

Guaranty Financial Group Inc.

Form S-1

May 01, 2008

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As filed with the Securities and Exchange Commission on May 1, 2008

Registration No. 333-

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

Guaranty Financial Group Inc.

(Exact name of registrant as specified in its charter)

Delaware

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

6035

*(Primary Standard Industrial
Classification Code Number)*

74-2421034

*(I.R.S. Employer
Identification Number)*

**1300 MoPac Expressway South
Austin, Texas 78746
(512) 434-1000**

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

**Kenneth R. Dubuque
1300 MoPac Expressway South
Austin, Texas 78746
(512) 434-1000**

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

Copies to:

Glen Hettinger
Fulbright & Jaworski L.L.P.
2200 Ross Ave, Suite 2800
Dallas, Texas 75201
Tel: (214) 855-8000
Fax: (214) 855-8200

Approximate date of commencement of proposed sale to public: As soon as practicable after the Registration Statement is declared effective.

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

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

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

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

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

Large accelerated
filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller
reporting company)

Smaller reporting
company

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities To Be Registered	Proposed Maximum Offering Price per Share(2)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee(1)
Non-transferable Common Stock			
Subscription Rights	(3)	(3)	\$0(3)
Common Stock, par value \$1.00 per share		\$300,000,000	\$11,790
Total			

(1) Estimated solely for the purpose of calculating the amount of registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

(2)

This registration right relates to (a) non-transferable subscription rights to purchase common stock and (b) the shares of common stock deliverable upon the exercise of the of the non-transferable subscription rights pursuant to the rights offering.

- (3) The non-transferable subscription rights are being issued without consideration. Pursuant to Rule 457(g), no separate registration fee is payable with respect to the rights being offered hereby since the rights are being registered in the same registration statement as the securities to be offered pursuant thereto.

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

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

(SUBJECT TO COMPLETION)

PRELIMINARY PROSPECTUS

Guaranty Financial Group Inc.

**Up to [] Shares
of Common Stock Issuable Upon the Exercise of Subscription Rights at \$[] per Share**

We are distributing, at no charge to our stockholders, non-transferable subscription rights to purchase up to an aggregate of [] shares of our common stock. The holders of record as of [] [], 2008, the record date, of our common stock will receive one non-transferable subscription right for each whole share of common stock they own on the record date.

Each subscription right will entitle its holder to purchase [] shares of our common stock at a subscription price of \$[] per full share, which we refer to as the basic subscription right. If you fully exercise your basic subscription rights and other stockholders do not fully exercise their basic subscription rights, you will be entitled to exercise an over-subscription privilege to purchase, subject to limitations, a portion of the unsubscribed shares of our common stock at the same subscription price of \$[] per full share. To the extent you exercise your over-subscription privilege and pay for an amount of shares that exceeds the number of the unsubscribed shares available to you, any excess subscription amount received by the subscription agent will be returned, without interest, as soon as practicable. The subscription rights will expire if they are not exercised by 5:00 p.m., New York City time, on [] [], 2008, unless we extend the rights offering period.

You should carefully consider, prior to the expiration of the rights offering, whether to exercise your subscription rights. All exercises of subscription rights are irrevocable. Our board of directors is making no recommendation regarding your exercise of the subscription rights. The subscription rights are not transferable and therefore may not be sold, transferred, or assigned. The subscription rights will not be listed for trading on The New York Stock Exchange or any stock exchange or market or on the OTC Bulletin Board.

In connection with the rights offering, we have entered into standby purchase agreements with [] institutional investors, or standby purchasers, who have severally agreed to acquire from us, at the subscription price of \$[] per share, a total of [] shares of common stock that are offered but not subscribed for by our stockholders in the rights offering. Therefore, unless we terminate the rights offering, all of the shares of common stock that we are offering in the rights offering will be purchased regardless of whether any shares of common stock are subscribed for by our stockholders pursuant to the exercise of subscription rights. The number of shares available for sale to standby purchasers will depend on the number of shares subscribed for by our stockholders in the rights offering. In exchange for the commitments of the standby purchasers, we have agreed to sell to them no less than [] shares of common stock, referred to as the minimum guarantee amount, at the subscription price. Therefore, in no event will we issue

less than the minimum guarantee amount to the standby purchasers and the maximum aggregate number of shares we will issue to stockholders and the standby purchasers is [].

Our board of directors may cancel, modify, or amend the rights offering at any time prior to the expiration of the rights offering for any reason. In the event that we cancel the rights offering, all subscription payments received by the subscription agent will be returned, without interest, as soon as practicable.

Shares of our common stock are traded on The New York Stock Exchange under the ticker symbol GFG. On [] [], 2008, the closing sales price for our common stock was \$[] per share. The shares of common stock issued in this rights offering will also be listed on The New York Stock Exchange under the same ticker symbol.

The exercise of your subscription rights for shares of our common stock involves risks. See Risk Factors beginning on page 10 of this prospectus, the Section entitled Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2007, our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2008, and all other documents incorporated by reference in this prospectus in their entirety to read about important factors you should consider before exercising your subscription rights.

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful, accurate, or complete. Any representation to the contrary is a criminal offense.

These securities are not savings accounts, deposits, or other obligations of any bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

	Per Share	Aggregate
Subscription Price	\$ []	\$ []
Estimated Expenses	\$ []	\$ []
Net Proceeds to Us	\$ []	\$ []

This is not an underwritten offering. The dealer manager has agreed to use its reasonable efforts to advise and assist us in our efforts to solicit subscriptions of the rights distributed to holders of our common stock and to assist us in identifying and obtaining commitments from standby purchasers to purchase shares, but is not underwriting the offering and has no obligation to purchase or procure purchases of the common stock offered by this prospectus. We are offering common stock directly to holders of record on the record date and to the standby purchasers without any underwriting agreement. See Plan of Distribution.

Keefe, Bruyette & Woods

Dealer Manager

The date of this prospectus is [] [], 2008

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**GUARANTY FINANCIAL GROUP INC.
(Retail Branch Locations)**

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You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized anyone to provide you with different information in connection with this offering. The information contained in this prospectus is accurate only as of the date of this prospectus regardless of the time of delivery of this prospectus or the time of any exercise of the subscription rights. Our business, financial condition, results of operations, and prospects may have changed since the date of this prospectus. We are not making an offer of these securities in any state or jurisdiction where the offer is not permitted or in which the person making the offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make the offer or solicitation.

Unless the context indicates otherwise, all references in this prospectus to we, our, us, the company, the registrant, or Guaranty refer to Guaranty Financial Group Inc. and our subsidiaries, including Guaranty Bank and Guaranty Insurance Services, Inc., except that in the discussion of our subscription rights and common stock and related matters, these terms refer solely to Guaranty Financial Group Inc. and not to any of our subsidiaries. Temple-Inland refers to our former parent corporation, Temple-Inland Inc., and Forestar refers to Forestar Real Estate Group Inc., which was spun off of Temple-Inland at the same time as our spin-off.

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QUESTIONS AND ANSWERS

Q: *What is this rights offering?*

A: This rights offering is a distribution, at no charge, to holders of our common stock of one non-transferable subscription right for each whole share of common stock they own as of 5:00 p.m., New York City time, on [] [], 2008, the rights offering record date. The subscription rights will be evidenced by the rights certificates. Each subscription right will entitle the holder to a basic subscription right and an over-subscription privilege.

Q. *What is the basic subscription right?*

A. The basic subscription right gives our stockholders the opportunity to purchase [] shares of our common stock per subscription right at a subscription price of \$[] per full share. We have granted to you, as a stockholder of record as of 5:00 p.m., New York City time, on the record date, one subscription right for each whole share of our common stock you owned at that time. For example, if you owned 100 shares of our common stock as of 5:00 p.m., New York City time, on the record date, you would receive 100 subscription rights and would have the right to purchase [] shares of common stock (rounded down to [] shares, with the total subscription payment being adjusted accordingly, as discussed below) for \$[] per full share pursuant to your basic subscription right. You may exercise any number of your basic subscription rights, or you may choose not to exercise any subscription rights at all.

Fractional shares of our common stock resulting from the exercise of the basic subscription right will be eliminated by rounding down to the nearest whole share, with the total subscription payment being adjusted accordingly. Any excess subscription payments that the subscription agent receives will be returned, without interest, as soon as practicable.

Q. *What is the over-subscription privilege?*

A. In the event that you subscribe for all of the shares of our common stock available to you pursuant to your basic subscription right, you may also choose to subscribe for a portion of any shares of our common stock that are not purchased by our other stockholders through the exercise of their basic subscription rights, subject to limitations on over-subscription privileges. The maximum number of shares of our common stock that you can purchase pursuant to the over-subscription privilege will be determined (subject to certain limitations described below) according to the following formula based on your percentage ownership of our outstanding common stock as of 5:00 p.m., New York City time, on the record date: the total number of unsubscribed shares multiplied by a number equal to two times your ownership percentage of our outstanding common stock at the record date. For example, if you owned 2% of our outstanding common stock on the record date and you properly exercised your basic subscription right in full, you may subscribe to purchase up to 4% of the unsubscribed shares pursuant to your over-subscription privilege.

If sufficient shares of common stock are available, we will seek to honor your over-subscription request in full. If, however, over-subscription requests exceed the shares of common stock available, we will allocate the available shares of common stock among stockholders who over-subscribed by multiplying the number of shares requested by each stockholder through the exercise of their over-subscription privileges by a fraction that equals (x) the number of shares available to be issued through over-subscription privileges divided by (y) the total number of shares requested by all stockholders through the exercise of their over-subscription privileges.

In order to properly exercise your over-subscription privilege, you must deliver the subscription payment related to your over-subscription privilege prior to the expiration of the rights offering. Because we will not know the total

number of unsubscribed shares prior to the expiration of the rights offering, if you wish to maximize the number of shares you purchase pursuant to your over-subscription privilege, you will need to deliver payment in an amount equal to the aggregate subscription price for the maximum number of shares of our common stock available to you, pursuant to both your basic subscription right and your over-subscription privilege, assuming that no stockholder other than you has purchased any shares of our common stock

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pursuant to their basic subscription right. See [The Rights Offering](#) [The Subscription Rights](#) [Over-Subscription Privilege](#).

Fractional shares of our common stock resulting from the exercise of the over-subscription privilege will be eliminated by rounding down to the nearest whole share, with the total subscription payment being adjusted accordingly. Any excess subscription payments received by the subscription agent will be returned, without interest, as soon as practicable.

Q. What is the role of the standby purchasers in this offering?

A. In connection with the rights offering, we have entered into standby purchase agreements with institutional investors and other investors, who we refer to collectively as the standby purchasers. The standby purchasers have agreed to acquire from us, at the subscription price of \$[] per share, a total of [] shares of common stock offered but not subscribed for by stockholders in the rights offering. Therefore, unless we terminate the rights offering, all of the shares of common stock that we are offering in the rights offering (including any over-subscription privileges) will be purchased regardless of whether any shares of common stock are subscribed for pursuant to the exercise of subscription rights. The number of shares available for sale to standby purchasers will depend on the number of shares subscribed for by our stockholders pursuant to their basic subscription rights and over-subscription privileges in the rights offering. In exchange for the commitment of the standby purchasers, we have agreed to sell to them no less than [] shares of common stock in the aggregate, referred to as the minimum guarantee amount, at the subscription price. If there are not sufficient shares of common stock available in the rights offering to satisfy the minimum amount guaranteed to the standby purchasers, we will sell to the standby purchasers additional shares of common stock necessary to meet this minimum guarantee amount upon the closing of the rights offering. As a result, upon completion of the offering, we expect to sell a minimum of [] shares of our common stock and a maximum of [] shares of our common stock, depending upon the number of shares subscribed for by stockholders pursuant to their basic subscription rights and over-subscription privileges. In no event will we issue fewer than the minimum guarantee amount to standby purchasers. See [The Rights Offering](#) [Standby Commitments](#) and [Plan of Distribution](#).

Q. Are the standby purchasers receiving any compensation for their standby commitments?

A. The standby purchasers are not receiving any monetary compensation for their standby commitments. In exchange for the commitments of the standby purchasers, however, we have agreed to sell to them in the aggregate a minimum of [] shares of common stock at the subscription price of \$[] per share.

Q. Why are we conducting the rights offering?

A. We are conducting the rights offering to raise capital for general corporate purposes, including investments in our subsidiaries. In addition, the rights offering allows our stockholders to participate in our equity raising and to maintain to some extent, and possibly to increase, their proportional ownership interest in the Company. We believe that the rights offering will strengthen our financial condition by providing us with additional capital.

Q. How was the subscription price of \$[] per full share subscription price determined?

A. In determining the subscription price, our board considered a number of factors, including: the price at which our stockholders might be willing to participate in the rights offering, historical and current trading prices for our common stock, the amount of proceeds desired, the potential need for liquidity and capital, potential market conditions, negotiations with standby purchasers, and the desire to provide an opportunity to our stockholders to participate in the rights offering on a pro-rata basis. The subscription price of \$[] per full share is not necessarily related to our book value, net worth, or any other established criteria of value and may or may not be considered the fair value of our

common stock to be offered in the rights offering.

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Q. Am I required to exercise all of the subscription rights I receive in the rights offering?

A. No. You may exercise any number of your subscription rights, or you may choose not to exercise any subscription rights. If you choose not to exercise your subscription rights in full, however, the relative percentage of our common stock that you own will substantially decrease, and your voting and other rights will be substantially diluted. In addition, if you do not exercise your basic subscription right in full, you will not be entitled to participate in the over-subscription privilege.

Q. How soon must I act to exercise my subscription rights?

A. You may exercise your subscription rights at any time beginning on the date of this prospectus until the expiration of the rights offering, which is [] [], 2008, at 5:00 p.m., New York City time. If you elect to exercise any rights, the subscription agent must actually receive all required documents and payments from you prior to the expiration of the rights offering. Although we have the option of extending the expiration of the rights offering, we currently do not intend to do so.

Q. Are there any limits on the number of shares I may purchase in the rights offering or own as a result of the rights offering?

A. Yes. A person or entity, together with related persons or entities, may not exercise subscription rights (including over-subscription privileges) to purchase shares of our common stock that, when aggregated with their existing ownership, would result in such person or entity, together with any related persons or entities, owning in excess of []% of our issued and outstanding shares of common stock following the closing of the transactions contemplated by this rights offering and the standby purchase agreements. See The Rights Offering Limit on How Many Shares of Common Stock You May Purchase in the Rights Offering.

In addition, we will not issue shares of our common stock pursuant to the exercise of basic subscription rights or over-subscription privileges to any stockholder or standby purchaser who is required to obtain prior clearance or approval from or submit a notice to any state or federal bank regulatory authority to acquire, own, or control such shares if, as of the expiration date, we determine that such clearance or approval has not been satisfactorily obtained or any applicable waiting period has not expired. If we elect not to issue shares in such a case, the unissued shares will become available to satisfy over-subscriptions by other stockholders pursuant to their subscription rights and will thereafter be available to standby purchasers.

Q. May I transfer my subscription rights?

A. No. You may not sell or transfer your subscription rights to any other person or entity. The subscription rights granted to you are transferable only by operation of law.

Q. Are we requiring a minimum subscription to complete the rights offering?

A. No. We are not requiring a minimum subscription to complete the rights offering.

Q. Can our board of directors extend, cancel, or amend the rights offering?

A. Yes. We have the option to extend the rights offering and the period for exercising your subscription rights, although we do not presently intend to do so. Our board of directors may cancel the rights offering at any time prior to the expiration of the rights offering for any reason. In the event that the rights offering is cancelled, all subscription payments that the subscription agent has received will be returned, without interest, as soon as practicable. We also

reserve the right to amend or modify the terms of the rights offering.

Q. Has our board of directors made a recommendation to our stockholders regarding the rights offering?

A. No. Our board of directors is making no recommendation regarding your exercise of the subscription rights. Stockholders who exercise subscription rights risk investment loss on new money invested. We cannot assure you that the market price for our common stock will be above the subscription price or that anyone purchasing shares at the subscription price will be able to sell those shares in the future at the same price or a higher price. We urge you to make your decision based on your own assessment of our business and financial condition, our prospects for the future, the terms of this rights offering, and the information in, or incorporated

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by reference into, this prospectus. Please see **Risk Factors** for a discussion of some of the risks involved in investing in our common stock.

Q. Will our directors participate in the rights offering?

A. Yes. Each of our directors, in his or her individual capacity, has indicated the intention to exercise his or her subscription rights in full. The price per full share paid by our directors for the common stock will be equal to the subscription price paid by our other stockholders in this rights offering.

Q. What will happen if I choose not to exercise my subscription rights?

A. If you do not exercise any subscription rights, the number of shares of our common stock you own will not change. Other stockholders and the standby purchasers, however, will purchase shares and your percentage ownership of our company will be diluted after the completion of the rights offering and the closing of the transactions contemplated by the standby purchase agreements.

Q. How do I exercise my subscription rights? What forms and payment are required to purchase the shares of common stock offered pursuant to this rights offering?

A. If you wish to participate in this rights offering, you must take the following steps:

deliver a properly completed rights certificate to the subscription agent before 5:00 p.m., New York City time, on [] [], 2008; and

deliver payment for the full amount of the subscription rights you wish to exercise to Computershare Trust Company, N.A., the subscription agent, using the methods outlined in this prospectus before, 5:00 p.m., New York City time, on [] [], 2008.

Additional details are provided under **The Rights Offering Method of Exercising Subscription Rights** and **The Rights Offering Payment Method**. If you cannot deliver your rights certificate to the subscription agent prior to the expiration of the rights offering, you may follow the guaranteed delivery procedures described under **The Rights Offering Guaranteed Delivery Procedures**.

If you send a payment that is insufficient to purchase the number of shares you requested, or if the number of shares you requested is not specified in the forms, the payment received will be applied to exercise your subscription rights to the fullest extent possible based on the amount of the payment received, subject to the elimination of fractional shares.

Q. What should I do if I want to participate in the rights offering, but I hold my shares in the name of my broker, dealer, custodian bank, or other nominee?

A. If you hold your shares of common stock in the name of a broker, dealer, custodian bank, or other nominee, then your broker, dealer, custodian bank, or other nominee is the record holder of the shares you own. The record holder must exercise the subscription rights on your behalf for the shares of common stock you wish to purchase.

If you wish to purchase shares of our common stock through the rights offering, please promptly contact your broker, dealer, custodian bank, or other nominee that is the record holder of your shares. We will ask your record holder to notify you of the rights offering. You should complete and return to your record holder the form entitled **Beneficial Owner Election Form**. You should receive this form from your record holder with the other rights offering materials.

Q. *When will I receive my new shares?*

A. If you purchase shares of our common stock through the rights offering, you will receive your new shares as soon as practicable after the closing of the rights offering, which we expect to occur as promptly as practicable following expiration of the rights offering.

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Q. After I send in my payment and rights certificate (or Notice of Guaranteed Delivery), may I cancel my exercise of subscription rights?

A. No. All exercises of subscription rights are irrevocable. Once you send in your rights certificate (or Notice of Guaranteed Delivery) to exercise any subscription rights, you cannot revoke the exercise of your subscription rights, even if you later learn information that you consider to be unfavorable and even if the market price of our common stock is below the subscription price. You should not exercise your subscription rights unless you are sure that you wish to purchase additional shares of our common stock at a subscription price of \$[] per full share.

Q. How many shares of our common stock will be outstanding after the rights offering?

A. As of [] [], 2008, we had [] shares of our common stock issued and outstanding. The number of shares of our common stock that we will issue in this rights offering through the exercise of subscription rights and pursuant to the transactions contemplated by the standby purchase agreements will depend on the number of shares that are subscribed for in the rights offering. We anticipate that we will have a minimum of approximately [] shares of common stock and a maximum of [] shares of common stock outstanding after consummation of the rights offering and the transactions contemplated by the standby purchase agreements.

Q. How much money will the company receive from the rights offering?

A. If all of the subscription rights (including all over-subscription privileges) are exercised in full by our stockholders, we expect the gross proceeds from the rights offering and the transactions contemplated by the standby purchase agreements to be approximately \$[] million. We are offering shares in the rights offering to stockholders with no minimum purchase requirement and, as a result, there can be no assurances that we will sell all or any of the shares being offered to existing stockholders. The standby purchasers, however, have agreed to acquire from us a total of [] shares of common stock offered but not subscribed for by stockholders in the rights offering. Therefore, subject to any termination of the rights offering by us, all of the shares of common stock that are being offered in the rights offering (including any over-subscription privileges) will be purchased regardless of whether any shares of common stock are subscribed for pursuant to the exercise of subscription rights. The number of shares available for sale to standby purchasers will depend on the number of shares subscribed for by our stockholders pursuant to their basic subscription rights and over-subscription privileges in the rights offering. In exchange for the commitment of the standby purchasers, we have agreed to sell to them no less than [] shares of common stock, referred to as the minimum guarantee amount, at the subscription price. If there are not sufficient shares of common stock available in the rights offering to satisfy the minimum amount guaranteed to the standby purchasers, we will sell to the standby purchasers additional shares of common stock necessary to meet this minimum guarantee amount upon the closing of the rights offering. As a result, upon completion of the offering, we expect to sell a minimum of \$[], or [] shares of our common stock, and a maximum of \$[], or [] shares of our common stock, depending upon the number of shares subscribed for by stockholders pursuant to their basic subscription rights and over-subscription privileges.

Q. Are there risks in exercising my subscription rights?

A. Yes. The exercise of your subscription rights involves risks. Exercising your subscription rights involves the purchase of additional shares of our common stock and should be considered as carefully as you would consider any other equity investment. Among other things, you should carefully consider the information in this prospectus, including the risks described under the headings **Risk Factors** and the documents incorporated by reference in this prospectus.

Q. If the rights offering is not completed, will my subscription payment be refunded to me?

A. Yes. The subscription agent will hold all funds it receives in a segregated bank account until completion of the rights offering. If the rights offering is not completed, all subscription payments that the subscription agent receives will be returned, without interest, as soon as practicable. If you own shares in street name, it may

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take longer for you to receive payment because the subscription agent will return payments to the record holder of your shares.

Q. Will the subscription rights be listed on a stock exchange or national market?

A. No. The subscription rights may not be sold, transferred, or assigned to any person or entity and will not be listed for trading on The New York Stock Exchange or on any stock exchange or market or on the OTC Bulletin Board. Our common stock will continue to trade on The New York Stock Exchange under the ticker symbol GFG and the shares of our common stock issued upon the exercise of the subscription rights will also be listed on the New York Stock Exchange under the ticker symbol GFG.

Q. How do I exercise my subscription rights if I live outside the United States?

A. We will not mail this prospectus or the rights certificates to stockholders whose addresses are outside the United States or who have an army post office or foreign post office address. The subscription agent will hold the rights certificates for the accounts of such stockholders. To exercise subscription rights, our foreign stockholders must notify the subscription agent and timely follow the procedures described in Rights Offering Foreign Stockholders.

Q. What fees or charges apply if I purchase shares of the common stock?

A. We are not charging any fee or sales commission to issue subscription rights to you or to issue shares to you if you exercise your subscription rights (other than the subscription price). If you exercise your subscription rights through the record holder of your shares, you are responsible for paying any fees your record holder may charge you.

Q. What are the material U.S. federal income tax consequences of exercising subscription rights?

A. For U.S. federal income tax purposes, you should not recognize income or loss in connection with the receipt or exercise of subscription rights in the rights offering. You should consult your tax advisor as to your particular tax consequences resulting from the rights offering. For a more detailed discussion, see Material U.S. Federal Income Tax Considerations.

Q. To whom should I send my forms and payment?

A. If your shares are held in the name of a broker, dealer, or other nominee, then you should send your subscription documents, rights certificate, notices of guaranteed delivery, and subscription payment to that record holder. If you are the record holder, then you should send your subscription documents, rights certificate, notices of guaranteed delivery, and subscription payment by overnight delivery, first class mail or, courier service to:

By Mail:

Computershare Trust Company, N.A.
Attn: Corporate Actions
P.O. Box 859208
Braintree, MA 02185-9208

By Overnight Carrier:

Computershare Trust Company, N.A.
Attn: Corporate Actions
161 Bay State Drive
Braintree, MA 02184

You are solely responsible for timely completing delivery to the subscription agent of your subscription documents, rights certificate, and payment. We urge you to allow sufficient time for delivery of your subscription materials to the subscription agent.

Q. Whom should I contact if I have other questions?

A. If you have other questions or need assistance, please contact the information agent, D. F. King & Co., Inc., at (800) 290-6426 or (212) 269-5550.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, which can be identified by the use of words such as estimate, could, likely, may, project, believe, intend, anticipate, plan, seek, expect, and words of similar meaning. You should not place undue reliance on any such forward-looking statement. These statements reflect management's views with respect to events as of the date of the forward-looking statement and are subject to risk and uncertainties. These forward-looking statements are inherently subject to significant business, economic, and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change.

A variety of factors and uncertainties could cause our actual results to differ significantly from the results discussed in the forward-looking statements. Factors and uncertainties that might cause such differences include but are not limited to:

general economic, market, or business conditions;

demand for new housing;

competitive action by other companies;

changes in laws or regulations and actions or restrictions of regulatory agencies;

deposit attrition, customer loss, or revenue loss in the ordinary course of business;

costs or other difficulties related to transitioning as a stand-alone company following our spin-off from Temple-Inland Inc. in December 2007;

inability to realize elements of our strategic plans;

changes in the interest rate environment that expand or reduce our margins or adversely affect critical estimates and projected returns on investments;

unfavorable changes in economic conditions affecting housing markets, credit markets, real estate values, or oil and gas prices, either nationally or regionally;

natural disasters in primary market areas that may result in prolonged business disruption or materially impair the value of collateral securing loans;

assumptions and estimates underlying critical accounting policies, particularly allowances for credit losses, that may prove to be materially incorrect or may not be borne out by subsequent events;

current or future litigation, regulatory investigations, proceedings or inquiries;

strategies to manage interest rate risk that may yield results other than those anticipated;

a significant change in the rate of inflation or deflation;

changes in the securities markets;

the ability to complete any merger, acquisition, or divestiture plans; regulatory or other limitations imposed as a result of any merger, acquisition, or divestiture; and the success of our business following any merger, acquisition, or divestiture;

the final resolutions or outcomes with respect to our contingent and other corporate liabilities related to our business and any related actions for indemnification made pursuant to the various agreements with Temple-Inland and Forestar;

changes in the credit and residential housing markets;

the ability to raise capital; and

changes in the value of real estate securing our loans.

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Because of these and other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements. New factors emerge from time to time and it is not possible for us to predict all such factors nor can we assess the impact of any such statement on our business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. Please see **Risk Factors** beginning on page 10. Any forward-looking statement speaks only as of the date which such statement is made, and, except as required by law, we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events.

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PROSPECTUS SUMMARY

This prospectus summary contains basic information about us and this offering. Because it is a summary, it does not contain all of the information that you should consider before deciding whether or not you should exercise your subscription rights. To understand this offering fully, you should carefully read this prospectus, including the Risk Factors section and the information incorporated by reference in this prospectus, including our audited consolidated financial statements and the accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2007, and our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2008.

Our Company

We are a holding company organized in 1986 as a Delaware corporation. Our primary operating entities are Guaranty Bank and Guaranty Insurance Services, Inc. We currently operate in four business segments:

Commercial banking;

Retail banking;

Insurance agency; and

Treasury, corporate, and other.

Guaranty Bank, headquartered in Austin, Texas, is a federally-chartered savings bank that began operations in 1988. Guaranty Bank conducts consumer and business banking activities through a network of over 150 bank branches located in Texas and California and provides commercial banking products and services to diverse geographic markets throughout the United States. Guaranty Bank has consolidated total assets in excess of \$16 billion and is one of the largest financial institutions headquartered in Texas. Guaranty Insurance Services, Inc., headquartered in Austin, Texas, is one of the largest independent insurance agencies nationally and is a full service insurance agency emphasizing property and casualty insurance as well as fixed annuities. This insurance agency operates through 17 offices located in both Texas and California.

Our origins date back to 1938, when the original charter was given to Guaranty Building and Loan in Galveston, Texas. In late 1988, Temple-Inland formed Guaranty Bank by acquiring three institutions, including what was then Guaranty Federal Savings and Loan Association. At that time, Temple-Inland's existing insurance operations, which had begun in the late 1950s, were combined with the banking operations to create a financial services group as a part of Temple-Inland. These banking and insurance agency operations continued to grow during the last two decades, with over 30 acquisitions, and in the late 1990s, began to expand and acquire operations in California. On February 26, 2007, Temple-Inland announced its plans to spin-off Guaranty. We completed our spin-off from Temple-Inland on December 28, 2007. Leveraging years of banking and insurance experience, our management team brings extensive knowledge and expertise to position us to continue to grow and maximize long-term value for stockholders.

Our Strategy

Our primary operating philosophy is to maximize long-term stockholder value by building sustainable client relationships and delivering our products with extraordinary service. We have a long-term commitment to:

create long-term value for our stockholders;

improve the financial success of the people and businesses in the markets we serve;

make a significantly positive impact in the communities where we reside and work; and

attract, develop and retain superior employees.

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Our core values, listed below, describe our corporate culture and how we operate our business:

We conduct our business with the highest degree of integrity, honesty, and efficiency;

We manage our clients' assets with care;

We show mutual respect to our clients, our neighbors, and our fellow employees;

We are passionate about our business;

We are entrepreneurial in our actions; and

We are empowered to make decisions that provide creative solutions for our customers.

Our specific long-term business strategies are to:

Grow our commercial lending franchise. Our commercial lending group has emphasized targeting certain industries and product types in which we have expertise. We will continue to serve niche industries in select markets across the country with experienced personnel who can add value to our customer relationships.

Grow our retail franchise in Texas and California. We will continue to invest in relocating existing bank branches and in opening new branches in the high growth areas of our existing markets. We will also build upon our consumer and small business lending capabilities. We believe these activities along with strategic mergers and acquisitions will enable us to maximize our presence in each of the markets we will serve.

Increase fee income. We will continue to emphasize our deposit services, annuities and mutual funds, insurance products, and other services that can be provided to our clients to deepen the relationship.

Provide