with respect to any option or warrant, the exercise price of which equals or exceeds \$18.00.

SCBT Financial Corporation common stock is listed under the symbol SCBT on the Nasdaq National Market. Sun Bancshares common stock is quoted in the Pink Sheets.

**YOUR VOTE IS VERY IMPORTANT.** We cannot complete the merger unless, among other things, shareholders of at least a majority of the outstanding shares of Sun Bancshares approve the merger agreement. **Your board of directors has approved the merger agreement, including the transactions contemplated in that agreement, and recommends that you vote FOR approval of the merger proposal.**

**Please carefully review and consider this proxy statement/prospectus which explains the merger proposal in detail, including the discussion under the heading Risk Factors beginning on page 12.** It is important that your shares are represented at the meeting, whether or not you plan to attend. An abstention or a failure to vote will have the same effect as a vote against the merger. Accordingly, please complete, date, sign, and return promptly your proxy card in the enclosed envelope. You may attend the meeting and vote your shares in person if you wish, even if you have previously returned your proxy.

Sincerely,

Thomas Bouchette  
President and Chief Executive Officer, Sun Bancshares, Inc.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the securities to be issued under this proxy statement/prospectus or determined if this proxy statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

**The shares of SCBT Financial Corporation common stock are not savings or deposit accounts or other obligations of any bank, savings association, or non-bank subsidiary of either of our companies, and they are not insured by the Federal Deposit Insurance Corporation, the Savings Association Insurance Fund, the Bank Insurance Fund, or any other governmental agency.**

*This document is dated September 19, 2005 and is first being mailed to Sun Bancshares' shareholders on or about September 20, 2005.*



**ADDITIONAL INFORMATION**

This proxy statement/prospectus incorporates important business and financial information about SCBT Financial Corporation from documents that are not delivered with this proxy statement/prospectus. This information is available to you without charge upon your written or oral request. You can obtain documents incorporated by reference in this proxy statement/prospectus by requesting them in writing or by telephone from SCBT Financial Corporation at the following address:

SCBT Financial Corporation  
P.O. Box 1030  
Columbia, South Carolina 29202  
Attn: Richard C. Mathis, Executive Vice President and  
Chief Financial Officer  
Telephone: (803) 765-4629

**If you would like to request documents, please do so by October 5, 2005 in order to receive them before the special meeting.**

See [Where You Can Find More Information](#) on page 72 for further information.

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**SUN BANCSHARES, INC.**

4210 Highway 17 Bypass

Murrells Inlet, South Carolina 29576

(843) 652-7015

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**To Be Held On October 20, 2005**

To the Shareholders of Sun Bancshares:

We will hold a special meeting of shareholders of Sun Bancshares on October 20, 2005, at 4 p.m., local time, at in the Community Room on the second floor of SunBank s Murrells Inlet location at 4210 Highway 17 Bypass for the following purposes:

1. To consider and vote upon a proposal to approve the Agreement and Plan of Merger dated as of July 21, 2005, by and between SCBT Financial Corporation and Sun Bancshares, and the transactions contemplated by that Agreement and Plan of Merger, pursuant to which Sun Bancshares will merge with and into SCBT Financial Corporation, as more particularly described in the enclosed proxy statement/prospectus;
2. To consider and vote on a proposal to authorize the board of directors to adjourn the special meeting to allow time for further solicitation of proxies in the event there are insufficient votes present at the meeting, in person or by proxy, to approve the merger; and
3. To transact any other business as may properly be brought before the Sun Bancshares special meeting or any adjournments or postponements of the Sun Bancshares special meeting.

We have fixed the close of business on September 15, 2005 as the record date for determining those shareholders entitled to vote at the meeting and any adjournments or postponements of the meeting. Accordingly, only shareholders of record on that date are entitled to notice of, and to vote at, the meeting and any adjournments or postponements of the meeting.

Whether or not you plan to attend the special meeting in person, please complete, date, sign, and return the enclosed proxy card as promptly as possible. We have enclosed a postage prepaid envelope for that purpose. Any Sun Bancshares shareholder may revoke his or her proxy by following the instructions in the proxy statement/prospectus at any time before the proxy has been voted at the special meeting. Even if you have given your proxy, you may still vote in person if you attend the special meeting. Please do not send any stock certificates to us at this time.

We encourage you to vote on this very important matter. **The Board of Directors of Sun Bancshares unanimously recommends that Sun Bancshares shareholders vote *FOR* the proposal above.**

**If the merger proposal is approved and the merger is completed, you will have the right to dissent from the merger and to demand payment in cash of the fair value of your shares of Sun Bancshares common stock. Your right to dissent is conditioned upon your compliance with the South Carolina statutes regarding dissenters rights. The full text of these statutes is attached as Appendix B to the accompanying proxy statement/prospectus and a summary of the provisions can be found under the caption The Merger Rights of Dissenting Sun Bancshares Shareholders.**

By Order of the Board of Directors,

Thomas Bouchette  
President and Chief Executive Officer, Sun Bancshares, Inc.

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Murrells Inlet, South Carolina  
September 19, 2005

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**QUESTIONS AND ANSWERS ABOUT THE MERGER**

**Q: What is the proposed transaction?**

**A:** SCBT Financial Corporation will acquire Sun Bancshares through the merger of Sun Bancshares with and into SCBT Financial Corporation.

**Q: What am I being asked to vote on and how does the board recommend that I vote?**

**A:** You are being asked to vote FOR the approval of the Agreement and Plan of Merger dated as of July 21, 2005, providing for the merger of Sun Bancshares with and into SCBT Financial Corporation. The board of directors of Sun Bancshares determined that the proposed merger is in the best interests of Sun Bancshares shareholders, approved the merger agreement, and recommends that you vote FOR the approval of the merger. In addition, you are being asked to grant authority to the board of directors to adjourn the special meeting to allow time for further solicitation of proxies in the event there are insufficient votes present at the special meeting, in person or by proxy, to approve the merger.

**Q: What will I receive in the merger?**

**A:** In the merger, SCBT Financial Corporation will pay consideration of approximately \$4.4 million cash and 564,387 shares of SCBT Financial Corporation common stock for Sun Bancshares issued and outstanding shares of common stock. Each Sun Bancshares shareholder will receive cash and SCBT Financial Corporation common stock on a pro rata basis. The value of the consideration to be received by each Sun Bancshares shareholder will depend upon the value of the SCBT Financial Corporation common stock and the number of shares of Sun Bancshares common stock issued and outstanding at the effective time of the merger. Sun Bancshares had 1,215,000 shares of common stock issued and outstanding as of both July 21, 2005 and September 15, 2005. Based upon the foregoing, Sun Bancshares shareholders would receive \$3.60 cash and 0.464516 shares (a fixed exchange ratio) of SCBT Financial Corporation common stock for each of their issued and outstanding shares. Based on the closing price of SCBT Financial Corporation common stock of \$33.67 on July 21, 2005 (the date the merger was announced) and \$32.15 on September 15, 2005 (the most recent practicable trading date prior to the mailing of the proxy statement/prospectus), the value of the consideration, including cash and SCBT Financial Corporation common stock, to be received by each shareholder of Sun Bancshares would be approximately \$19.24 as of July 21, 2005 and \$18.53 as of September 15, 2005. In addition, SCBT Financial Corporation will pay each holder of a Sun Bancshares option or warrant cash (without interest) equal to the amount by which, if any, \$18.00 (which was the value of consideration per share as calculated by SCBT Financial Corporation and Sun Bancshares at the time the merger was negotiated) exceeds the exercise price per share of Sun Bancshares common stock under such option or warrant less applicable taxes, if any, required to be withheld with respect to such payment. No consideration shall be paid with respect to any option or warrant, the exercise price of which equals or exceeds \$18.00.

**Q: Can I elect the type of consideration that I will receive in the merger?**

**A:** No. Each Sun Bancshares shareholder will receive cash and shares of SCBT Financial Corporation common stock on a pro rata basis.

**Q: Will Sun Bancshares shareholders be taxed on the cash and SCBT Financial Corporation common stock and cash that they receive in exchange for their Sun Bancshares shares?**

**A:** We expect the merger to qualify as a reorganization for United States Federal income tax purposes. If the merger qualifies as a reorganization for United States Federal income tax purposes, Sun Bancshares shareholders will not recognize any gain or loss to the extent Sun Bancshares shareholders receive SCBT Financial Corporation

common stock in exchange for their Sun Bancshares shares. However, Sun Bancshares shareholders will recognize capital gain, but not loss, to the extent of the amount of cash received. We recommend that Sun Bancshares shareholders carefully read the complete explanation of the material United States federal income tax

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consequences of the merger beginning on page 30, and that Sun Bancshares shareholders consult their tax advisors for a full understanding of the tax consequences of their participation in the merger.

**Q: What should I do now?**

**A:** After you have carefully read this document, please indicate on your proxy card how you want to vote, and then date, sign, and mail your proxy card in the enclosed envelope as soon as possible so that your shares will be represented at the meeting. If you date, sign, and send in a proxy card but do not indicate how you want to vote, your proxy will be voted in favor of the merger proposal.

**Q: Why is my vote important?**

**A:** The merger proposal must be approved by the holders of a majority of the outstanding shares entitled to vote at the Sun Bancshares special meeting. Accordingly, if a Sun Bancshares shareholder fails to vote on the merger, it will have the same effect as a vote against the merger proposal.

**Q: If my shares are held in street name by my broker, will my broker vote my shares for me?**

**A:** Your broker will vote your shares on the merger proposal only if you provide instructions on how to vote. You should instruct your broker how to vote your shares following the directions your broker provides. Failure to instruct your broker how to vote your shares will be the equivalent of voting against the merger proposal.

**Q: Can I change my vote after I have submitted my proxy?**

**A:** Yes. There are three ways you can change your vote. First, you may send a written notice to the person to whom you submitted your proxy stating that you would like to revoke your proxy. Second, you may complete and submit a later-dated proxy with new voting instructions. The latest vote actually received by Sun Bancshares prior to the special meeting will be your vote. Any earlier votes will be revoked. Third, you may attend the special meeting and vote in person. Any earlier votes will be revoked. Simply attending the special meeting without voting, however, will not revoke your proxy. If you have instructed a broker to vote your shares, you must follow the directions you will receive from your broker to change or revoke your proxy.

**Q: Do I have the right to dissent and obtain the fair value for my shares?**

**A:** Yes. If the merger is completed, you will have the right to dissent and receive the fair value of your shares in cash, but you must follow carefully the requirements of the South Carolina statutes which are attached as Appendix B to this proxy statement/prospectus, and should consult with your legal counsel. For a description of these requirements, see The Merger Rights of Dissenting Sun Bancshares Shareholders.

**Q: Should I send in my stock certificates now?**

**A:** No. You should not send in your stock certificates at this time. Promptly after the effective time of the merger, you will receive transmittal materials with instructions for surrendering your Sun Bancshares shares. **You should follow the instructions in the post-closing letter of transmittal regarding how and when to surrender your stock certificates.**

**Q: When do you expect to complete the merger?**

**A:** We presently expect to complete the merger in the fourth quarter of 2005. However, we cannot assure you when or if the merger will occur. We must first obtain the approval of Sun Bancshares' shareholders at the special meeting and the necessary regulatory approvals.

**Q: Whom should I call with questions about the merger?**

**A:** Sun Bancshares' shareholders may contact Randy L. Carmon, executive vice president and chief operating officer of SunBank, at (843) 652-7015. You can also find more information about Sun Bancshares and SCBT Financial Corporation from various sources described under **Additional Information** on the inside of the cover page of this proxy statement/prospectus and **Where You Can Find More Information** on page 72 of this proxy statement/prospectus.

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## SUMMARY

*This summary highlights selected information from this proxy statement/prospectus. It may not contain all of the information that is important to you. To better understand the merger and its potential impact on you, we urge you to read this entire document carefully, including the exhibits and enclosures. Each item in this summary includes a page reference directing you to a more complete discussion of the item.*

### **The Companies (page 51)**

SCBT Financial Corporation  
P.O. Box 1030  
Columbia, South Carolina 29202  
(803) 765-4629

SCBT Financial Corporation is a registered bank holding company incorporated under the laws of South Carolina. SCBT Financial Corporation has two subsidiary banks are South Carolina Bank and Trust, N.A., the fourth largest bank headquartered in South Carolina, and South Carolina Bank and Trust of the Piedmont, N.A. Through its subsidiaries, SCBT Financial Corporation provides a full range of financial services, including asset management, insurance, investments, mortgage, and trust services, designed to meet substantially all of the financial needs of its customers. Serving the needs of South Carolinians for over 70 years, SCBT Financial Corporation operates 36 financial centers in 12 South Carolina counties and has assets of nearly \$1.7 billion, as of June 30, 2005. SCBT Financial Corporation common stock trades on the Nasdaq National Market under the symbol SCBT. The deposits of its banking subsidiaries are insured by the Federal Deposit Insurance Corporation.

Sun Bancshares  
4210 Highway 17 Bypass  
Murrells Inlet, South Carolina 29576  
(843) 652-7015

Sun Bancshares is a registered bank holding company incorporated under the laws of South Carolina and is the holding company for SunBank, N.A. SunBank operates two full service offices in Murrells Inlet and Georgetown and a loan production office in Myrtle Beach. SunBank has deposits of approximately \$90 million, loans of approximately \$82 million, and assets of approximately \$100 million, as of June 30, 2005.

### **The Merger (page 17)**

The merger agreement is attached as Appendix A to this document. You should read the merger agreement because it is the legal document that governs the merger. The merger agreement provides for the merger of Sun Bancshares with and into SCBT Financial Corporation. The directors and officers of SCBT Financial Corporation in office immediately prior to the effective time of the merger, together with such additional persons as may thereafter be elected, will remain as the directors and officers of SCBT Financial Corporation after the effective time of the merger. In addition, Dalton B. Floyd, Jr., chairman of the board of directors of Sun Bancshares, will join the board of directors of SCBT Financial Corporation after the effective time of the merger.

SunBank will join SCBT Financial Corporation as its third subsidiary bank for a period of time that is expected to be no less than two years from and after the effective time of the merger. SunBank will retain its existing board of directors and senior management during this time. In addition, upon completion of the merger, John C. Pollok, a senior executive vice president and chief operating officer of SCBT Financial Corporation, will join the board of directors of SunBank effective as soon as practicable after the effective time of the merger.

As a result of the merger, SCBT Financial Corporation will pay consideration of approximately \$4.4 million cash and 564,387 shares of SCBT Financial Corporation common stock for Sun Bancshares issued and outstanding shares of common stock. Each Sun Bancshares shareholder will receive cash and

SCBT Financial Corporation common stock on a pro rata basis. The value of the consideration to be received by each Sun Bancshares shareholder will depend upon the value of the SCBT Financial Corporation common stock and the number of shares of Sun Bancshares common stock issued and outstanding at the effective time of the merger. Sun Bancshares had 1,215,000 shares of common stock issued and outstanding as of both July 21, 2005 and September 15, 2005. Based upon the foregoing, Sun Bancshares shareholders would receive \$3.60 cash and 0.464516 shares (a fixed exchange ratio) of SCBT Financial Corporation common stock for each of their issued and outstanding shares. Based on the closing price of SCBT Financial Corporation common stock of approximately \$33.67 on July 21, 2005 (the date the merger was announced) and \$32.15 on September 15, 2005 (the most recent practicable trading date prior to the mailing of the proxy statement/prospectus), the value of the consideration, including cash and SCBT Financial Corporation common stock, to be received by each shareholder of Sun Bancshares would be approximately \$19.24 as of July 21, 2005 and \$18.53 as of September 15, 2005.

In addition, SCBT Financial Corporation will pay each holder of a Sun Bancshares option or warrant cash (without interest) equal to the amount by which, if any, \$18.00 (which was the value of consideration per share as calculated by SCBT Financial Corporation and Sun Bancshares at the time the merger was negotiated) exceeds the exercise price per share of Sun Bancshares common stock under such option or warrant less applicable taxes, if any, required to be withheld with respect to such payment. No consideration will be paid with respect to any option or warrant, the exercise price of which equals or exceeds \$18.00.

#### **Reasons for the Merger (page 19)**

In reaching its decision to adopt and approve the merger agreement and recommend the merger to its shareholders, the Sun Bancshares board of directors consulted with Sun Bancshares management, as well as its legal and financial advisors, and considered a number of factors, including:

- The value of the consideration Sun Bancshares shareholders will receive relative to the book value and earnings per share of Sun Bancshares common stock;
- Certain information concerning the financial condition, results of operations, and business prospects of SCBT Financial Corporation;
- The financial terms of recent business combinations in the financial services industry and a comparison of the multiples of selected combinations with the terms of the merger;
- The probable increased ability of the combined institutions to compete in relevant banking and non-banking markets;
- The probable increased efficiency and profitability of SunBank resulting from economies of scale;
- The advantage to SunBank resulting from the increase in products and services to be offered by the combined organizations;
- The anticipated compatibility of management and business philosophy and the continued operation of SunBank as a subsidiary of SCBT Financial Corporation;
- The fixed nature of the exchange ratio and the possibility that if the market price of SCBT Financial Corporation common stock increases prior to completion of the merger the value to be received by Sun Bancshares shareholders will also increase;
- The projected positive value of SCBT Financial Corporation's shares offered to Sun Bancshares shareholders in relation to the estimated market value, book value, and earnings per share of Sun Bancshares common stock;
- The information regarding historical market prices and information of SCBT Financial Corporation common stock, and the financial performance and condition, assets, liabilities, business operations, capital levels, and prospects of each of Sun Bancshares and SCBT Financial Corporation and their superior potential future values on a combined basis as compared to the potential future values of Sun Bancshares;



- The alternatives to the merger, including remaining an independent institution;
- The competitive and regulatory environment for financial institutions generally;
- The fact that the merger will enable Sun Bancshares' shareholders to exchange their shares of common stock, in a partially tax-free transaction, for cash and shares of common stock of a larger company, the stock of which is more widely held and more liquid than that of Sun Bancshares; and
- The Orr Group, LLC's opinion that the consideration Sun Bancshares' shareholders will receive as a result of the merger is fair from a financial point of view.

In addition, Sun Bancshares' board knew and considered the financial interests of certain Sun Bancshares directors and executives when it approved the merger agreement. These financial interests are addressed in greater detail under the heading "The Merger - Interests of Directors and Officers of Sun Bancshares that Differ from Your Interests."

#### **Regulatory Approvals (page 35)**

We cannot complete our merger unless we obtain the approval of the Board of Governors of the Federal Reserve System and the South Carolina State Board of Financial Institutions. As of the date of this document, we have not yet received the required regulatory approvals. Although we expect to obtain the necessary approvals in a timely manner, we cannot be certain when, or if, they will be received.

#### **Sun Bancshares' Shareholders' Meeting (page 14)**

Sun Bancshares will hold its shareholders' special meeting on October 20, 2005, at 4 p.m., local time, at in the Community Room on the second floor of SunBank's Murrells Inlet location at 4210 Highway 17 Bypass. At the special meeting, Sun Bancshares' shareholders will be asked to vote to approve the merger proposal and the proposal to authorize the board of directors to adjourn the special meeting to allow time for further solicitation of proxies in the event there are insufficient votes at the special meeting, in person or by proxy, to approve the merger proposal.

#### **Sun Bancshares' Shareholders' Meeting Record Date and Voting (page 14)**

If you owned shares of Sun Bancshares at the close of business on September 15, 2005, the record date, you are entitled to vote on the merger proposal, as well as any other matters considered at the meeting. On the record date, there were 1,215,000 shares of Sun Bancshares stock outstanding. You will have one vote at the meeting for each share of Sun Bancshares stock you owned on the record date. The affirmative vote of the holders of at least a majority of Sun Bancshares outstanding shares of common stock is required to approve the merger proposal. As of August 15, 2005, Sun Bancshares' current directors, executive officers, and their affiliates beneficially owned approximately 31.5% of the outstanding shares of Sun Bancshares common stock. Each of Sun Bancshares directors and executive officers has agreed, subject to several conditions, to vote his or her shares of Sun Bancshares common stock in favor of the merger proposal.

#### **The Board of Directors of Sun Bancshares Recommends Shareholder Approval (page 16)**

The board of directors of Sun Bancshares has approved the merger proposal, believes that the merger proposal is in the best interest of Sun Bancshares and its shareholders, and recommends that the shareholders vote **FOR** approval of the merger proposal.

#### **The Financial Advisor for Sun Bancshares Believes the Merger Proposal Consideration is Fair to Sun Bancshares' Shareholders (page 20)**

The Orr Group, LLC has served as financial advisor to Sun Bancshares in connection with the merger proposal and has given an opinion to the Sun Bancshares board of directors that, as of July 18, 2005, the



date the Sun Bancshares board of directors voted on the merger proposal, the consideration SCBT Financial Corporation will pay for the Sun Bancshares common stock is fair to Sun Bancshares shareholders from a financial point of view. A copy of the opinion delivered by The Orr Group, LLC is attached to this proxy statement/prospectus as Appendix C. Sun Bancshares shareholders should read the opinion completely to understand the assumptions made, matters considered, and limitations of the review undertaken by The Orr Group, LLC in providing its opinion.

**Interests of Directors and Officers of Sun Bancshares that Differ from Your Interests (page 32)**

When considering the recommendations of the Sun Bancshares board of directors, you should be aware that some directors and officers have interests in the merger proposal that differ from the interests of other shareholders, including the following:

- Following the merger, Dalton B. Floyd, Jr., chairman of the board of directors of Sun Bancshares, will join the board of directors of SCBT Financial Corporation;
- Following the merger, Thomas Bouchette will remain as president and chief executive officer of SunBank, as long as SunBank operates as a separate wholly owned subsidiary of SCBT Financial Corporation and thereafter as a regional president of South Carolina Bank and Trust, N.A. or in such other comparable senior executive office with similar authority as may be designated by the board of directors of SCBT Financial Corporation or South Carolina Bank and Trust, N.A. or their respective chief executive officers, pursuant to an employment agreement executed in connection with the merger;
- Thomas Bouchette will also receive a payment of \$300,000 in connection with the termination of his existing employment agreement with Sun Bancshares and the execution of a new noncompete agreement with SCBT Financial Corporation;
- Randy Carmon will receive a payment of \$100,000 in connection with the termination of his existing employment agreement with Sun Bancshares;
- In connection with the merger, SCBT Financial Corporation will pay each holder of a Sun Bancshares option cash equal to the amount by which, if any, \$18.00 exceeds the exercise price per share of Sun Bancshares common stock under such option. Officers of Sun Bancshares hold options to acquire approximately 77,750 shares of Sun Bancshares and therefore will be entitled to receive cash in an aggregate amount of approximately \$565,750 in exchange for such options.
- In connection with the merger, SCBT Financial Corporation will pay each holder of a Sun Bancshares warrant cash equal to the amount by which, if any, \$18.00 exceeds the exercise price per share of Sun Bancshares common stock under such warrant. Directors of Sun Bancshares hold warrants to acquire approximately 286,850 shares of Sun Bancshares and therefore will be entitled to receive cash in an aggregate amount of approximately \$2,294,800 in exchange for such warrants.
- Following the merger, SCBT Financial Corporation will generally indemnify and provide liability insurance for up to six years following the merger to the present directors and officers of Sun Bancshares and SunBank, subject to certain exceptions.

Each board member was aware of these and other interests and considered them before approving and adopting the merger proposal.

**Federal Income Tax Consequences (page 30)**

We have structured the merger so that it will be considered a reorganization for United States federal income tax purposes. If the merger is a reorganization for United States federal income tax purposes, Sun Bancshares shareholders generally will not recognize any gain or loss on the exchange of shares of Sun



Bancshares common stock for shares of SCBT Financial Corporation common stock. However, Sun Bancshares' shareholders will recognize gain, but not loss, for federal income tax purposes, to the extent of the cash they receive in the exchange. Such gain or loss will be a capital gain or loss, provided that such shares were held as capital assets of the Sun Bancshares shareholder at the effective time of the merger. Determining the actual tax consequences of the merger to a Sun Bancshares shareholder may be complex. These tax consequences will depend on each shareholder's specific situation and on factors not within our control. Sun Bancshares' shareholders should consult their own tax advisors for a full understanding of the tax consequences of their participation in the merger.

#### **Comparative Rights of Shareholders (page 44)**

The rights of Sun Bancshares' shareholders are currently governed by South Carolina corporate law and Sun Bancshares' articles of incorporation and bylaws. The rights of SCBT Financial Corporation shareholders are currently governed by South Carolina corporate law and SCBT Financial Corporation's articles of incorporation and bylaws. Upon consummation of the merger, the shareholders of Sun Bancshares will become shareholders of SCBT Financial Corporation and the articles of incorporation and bylaws of SCBT Financial Corporation will govern their rights. SCBT Financial Corporation's articles of incorporation and bylaws differ somewhat from those of Sun Bancshares.

#### **Termination of the Merger Agreement (page 36)**

Notwithstanding the approval of the merger proposal by Sun Bancshares' shareholders, Sun Bancshares and SCBT Financial Corporation can mutually agree at any time to terminate the merger agreement before completing the merger.

Either Sun Bancshares or SCBT Financial Corporation can also terminate the merger agreement:

- If the other party materially violates any of its representations or warranties under the merger agreement and fails to cure the violation;
- If required regulatory approval is denied by final nonappealable action of such regulatory authority or if any action taken by such authority is not appealed within the time limit for appeal;
- If any law or order permanently restraining, enjoining, or otherwise prohibiting the consummation of the merger shall have become final and nonappealable;
- If Sun Bancshares shareholder approval is not obtained at the special meeting; or
- If we do not complete the merger by March 31, 2006.

SCBT Financial Corporation can also terminate the merger agreement:

- If the Sun Bancshares board of directors fails to reaffirm its approval upon SCBT Financial Corporation's request for such reaffirmation of the merger or if the Sun Bancshares board of directors resolves not to reaffirm the merger;
- If the Sun Bancshares board of directors withdraws, qualifies, modifies, or proposes publicly to withdraw, qualify, or modify, in a manner adverse to SCBT Financial Corporation, its recommendation that the shareholders approve the merger;
- If the Sun Bancshares board of directors affirms, recommends, or authorizes entering into any acquisition transaction other than the merger or, within 10 business days after commencement of any tender or exchange offer for any shares of its common stock, the Sun Bancshares board of directors fails to recommend against acceptance of such tender or exchange offer or takes no position with respect to such tender or exchange offer; or



- If the Sun Bancshares board of directors negotiates or authorizes the conduct of negotiations (and five business days have elapsed without such negotiations being discontinued) with a third party regarding an acquisition proposal other than the merger.

Sun Bancshares can also terminate the merger agreement, provided that it is not in material breach of any representation, warranty, or covenant, or other agreement in the merger agreement, if, prior to the adoption of the merger agreement by the shareholders at the special meeting, the Sun Bancshares board of directors has (x) withdrawn or modified or changed its recommendation or approval of the merger agreement in a manner adverse to SCBT Financial Corporation in order to approve and permit Sun Bancshares to accept a superior proposal and (y) determined, after consultation with and the receipt of advice from outside legal counsel to Sun Bancshares, that the failure to take such action would be likely to result in a breach of the board of directors' fiduciary duties under applicable law.

**Sun Bancshares Must Pay SCBT Financial Corporation a Termination Fee Under Certain Circumstances (page 40)**

The merger agreement provides for the payment of a \$1 million termination fee by Sun Bancshares to SCBT Financial Corporation in certain cases. Generally, Sun Bancshares would have to pay the termination fee if Sun Bancshares terminates the merger agreement in order to accept a superior proposal subject to certain conditions. Sun Bancshares would also have to pay the termination fee if SCBT Financial Corporation terminates the merger agreement because:

- The Sun Bancshares board of directors fails to reaffirm its approval upon SCBT Financial Corporation's request for such reaffirmation of the merger or the Sun Bancshares board of directors resolves not to reaffirm the merger;
- The Sun Bancshares board of directors fails to include in the proxy statement its recommendation, without modification or qualification, that the shareholders approve the merger or the Sun Bancshares board of directors withdraws, qualifies, modifies, or proposes publicly to withdraw, qualify, or modify, in a manner adverse to SCBT Financial Corporation, the recommendation that the shareholders approve the merger;
- The Sun Bancshares board of directors affirms, recommends, or authorizes entering into any acquisition transaction other than the merger or, within 10 business days after commencement of any tender or exchange offer for any shares of its common stock, the Sun Bancshares board of directors fails to recommend against acceptance of such tender or exchange offer or takes no position with respect to such tender or exchange offer; or
- The Sun Bancshares board of directors negotiates or authorizes the conduct of negotiations (and five business days have elapsed without such negotiations being discontinued) with a third party regarding an acquisition proposal other than the merger.

Sun Bancshares agreed to this termination fee arrangement in order to induce SCBT Financial Corporation to enter into the merger agreement. This arrangement could have the effect of discouraging other companies from trying to acquire Sun Bancshares.

**Dissenters' and Appraisal Rights (page 41)**

South Carolina law permits Sun Bancshares' shareholders to dissent from the approval of the merger proposal and to have the fair value of their Sun Bancshares shares paid to them in cash. To do this, Sun Bancshares' shareholders must follow specific procedures, including filing a written notice with Sun Bancshares prior to the shareholder vote on the merger proposal. If you follow the required procedures, your only right will be to receive the fair value of your common stock in cash. Copies of the applicable South Carolina statutes are attached to this document as Appendix B.

**The Merger is Expected to Occur in the Fourth Quarter of 2005**

The merger will occur shortly after all of the conditions to its completion have been satisfied or waived. Currently, we anticipate that the merger will occur in the fourth quarter of 2005. However, we cannot assure you when or if the merger will occur. We must first obtain the approval of the Sun Bancshares shareholders at the special meeting and all the necessary regulatory approvals.

**Accounting Treatment (page 41)**

The merger will be accounted for using the purchase method of accounting, with SCBT Financial Corporation being treated as the acquiring entity for accounting purposes. Under the purchase method of accounting, the assets and liabilities of Sun Bancshares as of the effective time of the merger will be recorded at their respective fair values and added to those of SCBT Financial Corporation.

**Completion of the Merger is Subject to Certain Conditions (page 34)**

Completion of the merger is subject to a number of conditions, including the approval of the merger proposal by Sun Bancshares shareholders and the receipt of all the regulatory consents and approvals that are necessary to permit the completion of the merger. Certain conditions to the merger may be waived by SCBT Financial Corporation or Sun Bancshares, as applicable.

**Comparative Market Value of Securities**

The following table sets forth the closing price per share of SCBT Financial Corporation common stock and the closing price per share of Sun Bancshares on July 21, 2005 (the last business day preceding the public announcement of the merger) and September 15, 2005 (the most recent practicable trading date prior to the mailing the proxy statement/prospectus). The table also presents the equivalent market value per share of Sun Bancshares common stock assuming that the consideration for the transaction is 0.464516 of a share of SCBT common stock and \$3.60 in cash for each share outstanding of Sun Bancshares common stock. You are urged to obtain current market quotations for shares of SCBT Financial Corporation and Sun Bancshares common stock before making a decision with respect to the merger.

|                    | SCBT Financial Corporation<br>Common Stock | Sun Bancshares<br>Common Stock | Equivalent Price Per Share of<br>Sun Bancshares Common Stock(1) |
|--------------------|--|--------------------------------|---|
| July 21, 2005      | \$ 33.67                                   | \$ 17.00                       | \$ 19.24  |
| September 15, 2005 | \$32.15                                    | \$18.35                        | \$18.53   |

(1) The equivalent prices per share of Sun Bancshares common stock have been calculated by multiplying the closing price per share of SCBT Financial Corporation common stock on each of the two dates by the exchange ratio of 0.464516 and adding \$3.60.

**Because the exchange ratio is fixed and because the market price of SCBT Financial Corporation common stock is subject to fluctuation, the market value of the shares of SCBT Financial Corporation common stock that you may receive in the merger may increase or decrease prior to and following the merger. You are urged to obtain current market quotations for SCBT Financial Corporation common stock.**

## SELECTED FINANCIAL DATA OF SCBT FINANCIAL CORPORATION

## Selected Consolidated Financial Data

|   | At December 31                           |              |              |              |            |  |  |  |  |
|---|--|--------------|--------------|--------------|------------|--|--|--|--|
|   | 2004                                     | 2003         | 2002         | 2001         | 2000       |  |  |  |  |
|   | (Dollars in thousands, except per share) |              |              |              |            |  |  |  |  |
| Assets  | \$ 1,436,977                             | \$ 1,197,692 | \$ 1,144,948 | \$ 1,025,682 | \$ 969,848 |  |  |  |  |
| Loans, net of unearned income*                              | 1,153,230                                | 938,760      | 863,422      | 748,080      | 727,690    |  |  |  |  |
| Investment securities                                       | 165,446                                  | 152,009      | 164,951      | 189,933      | 183,198    |  |  |  |  |
| Deposits  | 1,171,313                                | 947,399      | 898,163      | 811,523      | 757,576    |  |  |  |  |
| Nondeposit borrowings                                       | 141,136                                  | 133,017      | 138,116      | 116,117      | 122,998    |  |  |  |  |
| Shareholders' equity  | 118,798                                  | 112,349      | 103,495      | 93,065       | 84,936     |  |  |  |  |
| Number of locations   | 34                                       | 32           | 32           | 30           | 30         |  |  |  |  |
| Full-time equivalent employees                              | 513                                      | 514          | 480          | 442          | 402        |  |  |  |  |
| <b>SELECTED RATIOS</b>                                      |  |              |              |              |            |  |  |  |  |
| Return on average equity                                    | 12.20                                    | % 13.72      | % 14.09      | % 13.64      | % 13.14    |  |  |  |  |
| Return on average assets                                    | 1.05                                     | 1.23         | 1.28         | 1.21         | 1.11       |  |  |  |  |
| Average equity as a percentage of average assets            | 8.65                                     | 9.00         | 9.05         | 8.91         | 8.39       |  |  |  |  |
| <b>ASSET QUALITY RATIOS</b>                                 |  |              |              |              |            |  |  |  |  |
| Allowance for loan losses to period end loans               | 1.25                                     | % 1.25       | % 1.28       | % 1.28       | % 1.22     |  |  |  |  |
| Allowance for loan losses to period end nonperforming loans | 442.64                                   | 173.30       | 233.47       | 203.74       | 273.14     |  |  |  |  |
| Nonperforming assets to period end loans and OREO           | 0.43                                     | 0.87         | 0.67         | 0.74         | 0.20       |  |  |  |  |
| Nonperforming assets to period end total assets             | 0.35                                     | 0.88         | 0.51         | 0.47         | 0.15       |  |  |  |  |
| Net charge-offs to average loans                            | 0.15                                     | 0.19         | 0.25         | 0.19         | 0.12       |  |  |  |  |

\*Excludes loans held for sale.

| (Dollars in thousands, except per share)                    | For the Six Months Ended June 30 |           |      |           |
|---|----------------------------------|-----------|------|-----------|
|   | 2005                             |           | 2004 |           |
| Assets  | \$                               | 1,689,699 | \$   | 1,330,806 |
| Loans net of unearned income*                               |                                  | 1,319,844 |      | 1,050,075 |
| Investment securities                                       |                                  | 176,562   |      | 171,358   |
| Deposits  |                                  | 1,324,260 |      | 1,011,763 |
| Nondeposit borrowings                                       |                                  | 234,700   |      | 200,581   |
| Shareholders equity   |                                  | 124,489   |      | 113,820   |
| Number of locations   |                                  | 36        |      | 33        |
| Full-time equivalent employees                              |                                  | 524       |      | 508       |
| <b>SELECTED RATIOS</b>                                      |                                  |           |      |           |
| Return on average equity                                    |                                  | 13.61     | %    | 11.83     |
| Return on average assets                                    |                                  | 1.05      |      | 1.07      |
| Average equity as a percentage of average assets            |                                  | 7.69      |      | 9.01      |
| <b>ASSET QUALITY RATIOS</b>                                 |                                  |           |      |           |
| Allowance for loan losses to period end loans               |                                  | 1.28      | %    | 1.27      |
| Allowance for loan losses to period end nonperforming loans |                                  | 389.54    |      | 285.71    |
| Nonperforming assets to period end loans and OREO           |                                  | 0.43      |      | 0.58      |
| Nonperforming assets to period end total assets             |                                  | 0.33      |      | 0.46      |
| Net charge-offs to average loans                            |                                  | 0.05      |      | 0.15      |

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\*Excludes loans held for sale.



## RISK FACTORS

*If the merger is consummated, you will receive shares of SCBT Financial Corporation common stock in exchange for your shares of Sun Bancshares common stock. An investment in SCBT Financial Corporation common stock is subject to a number of risks and uncertainties, many of which also apply to your existing investment in Sun Bancshares common stock. Risks and uncertainties relating to general economic conditions are not summarized below. Those risks, among others, are highlighted on page 13 under the heading "A Warning About Forward-Looking Statements."*

*However, there are a number of other risks and uncertainties relating to SCBT Financial Corporation and your decision on the merger proposal that you should consider in addition to the risks and uncertainties associated with financial institutions generally. Many of these risks and uncertainties could affect SCBT Financial Corporation's future financial results and may cause SCBT Financial Corporation's future earnings and financial condition to be less favorable than SCBT Financial Corporation's expectations. This section summarizes those risks.*

### **You will experience a substantial reduction in percentage ownership and voting power with respect to your shares as a result of the merger.**

Sun Bancshares' shareholders will experience a substantial reduction in their respective percentage ownership interests and effective voting power through their stock ownership in SCBT Financial Corporation relative to their percentage ownership interest in Sun Bancshares prior to the merger. If the merger is consummated, current Sun Bancshares' shareholders will own approximately 6.54% of SCBT Financial Corporation outstanding common stock, on a fully diluted basis, based on SCBT Financial Corporation outstanding common stock as of June 30, 2005. Accordingly, even if they were to vote as a group, current Sun Bancshares' shareholders could be outvoted by other SCBT Financial Corporation shareholders.

### **If SCBT Financial Corporation does not successfully integrate the operations of SunBank, it may not realize all of the expected benefits from the merger.**

SCBT Financial Corporation's ability to achieve fully the expected benefits of the merger depends on its successful integration of Sun Bancshares. There is a risk that integrating SunBank into SCBT Financial Corporation's existing operations may take a greater amount of resources and time than we expect. Further, SunBank is expected to operate as a separate subsidiary of SCBT Financial Corporation for two years following the merger. Although we believe that doing this will assist us in retaining Sun Bancshares' key customers, it will also result in greater operating costs for us. Accordingly, there is a risk that the anticipated benefits may not be realized or that they may be less than we expect if we are unable to integrate in a timely manner, fail to realize cost savings from the merger, or disrupt customer relationships.

## A WARNING ABOUT FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus, including information included or incorporated by reference in this document, contains forward-looking statements with respect to the financial condition, results of operations, plans, objectives, future performance, and business of each of SCBT Financial Corporation and Sun Bancshares, as well as information relating to the merger. These statements are preceded by, followed by, or include the words believes, expects, anticipates, or estimates, or similar expressions. **Many possible events or factors could affect our future financial results and performance. This could cause our results or performance to differ materially from those expressed in our forward-looking statements. You should consider these important factors when you vote on the merger.** Factors that may cause actual results to differ materially from those contemplated by our forward-looking statements include the following:

- our operating costs after the merger may be greater than expected, and our cost savings from the merger may be less than expected, or we may be unable to obtain those cost savings as soon as expected;
- we may be unable to successfully integrate Sun Bancshares or we may have more trouble integrating acquired businesses than we expected;
- we could lose our key personnel, including the Sun Bancshares personnel we will employ as a result of the merger, or spend a greater amount of resources attracting, retaining, and motivating them than we have in the past;
- competition among depository and other financial institutions may increase significantly;
- changes in the interest rate environment may reduce operating margins;
- general economic conditions, either nationally or in South Carolina, may be less favorable than expected resulting in, among other things, a deterioration in credit quality and an increase in credit risk-related losses and expenses;
- loan losses may exceed the level of allowance for loan losses of the combined company;
- the rate of delinquencies and amount of charge-offs may be greater than expected;
- the rates of loan growth may not increase as expected; and
- legislative or regulatory changes may adversely affect our businesses.

We have based our forward-looking statements on our current expectations about future events. Although we believe that the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee you that these expectations actually will be achieved. We are under no duty to update any of the forward-looking statements after the date of this proxy statement/prospectus to conform those statements to actual results. In evaluating these statements, you should consider various factors, including the risks outlined in the section entitled Risk Factors, beginning on page 12. You should also consider the cautionary statements contained in SCBT Financial Corporation's filings with the Securities and Exchange Commission.

## THE SPECIAL MEETING

### General

The Sun Bancshares board of directors is providing this proxy statement/prospectus to you in connection with its solicitation of proxies for use at the special meeting of Sun Bancshares shareholders and at any adjournments or postponements of the special meeting.

SCBT Financial Corporation is also providing this proxy statement/prospectus to you as a prospectus in connection with the offer and sale by SCBT Financial Corporation of shares of its common stock to shareholders of Sun Bancshares in the merger.

Your vote is important. Please complete, date, and sign the enclosed proxy card and return it in the postage prepaid envelope provided. If your shares are held in street name, you should instruct your broker how to vote by following the directions provided by your broker.

### Meeting Date, Time, and Place and Record Date

Sun Bancshares will hold the special meeting on October 20, 2005, at 4 p.m. local time, in the Community Room on the second floor of SunBank's Murrells Inlet location at 4210 Highway 17 Bypass. At the special meeting (and any adjournment or postponement of the meeting), holders of Sun Bancshares common stock will be asked to consider and vote upon a proposal to approve the merger agreement and a proposal to authorize the board of directors to adjourn the special meeting to allow for time for further solicitation of proxies in the event there are insufficient votes present at the special meeting, in person or by proxy, to approve the merger agreement. Only holders of Sun Bancshares common stock of record at the close of business on September 15, 2005, the record date, will be entitled to receive notice of and to vote at the special meeting. As of the record date, there were 1,215,000 shares of Sun Bancshares common stock outstanding and entitled to vote, with each such share entitled to one vote.

### Matters to be Considered

At the special meeting, Sun Bancshares shareholders will be asked to approve the Agreement and Plan of Merger, dated as of July 21, 2005, by and between Sun Bancshares and SCBT Financial Corporation and to authorize the board of directors to adjourn the special meeting to allow time for further solicitation of proxies in the event there are insufficient votes present at the special meeting, in person or by proxy, to approve the Agreement and Plan of Merger. Under the merger agreement, Sun Bancshares will merge with and into SCBT Financial Corporation and shares of Sun Bancshares common stock will be converted into the right to receive a combination of cash and shares of SCBT Financial Corporation common stock as described in this document. Finally, Sun Bancshares shareholders may also be asked to consider any other business that properly comes before the special meeting. Each copy of this proxy statement/prospectus mailed to Sun Bancshares shareholders is accompanied by a proxy card for use at the special meeting.

### Vote Required

Approval of the merger proposal requires the affirmative vote of holders of a majority of all shares entitled to vote at the Sun Bancshares special meeting. Approval of the proposal to authorize adjournment requires that the number of votes cast in favor of the proposal exceed the number of votes cast against the proposal. On the record date, there were approximately 1,215,000 outstanding shares of Sun Bancshares common stock, each of which is entitled to one vote at the special meeting. On that date, the directors and executive officers of Sun Bancshares and their affiliates beneficially owned a total of approximately 31.5% of the outstanding shares of Sun Bancshares common stock. Each of Sun Bancshares directors and executive officers has agreed, subject to several conditions, to vote his or her shares of Sun Bancshares

common stock in favor of the merger agreement. The presence, in person or by proxy, of shares of Sun Bancshares common stock representing a majority of Sun Bancshares outstanding shares entitled to vote at the special meeting is necessary in order for there to be a quorum at the special meeting. A quorum must be present in order for the vote on the merger agreement and vote on the authorization to adjourn to occur. If there is no quorum present at the opening of the meeting, the special meeting may be adjourned by the vote of a majority of shares voting on the motion to adjourn.

#### **Voting of Proxies**

Shares of common stock represented by properly executed proxies received at or prior to the Sun Bancshares special meeting will be voted at the special meeting in the manner specified by the holders of such shares. Properly executed proxies which do not contain voting instructions will be voted **FOR** approval of the merger agreement and of the proposal to authorize adjournment.

Any shareholder present in person or by proxy (including broker non-votes, which generally occur when a broker who holds shares in street name for a customer does not have the authority to vote on certain non-routine matters because its customer has not provided any voting instructions with respect to the matter) at the special meeting who abstains from voting will be counted for purposes of determining whether a quorum exists.

**Because approval of the merger proposal requires the affirmative vote of the holders of a majority of all shares entitled to vote at the Sun Bancshares special meeting, abstentions and broker non-votes will have the same effect as negative votes. Accordingly, the Sun Bancshares board of directors urges its shareholders to complete, date, and sign the accompanying proxy card and return it promptly in the enclosed, postage-paid envelope.**

#### **Revocability of Proxies**

The grant of a proxy on the enclosed proxy card does not preclude you from voting in person or otherwise revoking a proxy. There are three ways you can change your vote. First, you may send a written notice to the person to whom you submitted your proxy stating that you would like to revoke your proxy. Second, you may complete and submit a later dated proxy with new voting instructions. The latest vote actually received by Sun Bancshares prior to the special meeting will be your vote. Any earlier votes will be revoked. Third, you may attend the special meeting and vote in person. Any earlier votes will be revoked. Simply attending the special meeting without voting, however, will not revoke your proxy. If you have instructed a broker to vote your shares, you must follow the directions you will receive from your broker to change or revoke your proxy.

#### **Solicitation of Proxies**

Sun Bancshares will pay all of the costs of printing the registration statement and this proxy statement/prospectus and of soliciting proxies in connection with the special meeting, except that SCBT Financial Corporation will pay the costs of filing the registration statement with the SEC, of which this proxy statement/prospectus is a part. Solicitation of proxies may be made in person or by mail, telephone, or facsimile, or other form of communication by directors, officers, and employees of Sun Bancshares who will not be specially compensated for such solicitation. Nominees, fiduciaries, and other custodians will be requested to forward solicitation materials to beneficial owners and to secure their voting instructions, if necessary, and will be reimbursed for the expenses incurred in sending proxy materials to beneficial owners.

No person is authorized to give any information or to make any representation not contained in this proxy statement/prospectus and, if given or made, such information or representation should not be relied upon as having been authorized by Sun Bancshares, SCBT Financial Corporation, or any other person.

The delivery of this proxy statement/prospectus does not, under any circumstances, create any implication that there has been no change in the business or affairs of Sun Bancshares or SCBT Financial Corporation since the date of the proxy statement/prospectus.

**Authorization to Vote on Adjournment**

At the special meeting, you are being asked to grant authority to the board of directors to adjourn the special meeting to allow time for further solicitation of proxies in the event there are insufficient votes present at the special meeting, in person or by proxy, to approve the Agreement and Plan of Merger. If you do not specify whether authority is granted or withheld, the proxy will be voted to grant authority to adjourn. Sun Bancshares has no plans to adjourn the special meeting at this time, but intends to do so, if needed, to promote shareholder interests. The board of directors of Sun Bancshares unanimously recommends that shareholders grant authority to the proxies to vote on adjournment at the special meeting.

**Recommendation of the Board of Directors**

The Sun Bancshares board of directors has determined that the merger proposal and the transactions contemplated thereby are in the best interests of Sun Bancshares and its shareholders. The members of the Sun Bancshares board of directors unanimously recommend that the Sun Bancshares shareholders vote at the special meeting to approve the merger proposal.

In the course of reaching its decision to approve the merger proposal and the transactions contemplated thereby, the Sun Bancshares board of directors, among other things, consulted with its legal advisors, Powell Goldstein LLP, regarding the legal terms of the merger agreement and with its financial advisor, The Orr Group, LLC, as to the fairness, from a financial point of view, of the consideration to be received by the holders of Sun Bancshares common stock in the merger. For a discussion of the factors considered by the Sun Bancshares board of directors in reaching its conclusion, see *The Merger Sun Bancshares Reasons for the Merger* and *The Merger Opinion of Sun Bancshares Financial Advisor*.

Sun Bancshares shareholders should note that Sun Bancshares directors and officers have certain interests in, and may derive benefits as a result of, the merger that are in addition to their interests as shareholders of Sun Bancshares. See *The Merger Interests of Directors and Officers of Sun Bancshares that Differ from Your Interests*.

## **PROPOSAL NO. 1 THE MERGER**

*The descriptions of the terms and conditions of the merger proposal, the merger agreement, and any related documents in this proxy statement/prospectus are qualified in their entirety by reference to the copy of the merger agreement attached as Appendix A to this proxy statement/prospectus, to the registration statement, of which this proxy statement/prospectus is a part, and to the exhibits to the registration statement.*

### **Structure of the Merger**

The merger agreement provides for the merger of Sun Bancshares with and into SCBT Financial Corporation. SCBT Financial Corporation will be the surviving corporation in the merger. SunBank, a wholly owned subsidiary of Sun Bancshares, will become a wholly owned subsidiary of SCBT Financial Corporation following the merger. Each share of Sun Bancshares common stock issued and outstanding at the effective time of the merger will be converted into cash and shares of SCBT Financial Corporation common stock, as described below. Upon completion of the merger, Dalton B. Floyd, Jr., chairman of the board of directors of Sun Bancshares, will join the board of directors of SCBT Financial Corporation.

SunBank will join SCBT Financial Corporation as its third subsidiary bank for a period of time that is expected to be no less than two years from and after the effective time of the merger. SunBank will retain its existing board of directors and senior management during this time. In addition, upon completion of the merger, John C. Pollok, a senior executive vice president and chief operating officer of SCBT Financial Corporation, will join the board of directors of SunBank.

### **Background of the Merger**

The Sun Bancshares board of directors believes that its primary responsibility is to increase shareholder value. Although the board of directors believes that Sun Bancshares has enjoyed strong performance since SunBank opened, the Sun Bancshares board of directors believes that a strategic merger with a larger bank with greater stock liquidity would enhance the value of its shareholders' investment in Sun Bancshares.

Discussions regarding the future of SunBank with respect to a possible merger versus remaining independent began in the summer of 2004 with informal discussions with a few other financial institutions. Although the board never chose to actively pursue any merger or acquisition negotiations, they were cognizant of their fiduciary responsibility to be informed of not only their responsibilities, but to further their education on bank valuations. A strategic planning session was held on September 10, 2004.

As a follow-up to the strategic planning session, at the September 13, 2004 executive committee meeting, the board discussed options presented by a representative of The Bankers Bank, a company headquartered in Georgia that provides correspondent and advisory services to many community banks, to the board for growth and future long term plans to maximize shareholder value. These options included:

- Continue as an independent bank and focus on the earning potential of the bank in a thriving growth market.
- Merge with another community bank, while retaining SunBank's independent status, but take advantage of efficiencies created in combination with a larger organization.
- Become an acquisition of a larger bank.
- Enter into a merger of equals.
- Consider offers of purchase by investors.

During the September 13, 2004 executive committee meeting, chairman of the board Dalton Floyd stated several banks, including SCBT Financial Corporation, had in recent months contacted either

president Thomas Bouchette or him regarding a potential merger. Discussion ensued regarding various benefits and risks associated with a merger or sale and how it would impact shareholders on a short term and long term basis. Cognizant of the board's fiduciary responsibility to maximize shareholder value, the committee agreed, at that time, that any merger or acquisition discussions were premature and long term shareholder value would be maximized through growth in the foreseeable future as a profitable independent community bank. Discussion continued, involving the full board in future executive sessions, to develop a position statement for management when approached by other banks.

In the spring of 2005, SunBank was approached again by several financial institutions regarding the possibility of a merger. As the five year anniversary of SunBank approached along with the pending renewal of its data processing contract with FiServ, the board recognized their fiduciary responsibility to make any long term decisions after considering all options with regard to maximizing shareholder value. A board meeting was called on March 3, 2005 after discussions were held with four interested institutions, including SCBT Financial Corporation.

At the March 3, 2005 board meeting, Mr. Bouchette reviewed with the board details of proposals from four interested financial institutions. A bank headquartered in North Carolina (the North Carolina bank) had presented an oral proposal of merger to Sun Bancshares. Mr. Bouchette provided the board with details of the North Carolina bank including offices, financial performance and the potential for growth combining the two institutions within one holding company. Mr. Bouchette also presented an oral proposal from a bank headquartered in South Carolina (the South Carolina bank) for a stock transaction. A third offer had also been received from SCBT Financial Corporation. Mr. Bouchette also informed the board that a fourth bank had expressed interest, but had not at that time made an offer.

Also at the March 3, 2005 board meeting, a representative of The Bankers Bank delivered a presentation on its evaluation of Sun Bancshares strategic plan in light of the current merger and acquisition environment. The representative of The Bankers Bank provided the board with earnings projections over a five-year period comparing various options, namely proposals from interested financial institutions as compared to remaining independent. The board discussed the impact of a stock sale versus a cash plus stock consideration scenario, the impact of the various options on the SunBank staff, and the future growth of the organization both as an independent bank and as part of a larger organization.

Mr. Bouchette engaged The Orr Group, LLC to assist with evaluating any offers received. At a March 14, 2005 board meeting, a representative of The Orr Group, LLC began a review of the proposal from the North Carolina bank. At a special meeting of the board on April 11, 2005, Mr. Bouchette informed the board that the investment banking firm representing the North Carolina bank could not render a fairness opinion for the agreed upon purchase price. Upon further discussion at the meeting, the board unanimously decided it would not be in the best interests of the shareholders to pursue further negotiations with the North Carolina bank.

After discussions were discontinued with the North Carolina bank, Robert R. Hill, Jr., president and chief executive officer of SCBT Financial Corporation, again approached Mr. Bouchette. Subsequent negotiations and meetings were presented to the Sun Bancshares board at a June 13, 2005 board meeting. At that meeting, chairman Floyd announced that the purpose of the meeting was to present a proposal for merger with SCBT Financial Corporation and introduced SCBT Financial Corporation chairman Robert Horgler, SCBT Financial Corporation chief executive officer Robert Hill, and SCBT Financial Corporation chief operating officer John Pollok, to provide summaries of their opinions of SCBT Financial Corporation. At that meeting, the board agreed that it would be in the best interests of Sun Bancshares' shareholders to proceed with the merger discussion with SCBT Financial Corporation and that a larger organization would benefit its customers. Between June 13, 2005 and July 11, 2005, SCBT Financial Corporation conducted a due diligence review of and continued to analyze Sun Bancshares. At a July 11,

2005 Sun Bancshares board meeting, Mr. Bouchette updated the board on merger negotiations and on SCBT Financial Corporation's due diligence review of the company.

After that meeting, the executive committee of Sun Bancshares met several times to discuss the merits of a strategic business combination and to discuss the possible financial terms of such a transaction. In mid-July 2005, SCBT Financial Corporation provided Sun Bancshares and the executive committee with an updated outline of the terms under which SCBT Financial Corporation would be willing to acquire Sun Bancshares.

The Sun Bancshares board of directors met on July 18, 2005 to discuss the terms of a proposed Agreement and Plan of Merger. A representative of Powell Goldstein LLP, attorneys representing Sun Bancshares, and a representative of The Orr Group, LLC were also present at the meeting. The representative from Powell Goldstein reviewed and discussed with the board the terms of the proposed merger agreement, and the representative of The Orr Group delivered and described that firm's opinion that, as of the date of the meeting, Sun Bancshares' shareholders would receive fair consideration, from a financial point of view, from SCBT Financial Corporation. After full consideration and discussion of the structure, terms and conditions of the proposed merger, the Sun Bancshares board of directors approved the Agreement and Plan of Merger substantially in the form reviewed by the board at that meeting and authorized Sun Bancshares' management to finalize negotiation of a definitive merger agreement with SCBT Financial Corporation, to execute the merger agreement, and take such further action as necessary to consummate the merger, subject to regulatory and shareholder approval.

Sun Bancshares and SCBT Financial Corporation executed the merger agreement on July 21, 2005.

Sun Bancshares and SCBT Financial Corporation issued a joint press release on July 22, 2005 announcing the transaction.

#### **Sun Bancshares' Reasons for the Merger**

In reaching its decision to adopt and approve the merger agreement and recommend the merger to its shareholders, the Sun Bancshares board of directors consulted with Sun Bancshares management, as well as its legal and financial advisors, and considered a number of factors, including:

- The value of the consideration Sun Bancshares' shareholders will receive relative to the book value and earnings per share of Sun Bancshares common stock;
- Certain information concerning the financial condition, results of operations and business prospects of SCBT Financial Corporation;
- The financial terms of recent business combinations in the financial services industry and a comparison of the multiples of selected combinations with the terms of the merger;
- The probable increased ability of the combined institutions to compete in relevant banking and non-banking markets;
- The probable increased efficiency and profitability of SunBank resulting from economies of scale;
- The advantage to SunBank resulting from the increase in products and services to be offered by the combined organizations;
- The anticipated compatibility of management and business philosophy and the continued operation of SunBank as a subsidiary of SCBT Financial Corporation;
- The fixed nature of the exchange ratio and the possibility that if the market price of SCBT Financial Corporation common stock increases prior to completion of the merger the value to be received by Sun Bancshares' shareholders will also increase;





- The projected positive value of SCBT Financial Corporation's shares offered to Sun Bancshares' shareholders in relation to the estimated market value, book value and earnings per share of Sun Bancshares common stock;
- The information regarding historical market prices and information of SCBT Financial Corporation common stock, and the financial performance and condition, assets, liabilities, business operations, capital levels and prospects of each of Sun Bancshares and SCBT Financial Corporation and their superior potential future values on a combined basis as compared to the potential future values of Sun Bancshares;
- The alternatives to the merger, including remaining an independent institution;
- The competitive and regulatory environment for financial institutions generally;
- The fact that the merger will enable Sun Bancshares' shareholders to exchange their shares of common stock, in a partially tax-free transaction, for cash and shares of common stock of a larger company, the stock of which is more widely held and more liquid than that of Sun Bancshares; and
- The Orr Group, LLC's opinion that the consideration Sun Bancshares' shareholders will receive as a result of the merger is fair from a financial point of view.

In addition, Sun Bancshares' board knew and considered the financial interests of certain Sun Bancshares' directors and executives when it approved the merger agreement. These financial interests are addressed in greater detail under the heading "The Merger - Interests of Directors and Officers of Sun Bancshares that Differ from Your Interests."

The foregoing information and factors considered by the Sun Bancshares board of directors is not exhaustive, but includes all material factors that the Sun Bancshares board of directors considered and discussed in approving and recommending the merger proposal. In view of the wide variety of factors considered and discussed by the Sun Bancshares board of directors in connection with its evaluation of the merger proposal and the complexity of these factors, the board of directors did not consider it practical to, nor did it attempt to, quantify, rank, or otherwise assign any specific or relative weights to the specific factors that it considered in reaching its decision. Rather, it considered all of the factors as a whole. The board of directors discussed the foregoing factors, including asking questions of Sun Bancshares management and legal and financial advisors, and reached general consensus that the merger was in the best interests of Sun Bancshares and its shareholders. In considering the foregoing factors, individual directors may have assigned different weights to different factors. The Sun Bancshares board of directors relied on the experience and expertise of Sun Bancshares' financial advisor for quantitative analysis of the financial terms of the merger. See "The Merger - Opinion of Sun Bancshares' Financial Advisor" on page 20. It should be noted that this explanation of the reasoning of the Sun Bancshares board of directors and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under "A Warning About Forward-Looking Statements" on page 13.

**The Sun Bancshares board of directors believes the merger is in the best interests of Sun Bancshares and its shareholders. The Sun Bancshares board of directors recommends that Sun Bancshares' shareholders vote *FOR* the approval of the merger proposal and the consummation of the transactions contemplated thereby.**

#### **Opinion of Sun Bancshares' Financial Advisor**

Sun Bancshares retained The Orr Group, LLC to render a written opinion to the board of directors of Sun Bancshares as to the fairness, from a financial point of view, of the consideration to be paid by SCBT Financial Corporation to the shareholders of Sun Bancshares in the merger.

The Orr Group, LLC is an investment banking firm that specializes in providing investment banking advisory services to financial institutions. The Orr Group, LLC has been involved in numerous bank related mergers and acquisitions. No limitations were imposed by Sun Bancshares upon The Orr Group, LLC with respect to rendering its opinion.

On July 18, 2005, The Orr Group, LLC rendered its oral opinion to the board of directors of Sun Bancshares, and subsequently confirmed in writing, as to the fairness, from a financial point of view, of the merger consideration to be paid by SCBT Financial Corporation to the shareholders of Sun Bancshares. The Orr Group, LLC's written opinion is attached as Appendix C hereto and should be read in its entirety with respect to the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by The Orr Group, LLC in connection with its opinion. Sun Bancshares' shareholders are urged to read the opinion in its entirety.

The Orr Group, LLC's opinion rendered to the Sun Bancshares board of directors is directed only to the merger consideration described in the merger agreement and does not address the fairness, from a financial point of view, of any change in the merger consideration that may be agreed upon by Sun Bancshares and SCBT Financial Corporation subsequent to their written opinion. The Orr Group, LLC's opinion does not constitute a recommendation to any shareholder of Sun Bancshares as to how such shareholder should vote at the Sun Bancshares special meeting.

In arriving at its opinion, The Orr Group, LLC, among other things:

- (i) Reviewed the merger agreement and certain related documents;
- (ii) Reviewed the historical and current financial position and results of the operations of Sun Bancshares and SCBT Financial Corporation;
- (iii) Reviewed certain publicly available information concerning SCBT Financial Corporation, including Annual Reports on Form 10-K for each of the years in the three year period ended December 31, 2004 and Quarterly Reports on Form 10-Q for the periods ended March 31, 2004, June 30, 2004, September 30, 2004, and March 31, 2005;
- (iv) Reviewed certain publicly available information concerning Sun Bancshares, including annual reports for each of the years in the three year period ended December 31, 2004, and internally prepared statements for March 31, 2004, June 30, 2004, September 30, 2004, and March 31, 2005;
- (v) Reviewed certain available financial forecasts concerning the business and operations of Sun Bancshares that were prepared by management of Sun Bancshares;
- (vi) Participated in discussions with certain officers and employees of Sun Bancshares and SCBT Financial Corporation to discuss the past and current business operations, financial condition, and prospects of Sun Bancshares and SCBT Financial Corporation, as well as matters it believed relevant to its inquiry;
- (vii) Reviewed certain publicly available operating and financial information with respect to other companies that it believes to be comparable in certain respects to Sun Bancshares and SCBT Financial Corporation;
- (viii) Reviewed the current and historical relationships between the trading levels of Sun Bancshares' common stock and SCBT Financial Corporation's common stock and the historical and current market for the common stock of Sun Bancshares, SCBT Financial Corporation, and other companies that it believes to be comparable in certain respects to Sun Bancshares or SCBT Financial Corporation;
- (ix) Reviewed the nature and terms of certain other acquisition transactions that it believes to be relevant; and
- (x) Performed such other reviews and analyses it deemed appropriate.

Within its review and analysis, The Orr Group, LLC assumed and relied upon the accuracy and completeness of all of the financial and other information provided to The Orr Group, LLC, or that was publicly available, and did not attempt independently to verify nor assumed responsibility for verifying any such information. With respect to the financial projections, The Orr Group, LLC assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of Sun Bancshares or SCBT Financial Corporation, as the case may be, and The Orr Group, LLC expresses no opinion with respect to such forecasts or the assumptions on which they are based. The Orr Group, LLC has not made or obtained, or assumed any responsibility for making or obtaining, any independent evaluations or appraisals of any of the assets, including properties and facilities, or liabilities of Sun Bancshares or SCBT Financial Corporation.

The Orr Group, LLC employed a variety of analyses, of which some are briefly summarized below. The analyses outlined below do not represent a complete description of the analyses performed by The Orr Group, LLC. The Orr Group, LLC believes that it is necessary to consider all analyses as a whole and that relying on a select number of the analyses, without considering the whole, could create a misunderstanding of the opinion derived from them. In addition, The Orr Group, LLC may have deemed various assumptions more or less probable than other assumptions, so that the ranges of valuations resulting from any particular analysis should not be taken to be The Orr Group, LLC's view of the entire analysis as a whole.

*Selected Companies Analysis SCBT Financial Corporation*

The Orr Group, LLC compared the financial performance data of SCBT Financial Corporation with a peer group of 41 publicly traded Southeastern banks or bank holding companies that had total assets of greater than \$500 million and less than \$2.5 billion. Furthermore, the banks or holding companies exhibited tangible common equity to tangible asset ratios of greater than 6% and less than 10% and return on average assets greater than 0.50%. The peer group included the following:

**Peer Group List**

|   |      |  |      |
|---|------|--|------|
| Main Street Banks, Inc.                 | MSBK | Capital Bank Corporation                     | CBKN |
| First Community Bancshares, Inc.        | FCBC | FLAG Financial Corporation                   | FLAG |
| Union Bankshares Corporation            | UBSH | National Bankshares, Incorporated            | NKSH |
| First Bancorp                           | FBNC | Pinnacle Financial Partners, Inc.            | PNFP |
| TowneBank                               | TOWN | Peoples BancTrust Company, Inc.<br>(The)     | PBTC |
| GB&T Bancshares, Inc.                   | GBTB | First South Bancorp, Inc.                    | FSBK |
| Virginia Financial Group, Inc.          | VFGI | Georgia Bank Financial Corporation           | GBFP |
| FNB Corporation                         | FNBP | Eastern Virginia Bankshares, Inc.            | EVBS |
| Greene County Bancshares, Inc.          | GCBS | Old Point Financial Corporation              | OPOF |
| BancTrust Financial Group, Inc.         | BTFG | Peoples Bancorp of North Carolina,<br>Inc.   | PEBK |
| Fidelity Southern Corporation           | LION | Savannah Bancorp, Inc.                       | SAVB |
| ABC Bancorp                             | ABCB | Middleburg Financial Corporation             | MBRG |
| Virginia Commerce Bancorp, Inc.         | VCBI | Premier Community Bankshares<br>Incorporated | PREM |
| Southern Community Financial Corp.      | SCMF | Auburn National Bancorporation, Inc.         | AUBN |
| Security Bank Corporation               | SBKC | Cooperative Bankshares, Inc.                 | COOP |
| Colony Bankcorp, Inc.                   | CBAN | Gateway Financial Holdings, Inc.             | GBTS |
| Yadkin Valley Bank and Trust<br>Company | YAVY | Highlands Bankshares, Inc.                   | HBKA |
| LSB Bancshares, Inc.                    | LXBK | Riverside Bancshares, Inc.                   | RSBK |
| FNB Financial Services Corporation      | FNBF | Alliance Bankshares Corporation              | ABVA |
| PAB Bankshares, Inc.                    | PAB  | Community Capital Corp.                      | CYL  |
| FNB Corp.                               | FNBN |  |      |

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The results of the analysis involve complex considerations of the selected companies and SCBT Financial Corporation. The Orr Group, LLC compared performance indicators of SCBT Financial Corporation with the median, upper, and lower quartile performance indicators of the selected peer group. The performance indicators utilized by The Orr Group, LLC are based on financial information reported as of March 31, 2005. An overview comparison of the indicators included the following:

|                                     | SCBT<br>Data | Peer Data<br>Upper Quart | Median     | Lower Quart |
|-------------------------------------|--------------|--------------------------|------------|-------------|
| <b>Balance Sheet Data</b>           |              |                          |            |             |
| Assets (\$000s)                     | \$ 1,522,083 | \$ 1,269,877             | \$ 901,450 | \$ 690,198  |
| Deposits (\$000s)                   | \$ 1,245,921 | \$ 1,054,438             | \$ 718,617 | \$ 561,138  |
| Tangible Equity (\$000s)            | \$ 116,282   | \$ 94,059                | \$ 70,537  | \$ 52,089   |
| Loans/Deposits                      | 95.9         | 97.5                     | 95.3       | 87.7        |
| Loans/Assets                        | 78.5         | 78.6                     | 74.7       | 68.1        |
| Deposits/Assets                     | 81.9         | 83.9                     | 80.2       | 76.5        |
| Core Deposits                       | 86.2         | 83.9                     | 81.0       | 75.2        |
| <b>Asset &amp; Capital Adequacy</b> |              |                          |            |             |
| TCE Ratio                           | 7.7          | 8.0                      | 7.6        | 7.0         |
| Tier 1 Ratio                        | 9.8          | 11.9                     | 10.9       | 10.0        |
| Reserves/Loans                      | 1.2          | 1.4                      | 1.2        | 1.1         |
| NPAs/Assets                         | 0.2          | 0.7                      | 0.3        | 0.1         |
| <b>Operating Results</b>            |              |                          |            |             |
| NIM (MRQ)                           | 4.2          | 4.3                      | 4.1        | 3.8         |
| Effic Ratio (MRQ)                   | 65.7         | 68.0                     | 62.5       | 57.8        |
| NIM                                 | 4.3          | 4.3                      | 4.0        | 3.8         |
| Effic Ratio                         | 66.5         | 66.7                     | 61.5       | 57.8        |
| <b>Profitability</b>                |              |                          |            |             |
| ROAA (MRQ)                          | 1.1          | 1.2                      | 1.1        | 0.9         |
| ROAE (MRQ)                          | 13.6         | 13.1                     | 11.6       | 9.9         |
| ROAA                                | 1.1          | 1.2                      | 1.1        | 0.9         |
| ROAE                                | 12.6         | 13.5                     | 12.1       | 9.1         |
| <b>Trading Data</b>                 |              |                          |            |             |
| P/E (MRQ)                           | 16.3         | 19.8                     | 17.0       | 15.2        |
| P/E                                 | 18.0         | 20.2                     | 17.3       | 15.6        |
| P/TB                                | 2.25         | 3.05                     | 2.25       | 1.78        |
| P/E (Core) (MRQ)                    | 16.3         | 19.6                     | 17.0       | 15.3        |
| P/E (Core)                          | 18.5         | 20.5                     | 17.2       | 16.0        |

*Selected Companies Analysis Sun Bancshares*

The Orr Group, LLC compared the financial performance data of Sun Bancshares with a peer group of 25 publicly traded Southeastern banks or bank holding companies that had total assets of greater than \$75 million and less than \$225 million. Furthermore, the banks or holding companies exhibited tangible common equity to tangible asset ratios of greater than 7% and less than 13% and return on average assets greater than 0.60% and less than 1.00%. The peer group included the following:

**Peer Group List**

|   |      |  |      |
|---|------|--|------|
| Atlantic BancGroup, Inc.                | ATBC | Little Bank, Incorporated                | LTLB |
| Bank of McKenney                        | BOMK | Newnan Coweta Bancshares, Inc.           | NWCB |
| Bank of the James Financial Group, Inc. | BOJF | OptimumBank Holdings, Inc.               | OPHC |
| Cardinal State Bank                     | CSNC | Pilot Bancshares, Inc.                   | PLBN |
| Carolina Trust Bank                     | CART | Pinnacle Bancshares, Inc.                | PLE  |
| Central National Bank                   | CKLV | Pinnacle Bankshares Corporation          | PPBN |
| Cherokee Banking Company                | CHKJ | Pioneer Bankshares, Inc.                 | PNBI |
| Citizens Financial Corporation          | CIWV | Scottish Bank (The)                      | SHKL |
| Coastal Banking Company, Inc.           | CBCO | SterlingSouth Bank & Trust Company       | SSBT |
| Community Capital Bancshares, Inc.      | ALBY | Surrey Bancorp                           | SRYB |
| First Capital Bank                      | FCRV | United Financial Banking Companies, Inc. | UFBC |
| First Security Bancorp, Inc.            | FSLK | Village Bank and Trust Financial Corp.   | VBFC |
| FirstFed Bancorp, Inc.                  | FFDB |  |      |

The results of the analysis involve complex considerations of the selected companies and Sun Bancshares. The Orr Group, LLC compared performance indicators of Sun Bancshares with the median, upper, and lower quartile performance indicators of the selected peer group. The performance indicators utilized by The Orr Group, LLC based on financial information reported as of March 31, 2005. An overview comparison of the indicators included the following:

|                                     | SNBA<br>Data | Peer Data<br>Upper Quart | Median     | Lower Quart |
|-------------------------------------|--------------|--------------------------|------------|-------------|
| <b>Balance Sheet Data</b>           |              |                          |            |             |
| Assets (\$000s)                     | \$ 92,852    | \$ 188,140               | \$ 163,073 | \$ 141,744  |
| Deposits (\$000s)                   | \$ 82,935    | \$ 156,807               | \$ 136,903 | \$ 113,490  |
| Tangible Equity (\$000s)            | \$ 9,474     | \$ 17,152                | \$ 13,720  | \$ 12,020   |
| Loans/Deposits                      | 89.3         | 96.7                     | 88.3       | 82.9        |
| Loans/Assets                        | 80.2         | 80.4                     | 73.1       | 69.4        |
| Deposits/Assets                     | 89.8         | 87.3                     | 84.2       | 81.1        |
| Core Deposits                       | 70.3         | 85.1                     | 81.8       | 73.9        |
| <b>Asset &amp; Capital Adequacy</b> |              |                          |            |             |
| TCE Ratio                           | 10.2         | 10.0                     | 8.6        | 7.6         |
| Tier 1 Ratio                        | 11.4         | 14.0                     | 12.1       | 10.3        |
| Reserves/Loans                      | 1.2          | 1.3                      | 1.2        | 1.0         |
| NPAs/Assets                         | 0.0          | 0.5                      | 0.1        | 0.1         |
| <b>Operating Results</b>            |              |                          |            |             |
| NIM (MRQ)                           | 4.2          | 4.3                      | 3.8        | 3.5         |
| Effic Ratio (MRQ)                   | 73.5         | 75.1                     | 71.0       | 68.1        |
| NIM                                 | 4.1          | 4.2                      | 3.8        | 3.5         |
| Effic Ratio                         | 73.4         | 76.0                     | 71.8       | 66.4        |
| <b>Profitability</b>                |              |                          |            |             |
| ROAA (MRQ)                          | 0.5          | 0.8                      | 0.7        | 0.6         |
| ROAE (MRQ)                          | 5.4          | 9.0                      | 8.0        | 7.3         |
| ROAA                                | 0.4          | 0.9                      | 0.7        | 0.5         |
| ROAE                                | 3.5          | 9.7                      | 8.0        | 5.9         |
| <b>Trading Data</b>                 |              |                          |            |             |
| P/E (MRQ)                           | 38.1         | 25.6                     | 19.4       | 16.1        |
| P/E                                 | 60.8         | 28.1                     | 20.1       | 16.6        |
| P/E (Core) (MRQ)                    | 38.1         | 25.0                     | 19.8       | 16.3        |
| P/E (Core)                          | 60.8         | 28.1                     | 20.4       | 17.2        |
| P/TB                                | 1.81         | 1.87                     | 1.53       | 1.34        |



*Comparable Transaction Analysis*

The Orr Group, LLC reviewed data of selected transactions involving pending and completed bank acquisitions that it deemed pertinent to an analysis of the merger. The transactions selected were mergers that were announced after December 31, 2002 in which the selling bank had assets between \$50 million and \$225 million, return on average asset ratios less than 0.80%, and tangible common equity to tangible asset ratios greater than 6.0% and less than 11.0%. From these transactions, The Orr Group, LLC selected 21 transactions for comparison purposes.

The Orr Group, LLC compared the median, upper quartile, and lower quartile pricing ratios of the comparable transactions to the pricing ratios of the merger. The pricing ratios included price to book, price to tangible book, price to earnings per share for the latest twelve months, price to assets, price to deposits, and the franchise premium to core deposit ratio. A summary of the analysis is included in the following table:

| M&A Transaction Stats   | Price to<br>TBVPS | Price to<br>LTM EPS | Price to<br>Assets | Price to<br>Deposits | Fran Prem<br>to Core Dep |
|-------------------------|-------------------|---------------------|--------------------|----------------------|--------------------------|
| SNBA SCBT Transaction   | 240.0             | 81.3                | 27.9               | 30.9                 | 27.7                     |
| Comparable Transactions |                   |                     |                    |                      |                          |
| Lower Quartile          | 192.1             | 23.1                | 17.6               | 21.5                 | 12.9                     |
| Median Multiple         | 213.1             | 27.3                | 19.6               | 22.8                 | 16.6                     |
| Upper Quartile          | 267.2             | 36.6                | 22.1               | 26.8                 | 22.8                     |

*Discount Dividend Analysis*

The Orr Group, LLC performed a discount dividend analysis to estimate a range of present values per share of Sun Bancshares' common stock as a stand-alone entity including appropriate synergies that would be implemented by an acquirer. The Orr Group, LLC discounted five years of estimated cash flows for Sun Bancshares based on projected growth rates and capital requirements. The Orr Group, LLC derived a range of terminal values by applying multiples ranging from 11 times to 15 times estimated forward net income for the terminal year 2009. The present value of the estimated excess cash flows and terminal value was calculated using discount rates ranging from 10% to 14%, which The Orr Group, LLC viewed as the appropriate range of discount rates for a company with Sun Bancshares' risk characteristics. The analysis yielded a range of stand-alone, fully diluted values for Sun Bancshares' stock of approximately \$11.80 to \$18.55. The Orr Group, LLC included the discount dividend analysis because it is a widely used valuation methodology; however the results of such methodology are highly dependent upon numerous assumptions.

*Contribution Analysis*

In its contribution analysis, The Orr Group, LLC compared the pro forma financial contribution of Sun Bancshares to the combined company to the pro forma ownership (as if completed through a 100% stock transaction) of Sun Bancshares' shareholders in the combined company's shareholder base. The contribution analysis also took into account cost savings and core deposit intangible amortization expenses as a result of the merger. The contribution analysis revealed that Sun Bancshares would contribute 6.3% of the assets, 3.5% of income statement items, 5.8% projected income items, and 6.6% projected income items adjusted for synergies and core deposit intangible amortization expenses. The average of all of the financial items considered was 6.4%. This was compared to the pro forma common ownership for Sun Bancshares' shareholders of 8.0% (as if 100% of SCBT Financial Corporation's stock were used in consideration of the transaction) in the combined company. The pro forma common ownership for Sun Bancshares' shareholders based on the actual transaction structure was 6.5%, based a 20% cash level, or \$3.60 per share, and a fixed exchange ratio of 0.4645.

*Pro Forma Merger Analysis*

The Orr Group, LLC analyzed the financial impact of the merger on the estimated earnings per share for SCBT Financial Corporation. Based on the various assumptions made to determine the pro forma numbers and the consideration paid by SCBT Financial Corporation, the merger would be neutral to GAAP earnings and accretive to cash earnings by 2007 and accretive to GAAP and cash earnings per share in 2008.

No company or transaction used in the above analyses as a comparison is identical to Sun Bancshares, SCBT Financial Corporation, or the merger. Accordingly, an analysis of the results of the foregoing involves complex considerations and judgments concerning differences in financial growth and operating characteristics of the companies and other factors that could affect the public trading value of the companies to which they are being compared. Mathematical analysis in and of itself does not necessarily provide meaningful comparisons.

The Orr Group, LLC has been paid a fee of \$35,000 to date and will be paid an additional fee of \$35,000 at the time the merger is consummated. The payment to The Orr Group, LLC includes payment for services rendered in preparation and delivery of the fairness opinion. Sun Bancshares has agreed to reimburse legal and other reasonable expenses and to indemnify The Orr Group, LLC and its affiliates, directors, agents, employees and controlling persons in connection with certain matters related to rendering its opinion, including liabilities under securities laws.

**The written opinion of The Orr Group, LLC to Sun Bancshares is attached as Appendix C to this proxy statement/prospectus and is incorporated herein by reference. The description of the Sun Bancshares fairness opinion is qualified in its entirety by reference to Appendix C. Sun Bancshares shareholders are urged to read the opinion in its entirety for a description of the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by The Orr Group, LLC in connection with rendering its opinion.**

**Merger Consideration**

As a result of the merger, SCBT Financial Corporation will pay consideration of approximately \$4.4 million cash and 564,387 shares of SCBT Financial Corporation common stock for Sun Bancshares issued and outstanding shares of common stock. Each Sun Bancshares shareholder will receive cash and SCBT Financial Corporation common stock on a pro rata basis. The value of the consideration to be received by each Sun Bancshares shareholder will depend upon the value of the SCBT Financial Corporation common stock and the number of shares of Sun Bancshares common stock issued and outstanding at the effective time of the merger. Sun Bancshares had 1,215,000 shares of common stock issued and outstanding as of both July 21, 2005 and September 15, 2005. Based upon the foregoing, Sun Bancshares shareholders would receive \$3.60 cash and 0.464516 shares (a fixed exchange ratio) of SCBT Financial Corporation common stock for each of their issued and outstanding shares. Based on the closing price of SCBT Financial Corporation common stock of \$33.67 on July 21, 2005, (the date the merger was announced) and \$32.15 on September 15, 2005 (the most recent practicable trading date prior to the mailing of the proxy statement/prospectus), the value of the consideration, including cash and SCBT Financial Corporation common stock, to be received by each shareholder of Sun Bancshares would be approximately \$19.24 as of July 21, 2005 and \$18.53 as of September 15, 2005.

**No assurance can be given that the current fair market value of SCBT Financial Corporation common stock will be equivalent to the fair market value of SCBT Financial Corporation common stock on the date that stock is received by a Sun Bancshares shareholder or at any other time. The fair market value of SCBT Financial Corporation common stock received by a Sun Bancshares shareholder may be greater or less than the current fair market value of SCBT Financial Corporation due to numerous market factors.**

### Fractional Shares

No fractional shares of SCBT Financial Corporation common stock will be issued to any holder of Sun Bancshares common stock in the merger. For each fractional share that would otherwise be issued, SCBT Financial Corporation will pay cash in an amount equal to the fraction multiplied by \$31.00 (which was the value of consideration per share as agreed upon by SCBT Financial Corporation and Sun Bancshares at the time the merger was negotiated). No interest will be paid or accrued on cash payable in lieu of fractional shares.

### Treatment of Options and Warrants

SCBT Financial Corporation will pay an aggregate of approximately \$2.86 million to the holders of outstanding options and warrants for Sun Bancshares stock. Each holder of a Sun Bancshares option or warrant will receive cash (without interest) equal to the amount by which, if any, \$18.00 exceeds the exercise price per share of Sun Bancshares common stock under such option or warrant less applicable taxes, if any, required to be withheld with respect to such payment. No consideration shall be paid with respect to any option or warrant, the exercise price of which equals or exceeds \$18.00. No Sun Bancshares options or warrants will remain outstanding following the merger or will be exchanged for options or warrants for shares of SCBT Financial Corporation common stock.

### Exchange of Certificates

As soon as reasonably practicable after the effective time of the merger, SCBT Financial Corporation will mail appropriate transmittal materials to each record holder of Sun Bancshares common stock for use in effecting the surrender and cancellation of those certificates in exchange for SCBT Financial Corporation common stock. Risk of loss and title to the certificates will remain with the holder until proper delivery of such certificates to SCBT Financial Corporation by former Sun Bancshares shareholders. **Sun Bancshares shareholders should not surrender their certificates for exchange until they receive a letter of transmittal and instructions from SCBT Financial Corporation.** After the effective time of the merger, each holder of shares of Sun Bancshares common stock, except holders exercising dissenters' rights of appraisal, issued and outstanding at the effective time must surrender the certificate or certificates representing their shares to SCBT Financial Corporation and will, as soon as reasonably practicable after surrender, receive the consideration they are entitled to under the merger agreement, together with all undelivered dividends or distributions in respect of such shares (without interest). SCBT Financial Corporation will not be obligated to deliver the consideration to which any former holder of Sun Bancshares common stock is entitled until the holder surrenders the certificate or certificates representing his or her shares for exchange. The certificate or certificates so surrendered must be duly endorsed as SCBT Financial Corporation may require. SCBT Financial Corporation will not be liable to a holder of Sun Bancshares common stock for any property delivered in good faith to a public official pursuant to any applicable abandoned property law.

After the effective time of the merger (and prior to the surrender of certificates of Sun Bancshares common stock to SCBT Financial Corporation), record holders of certificates that represented outstanding Sun Bancshares common stock immediately prior to the effective time of the merger will have no rights with respect to the certificates other than the right to surrender the certificates and receive in exchange for the certificates a certificate or certificates representing the aggregate number of whole shares of SCBT Financial Corporation common stock to which the holder is entitled pursuant to the merger agreement.

In the event that any dividend or distribution, the record date for which is on or after the effective time of the merger, is declared by SCBT Financial Corporation on SCBT Financial Corporation common stock, no such dividend or other distributions will be delivered to the holder of a certificate representing shares of Sun Bancshares common stock immediately prior to the effective time of the merger until such holder surrenders such certificate as set forth above.

In addition, holders of certificates that represented outstanding Sun Bancshares common stock immediately prior to the effective time of the merger will be entitled to vote after the effective time of the merger at any meeting of SCBT Financial Corporation shareholders the number of whole shares of SCBT Financial Corporation common stock into which such shares have been converted, even if such holder has not surrendered such certificates for exchange as set forth above.

SCBT Financial Corporation shareholders will not be required to exchange certificates representing their shares of SCBT Financial Corporation common stock or otherwise take any action after the merger is completed.

### **Federal Income Tax Consequences**

The following summarizes certain material federal income tax consequences of the merger to Sun Bancshares shareholders. This summary is based on current laws, regulations, rulings, and decisions now in effect, all of which are subject to change at any time, possibly with retroactive effect. This summary is not a complete description of all of the tax consequences of the merger and, in particular, may not address federal income tax consequences applicable to you if you are subject to special treatment under federal income tax law, such as rules relating to shareholders who are not citizens or residents of the United States, who are financial institutions, foreign corporations, tax-exempt organizations, insurance companies, or dealers in securities, shareholders who acquired their shares pursuant to the exercise of options or similar derivative securities or otherwise as compensation, and shareholders who hold their shares as part of a straddle or conversion transaction. In addition, this summary does not address the tax consequences of the merger under applicable state, local, foreign, or estate tax laws. This discussion assumes you hold your shares of Sun Bancshares common stock as a capital asset within the meaning of Section 1221 of the Internal Revenue Code of 1986. Each Sun Bancshares shareholder should consult with his or her tax advisor about the tax consequences of the merger in light of his or her individual circumstances, including the application of any federal, state, local, foreign, or estate tax law.

The merger is intended to constitute a reorganization under Section 368(a) of the Internal Revenue Code. On the closing date, SCBT Financial Corporation and Sun Bancshares will receive an opinion from Nelson Mullins Riley & Scarborough LLP, counsel to SCBT Financial Corporation, that the merger will qualify as a reorganization. The closing date opinion will be based on customary assumptions and customary representations made by Sun Bancshares and SCBT Financial Corporation. An opinion of counsel represents the counsel's best legal judgment and is not binding on the Internal Revenue Service or any court. If, notwithstanding the opinion of counsel, the merger does not qualify as a reorganization, the exchange of Sun Bancshares common stock for SCBT Financial Corporation common stock in the merger will be a taxable transaction.

Provided the merger qualifies as a reorganization, neither Sun Bancshares nor SCBT Financial Corporation will recognize any gain or loss for federal income tax purposes, and the federal income tax consequences to you as a Sun Bancshares shareholder will be as follows:

***Exchange for SCBT Financial Corporation Common Stock and Cash.*** You will generally recognize gain (but not loss) in an amount equal to the lesser of (1) the amount of gain realized (i.e., the excess of the sum of the amount of cash and the fair market value of the SCBT Financial Corporation common stock received pursuant to the merger over your adjusted tax basis in your shares of Sun Bancshares common stock surrendered) and (2) the amount of cash received pursuant to the merger. For this purpose, gain or loss must be calculated separately for each identifiable block of shares surrendered in the exchange, and a loss realized on one block of shares may not be used to offset a gain realized on another block of shares. Any recognized gain will generally be long-term capital gain if your holding period with respect to the Sun Bancshares common stock surrendered is more than one year. If, however, the cash received has the effect of the distribution of a dividend, the gain would be treated as a dividend to the extent of your ratable share

of accumulated earnings and profits as calculated for United States federal income tax purposes. See Possible Treatment of Cash as a Dividend.

Your aggregate tax basis of the SCBT Financial Corporation common stock you receive in exchange for your shares of Sun Bancshares common stock will be equal to the aggregate adjusted tax basis of the shares of Sun Bancshares common stock surrendered for SCBT Financial Corporation common stock and cash, reduced by the amount of cash you receive pursuant to the merger, and increased by the amount of gain (including any portion of the gain that is treated as a dividend as described below), if any, you must recognize on the exchange. Your holding period of the SCBT Financial Corporation common stock will include the holding period of the shares of Sun Bancshares common stock you surrendered. If you have differing bases or holding periods in respect of your shares of Sun Bancshares common stock, you should consult your tax advisor prior to the exchange with regard to identifying the bases or holding periods of the particular shares of SCBT Financial Corporation common stock received in the exchange.

**Possible Treatment of Cash as a Dividend.** In general, the determination of whether the gain recognized in the exchange will be treated as capital gain or has the effect of a distribution of a dividend depends upon whether and to what extent the exchange reduces your deemed percentage stock ownership of SCBT Financial Corporation. For purposes of this determination, you are treated as if you first exchanged all of your shares of Sun Bancshares common stock solely for SCBT Financial Corporation common stock and then SCBT Financial Corporation immediately redeemed (the deemed redemption ) a portion of the SCBT Financial Corporation common stock in exchange for the cash you actually received. The gain recognized in the exchange followed by a deemed redemption will be treated as capital gain if the deemed redemption is (1) substantially disproportionate with respect to the holder or (2) not essentially equivalent to a dividend.

The deemed redemption, generally, will be substantially disproportionate with respect to you if the percentage described in (2) below is less than 80 percent of the percentage described in (1) below. Whether the deemed redemption is not essentially equivalent to a dividend with respect to you will depend upon your particular circumstances. At a minimum, however, in order for the deemed redemption to be not essentially equivalent to a dividend, the deemed redemption must result in a meaningful reduction in your deemed percentage stock ownership of SCBT Financial Corporation. In general, that determination requires a comparison of (1) the percentage of the outstanding stock of SCBT Financial Corporation that you are deemed actually and constructively to have owned immediately before the deemed redemption and (2) the percentage of the outstanding stock of SCBT Financial Corporation that is actually and constructively owned by you immediately after the deemed redemption. In applying the above tests, you may, under the constructive ownership rules, be deemed to own stock that is owned by other persons or otherwise in addition to the stock actually owned by you. As these rules are complex, each Sun Bancshares shareholder that may be subject to these rules should consult its tax advisor. The IRS has ruled that a minority shareholder in a publicly held corporation whose relative stock interest is minimal and who exercises no control with respect to corporate affairs is considered to have a meaningful reduction if that shareholder has a relatively minor reduction in its percentage stock ownership under the above analysis.

**Cash Received in Lieu of a Fractional Share.** Cash you receive in lieu of a fractional share of SCBT Financial Corporation common stock generally will be treated as received in redemption of the fractional share, and gain or loss generally will be recognized based on the difference between the amount of cash received in lieu of the fractional share and the portion of your aggregate adjusted tax basis of the shares of Sun Bancshares common stock surrendered allocable to the fractional share. Such gain or loss generally will be long-term capital gain or loss if the holding period for such shares of Sun Bancshares common stock is more than one year.

**Each Sun Bancshares shareholder is urged to consult his or her personal tax and financial advisor as to his or her specific federal income tax consequences, based on his or her own particular status and circumstances, and also as to any state, local, foreign, estate, or other tax consequences arising out of the merger.**

#### **Interests of Directors and Officers of Sun Bancshares that Differ from Your Interests**

**General.** Some of the employees and directors of Sun Bancshares may be deemed to have interests in the merger in addition to their interests as shareholders of Sun Bancshares generally. These interests include, among others, proposed employee benefits for those who become employees of SCBT Financial Corporation or an SCBT Financial Corporation subsidiary after the merger, employment agreements with two of Sun Bancshares' current executive officers, the appointment of one current Sun Bancshares director to the board of directors of SCBT Financial Corporation and the continuation of other directors of Sun Bancshares as directors of SunBank for a period of up to two years, the payment of cash for outstanding Sun Bancshares stock options and warrants, and insurance coverage for Sun Bancshares' directors and officers, as described below.

**Employee Benefits.** The merger agreement generally provides that SCBT Financial Corporation will furnish to those employees of Sun Bancshares who become employees of SCBT Financial Corporation or an SCBT Financial Corporation subsidiary after the effective time of the merger benefits under employee benefit plans which, when taken as a whole, are substantially similar to those currently provided by SCBT Financial Corporation and its subsidiaries to their similarly situated employees, except that employees of Sun Bancshares will not be eligible to participate in SCBT Financial Corporation's 401(k) plan prior to January 1, 2006 or SCBT Financial Corporation's defined benefit plans. For purposes of participation, vesting, and benefit accrual under SCBT Financial Corporation's employee benefit plans, service with Sun Bancshares prior to the effective time of the merger will be treated as service with SCBT Financial Corporation or its subsidiaries. SCBT Financial Corporation will credit new SCBT Financial Corporation employees for amounts paid under Sun Bancshares benefit plans for the plan year, including the effective time of the merger, for purposes of applying deductibles, co-payments, and out-of-pocket maximums under the SCBT Financial Corporation benefit plans.

**Bouchette Employment Agreement.** Sun Bancshares and its president, Thomas Bouchette, are currently bound by an employment agreement that provides, among other things, that Mr. Bouchette may terminate the employment agreement following a change in control of Sun Bancshares. In exchange for an aggregate payment of \$300,000, Mr. Bouchette has agreed to terminate this agreement and to enter into a new employment agreement and a noncompete agreement with SCBT Financial Corporation which will be effective upon consummation of the merger.

Pursuant to the new employment agreement, Mr. Bouchette will serve as the president and chief executive officer of SunBank, as long as SunBank operates as a separate wholly owned subsidiary of SCBT Financial Corporation and thereafter as a regional president of South Carolina Bank and Trust, N.A. or in such other comparable senior executive office with similar authority as may be designated by the board of directors of SCBT Financial Corporation or South Carolina Bank and Trust, N.A. or their respective chief executive officers. The new agreement commences upon the consummation of the merger and will be for a term of three years. Mr. Bouchette will receive an annual base salary of \$150,000, which may be increased



from time to time in accordance with SCBT Financial Corporation's senior management compensation policies. Mr. Bouchette will also be eligible to participate in SCBT Financial Corporation's incentive-based bonus programs and employment benefit plans applicable to his employment position. SCBT Financial Corporation will also provide him with an automobile allowance and maintain membership at a country club for Mr. Bouchette's benefit. If SCBT Financial Corporation terminates the agreement without cause, it will continue to pay Mr. Bouchette his base salary for one year following termination.

***Bouchette Noncompete Agreement.*** In connection with the merger, Mr. Bouchette has entered into a noncompete agreement with SCBT Financial Corporation. During employment and for a period of one year thereafter, Mr. Bouchette will be prohibited from, subject to limited exceptions, engaging in certain activities in Horry County and Georgetown County, South Carolina, including (a) soliciting employees for a competing business of or encouraging employees to leave employment with SCBT Financial Corporation or any of its affiliates, (b) soliciting customers of SunBank, SCBT Financial Corporation or any of its affiliates, on behalf of himself or anyone other than SCBT Financial Corporation or any of its affiliates for the purpose of providing business activities (as defined in the Noncompete Agreement), or (c) competing with SCBT Financial Corporation or any of its affiliates by engaging in such business activities or acquiring, for other than investment purposes, 5% or more of the outstanding securities of any corporation which may compete directly or indirectly with SunBank, SCBT Financial Corporation or any of its affiliates.

***Carmon Employment Agreement.*** SunBank and Randy L. Carmon are currently bound by an employment agreement. In exchange for a payment of \$100,000, Mr. Carmon has agreed to terminate this agreement and enter into a new employment agreement with SCBT Financial Corporation which will be effective upon consummation of the merger.

Pursuant to the new employment agreement, Mr. Carmon will serve as the chief operating officer of SunBank. The new agreement commences upon the consummation of the merger and will be for a term of one year. Mr. Carmon will receive an annual base salary of \$100,000, which may be increased from time to time in accordance with SCBT Financial Corporation's senior management compensation policies. Mr. Carmon will also be eligible to participate in SCBT Financial Corporation's incentive-based bonus programs and employment benefit plans applicable to his employment position. If SCBT Financial Corporation terminates the agreement without cause, it will continue to pay Mr. Carmon his base salary for the remainder of the one year term.

***Directors.*** SCBT Financial Corporation has agreed to appoint Dalton B. Floyd, Jr. to its board of directors as soon as practicable following the effective time of the merger. Subject to limited exceptions, SCBT Financial Corporation has agreed that the current directors of SunBank in office immediately prior to the effective time of the merger will continue as directors of SunBank for two years after the effective time of the merger.

***Stock Options and Warrants.*** Each outstanding and unexercised option to acquire Sun Bancshares stock granted under Sun Bancshares' incentive plan and each outstanding and unexercised stock purchase warrant will be cancelled and the holder of each option or warrant will receive cash (without interest) equal to the amount by which, if any, \$18.00 (which was the value of consideration per share as calculated by SCBT Financial Corporation and Sun Bancshares at the time the merger was negotiated) exceeds the exercise price per share of Sun Bancshares' common stock under the option or warrant less applicable taxes, if any, required to be withheld with respect to such payment. No consideration will be paid with respect to any option or warrant the exercise price of which equals or exceeds \$18.00. Officers of Sun Bancshares hold options to acquire approximately 77,750 shares of Sun Bancshares and therefore will be entitled to receive cash in an aggregate amount of approximately \$565,750 in exchange for such options. Directors of Sun Bancshares hold warrants to acquire approximately 286,850 shares of Sun Bancshares and therefore will be entitled to receive cash in an aggregate amount of approximately \$2,860,550 in exchange for such warrants.



**Insurance.** SCBT Financial Corporation has agreed to provide, for a period not less than six years after the effective time of the merger, directors and officers insurance coverage for directors and officers of Sun Bancshares, by (1) maintaining in effect for six years after the effective time of the merger Sun Bancshares current policy for directors and officers, or (2) providing substitute policies of substantially the same coverage and amounts containing terms and conditions which are substantially no less advantageous as Sun Bancshares current policy for directors and officers. SCBT Financial Corporation has agreed to make premium payments in an amount not to exceed \$40,000 during the six year period. If the amount of premiums necessary to maintain directors and officers insurance coverage exceeds \$40,000, SCBT Financial Corporation may purchase substitute directors and officers liability insurance obtainable for a premium equal to \$40,000 but is not obligated to maintain coverage to the extent the cost of such coverage exceeds that amount.

#### **Conditions to Consummation**

The obligations of Sun Bancshares and SCBT Financial Corporation to consummate the merger are subject to the satisfaction or waiver (to the extent permitted) of several conditions, including:

- Holders of a majority of the outstanding shares of Sun Bancshares must have approved the merger proposal;
- The required regulatory approvals described under The Merger Regulatory Approvals must have been received, generally without any conditions or requirements which would, in the reasonable judgment of the board of directors of SCBT Financial Corporation, materially adversely affect the economic or business benefits of the transactions contemplated by the merger agreement so as to render inadvisable the consummation of the merger;
- Each party must have received all consents (other than those described in the preceding paragraph) required for consummation of the merger and for the prevention of a default under any contract of such party which, if not obtained or made, would reasonably likely have, individually or in the aggregate, a material adverse effect on such party, generally without any conditions or requirements which would, in the reasonable judgment of the board of directors of SCBT Financial Corporation, materially adversely affect the economic or business benefits of the transactions contemplated by the merger agreement so as to render inadvisable the consummation of the merger;
- No court or regulatory authority may have taken any action which prohibits, restricts, or makes illegal the consummation of the transactions contemplated by the merger agreement;
- The registration statement registering the shares of SCBT Financial Corporation common stock to be received by Sun Bancshares shareholders, of which this proxy statement/prospectus is a part, must have been declared effective by the SEC, no stop order suspending the effectiveness of the registration statement may have been issued, no action, suit, proceeding, or investigation by the SEC to suspend the effectiveness of the registration statement may have been initiated and be continuing, and all necessary approvals under federal and state securities laws relating to the issuance or trading of the shares of SCBT Financial Corporation common stock issuable pursuant to the merger must have been received;
- Thomas Bouchette must have entered into an employment agreement with SCBT Financial Corporation and must have terminated his existing employment agreement, and each director of Sun Bancshares must have executed a shareholder support agreement and a noncompete agreement;
- The other party's representations and warranties must remain accurate, and the other party must have performed all of the agreements and covenants to be performed by it pursuant to the merger



agreement, and must have delivered certificates confirming satisfaction of the foregoing requirements and certain other matters;

- SCBT Financial Corporation must have received from each affiliate of Sun Bancshares an agreement stating, among other things, that he or she will comply with federal securities laws when transferring any shares of SCBT Financial Corporation common stock received in the merger (see The Merger Resales of SCBT Financial Corporation Common Stock );
- Sun Bancshares shall have not received notice from its shareholders of their intent to exercise their statutory right to dissent with respect to more than 10% of the outstanding shares of Sun Bancshares common stock;
- Sun Bancshares net shareholders equity at the effective time of the merger shall not be more than \$100,000 less than the amount reported in Sun Bancshares June 2005 month-end financial report, but excluding (i) the effects of reasonable fees and expenses incurred by Sun Bancshares to pay its financial advisor s fees as described elsewhere in this document, (ii) the reasonable fees and expenses of its counsel and accountants in connection with the merger, (iii) the printing, mailing, and proxy solicitation costs incurred in connection with the shareholders meeting to consider the merger, (iv) the payments to executive officers as described elsewhere in this proxy statement/prospectus and payment of bonuses in an aggregate of \$55,000 to specified employees to continue employment with SunBank following the merger, (v) amounts due under Sun Bancshares agreement with FiServ, and (vi) any changes resulting from Sun Bancshares increase of its allowance for loan losses from 1.25% to 1.35% of loans and leases and other credits;
- Sun Bancshares allowance for loan losses shall not be less than 1.35% of loans and leases and other credits; and
- No material adverse effect shall have occurred with respect to Sun Bancshares from its March 31, 2005 balance sheet to the effective time of the merger or with respect to SCBT Financial Corporation from its June 30, 2005 balance sheet to the effective time of the merger.

No assurances can be provided as to when or if all of the conditions precedent to the merger can or will be satisfied or waived by the appropriate party. As of the date of this proxy statement/prospectus, the parties know of no reason to believe that any of the conditions set forth above will not be satisfied.

The conditions to consummation of the merger may be waived, in whole or in part, to the extent permissible under applicable law, by the party for whose benefit the condition has been imposed, without the approval of such party s shareholders.

#### **Regulatory Approvals**

Sun Bancshares and SCBT Financial Corporation have agreed to use their reasonable best efforts to obtain all regulatory approvals required to consummate the transactions contemplated by the merger agreement, which include approval from the Federal Reserve Board, as detailed below, and the South Carolina State Board of Financial Institutions. SCBT Financial Corporation filed these applications in September 2005 seeking such approval. The merger cannot proceed in the absence of these regulatory approvals. Although Sun Bancshares and SCBT Financial Corporation expect to obtain these required regulatory approvals, there can be no assurance as to if and when these regulatory approvals will be obtained. In addition, after the two-year period following the effective date of the merger, the approval of the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation will also be required to merge SunBank into South Carolina Bank and Trust, N.A.

The merger is subject to the prior approval of the Federal Reserve. We will submit an application with the Federal Reserve. In evaluating the merger, the Federal Reserve is required to consider, among other factors, the financial and managerial resources and future prospects of the institutions and the convenience and needs of the communities to be served. The relevant statutes prohibit the Federal Reserve Board from approving the merger if:

- it would result in a monopoly or be in furtherance of any combination or conspiracy to monopolize or attempt to monopolize the business of banking in any part of the United States; or
- its effect in any section of the country could be to substantially lessen competition or to tend to create a monopoly, or if it would result in a restraint of trade in any other manner, unless the Federal Reserve should find that any anti-competitive effects are outweighed clearly by the public interest and the probable effect of the merger in meeting the convenience and needs of the communities to be served.

The merger may not be consummated any earlier than the 15<sup>th</sup> day following the date of approval of the merger by the Federal Reserve, during which time the United States Department of Justice is afforded the opportunity to challenge the merger on antitrust grounds. The commencement of any antitrust action would stay the effectiveness of the approval of the Federal Reserve, unless a court of competent jurisdiction should specifically order otherwise.

Other than as summarized above, we are not aware of any governmental approvals or actions that may be required for consummation of the merger. Should any other approval or action be required, we currently contemplate that we would seek such approval or action. To the extent that the above summary describes statutes and regulations, it is qualified in its entirety by reference to those particular statutes and regulations.

#### **Representations and Warranties Made by SCBT Financial Corporation and Sun Bancshares in the Merger Agreement**

SCBT Financial Corporation and Sun Bancshares have made certain customary representations and warranties to each other in the merger agreement. For information on these representations and warranties, please refer to the merger agreement attached as Appendix A. If either party materially violates any of its representations or warranties and fails to cure such violation, the other party may terminate the merger agreement.

#### **Termination of the Merger Agreement**

Notwithstanding the approval of the merger proposal by Sun Bancshares' shareholders, we can mutually agree at any time to terminate the merger agreement before completing the merger.

Either Sun Bancshares or SCBT Financial Corporation can also terminate the merger agreement:

- If the other party materially violates any of its representations or warranties under the merger agreement and fails to cure the violation;
- If required regulatory approval is denied by final nonappealable action of such regulatory authority or if any action taken by such authority is not appealed within the time limit for appeal;
- If any law or order permanently restraining, enjoining, or otherwise prohibiting the consummation of the merger shall have become final and nonappealable;
- If Sun Bancshares shareholder approval is not obtained at the special meeting; or
- If we do not complete the merger by March 31, 2006.

SCBT Financial Corporation can also terminate the merger agreement:

- If the Sun Bancshares board of directors fails to reaffirm its approval upon SCBT Financial Corporation's request for such reaffirmation of the merger or if the Sun Bancshares board of directors resolves not to reaffirm the merger;
- If the Sun Bancshares board of directors fails to include in the proxy statement its recommendation, without modification or qualification, that the shareholders approve the merger or if the Sun Bancshares board of directors withdraws, qualifies, modifies, proposes publicly to withdraw, qualify, or modify, in a manner adverse to SCBT Financial Corporation, the recommendation that the shareholders approve the merger;
- If the Sun Bancshares board of directors affirms, recommends, or authorizes entering into any acquisition transaction other than the merger or, within 10 business days after commencement of any tender or exchange offer for any shares of its common stock, the Sun Bancshares board of directors fails to recommend against acceptance of such tender or exchange offer or takes no position with respect to such tender or exchange offer; or
- If the Sun Bancshares board of directors negotiates or authorizes the conduct of negotiations (and five business days have elapsed without such negotiations being discontinued) with a third party regarding an acquisition proposal other than the merger.

Sun Bancshares can also terminate the merger agreement, provided that Sun Bancshares is not in material breach of any representation, warranty, or covenant, or other agreement in the merger agreement, if prior to the adoption of the merger proposal by the shareholders at the special meeting, the Sun Bancshares board of directors has (x) withdrawn or modified or changed its recommendation of approval of the merger agreement in a manner adverse to SCBT Financial Corporation in order to approve and permit Sun Bancshares to accept a superior proposal and (y) determined, after consultation with, and the receipt of advice from outside legal counsel to Sun Bancshares, that the failure to take such action as set forth in the preceding clause (x) would be likely to result in a breach of the board of directors' fiduciary duties under applicable law, provided, however, that at least five business days prior to any such termination, Sun Bancshares shall, and shall cause its advisors to, negotiate with SCBT Financial Corporation, if SCBT Financial Corporation elects to do so, to make such adjustments in the terms and conditions of the merger agreement as would enable Sun Bancshares to proceed with the merger on the adjusted terms.

#### **Amendment and Waiver**

To the extent permitted by law, Sun Bancshares and SCBT Financial Corporation, with the approval of their respective boards of directors, may amend the merger agreement by written agreement at any time without the approval of Sun Bancshares' shareholders or SCBT Financial Corporation shareholders. However, after the approval of the merger proposal by Sun Bancshares' shareholders, no amendment may decrease the consideration to be received without the further approval of Sun Bancshares' shareholders.

Prior to or at the effective time of the merger, either Sun Bancshares or SCBT Financial Corporation may waive any default in the performance of any term of the merger agreement by the other party, may waive or extend the time for the fulfillment by the other party of any of its obligations under the merger agreement, and may waive any of the conditions precedent to the obligations of such party under the merger agreement, except any condition that, if not satisfied, would result in the violation of an applicable law.

**Conduct of Business Pending the Merger**

Under the merger agreement, Sun Bancshares has agreed, except as otherwise contemplated by the merger agreement or with the prior written consent of SCBT Financial Corporation, to:

- operate its business only in the usual, regular, and ordinary course;
- use commercially reasonable efforts to preserve intact its business organizations and assets and maintain its rights and franchises;
- use commercially reasonable efforts to cause its representations and warranties to be correct at all times;
- use its best efforts to provide all information requested by SCBT Financial Corporation related to loans or other transactions made by Sun Bancshares with a value equal to or exceeding \$250,000;
- consult with SCBT Financial Corporation prior to entering into or making any loans or other transactions with a value equal to or exceeding \$500,000; and
- take no action which would (1) adversely affect the ability of any party to obtain any consents required for the transactions contemplated by the merger agreement without imposition of a condition or restriction which, in the reasonable judgment of the board of directors of SCBT Financial Corporation, would so materially adversely impact the economic or business benefits of the transactions contemplated by the merger agreement as to render inadvisable the consummation of the merger, or (2) adversely affect in any material respect the ability of either party to perform its covenants and agreements under the merger agreement.

In addition, Sun Bancshares has agreed in the merger agreement not to take certain actions pending consummation of the merger without the prior consent of SCBT Financial Corporation's chief executive officer (which consent will not be unreasonably withheld). Such actions include, without limitation:

- amending its articles of incorporation, bylaws, or other governing corporate instruments;
- becoming responsible for any obligation for borrowed money in excess of an aggregate of \$50,000, except in the ordinary course of business consistent with past practices or allowing the imposition of a lien on any asset;
- acquiring or exchanging (other than exchanges in the ordinary course under employee benefit plans) any shares (or securities convertible into any shares) of Sun Bancshares capital stock or paying any dividend on its common stock;
- subject to certain exceptions, issuing, selling, or pledging additional shares of Sun Bancshares common stock, any rights to acquire any such stock, or any security convertible into such stock;
- adjusting or reclassifying any Sun Bancshares capital stock or issuing or authorizing the issuance of any other securities in respect of, or in substitution for, shares of Sun Bancshares common stock or its subsidiaries' common stock, or otherwise disposing of any asset other than in the ordinary course for reasonable and adequate consideration;
- purchasing any securities or making any material investments in any person or otherwise acquiring direct or indirect control over any person, subject to certain exceptions;
- granting any increase in compensation or benefits to employees, officers, or directors of Sun Bancshares, paying any bonus, entering into or amending any severance agreements with employees, officers, or directors of Sun

Bancshares (subject to exceptions for certain payments to executive officers as described elsewhere in this proxy statement/prospectus and except for bonus payments in an aggregate of \$55,000 to specified employees to continue employment with SunBank

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following the merger), or granting any increase in compensation or other benefits to directors of Sun Bancshares;

- except as contemplated by the merger agreement, entering into or amending (unless required by law) any employment contract that does not give it the unconditional right to terminate the agreement following the effective date of the merger without liability other than for services already rendered;
- subject to certain exceptions, adopting any new employee benefit plan or materially changing any existing plan or program;
- making any significant change in tax or accounting methods, except for any change required by law or generally accepted accounting principles;
- making any material election with respect to taxes;
- commencing any litigation other than in accordance with past practice or settling any litigation for money damages in excess of \$25,000 or which places material restrictions on operations;
- except in the ordinary course of business, modifying, amending, or terminating any material contracts (including any loan with respect to any extension of credit with an unpaid balance exceeding \$500,000) or waiving, releasing, or assigning any material rights or claims, or making any adverse changes in the mix, rates, terms, or maturities of Sun Bancshares deposits and other liabilities;
- taking any action to or failing to take any action that will cause Sun Bancshares net shareholders equity at the effective time of the merger to be more than \$100,000 less than the amount reported in Sun Bancshares June 2005 month-end financial report, but excluding (i) the effects of reasonable fees and expenses incurred by Sun Bancshares to pay its financial advisor's fees as described elsewhere in this document, (ii) the reasonable fees and expenses of its counsel and accountants in connection with the merger, (iii) the printing, mailing, and proxy solicitation costs incurred in connection with the shareholders meeting to consider the merger, (iv) the payments to executive officers as described elsewhere in this proxy statement/prospectus and payment of bonuses in an aggregate of \$55,000 to specified employees to continue employment with SunBank following the merger, (v) amounts due under Sun Bancshares agreement with FiServ, and (vi) any changes resulting from Sun Bancshares increase of its allowance for loan losses from 1.25% to 1.35% of loans and leases and other credits;
- allowing its allowance for loan losses to be less than 1.35% of loans and leases and other credits; or
- taking any action or failing to take any action that at the time of such action or inaction is reasonably likely to prevent, or would be reasonably likely to materially interfere with, the consummation of the merger.



In addition, Sun Bancshares has agreed that neither it, nor its affiliates or representatives, will solicit an acquisition proposal (generally, a tender offer or proposal for a merger, asset acquisition, or other business combination), other than the transactions contemplated by the merger agreement. Pursuant to the merger agreement, except to the extent necessary to comply with the fiduciary duties of its board of directors, neither Sun Bancshares, nor any of its affiliates or representatives, will furnish any non-public information that it is not legally obligated to furnish, or negotiate with respect to, or enter into any contract with respect to, any acquisition proposal. However, Sun Bancshares may communicate information about an acquisition proposal to its shareholders if and to the extent that it is required to do so in order to comply with its legal obligations as advised by counsel. In the merger agreement, Sun Bancshares also agreed to terminate any negotiations conducted prior to the date of the merger agreement with any other parties with respect to any of the foregoing and agreed to use its reasonable efforts to cause its representatives to comply with any of the foregoing.

#### **Expenses and Termination Fees**

The merger agreement provides that each party will be responsible for its own direct costs and expenses incurred in connection with the negotiation and consummation of the transactions contemplated by the merger agreement. In the case of Sun Bancshares, these expenses will be paid at or before closing and prior to the effective time of the merger.

The merger agreement provides for the payment of a \$1 million termination fee by Sun Bancshares to SCBT Financial Corporation in certain cases. Generally, Sun Bancshares would have to pay the termination fee if Sun Bancshares terminates the merger agreement in order to accept a superior proposal subject to certain conditions. Sun Bancshares would also have to pay the termination fee if SCBT Financial Corporation terminates the merger agreement because:

- The Sun Bancshares board of directors fails to reaffirm its approval upon SCBT Financial Corporation's request for such reaffirmation of the merger or the Sun Bancshares board of directors resolves not to reaffirm the merger;
- The Sun Bancshares board of directors fails to include in the proxy statement its recommendation, without modification or qualification, that its shareholders approve the merger or the Sun Bancshares board of directors withdraws, qualifies, modifies, or proposes publicly to withdraw, qualify, or modify, in a manner adverse to SCBT Financial Corporation, the recommendation that the shareholders approve the merger;
- The Sun Bancshares board of directors affirms, recommends, or authorizes entering into any acquisition transaction other than the merger or, within 10 business days after commencement of any tender or exchange offer for any shares of its common stock, the Sun Bancshares board of directors fails to recommend against acceptance of such tender or exchange offer or takes no position with respect to such tender or exchange offer; or
- The Sun Bancshares board of directors negotiates or authorizes the conduct of negotiations (and five business days have elapsed without such negotiations being discontinued) with a third party regarding an acquisition proposal other than the merger.

Sun Bancshares agreed to this termination fee arrangement in order to induce SCBT Financial Corporation to enter into the merger agreement. This arrangement could have the effect of discouraging other companies from trying to acquire Sun Bancshares.

#### **Resales of SCBT Financial Corporation Common Stock**

The issuance of the shares of SCBT Financial Corporation common stock to be issued to Sun Bancshares' shareholders in the merger has been registered under the Securities Act of 1933. These shares

may be traded freely and without restriction by those shareholders not deemed to be affiliates of Sun Bancshares or SCBT Financial Corporation as that term is defined under the Securities Act. Any subsequent transfer of such shares, however, by any person who is an affiliate of Sun Bancshares at the time the merger is submitted for a vote or consent of the shareholders of Sun Bancshares will, under existing law, require either:

- the registration under the Securities Act of the subsequent transfer of the shares of SCBT Financial Corporation common stock;
- compliance with Rule 145 promulgated under the Securities Act (permitting limited sales under certain circumstances); or
- the availability of another exemption from registration.

An affiliate of Sun Bancshares, as defined by the rules promulgated pursuant to the Securities Act, is a person who directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with Sun Bancshares. Sun Bancshares has agreed that it will use its reasonable efforts to cause each person or entity that is an affiliate for purposes of complying with Rule 145 to enter into a written agreement relating to such restrictions on sale or other transfer.

#### **Accounting Treatment**

The merger will be accounted for using the purchase method of accounting, with SCBT Financial Corporation being treated as the acquiring entity for accounting purposes. Under the purchase method of accounting, the assets and liabilities of Sun Bancshares as of the effective time will be recorded at their respective fair values and added to those of SCBT Financial Corporation. Financial statements issued after consummation of an acquisition accounted for as a purchase would reflect such values and would not be restated retroactively to reflect the historical financial position or results of operations of the acquired company.

#### **Rights of Dissenting Sun Bancshares Shareholders**

Chapter 13 of the South Carolina Business Corporation Act sets forth the rights of the shareholders of Sun Bancshares who object to the merger. The following summarizes the material terms of the statutory procedures to be followed by a shareholder in order to dissent from the merger and perfect dissenters' rights under the South Carolina Business Corporation Act. A copy of Chapter 13 of the South Carolina Business Corporation Act is attached as Appendix B to this proxy statement/prospectus.

If you elect to exercise such a right to dissent and demand appraisal, you must satisfy each of the following conditions:

- (a) you must give to Sun Bancshares and Sun Bancshares must actually receive, before the vote at the shareholders' special meeting on approval or disapproval of the merger proposal is taken, written notice of your intent to demand payment for your shares if the merger is effectuated (this notice must be in addition to and separate from any proxy or vote against the merger proposal; neither voting against, abstaining from voting, nor failing to vote on the merger proposal will constitute a notice within the meaning of the South Carolina Business Corporation Act); and
- (b) you must not vote in favor of the merger proposal. A failure to vote or a vote against the merger proposal will satisfy this requirement. The return of a signed proxy which does not specify whether you vote in favor or against approval of the merger proposal will not constitute a waiver of your dissenters' rights. If you notify Sun Bancshares that you intend to dissent, a vote cast in favor of the merger proposal by the holder of the proxy will not disqualify you from demanding payment for your shares.

If the requirements of (a) and (b) above are not satisfied and the merger proposal becomes effective, you will not be entitled to payment for your shares under the provisions of Chapter 13 of the South Carolina Business Corporation Act.

If you are a dissenting Sun Bancshares shareholder, any notices should be addressed to Sun Bancshares, 4210 Highway 17 Bypass, Murrells Inlet, South Carolina 29576, Attention: Randy L. Carmon. The notice must be executed by the holder of record of the shares of Sun Bancshares common stock as to which dissenters' rights are to be exercised. A beneficial owner may assert dissenters' rights only if he dissents with respect to all shares of Sun Bancshares common stock of which he is the beneficial owner. With respect to shares of Sun Bancshares common stock which are owned of record by a voting trust or by a nominee, the beneficial owner of such shares may exercise dissenters' rights if such beneficial holder also submits to Sun Bancshares the name and address of the record shareholder of the shares, if known to him. A record owner, such as a broker, who holds shares of Sun Bancshares common stock as a nominee for others may exercise dissenters' rights with respect to the shares held for all or less than all beneficial owners of shares as to which such person is the record owner, provided such record owner dissents with respect to all Sun Bancshares common stock beneficially owned by any one person. In such case, the notice submitted by the broker as record owner must set forth the name and address of the shareholder who is objecting to the merger proposal and demanding payment for such person's shares.

If you properly dissent and the merger proposal is approved, Sun Bancshares must mail by registered or certified mail, return receipt requested, a written dissenters' notice to you. This notice must be sent no later than 10 days after the shareholder approval of the merger proposal. The dissenters' notice will state where your payment demand must be sent, and where and when certificates for shares of Sun Bancshares common stock must be deposited; supply a form for demanding payment; set a date by which Sun Bancshares must receive your payment demand (not fewer than 30 days nor more than 60 days after the dissenters' notice is mailed and which must not be earlier than 20 days after the demand date); and include a copy of Chapter 13 of the South Carolina Business Corporation Act.

If you receive a dissenters' notice, you must demand payment and deposit your share certificates in accordance with the terms of the dissenters' notice. If you demand payment and deposit your share certificates, you retain all other rights of a shareholder until these rights are canceled or modified by the merger. If you do not demand payment or deposit your share certificates where required, each by the date set in the dissenters' notice, you are not entitled to payment for your shares under the South Carolina Business Corporation Act.

Within 30 days after receipt of your demand for payment, Sun Bancshares is required to pay you the amount it estimates to be the fair value of your shares, plus interest accrued from the effective date of the merger to the date of payment. The payment must be accompanied by:

- Sun Bancshares' most recent available balance sheet, income statement, and statement of cash flows as of the end of or for the fiscal year ending not more than 16 months before the date of payment, and the latest available interim financial statements, if any;
- an explanation of how Sun Bancshares estimated the fair value of the shares;
- an explanation of the interest calculation;
- a statement of the dissenters' right to demand payment (as described below); and
- a copy of Chapter 13 of the South Carolina Business Corporation Act.

If the merger is not consummated within 60 days after the date set for demanding payment and depositing share certificates, Sun Bancshares must return your deposited certificates. If after returning your deposited certificates the merger is consummated, Sun Bancshares must send you a new dissenters' notice and repeat the payment demand procedure.

*Demand for Payment.* You may, however, notify Sun Bancshares in writing of your own estimate of the fair value of your shares and amount of interest due, and demand payment of the excess of your estimate of the fair value of your shares over the amount previously paid by Sun Bancshares if:

- (a) you believe that the amount paid is less than the fair value of Sun Bancshares common stock or that the interest is incorrectly calculated;
- (b) Sun Bancshares fails to make payment of its estimate of fair value to you within 30 days after receipt of a demand for payment; or
- (c) the merger not having been consummated, Sun Bancshares does not return your deposited certificates within 60 days after the date set for demanding payment.

You waive the right to demand payment unless you notify Sun Bancshares of your demand in writing within 30 days of Sun Bancshares payment of its estimate of fair value (with respect to clause (a) above) or Sun Bancshares' failure to perform (with respect to clauses (b) and (c) above). If you fail to notify Sun Bancshares of your demand within such 30-day period, you shall be deemed to have withdrawn your shareholder's dissent and demand for payment.

*Appraisal Proceeding.* If your demand for payment remains unsettled, Sun Bancshares must commence a proceeding within 60 days after receiving the demand for additional payment by filing a complaint with the South Carolina Court of Common Pleas in Georgetown County to determine the fair value of the shares and accrued interest. If Sun Bancshares does not commence the proceeding within such 60-day period, Sun Bancshares shall pay you the amount you demanded.

The court in such an appraisal proceeding will determine all costs of the proceeding and assess the costs as it finds equitable. The proceeding is to be tried as in other civil actions; however, you will not have the right to a trial by jury. The court may also assess the fees and expenses of counsel and expenses for the respective parties, in the amounts the court finds equitable: (a) against Sun Bancshares if the court finds that it did not comply with the statute; or (b) against Sun Bancshares or you, if the court finds that the party against whom the fees and expenses are assessed acted arbitrarily, vexatiously, or not in good faith. If the court finds that the services of counsel for you were of substantial benefit to other dissenting shareholders, and that the fees for those services should not be assessed against Sun Bancshares, the court may award to these counsel reasonable fees to be paid out of the amounts awarded the dissenting shareholders who were benefited. If Sun Bancshares failed to commence an appraisal proceeding within 60 days, the court shall assess the costs of the proceedings and the fees and expenses of counsel for Sun Bancshares.

The summary set forth above does not purport to be a complete statement of the provisions of the South Carolina Business Corporation Act relating to the rights of dissenting shareholders and is qualified in its entirety by reference to the applicable sections of the South Carolina Business Corporation Act, which are included as Appendix B to this proxy statement/prospectus. If you intend to exercise your dissenters' rights, you are urged to carefully review Appendix B and to consult with legal counsel so as to be in strict compliance therewith.

## COMPARATIVE RIGHTS OF SCBT FINANCIAL CORPORATION AND SUN BANCSHARES SHAREHOLDERS

### General

The following is a comparison of certain rights of Sun Bancshares' shareholders and those of SCBT Financial Corporation shareholders. Certain significant differences in the rights of Sun Bancshares' shareholders and those of SCBT Financial Corporation shareholders arise from differing provisions of Sun Bancshares' and SCBT Financial Corporation's respective governing corporate instruments.

The following summary does not purport to be a complete statement of the provisions affecting, and differences between, the rights of Sun Bancshares' shareholders and those of SCBT Financial Corporation shareholders. The identification of specific provisions or differences is not meant to indicate that other equally or more significant differences do not exist. This summary is qualified in its entirety by reference to the South Carolina Business Corporation Act of 1988 and to the respective governing corporate instruments of Sun Bancshares and SCBT Financial Corporation, to which Sun Bancshares' shareholders are referred.

### Authorized Capital Stock

#### *Sun Bancshares*

Sun Bancshares is authorized to issue 10,000,000 shares of common stock, no par value, of which 1,215,000 shares were issued and outstanding as of the date of this proxy statement/prospectus. Sun Bancshares is authorized to issue 2,000,000 shares of preferred stock, no par value, of which no shares were issued and outstanding as of the date of this proxy statement/prospectus. Sun Bancshares' articles of incorporation do not provide that shareholders have a preemptive right to acquire authorized and unissued shares of Sun Bancshares.

#### *SCBT Financial Corporation*

SCBT Financial Corporation is authorized to issue 40,000,000 shares of common stock, par value \$2.50 per share, of which 8,068,729 shares were issued and outstanding as of the date of this proxy statement/prospectus. SCBT Financial Corporation's articles of incorporation do not provide that shareholders have a preemptive right to acquire authorized and unissued shares of SCBT Financial Corporation.

### Size of Board of Directors

#### *Sun Bancshares*

Sun Bancshares' bylaws provide that the board must consist of not less than six directors and no more than 15 directors, with the exact number fixed by the board of directors or by the shareholders. The Sun Bancshares board of directors currently has 15 members.

#### *SCBT Financial Corporation*

SCBT Financial Corporation's articles of incorporation provide that the board must consist of no more than 20 directors, with the exact number fixed by the board of directors. The SCBT Financial Corporation board of directors currently has 15 members.

### Classification of Directors

#### *Sun Bancshares*

Sun Bancshares' articles of incorporation divide the board of directors into three classes of directors, with each class accounting for one-third and with each class being elected to a staggered three-year term.

*SCBT Financial Corporation*

SCBT Financial Corporation's articles of incorporation also divide the board of directors into three classes of directors serving staggered three-year terms.

**Election of Directors**

*Sun Bancshares*

Sun Bancshares' bylaws provide that all elections are determined by a plurality of the votes cast, in person or by proxy, at a meeting of shareholders at which a quorum is present. Sun Bancshares' articles of incorporation and bylaws do not provide for cumulative voting for the election of directors.

*SCBT Financial Corporation*

SCBT Financial Corporation's articles of incorporation provide that shareholders do not have cumulative voting rights. Directors are elected by a majority of the votes cast at a meeting of shareholders.

**Removal of Directors**

*Sun Bancshares*

Sun Bancshares' articles of incorporation and bylaws provide that any director may be removed, with cause, if the number of votes cast to remove the director exceeds the number of votes cast against removing the director. Sun Bancshares' articles of incorporation and bylaws provide that any director may be removed, without cause, by the affirmative vote of the holders of at least two-thirds of the issued and outstanding shares entitled to vote at an election of directors.

*SCBT Financial Corporation*

SCBT Financial Corporation's articles of incorporation provide that any director may be removed, with or without cause, only by the affirmative vote of the holders of at least 80% of the outstanding shares.

**Filling Vacancies on the Board of Directors**

*Sun Bancshares*

Sun Bancshares' bylaws provide that the shareholders may fill any vacancies on the board of directors, including a vacancy resulting from an increase in the numbers of directors. If the shareholders fail or are unable to fill such vacancies, then and until the shareholders act, the board of directors may fill the vacancy or, if the directors remaining in office constitute fewer than a quorum of the board, they may fill the vacancy by the affirmative vote of a majority of all the directors remaining in office. The term of a director elected to fill a vacancy expires at the next shareholders' meeting at which the directors of the same class are elected.

*SCBT Financial Corporation*

SCBT Financial Corporation's bylaws provide that vacancies on the board of directors may be filled by the affirmative vote of a majority of the remaining members of the board of directors even if less than a quorum exists. The term of a director appointed to fill a vacancy expires at the next shareholders' meeting wherein directors are elected.

**Nomination of Director Candidates**

*Sun Bancshares*

Any shareholder entitled to vote for the election of directors may make nominations for the election of directors by giving written notice to the corporate secretary of Sun Bancshares no later than 30 days



prior to the date of meeting. However, if notice of a meeting is given or made less than 40 days prior to the date of the meeting then written notice must be received no later than the close of business on the tenth day following the day on which such notice of the meeting was made.

*SCBT Financial Corporation*

SCBT Financial Corporation's bylaws provide that the board of directors must nominate, upon recommendation of the executive committee, nominees for the board of directors or that any shareholder may make nominations for the election of directors by giving written notice to the corporate secretary at least 45 days prior to the shareholders' meeting at which directors are to be elected.

**Shareholder Action Without Meeting**

*Sun Bancshares*

Sun Bancshares' bylaws provide that any action required or permitted to be taken by shareholders at a meeting may be taken without a meeting if a written consent describing the action to be taken is signed by all of the shareholders entitled to vote with respect to the subject matter thereof.

*SCBT Financial Corporation*

SCBT Financial Corporation's bylaws provide that shareholders may act without a meeting on written consent, setting forth the action to be taken, signed by the holders of all outstanding shares entitled to vote with respect to the subject matter thereof.

**Calling Special Meetings of Shareholders**

*Sun Bancshares*

Sun Bancshares' bylaws provide that special meetings of shareholders may be called for any purpose by the chief executive officer, the president, or the board of directors and shall be called by the corporation at the request of the holders of not less than one-tenth of all outstanding votes of the corporation entitled to be cast on any issue at the meeting.

*SCBT Financial Corporation*

SCBT Financial Corporation's bylaws provide that special meetings of shareholders may be called by the president, chairman of the board of directors, a majority of the board of directors, or by the holders of not less than 10% of all shares entitled to vote at such meeting.

**Indemnification of Directors, Officers, and Employees**

*Sun Bancshares*

In accordance with South Carolina law, Sun Bancshares' bylaws provide that Sun Bancshares will indemnify any individual made a party to or otherwise involved in any threatened, pending, or completed action, suit, or other proceeding whether civil, criminal, administrative, or investigative and whether formal or informal because the person is or was a director against expenses (including attorneys' fees), judgments, fines, amounts paid in settlement, or other similar costs actually and reasonably incurred in connection with such action, suit, or proceeding if, with respect to conduct in his or her official capacity, the person conducted himself or herself in good faith and reasonably believed his or her conduct was in the best interests of Sun Bancshares, with respect to all other cases, conducted himself or herself in a manner at least not opposed to the best interests of Sun Bancshares, and, with respect to criminal proceeding, that he or she had no reasonable cause to believe his or her conduct was lawful. Sun Bancshares will not indemnify a director unless a determination has been made in accordance with the procedures in section 33-8-550 of the South Carolina Business Corporation Act that the director met the applicable



standard of conduct and an authorization of payment has been made by the board of directors after concluding that the expenses are reasonable, the corporation has the financial ability to make the payment, and the financial resources of the corporation should be devoted to this use rather than some other use. Indemnification permitted under this action in connection with a proceeding by or in the right of the company is limited to reasonable expenses incurred in connection with the proceeding.

The board of directors may indemnify and advance expenses to any officer, employee, or agent of Sun Bancshares to the extent, consistent with public policy, as determined by the general or specific action of the board of directors.

#### *SCBT Financial Corporation*

In accordance with South Carolina law, SCBT Financial Corporation's bylaws also provide that SCBT Financial Corporation will indemnify any person who serves or served as a director, or who, while serving as a director, serves or has served, at the request of SCBT Financial Corporation, as a director, officer, partner, trustee, employee, or agent of another corporation, partnership, joint venture, trust or other enterprise, or as a trustee or administrator under an employee benefit plan, against reasonable expenses, including attorneys' fees, incurred by him in connection with any threatened, pending or completed civil, criminal, administrative, investigative or arbitral action, suit or proceeding, whether or not brought by or on behalf of SCBT Financial Corporation, seeking to hold him liable by reason of the fact that he is or was acting in such capacity and reasonable payments made by him in satisfaction of any judgment, money decree, fine, penalty or settlement for which he may have become liable in any such action, suit or proceeding.

The board of directors may indemnify and advance expenses to any officer, employee or agent of SCBT Financial Corporation to the extent authorized by the board of directors.

#### **Limitation of Liability for Directors**

##### *Sun Bancshares*

Sun Bancshares' articles of incorporation provide that a director's liability is eliminated or limited to the fullest extent permitted by South Carolina law. A director is not personally liable to the company or any of its shareholders for monetary damages for breach of any duty as director, except for liability:

- for any breach of the director's duty of loyalty to the corporation or its shareholders;
- for acts or omissions not in good faith or which involved gross negligence, intentional misconduct, or a knowing violation of law;
- for unlawful corporate distributions; or
- for any transaction from which the director derived an improper personal material tangible benefit.

##### *SCBT Financial Corporation*

SCBT Financial Corporation's directors are exempt under its articles of incorporation from personal monetary liability to the maximum extent permitted by South Carolina law. A director is not personally liable to the company or any of its shareholders for monetary damages for breach of fiduciary duty as a director, except for liability arising from the same conduct listed above with respect to Sun Bancshares.

#### **Amendment to Articles of Incorporation**

##### *Sun Bancshares*

South Carolina law provides that a corporation may amend its articles of incorporation if the board of directors proposes the amendment to the shareholders and the amendment receives the requisite



shareholder approval. Unless a corporation's articles of incorporation provide otherwise, amendments must be approved by two-thirds of all votes entitled to be cast on the matter, as well as two-thirds of the votes entitled to be cast on the matter within each voting group entitled to vote as a separate voting group on the amendment. Sun Bancshares' articles do not alter the default provisions of South Carolina law.

*SCBT Financial Corporation*