

INTERMOUNTAIN COMMUNITY BANCORP

Form S-1/A

April 16, 2012

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As filed with the Securities and Exchange Commission on April 13, 2012

Registration No. 333-180071

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

Pre-Effective

Amendment No. 1

to

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

INTERMOUNTAIN COMMUNITY BANCORP

(Exact name of registrant as specified in its charter)

Idaho (State or other jurisdiction of incorporation or organization)	6022 (Primary Standard Industrial Classification Code Number) 414 Church Street Sandpoint, Idaho 83864 (208) 263-0505	82-0499463 (I.R.S. Employer Identification No.)
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(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Curt Hecker
President and Chief Executive Officer

414 Church Street

Sandpoint, Idaho 83864

(208) 263-0505

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

Copy to:

Stephen M. Klein

Graham & Dunn PC

Pier 70

2801 Alaskan Way, Suite 300

Seattle, Washington 98121

(206) 624-8300

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

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

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

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

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

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

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

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CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered(1)	Amount to be registered	Proposed maximum offering price per share	Proposed maximum aggregate offering price(2)	Amount of registration fee(1)
Common Stock, no par value per share, underlying Subscription Rights	8,700,000	\$1.00	\$8,700,000.00(3)	\$997.02
Non-Transferable Common Stock Subscription Rights			N/A	(4)
Total			\$8,700,000.00	\$997.02(5)

- (1) This Registration Statement relates to (a) the non-transferable subscription rights to purchase common stock of the Registrant, which subscription rights are to be issued to holders of the Registrant's common stock, and (b) the shares of common stock deliverable upon the exercise of non-transferable subscription rights to be issued in connection with the rights offering described in this Registration Statement. This Registration Statement also covers any additional shares of common stock of the Registrant that may become issuable due to adjustments for changes resulting from stock dividends, stock splits, recapitalizations, mergers, reorganizations, combinations or exchanges or other similar events.
- (2) Estimated pursuant to Rule 457(o) solely for purposes of calculating the registration fee.
- (3) Represents the gross proceeds from the assumed exercise of all non-transferable subscription rights to be issued.
- (4) 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.
- (5) Previously paid.

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

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SUBJECT TO COMPLETION, DATED APRIL 13, 2012

PROSPECTUS

INTERMOUNTAIN COMMUNITY BANCORP

Up to 8,700,000 Shares of Common Stock

Issuable upon the Exercise of Non-Transferable Subscription Rights at \$1.00 per share

We are distributing, at no charge, to holders of our common stock, no par value per share (the **Common Stock**), as of January 20, 2012 (the **Record Date**), non-transferable subscription rights (**Rights**) to purchase up to 8,700,000 shares of Common Stock at a price of \$1.00 per share in this Rights offering (this **Rights Offering**). You will receive one Right for each share of our Common Stock held by you of record as of 5:00 p.m., New York City time, on January 20, 2012 (the **Record Date**). Each Right will entitle you to purchase 1.0324 shares of Common Stock at a subscription price of \$1.00 per share (the **Basic Subscription Right**). If you timely and fully exercise your Basic Subscription Right and other Rights holders do not exercise their Basic Subscription Right in full, you will, subject to availability and allocation, have an oversubscription privilege to subscribe for a portion of the Rights Offering shares that were not purchased by other Rights holders (the **Oversubscription Privilege**). *Your ability to purchase Common Stock in the Rights Offering is subject to an overall beneficial ownership limitation of 4.9% of our outstanding shares of Common Stock, after giving effect to your participation in the Rights Offering and taking into account the holdings of you and your affiliates.* **The Rights Offering will expire at 5:00 p.m., New York City time, [], 2012 (Expiration Date).** Any Right not exercised at or before the Expiration Date will expire without any payment. We currently do not intend to extend the Expiration Date. All exercises of Rights are irrevocable.

On January 20, 2012, we entered into securities purchase agreements (the **Purchase Agreements**) with certain investors (**Investors**), pursuant to which the Investors purchased in private placements (i) an aggregate of 12,350,352 shares (the **Investor Shares**) of Common Stock for \$1.00 per share, (ii) an aggregate of 698,992.96 shares of our Mandatorily Convertible Cumulative Participating Preferred Stock, Series B (the **Series B Preferred Stock**), for \$50.00 per share, which Series B Preferred Stock will convert automatically at \$1.00 per share into shares of a new series of non-voting common stock, no par value (**Non-Voting Common Stock**), upon shareholder approval of an amendment (the **Articles Amendment**) to the Company's Amended and Restated Articles of Incorporation (the **Articles**) to authorize such Non-Voting Common Stock, and (iii) warrants (the **Warrants**) to purchase up to 1,700,000 shares of the Non-Voting Common Stock at \$1.00 per share (collectively, the **Investor Securities**). Under the terms of the Purchase Agreements, we agreed to conduct the Rights Offering. Subject to overall ownership limitations set forth in the Purchase Agreements, certain of the Investors are required to purchase in private placements shares of Common Stock in an amount equal to the shares not purchased pursuant to the Rights Offering. The Rights Offering is being made directly by us. We are not using an underwriter or selling agent. We have engaged American Stock Transfer & Trust Company, LLC to serve as our subscription agent for this Rights Offering. The subscription agent will hold in escrow the funds we receive from subscribers until we complete or cancel the Rights Offering. Shares of our Common Stock are quoted on the Over-the-Counter Bulletin Board (**OTCBB**) under the symbol **IMCB.OB**. On April 12, 2012, the closing price of our Common Stock on the OTCBB was \$1.20 per share. The Common Stock issued in the Rights Offering will also be quoted on the OTCBB under the same symbol. The Rights are not transferable and will not be quoted on the OTCBB or any other stock exchange or trading market. There is no minimum subscription amount required for the consummation of the Rights Offering. If, however, the Rights Offering is not fully subscribed by Legacy Shareholders (as defined herein), then in order for the full amount of gross proceeds to be raised, while ensuring that the Backstop Investors (as defined herein) remain below certain regulatory ownership limitations, a minimum of 2,413,412 shares would need to be sold to Legacy Shareholders pursuant to the exercise of Rights.

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Investing in our Common Stock involves risks. You should carefully read this prospectus, our periodic reports and other information we have filed with the Securities and Exchange Commission (the SEC), and the information under the heading Risk Factors beginning on page 19 of this prospectus and in the documents incorporated by reference into this prospectus to read about factors you should consider before investing in our Common Stock.

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

The Rights and the shares of our Common Stock are not deposit accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

	Per Share	Total
Subscription Price	\$ 1.00	\$ 8,700,000
Estimated Expenses		\$ 87,997
Proceeds, before estimated expenses, to Intermountain Community Bancorp	\$ 1.00	\$ 8,700,000

The date of this prospectus is , 2012

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

risks associated with concentrations in real estate-related loans;

declines in real estate values supporting loan collateral;

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

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

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

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

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

increased credit delinquency rates;

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

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

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

technological and management changes;

our ability to recruit and retain key management and staff;

changes in estimates and assumptions used in financial accounting;

our critical accounting policies and the implementation of such policies;

growth and acquisition strategies;

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

changes in consumer spending, saving and borrowing habits;

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

our ability to attract new deposits and loans;

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competitive market pricing factors;

stability of funding sources and continued availability of borrowings;

our success in gaining regulatory approvals, when required;

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

our ability to raise capital on reasonable terms;

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

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

our success at managing the risks involved in the foregoing.

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

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ABOUT THIS PROSPECTUS

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

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

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

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

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

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WHERE YOU CAN FIND MORE INFORMATION

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

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

INCORPORATION BY REFERENCE

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

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

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

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

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

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QUESTIONS AND ANSWERS RELATING TO THE RIGHTS OFFERING

The following are examples of what we anticipate will be common questions about the Rights Offering. The answers are based on selected information included elsewhere in this prospectus. The following questions and answers do not contain all of the information that may be important to you and may not address all of the questions that you may have about the Rights Offering. This prospectus and the documents we incorporate by reference contain more detailed descriptions of the terms and conditions of the Rights Offering and provide additional information about us and our business, including potential risks related to the Rights Offering, the Common Stock, and our business.

What is the Rights Offering?

We are distributing the Rights, at no charge, to holders of our Common Stock as of 5:00 p.m., New York City time, on the Record Date (Legacy Shareholders). You will receive one Right for each share of our Common Stock held of record at the Record Date. Each Right entitles you to a Basic Subscription Right and an Oversubscription Privilege. See, respectively, What is the Basic Subscription Right? and What is the Oversubscription Privilege? for more information.

Your ability to purchase Common Stock in the Rights Offering is subject to an overall beneficial ownership limitation of 4.9% of our outstanding Common Stock, after giving effect to your participation in the Rights Offering and taking into account the holdings of you and your affiliates. For more information, see Are there any limits on the number of shares I may purchase in the Rights Offering?

Why are we conducting the Rights Offering?

We are conducting the Rights Offering because we are required to do so under the terms of the Purchase Agreements. The purpose of the Rights Offering is to raise equity capital and give our Legacy Shareholders the opportunity to purchase shares of our Common Stock at the same price per share the Investors paid for our Common Stock. We will use the proceeds received from the Rights Offering for general corporate purposes, which may include providing additional capital to our subsidiary bank.

Am I required to exercise the Rights I receive in the Rights Offering?

No. You may exercise any number of your Rights, or you may choose not to exercise any of your Rights. However, if you choose not to exercise your Basic Subscription Right or you exercise less than your full Basic Subscription Right and other shareholders fully exercise their Basic Subscription Right or exercise a greater proportion of their Basic Subscription Right than you exercise, the percentage of our Common Stock owned by these other shareholders will increase relative to your ownership percentage, and your voting and other rights in the Company will likewise be diluted. In addition, if you do not exercise your Basic Subscription Right in full, you will not be entitled to purchase additional shares pursuant to the Oversubscription Privilege and your ownership percentage in our Common Stock may be further diluted.

What is the Basic Subscription Right?

The Basic Subscription Right gives Legacy Shareholders the opportunity to purchase 1.0324 shares for each share of Common Stock owned on the Record Date at a subscription price of \$1.00 per share. Fractional shares resulting from the exercise of Basic Subscription Rights will be eliminated by rounding down to the nearest whole share, with the total subscription payment being adjusted accordingly. For example, if you owned 1,000 shares of our Common Stock as of 5:00 p.m., New York City time, on the Record Date, your Basic Subscription Right would entitle you to receive 1,000 Rights and you would have the right to purchase 1,032 shares (rounded down from 1,032.40) of Common Stock for \$1.00 per share. Any excess subscription payments received by the subscription agent will be returned as soon as is practicable, without interest or penalty.

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You may exercise some or all of your Basic Subscription Rights, or you may choose not to exercise any Basic Subscription Rights at all. You may not sell, transfer, or assign your Basic Subscription Rights. We will issue a maximum of 8,700,000 shares of Common Stock in the Rights Offering, including any shares purchased pursuant to the backstop offering. To the extent the Rights Offering shares are not purchased by the Legacy Shareholders, certain Investors will, subject to the overall ownership limits set forth in the Purchase Agreements, purchase an equal number of shares in a private placement pursuant to the backstop commitments in their respective Purchase Agreements. See [How do the backstop commitments work?](#)

If you hold shares of Common Stock in your name, the number of shares you may purchase pursuant to your Rights is indicated on the enclosed Rights certificate. If you hold your shares in the name of a broker, dealer, custodian bank or other nominee who uses the services of the Depository Trust Company (DTC), you will not receive a Rights certificate. Instead, DTC will credit 1.0324 Rights to your nominee record holder for each share of our Common Stock that you beneficially owned as of the Record Date. If you are not contacted by your nominee, you should contact your nominee as soon as possible.

May I subscribe for more than I am entitled to under the Basic Subscription Right?

If you purchase all of the shares available to you pursuant to your Basic Subscription Rights, you may also choose to purchase a portion of any shares that other Legacy Shareholders do not purchase by exercising their Basic Subscription Rights. You should indicate on your Rights certificate, or the form provided by your nominee if your shares are held in the name of a nominee, how many additional shares you would like to purchase pursuant to your oversubscription privilege (discussed below).

What is the Oversubscription Privilege?

If you timely and fully exercise your Basic Subscription Rights, you may also choose to purchase a portion of the Rights Offering shares that other Legacy Shareholders do not purchase through their Basic Subscription Rights (the Oversubscription Privilege) at the same subscription price per share that applies to the Basic Subscription Rights. You should indicate on your Rights certificate, or the form provided by your nominee if your shares are held in the name of a nominee, how many additional shares you would like to purchase pursuant to your Oversubscription Privilege.

We will seek to honor the requests made under the Oversubscription Privilege in full, subject to a maximum of 8,700,000 shares of Common Stock being offered in the Rights Offering and the other limitations described below under [Are there any limits on the number of shares I may purchase in the Rights Offering?](#)

If oversubscription requests exceed the number of shares available, however, we will allocate the available shares pro rata among the Rights holders exercising the Oversubscription Privilege in proportion to the number of shares of our Common Stock each of those Rights holders owned on the Record Date, relative to the number of shares of Common Stock owned on the Record Date by all Rights holders exercising the Oversubscription Privilege. We refer to this pro rata allocation formula as the Oversubscription Allocation Formula. If the application of the Oversubscription Allocation Formula results in any Rights holder receiving a greater number of shares than the Rights holder subscribed for pursuant to the exercise of the Oversubscription Privilege, then such Rights holder will be allocated only that number of shares of Common Stock for which the holder oversubscribed, and the remaining shares will be allocated among all other Rights holders exercising the Oversubscription Privilege on the same pro rata basis described above. Additionally, if the application of the Oversubscription Allocation Formula would result in any Rights holder exceeding, together with its affiliates, beneficial ownership of 4.9% of our outstanding Common Stock, then the Company may, in its sole discretion, reduce the number of shares allocated to such Rights holder, such that a Rights holder's beneficial ownership will not exceed the 4.9% limitation. The proration process will be repeated until all shares of Common Stock available in the Rights Offering have been allocated or no further shares may be allocated based on the beneficial ownership limitations.

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American Stock Transfer & Trust Company, LLC, our subscription agent for the Rights Offering, will determine the oversubscription allocation based on the Oversubscription Allocation Formula described above.

The Oversubscription Privilege may be exercised only for whole shares. In the event, however, that fractional shares of Common Stock result from the application of the Oversubscription Allocation Formula to oversubscription requests, then such fractional shares will be eliminated by rounding down to the nearest whole share, with the total subscription price being adjusted accordingly. Any excess subscription payments received by the subscription agent will be returned, without interest or penalty, as soon as practicable.

Because we will not know the total number of available shares and how available shares will be allocated before the Rights Offering expires, in order for the exercise of your entire Oversubscription Privilege to be valid, you should deliver to the subscription agent payment in an amount equal to the aggregate subscription price of the entire number of shares that you have requested to purchase pursuant to your Oversubscription Privilege, along with payment for the exercise of your Basic Subscription Rights and all Rights certificates, or forms provided by your nominee if your shares are held in the name of a nominee, and other subscription documents, prior to the expiration of the Rights Offering, even if you ultimately are not allocated the full amount of your oversubscription request. To the extent the aggregate subscription price of the actual number of shares allocated to you pursuant to the Oversubscription Privilege is less than the amount you actually paid, the excess subscription payment will be returned to you as soon as practicable, without interest or penalty, following the expiration of the Rights Offering.

Are there any limits on the number of shares I may purchase in the Rights Offering?

Yes. Legacy Shareholders have the right to purchase 1.0324 shares of Common Stock for each share of Common Stock owned. If you hold a Right and fully exercise your Basic Subscription Rights, you may also subscribe for an unlimited additional whole number of Rights Offering shares, subject to availability and allocation, by exercising your Oversubscription Privilege, provided that: (i) you will not thereby exceed, together with any other person with whom you may be aggregated under applicable law, 4.9% beneficial ownership of our Common Stock; and (ii) the aggregate purchase price of all Common Stock purchased in the Rights Offering will not exceed \$8.7 million. If the Rights Offering is over-subscribed, we will allocate the available shares pro rata in proportion to the number of shares of our Common Stock each of those shareholders owned on the Record Date, in the manner described in [What is the Oversubscription Privilege?](#)

Will fractional shares be issued in the Rights Offering?

No. Legacy Shareholders may exercise the Basic Subscription Right and the Oversubscription Privilege only for whole shares. In the event, however, that fractional shares of Common Stock result from the application of the Oversubscription Allocation Formula to oversubscription requests, then such fractional shares will be eliminated by rounding down to the nearest whole share, with the total exercise price being adjusted accordingly. Any excess subscription payments received by the subscription agent will be returned, without interest or penalty, as soon as practicable.

How soon must I act to exercise my subscription rights?

If you received a Rights certificate and elect to exercise any or all of your Rights, the subscription agent must receive your properly completed and duly executed Rights certificate, all other required subscription documents and full subscription payment, including final clearance of any uncertified check, before the Rights Offering expires at 5:00 p.m., New York City time, on the Expiration Date, which is [], 2012. If you hold your shares in the name of a broker, dealer, custodian bank or other nominee, your nominee may establish an earlier deadline before the expiration of the Rights Offering by which time you must provide the nominee with your instructions to exercise your Rights. Although our board of directors may, in its discretion, extend the Expiration Date, we currently do not intend to do so.

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Although we will make reasonable attempts to provide this prospectus to our shareholders to whom Rights are distributed, the Rights Offering and all Rights will expire on the Expiration Date, whether or not we have been able to locate all such shareholders.

How will the Company's proposed reverse stock split affect my subscription rights in the Rights Offering?

Our board of directors has approved, and has submitted to our shareholders for approval, an amendment to our Articles to effect a reverse stock split of our Common Stock (including Non-Voting Common Stock, if authorized by shareholders) by a ratio of not less than one-for-five and not more than one-for-ten at any time prior to May 31, 2013, with the exact ratio to be set at a whole number within this range as determined by our board of directors in its sole discretion. The number of shares of Common Stock issued and outstanding will therefore be reduced, depending upon the reverse stock split ratio determined by the board of directors. To avoid shareholders owning fractional shares, shareholders of record who would otherwise hold fractional shares as a result of the reverse stock split will be entitled to receive an additional fraction of a share of Common Stock to round up to the next whole share. This will have a minimal impact on the pro forma ownership percentages of shareholders after giving effect to the reverse split.

The primary intent of the proposed reverse stock split is to increase the market price of our Common Stock to enhance our ability to meet the initial listing requirements of the NASDAQ Capital Market and make our Common Stock more attractive to a broader range of investors.

The Company has determined that even if shareholders approve this amendment, it will not implement the reverse stock split prior to the closing of the Rights Offering and, if applicable, the private placements of shares pursuant to the backstop commitments, and therefore the proposed reverse stock split will have no impact on your subscription rights or your ability to buy securities in the Rights Offering.

May I transfer my Rights?

No. You may not sell, transfer or assign your Rights to anyone. Rights will not be quoted on the Over-the-Counter Bulletin Board or any other stock exchange or market. A Rights certificate, or forms provided by your nominee if your shares are held in the name of a nominee, may be completed only by the shareholder who receives the certificate or such forms.

Can our board of directors cancel or extend the offering?

Yes. Subject to the terms of the Purchase Agreements, our board of directors may decide to cancel the Rights Offering before the closing of the Rights Offering. If our board of directors cancels the Rights Offering, any money received from subscribing shareholders will be returned promptly, without interest or penalty. If we cancel the Rights Offering, we will not be obligated to issue shares of our Common Stock to holders who have exercised their Rights prior to termination. We also have the right to extend the offering for additional periods, although we do not currently intend to do so.

Are we requiring a minimum subscription to complete the Rights Offering?

No. Subject to the terms of the Purchase Agreements, certain Investors have agreed to backstop the Rights Offering by purchasing from us in a private placement, at the subscription price, any Rights Offering shares not purchased by our Legacy Shareholders. See [How do the backstop commitments work?](#)

How was the subscription price determined?

The subscription price was established by our board of directors and is the same price per share of Common Stock paid by the Investors. The subscription price is not necessarily related to our book value, results of operations, cash flows, financial condition, or the future market value of our Common Stock. We cannot assure

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you that you will be able to sell shares purchased in this Rights Offering at a price equal to or greater than the subscription price. We do not intend to change the subscription price in response to changes in the trading price of our Common Stock prior to the closing of the Rights Offering.

May I participate in the Rights Offering if I sell my shares of Common Stock after the Record Date?

The Record Date for the Rights Offering is January 20, 2012. If you owned shares of the Common Stock as of 5:00 p.m., New York City time, on the Record Date, you may participate in the Rights Offering and will receive Rights. If you sell or have sold all of the shares of Common Stock that you held at 5:00 p.m., New York City time, on the Record Date subsequent to that time, you will remain eligible to participate in the Rights Offering and will receive Rights based upon the shares of Common Stock that you held as of 5:00 p.m., New York City time, on the Record Date.

Has the board of directors made a recommendation to shareholders regarding the Rights Offering?

No. Our board of directors is not making a recommendation regarding any exercise of your Rights. Rights holders who exercise Rights will incur investment risk on new money invested. The stock market and, in particular, the market for financial institution stocks, has experienced significant volatility over the past few years. As a result, the market price for our Common Stock may be volatile. In addition, the trading volume in our Common Stock may fluctuate more than usual and cause significant price variations to occur. Accordingly, shares of Common Stock purchased in the Rights Offering may trade at a price lower than the subscription price. The trading price of our Common Stock will depend on many factors, which may change from time to time, including, without limitation, our financial condition, performance, creditworthiness and prospects, future sales of our equity or equity-related securities, and other factors. Volatility in the market price of our Common Stock may prevent you from being able to sell the shares when you want or at prices you find attractive. You should make your decision based on your assessment of our business and financial condition, our prospects for the future, the terms of the Rights Offering and the information contained in, or incorporated by reference into, this prospectus. You should carefully consider the risks, among other things, described under the heading "Risk Factors" beginning on page 19 of this prospectus and in the documents incorporated by reference into this prospectus before investing in shares of our Common Stock.

Will our directors and executive officers participate in the Rights Offering?

To the extent they held shares of Common Stock as of the Record Date, our directors and officers are entitled to participate in the Rights Offering on the same terms and conditions applicable to all Rights holders. We believe such directors and executive officers will participate in the Rights Offering at varying levels, but they are not required to do so. None of our directors or executive officers is included in the group of private placement Investors who have agreed to backstop the Rights Offering. Some of our directors were Investors in the private placement.

How do I exercise my Rights if I own shares in my name?

If you hold shares of Common Stock in your name and you wish to participate in the Rights Offering, you must deliver a properly completed and duly executed Rights certificate and all other required subscription documents, together with payment of the full subscription price, to the subscription agent before 5:00 p.m., New York City time, on the Expiration Date. **If you send an uncertified check, payment will not be deemed to have been delivered to the subscription agent until the check has cleared.** In certain cases, you may be required to provide signature guarantees.

Please follow the delivery instructions on the Rights certificate. Do not deliver documents to the Company. You are solely responsible for completing delivery to the subscription agent of your Rights certificate, all other required subscription documents and subscription payment. You should allow sufficient time for

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delivery of your subscription materials to the subscription agent so that the subscription agent receives them by 5:00 p.m., New York City time, on the Expiration Date. See "To whom should I send my forms and payment?" below.

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 Rights to the fullest extent possible based on the amount of the payment received, subject to the availability of shares and allocation procedure with respect to the Oversubscription Privilege and the elimination of fractional shares.

What should I do if I want to participate in the Rights Offering but my shares are held in the name of a broker, dealer, custodian bank or other nominee?

If you hold your shares of Common Stock through a broker, dealer, custodian bank or other nominee, then your nominee is the record holder of the shares you own and the associated Rights. Your nominee must exercise the Rights on your behalf as the beneficial owner for the shares of Common Stock you wish to purchase pursuant to the Rights Offering.

We will ask your nominee to notify you of the Rights Offering. If you are not contacted by your nominee, you should contact your nominee as soon as possible. Please follow the instructions of your nominee, which you should receive along with other materials concerning the Rights Offering.

Your nominee may establish a deadline for the return of subscription materials to the nominee *before* the Expiration Date of the Rights Offering.

What form of payment is required to purchase our common shares?

As described in the instructions accompanying the Rights certificate, payments submitted to the subscription agent must be made in U.S. currency, by one of the following two methods:

Check or bank draft drawn on a U.S. bank payable to American Stock Transfer & Trust Company, LLC as Subscription Agent or

Wire transfer of immediately available funds directly to the account maintained by American Stock Transfer & Trust Company, LLC, as Subscription Agent, for purposes of accepting subscriptions in this Rights Offering at JPMorgan Chase Bank, 55 Water Street, New York, New York 10005, ABA #021000021, Account # 530 354624 American Stock Transfer as Subscription Agent for Intermountain Community Bancorp with a clear reference to the identity of the subscriber who is paying the subscription price by wire transfer.

Payments will be deemed to have been received upon: (i) clearance of any uncertified check, or (ii) receipt of collected funds in the account designated above. If paying by uncertified check, please note that the funds paid thereby may take five or more business days to clear. Accordingly, Rights holders who wish to pay the subscription price by means of uncertified check are urged to make payment sufficiently in advance of the expiration time to ensure that such payment is received and clears by such date. **If you hold your shares in the name of a broker, dealer, custodian bank or other nominee, separate payment instructions may apply. Please contact your nominee, if applicable, for further payment instructions.**

When will I receive my new shares?

If you purchase shares of Common Stock through the Rights Offering, we will issue those shares to you in book-entry, or uncertificated, form as soon as practicable after the completion of the Rights Offering. If you are a registered holder of Common Stock, we will mail to you a direct registration account statement detailing the number of shares of Common Stock that you have purchased in the Rights Offering. If you are a beneficial owner

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of shares that are registered in the name of a broker or other nominee, you should receive from your broker or other nominee confirmation of your purchase of shares of Common Stock in the Rights Offering. Stock certificates will not be issued for shares of our Common Stock purchased in the Rights Offering, except, however, if you are a registered holder, you may request a stock certificate once you receive your direct registration account statement.

After I exercise my subscription rights, can I change my mind?

No. All exercises of Rights are irrevocable (unless we cancel the Rights Offering or are required by law to permit revocation), even if you later learn information that you consider to be unfavorable to the exercise of your Rights. You should not exercise your Rights unless you are certain that you wish to purchase shares of our Common Stock in the Rights Offering.

Are there backstop purchasers?

Yes. Castle Creek Capital Partners IV, L.P., Stadium Capital Management LLC (and its affiliates), and two other Investors (the Backstop Investors) have committed in their respective Purchase Agreements to backstop the Rights Offering.

How do the backstop commitments work?

Subject to the terms of the Purchase Agreements, the Backstop Investors have agreed to purchase from us in a private placement, at \$1.00 per share, a number of shares equal to the number of shares of Common Stock offered pursuant to the Rights Offering that are not issued pursuant to the exercise of Rights.

The Investors that provided these backstop commitments are subject to certain overall ownership limitations described in their respective Purchase Agreements. In particular, no Investor will purchase backstop shares if, as a result of such purchase, the Investor would hold an ownership or voting interest in the Company of: (i) more than 33.3% or 14.9%, respectively, if the Investor is a Lead Investor (an investor is a Lead Investor if the Investor's voting interest in the Company is in excess of 9.9% after giving effect to the transactions contemplated by the Purchase Agreements); (ii) more than 33.3% or 9.9%, respectively, if the Investor is a Major Investor (an investor is a Major Investor if the Investor's voting interest is in excess of 4.9% but less than 10.0% after giving effect to the transactions contemplated by the Purchase Agreements; or (iii) more than 24.9% or 4.9% respectively, if the Investor is neither a Lead Investor nor a Major Investor. If the Rights Offering is fully subscribed by Legacy Shareholders, the Backstop Investors will not have the right to acquire any additional shares pursuant to their backstop commitments because the Purchase Agreements provide that a maximum of \$8.7 million may be raised pursuant to the Rights Offering and the backstop commitments.

Table of Contents**How many shares have the Backstop Investors committed to backstop?**

The Backstop Investors, their ownership interests and limitations pursuant to the Purchase Agreement, and the maximum number of shares of Common Stock that they may purchase pursuant to their backstop commitment are described in the table below.

Backstop Investor	Voting Securities Ownership Limitations under Purchase Agreement	Equity Ownership Limitations under Purchase Agreement	Voting Securities Ownership under Purchase Agreement (Common Stock)	Non-voting Securities Ownership under Purchase Agreement (Non-Voting on an as-Converted Basis)	Warrants for Non-Voting Common Stock	Equity Ownership pursuant to Purchase Agreement (1)	Maximum number Common Stock that may be Purchased in Backstop Private Placement	Maximum number Non-Voting Common Stock that may be Purchased in Backstop Private Placement
Castle Creek Capital Partners IV, L.P.	9.9%	33.3%	2,055,260 (9.9%)	15,944,740	850,000	33.3%	383,074	2,498,453
Affiliates of Stadium Capital Management LLC	14.9%	33.3%	3,093,269 (14.9%)	14,906,731	850,000	33.3%	576,545	2,304,981
Covenant Investors	9.9%	24.9%	1,660,815 (8.0%)	469,185		3.8%		