

Guaranty Financial Group Inc.  
Form S-1/A  
June 13, 2008

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**As filed with the Securities and Exchange Commission on June 13, 2008**

**Registration No. 333-150558**

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

**AMENDMENT NO. 5  
to  
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.**  
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**Sidley Austin LLP**  
**787 Seventh Avenue**  
**New York, New York 10019**  
**Tel: (212) 839-5300**  
**Fax: (212) 839-5599**

**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

**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 June [    ], 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. The subscription price will be \$[    ] per share, which we refer to as the subscription price.

Each subscription right will entitle its holder to purchase [        ] shares of our common stock, 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. 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.

Our obligation to close the rights offering and issue the shares subscribed for in the rights offering is subject to the express condition that the closing of the recent private placement of our Series B Mandatory Convertible Perpetual Cumulative Preferred Stock and subordinated notes of Guaranty Bank to a group of institutional investors shall have closed. See Prospectus Summary The Rights Offering Conditions to Closing.

Our board of directors may cancel, modify, or amend or extend 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. Once you exercise your 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.

Shares of our common stock are traded on The New York Stock Exchange under the ticker symbol GFG. On June 12, 2008, the closing sales price for our common stock was \$5.29 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 12 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.

|                    | <b>Per Share</b> | <b>Aggregate</b> |
|--------------------|------------------|------------------|
| Subscription Price | \$ [ ]           | \$ [ ]           |
| Estimated Expenses | \$ [ ]           | \$ [ ]           |
| Net Proceeds to Us | \$ [ ]           | \$ [ ]           |

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 we are offering common stock directly to holders of record on the record date without any underwriting agreement. See Plan of Distribution.

**Keefe, Bruyette & Woods**

**Dealer Manager**

The date of this prospectus is June [ ], 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 June [ ], 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) at the subscription price of \$[ ] 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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***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 date of the rights offering, which is [        ], 2008, at 5:00 p.m., New York City time, unless we extend the rights offering period. 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. Unless we otherwise agree in writing, 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 9.9% of our issued and outstanding shares of common stock following the closing of the transactions contemplated by this rights offering. 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 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.

***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, amend or modify the rights offering?***

A. Yes. We have the option to extend the rights offering and the period for exercising your subscription rights. 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. Are there any conditions that must occur before closing of the rights offering?***

A. Yes. Prior to commencing the rights offering, we have entered into investment agreements and a purchase agreement with several institutional investors regarding the sale of approximately 5.54 million shares of the Series B Mandatory Convertible Perpetual Cumulative Preferred Stock, which we refer to as the Series B Preferred Stock, and units consisting of subordinated notes of our subsidiary, Guaranty Bank, with an aggregate original principal amount of \$275 million and additional shares of our Series B Preferred Stock. We refer to these transactions as the investment transactions. Our obligation to close the rights offering and to issue the shares of our common stock subscribed for in the rights offering is conditioned on the prior or

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simultaneous closing of the investment transactions. The closing of the investment transactions themselves are subject to conditions, including approval by the OTS of the purchase of the Series B Preferred Stock, to the extent required, and treatment of the debt component of the subordinated notes as Tier 2 capital. See **Recent Developments** **Subsequent Private Placement** for a more detailed description of the investment transactions, including the conditions to closing of the investment transactions.

***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 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. 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, however, may purchase shares and your percentage ownership of our company may be diluted after the completion of the rights offering.

***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.

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***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.

***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 or, in the case of a 401(k) plan participant, once you notify the trustee of your intent 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 the subscription price of \$[ ] per full share.

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

A. As of June 11, 2008, we had 44,726,599 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 will depend on the number of shares that are subscribed for in the rights offering. We anticipate that we will have a maximum of [ ] shares of common stock outstanding after consummation of the rights offering, without giving effect to shares of common stock issuable upon the exercise or conversion of any outstanding securities including the Series B Preferred Stock.

***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 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.

***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 heading 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 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.

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***Q. What should I do if I want to participate in this rights offering but my shares are held in the Guaranty Financial Group Inc. Savings and Retirement Plan, the Temple-Inland Savings Plan, the Temple-Inland Savings Plan for Union Employees, or the El Morro Corrugated Box Corp. Savings and Investment Plan?***

A. If shares of our common stock are held by the Guaranty Financial Group Inc. Savings and Retirement Plan, the Temple-Inland Savings Plan, the Temple-Inland Savings Plan for Union Employees, or the El Morro Corrugated Box Corp. Savings and Investment Plan, referred to herein as the 401(k) plan, for your account under such 401(k) plan, as of 5:00 p.m., New York City time, on the record date, you will be notified of this rights offering. Participants in 401(k) plans that are eligible to receive subscription rights will receive a Plan Participant Election Form containing detailed instructions as to procedures to exercise, deadlines, payment requirements, and other procedure from the trustee of their 401(k) plan.

***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 risks 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 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;

our ability to raise capital;

changes in the value of real estate securing our loans; and

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the possibility that our request for an exemption will not be granted by the U.S. Department of Labor, or DOL, on a retroactive basis, effective to the commencement of the rights offering, with respect to the acquisition, holding, and distribution of the subscription rights by our 401(k) plan and participants in our 401(k) plan.

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 11 of this prospectus and the section entitled **Risk Factors** 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. 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 distinctive customer service.* We will continue to retain and attract individuals who understand the financial challenges of our clients and are experienced and trained to provide customized solutions.

*Improve operating efficiency.* We must continually review our policies and procedures to assure we are operating as efficiently as possible.

*Maintain strong credit and risk standards.* We will maintain the strong and effective approach to risk management that has been a foundation of our operating culture.

Near term, we are focusing on capital adequacy, credit quality, and cost containment. We believe our corporate culture and business strategies allow us to distinguish ourselves from other financial institutions operating in Texas and California and successfully attract and retain relationships with businesses and individual customers.

**Business Segments**

We operate in four business segments.

***Commercial banking***

Commercial banking operates out of a primary production office in Dallas, with satellite production offices in Houston, Austin, Sacramento, and Irvine. We offer banking services to business and commercial customers including

financing for commercial real estate and homebuilder construction, mortgage warehouse financing, senior housing, middle market businesses and companies engaged in the energy industry. We provide lines of credit; working capital loans; acquisition, expansion and development facilities; borrowing base loans; real estate construction loans; regional and national homebuilder loans; term loans; equipment financing; letters of credit; and other loan products. The commercial loans we provide are diversified by product, industry, and geography. We lend to nationally known corporations, regional companies, oil and gas producers, top tier real estate developers, mortgage lenders, manufacturing and industrial companies, and other businesses. We have processes in place to analyze and evaluate on a regular basis our exposure to industries, products, market changes, and economic trends.



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Our commercial customers are also able to use our corporate investment services, commercial deposit accounts, and treasury management services, including remote deposit capabilities.

### ***Retail banking***

We offer a broad range of retail banking services to consumers and small businesses including, deposits, loans and non-deposit investment products. We also offer an array of convenience-centered services, including telephone and Internet banking, debit cards, and direct deposit. We are associated with a nationwide network of automated teller machines of other financial institutions that enables our customers to use ATM facilities throughout the United States and around the globe.

We offer a variety of deposit accounts to our consumers and businesses, including savings, checking, interest-bearing checking, money-market and certificates of deposit. The primary sources of deposits are residents and businesses located in our Texas and California markets. We are the second largest independent bank in Texas by deposits. We have over 100 branches in Texas concentrated in the large and growing metropolitan areas of Austin, Dallas/Fort Worth, Houston, and San Antonio. We have over 50 branches in California concentrated in the Inland Empire and Central Valley regions of that state. Our California office locations are proximally located in or around the cities of San Diego, Palm Springs, Riverside, Sacramento, Stockton, and Bakersfield. These markets have very attractive consumer and business demographics including seven of the top 25 growth markets in the country.

To attract deposits, we employ a marketing plan in our service areas that features a broad product line and competitive rates and services. Our marketing plan includes advertising programs as well as personal solicitation by our employees, officers, and directors. Over 50% of our deposit balances are either checking or money market accounts. Additionally, a large portion of our certificates of deposit accounts represent significant long-term customer relationships. We do not generally raise deposits through brokers.

### ***Insurance agency***

Through our 17 branch offices in Texas and California, we offer property and casualty insurance and life insurance. In providing these products, we act as an agent for the third-party insurance companies and their underwriters. We do not underwrite these risks, nor do we provide the insurance coverage. We work with over 400 insurance companies. Our compensation is in the form of a commission paid by the insurance companies. Our agency also sells fixed annuity products through our retail bank branches. The markets served by the insurance agency generally follow the geographic footprint of our retail banking operations.

### ***Treasury, corporate and other***

This segment includes activities we perform to manage our liquidity needs and provide attractive risk adjusted returns. We borrow from the Federal Home Loan Bank of Dallas and other third parties and invest in what we believe to be low risk variable rate mortgage-backed securities. This segment also includes expenses we do not allocate to other segments.

## **Recent Developments**

### ***Initial Private Placement with TRT Financial Holdings, LLC***

On May 26, 2008, we entered into an investment agreement, which was amended on May 29, 2008, with TRT Financial Holdings, LLC, referred to herein as TRT, and certain affiliates of TRT, to sell 7,423,333 shares of our common stock at a price of \$5.17 per share to TRT for an aggregate purchase price of approximately \$38.4 million.

We refer to this investment agreement as the initial TRT investment agreement. TRT was formed for the purpose of this investment and is an affiliate of Robert Rowling and TRT Holdings, Inc., a privately owned holding company with interests in businesses engaged in hospitality, energy, fitness, and real estate. Following the issuance of 7,423,333 shares of our common stock to TRT on May 30, 2008 pursuant to the initial TRT investment agreement, we had 44,726,513 shares of common stock outstanding, and TRT owned approximately 16.6% of our common stock. The percentage ownership of our existing stockholders was reduced proportionately as a result of the issuance to TRT. Pursuant to the initial TRT investment agreement, TRT also agreed to purchase, and we agreed to sell, a number of shares of our Series B Mandatory Convertible

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Perpetual Cumulative Preferred Stock, which we refer to as the Series B Preferred Stock, such that TRT will beneficially own 19.9% of the total outstanding common stock, assuming full conversion immediately following such issuance. The per share purchase price of the Series B Preferred Stock to be purchased pursuant to the initial TRT investment agreement will be the lower of \$51.70 per share and the per share price at which any class or series of convertible preferred stock is issued by us to any third party on or prior to the expiration of the 120-day period following the issuance of the shares of common stock pursuant to the initial TRT investment agreement, subject to adjustment for any stock split, reverse stock split, stock dividend, or other combination or division affecting shares of our common stock.

Each share of our Series B Preferred Stock initially will be convertible into ten shares of our common stock. The conversion price per share of common stock will be subject to a scheduled price reduction of \$.50 per share every six months following the 120<sup>th</sup> day after issuance of the Series B Preferred Stock until we obtain stockholder approval of the conversion feature of the Series B Preferred Stock, subject to a minimum conversion price per share of \$3.00. Dividends on the Series B Preferred Stock will be cumulative and initially accrue at the rate of 14% per year. The dividend rate will increase 2% every six months following the initial stockholder meeting held to consider approval of the conversion feature of the Series B Preferred Stock if and until stockholder approval is obtained (subject to a maximum rate of 18% per year). The Series B Preferred Stock will be mandatorily convertible if and when we obtain stockholder approval for conversion of the Series B Preferred Stock.

Closing for the issuance of the shares of common stock to TRT pursuant to the initial TRT investment agreement occurred on May 30, 2008. The closing of the issuance of the Series B Preferred Stock is expected to occur on or before October 1, 2008. The only conditions to TRT's obligation to purchase the Series B Preferred Stock pursuant to the initial TRT investment agreement are that (i) TRT pay for the Series B Preferred stock pursuant to the initial TRT investment agreement and (ii) we shall have made all filings required under the Securities Exchange Act of 1934, as amended, and with the OTS.

As part of the initial TRT investment agreement, TRT will have the right to have one person nominated by TRT to be elected to our board of directors for so long as TRT beneficially owns 10% or more of our issued and outstanding common stock. Pursuant to this right, Robert Rowling was appointed to our board of directors on May 30, 2008. Also, pursuant to the initial TRT investment agreement, TRT will have a preemptive right with regard to our issuance of specified securities until May 30, 2009.

Prior to the investment by TRT described above, our subsidiary, Guaranty Bank, acted as a lender or a member of a lending syndicate to TRT and its affiliates. We are not aware of any other prior relationships between us and TRT or its affiliates.

***Subsequent Private Placement with Institutional Investors***

On June 7, 2008, we entered into investment agreements, each dated as of June 7, 2008, which we refer to as the subsequent investment agreements, with several institutional investors, including TRT, and Icahn Partners LP and certain of its affiliated companies, whom we refer to collectively as Icahn Partners. We refer to the purchasers under the subsequent investment agreements as the stock investors. Under the subsequent investment agreements, we have agreed to sell 5.54 million shares of our Series B Preferred Stock to the stock investors for aggregate consideration of approximately \$286.6 million. Additionally, on June 7, 2008, we and our subsidiary, Guaranty Bank, entered into a purchase agreement dated June 7, 2008, which we refer to as the purchase agreement, with the stock investors and other institutional investors. We refer to the purchasers under the purchase agreement collectively as the unit investors. Under the purchase agreement, we and Guaranty Bank agreed to sell to the unit investors, for an aggregate consideration of \$275 million, units, which we refer to as the units, consisting of subordinated notes of Guaranty Bank with an aggregate original principal amount of \$275 million, which we refer to as the subordinated notes, and

638,000 shares of our Series B Preferred Stock.

We are obligated to call a stockholder meeting to approve the conversion feature of the Series B Preferred Stock as promptly as practicable following closing and the issuance of the Series B Preferred Stock pursuant to the terms of the subsequent investment agreements. Each stock investor executing a subsequent investment

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agreement is required to vote any shares of common stock it owns in favor of the conversion of the Series B Preferred Stock to the extent it is permitted to under the applicable rules of the New York Stock Exchange.

The stock investor s, the unit investor s and our respective obligations to close under the subsequent investment agreements and the purchase agreement are subject to standard conditions, including obtaining approvals of the OTS for the purchase of the Series B Preferred Stock, to the extent required, and the treatment of the debt component of the subordinated notes as Tier 2 capital.

The subordinated notes will bear interest at an annual rate of 12% and mature on the tenth anniversary of the date of issuance and are callable after the fifth anniversary of the date of issuance. Interest payments on the subordinated notes will be due semiannually in arrears on the last business day of each June and December commencing on December 31, 2008. The subordinated notes are subordinated as to principal, interest and premium, if any, to all claims against Guaranty Bank that have the same priority as savings accounts or higher, and interest is subordinate to Guaranty Bank s obligations to its depositors, its obligations under bankers acceptances and letters of credit, and its obligations to its other creditors, including its obligations to the Federal Reserve Bank and the Federal Deposit Insurance Corporation.

In connection with the sale of the Series B Preferred Stock to the stock investors and the units to the unit investors, we entered into letter agreements with Icahn Partners and TRT. Under the letter agreement with Icahn Partners, Icahn Partners and our Nominating and Governance Committee are to cooperate and work jointly to identify a qualified candidate that is acceptable to both the Icahn Partners and our Nominating and Governance Committee to serve on our board of directors. Our letter agreement with Icahn Partners also provides that Icahn Partners will have pre-emptive rights with regard to our issuance of specified securities for one year following the issuance of the Series B Preferred Stock under the subsequent investment agreement with Icahn Partners.

Assuming the conversion of the shares of Series B Preferred Stock issued pursuant to the subsequent investment agreements and the purchase agreement at the initial conversion price of \$5.17 per share, we will issue 61,819,340 shares of common stock, representing 58% of the 106,545,853 shares of common stock we would have outstanding following such conversion. For a more detailed description of the impact of these transactions, See Capitalization.

**Corporate Information**

Our principal executive offices are located at 1300 MoPac Expressway South, Austin, Texas 78746. Our telephone number is 512-434-1000. Our web site is [www.guarantygroup.com](http://www.guarantygroup.com). Information on our website is not incorporated in this prospectus and is not a part of this prospectus.

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**THE RIGHTS OFFERING**

|                                  |  |
|----------------------------------|--|
| Securities Offered               | We are distributing to you, at no charge, one non-transferable subscription right for each whole share of our common stock that you owned as of 5:00 p.m., New York City time, on June [ ], 2008, the record date, either as a holder of record or, in the case of shares held of record by brokers, dealers, custodian banks, or other nominees on your behalf, as a beneficial owner of such shares. If the rights offering is fully subscribed, we expect the gross proceeds from the rights offering to be up to \$[ ] million.  |
| Basic Subscription Right         | Each basic subscription right will entitle you to purchase [ ] shares of our common stock.   |
| Over-Subscription Privilege      | In the event that you purchase all of the shares of our common stock available to you pursuant to your basic subscription rights, you may also choose to purchase a portion of any shares of our common stock that our other stockholders do not purchase through the exercise of their basic subscription rights. The maximum number of shares of our common stock that you can purchase pursuant to this over-subscription privilege will be determined (subject to availability and the limits described below under the heading <b>Limitation on the Purchase of Shares</b> ) 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: total number of unsubscribed shares multiplied by a number equal to two times your ownership percentage of our outstanding common stock at 5:00 p.m., New York City time, 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 with your over-subscription privilege. |
| Limitation on Purchase of Shares | <p>Unless we otherwise agree in writing, 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 9.9% of our issued and outstanding shares of common stock following the closing of the transactions contemplated by this rights offering. See <b>The Rights Offering Limit on How Many Shares of Common Stock You May Purchase in the Rights Offering</b>.</p> <p>In addition, we will not issue shares of our common stock to any stockholder 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 we determine that, as of the expiration date of the offer, such clearance or approval has not been satisfactorily obtained and any applicable waiting period has not expired.</p>   |
| Subscription Price               | The subscription price will be \$[ ] per share.  |

Record Date 5:00 p.m., New York City time, on June [ ], 2008.

Expiration Date of the Rights Offering 5:00 p.m., New York City time, on [ ], 2008.

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|   |   |
|---|---|
| Use of Proceeds                               | We intend to use the proceeds of the rights offering for general corporate purposes, including investments in our subsidiaries. See Use of Proceeds.  |
| Non-Transferability of Rights                 | 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.  |
| No Board Recommendation                       | Our board of directors is making no recommendation regarding whether you should exercise your subscription rights. We urge you to make your decision based on your own assessment of our business and financial condition, our prospects for the future, and the terms of the rights offering. Please see Risk Factors for a discussion of some of the risks involved in investing in our common stock.   |
| Conditions to Closing                         | Prior to commencing the rights offering, we entered into investment agreements and a purchase agreement with several institutional investors regarding the sale of approximately 5.54 million of our Series B Preferred Stock and units consisting of subordinated notes of our subsidiary, Guaranty Bank with an aggregate original principal amount of \$275 million and additional shares of our Series B Preferred Stock. We refer to these transactions as the investment transactions. Our obligation to close the rights offering and to issue the shares of our common stock subscribed for in the rights offering is conditioned on the prior or simultaneous closing of the investment transactions. The closing of the investment transactions themselves are subject to conditions, including approval by the OTS of the purchase of our Series B Preferred Stock, to the extent required, and treatment of the debt component of the subordinated notes as Tier 2 Capital. See Recent Developments Subsequent Private Placement with Institutional Investors for a more detailed description of the investment transactions, including the conditions to closing of the investment transactions. |
| No Revocation                                 | All exercises of subscription rights are irrevocable. You should not exercise your subscription rights unless you are sure that you wish to purchase additional shares of our common stock at the subscription price. Once you exercise your subscription rights, you cannot revoke the exercise of your 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.   |
| Material U.S. Federal Income Tax Consequences | For U.S. federal income tax purposes, you should not recognize income, gain, or loss upon receipt, exercise, or expiration of a subscription right. You should consult your own tax advisor as to the tax consequences to you of the receipt, exercise, or expiration of the subscription rights in light of your particular circumstances.   |
| Extension, Cancellation, and Amendment        |   |



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 date of the rights offering

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for any reason. In the event that we cancel the rights offering, 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 at any time prior to the expiration date of the offering.

**Procedures for Exercising Rights**

To exercise your subscription rights, you must take the following steps:

If you are a registered holder of our common stock, the subscription agent must receive your payment for each share of common stock subscribed for pursuant to your basic subscription right and over-subscription privilege at the initial subscription price of \$[ ] per share and properly completed rights certificate before 5:00 p.m., New York City time, on [ ], 2008. You may deliver the documents and payments by mail or commercial carrier. If regular mail is used for this purpose, we recommend using registered mail, properly insured, with return receipt requested.

If you are a beneficial owner of shares that are registered in the name of a broker, dealer, custodian bank, or other nominee, or if you would prefer that an institution conduct the transaction on your behalf, you should instruct your broker, dealer, custodian bank, or other nominee to exercise your subscription rights on your behalf and deliver all documents and payments to the subscription agent before 5:00 p.m., New York City time, on [ ], 2008.

If you wish to purchase shares of our common stock through the rights offering, please promptly contact any broker, dealer, custodian bank, or other nominee who 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**.

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 are a 401(k) plan participant, please refer to the information under **The Rights Offering Special Instructions for Participants in our 401(k) Plan**.

Dealer Manager

Keefe, Bruyette & Woods, Inc.

Subscription Agent

Computershare Trust Company, N.A.

Information Agent

D. F. King & Co., Inc.

Shares Outstanding Before the Rights Offering

44,726,599 shares of our common stock were outstanding as of June 11, 2008.

Shares Outstanding After Completion of the Rights Offering      If the rights offering is fully subscribed by our stockholders, we expect approximately [        ] shares of our common stock will be outstanding immediately after completion of the rights offering,

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without giving effect to the shares of common stock issuable upon the exercise or conversion of any outstanding securities, including the Series B Preferred Stock.

Fees and Expenses

We will pay the fees and expenses related to the rights offering, including the fees and certain out-of-pocket expenses of the dealer manager.

New York Stock Exchange

Shares of our common stock are currently traded on The New York Stock Exchange under the ticker symbol GFG. The shares of common stock issued upon the exercise of the subscription rights will also be listed on The New York Stock Exchange under the ticket symbol GFG. The subscription rights are non-transferable and will not be listed for trading on any stock exchange or market or the OTC Bulletin Board.

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The following table summarizes our historical consolidated financial data for the periods and as of the dates indicated. You should read the selected consolidated financial data in conjunction with our consolidated financial statements and the notes to those financial statements included in the documents incorporated by reference in this prospectus. The selected historical consolidated financial data as of December 31, 2007 and 2006 and for each of the three years ended December 31, 2007 is derived from our audited consolidated financial statements and related notes included by reference in this prospectus. The historical consolidated financial data as of December 31, 2005, 2004, and 2003 and for each of the two years ended December 31, 2004 has been derived from our audited consolidated financial statements not included in this prospectus. The selected historical consolidated financial data as of March 31, 2008 and 2007 and for the three-month periods then ended are derived from our unaudited interim consolidated financial statements included by reference in this prospectus. We believe such amounts reflect all adjustments considered necessary for a fair presentation of our results of operations and financial condition as of the dates and for the periods indicated. Our interim operating results are not necessarily indicative of the results that may be expected for the entire year. Actual results can, and probably will, differ from those we currently estimate.

|  | <b>Three<br/>Months Ended<br/>March 31,</b> |             | <b>Years Ended December 31,</b> |                   |                |                | <b>2003</b> |
|--|---|-------------|---------------------------------|-------------------|----------------|----------------|-------------|
|  | <b>2008<br/>(unaudited)</b>                 | <b>2007</b> | <b>2007</b>                     | <b>2006(a)(b)</b> | <b>2005(b)</b> | <b>2004(b)</b> |             |
| <b>Income Statement Data:</b>                                |   |             |                                 |                   |                |                |             |
| Interest income  | \$ 228                                      | \$ 243      | \$ 996                          | \$ 997            | \$ 800         | \$ 718         | \$ 728      |
| Interest expense   | (130)                                       | (148)       | (605)                           | (585)             | (404)          | (312)          | (346)       |
| Net interest income  | 98  | 95          | 391                             | 412               | 396            | 406            | 382         |
| (Provision) credit for<br>credit losses                      | (58)  | 2           | (50)                            | (1)               | (10)           | 12             | (43)        |
| Noninterest income   | 42  | 39          | 157                             | 168               | 180            | 267            | 370         |
| Noninterest expense  | (99)  | (93)        | (372)                           | (388)             | (384)          | (534)          | (539)       |
| Income tax benefit<br>(expense)                              | 7   | (16)        | (48)                            | (70)              | (66)           | (56)           | (61)        |
| Net (loss) income  | \$ (10)                                     | \$ 27       | \$ 78                           | \$ 121            | \$ 116         | \$ 95          | \$ 109      |
| <b>Per Share Data(c):</b>                                    |   |             |                                 |                   |                |                |             |
| Basic and diluted (loss)<br>earnings per share               | \$ (0.28)                                   | \$ n/a      | \$ 2.20                         | \$ n/a            | \$ n/a         | \$ n/a         | \$ n/a      |
| Equity per share   | 23.91                                       | n/a         | 32.16                           | n/a               | n/a            | n/a            | n/a         |
| Tangible equity per share                                    | 19.38                                       | n/a         | 27.36                           | n/a               | n/a            | n/a            | n/a         |
| Weighted-average shares<br>outstanding, basic and<br>diluted | 35.5  | n/a         | 35.4                            | n/a               | n/a            | n/a            | n/a         |
| Shares outstanding at end<br>of period                       | 37.3  | n/a         | 35.4                            | n/a               | n/a            | n/a            | n/a         |

**Period-End Balance****Sheet Data:**

|  |           |           |           |           |           |           |           |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Assets   | \$ 16,423 | \$ 15,741 | \$ 16,796 | \$ 16,252 | \$ 17,692 | \$ 16,120 | \$ 17,300 |
| Loans, net   | 10,099    | 9,575     | 9,928     | 9,617     | 9,845     | 9,618     | 9,025     |
| Allowance for loan losses  | 172       | 71        | 118       | 65        | 74        | 85        | 111       |
| Investment securities  | 4,927     | 5,110     | 5,524     | 5,382     | 6,212     | 4,705     | 6,641     |
| Deposits   | 9,248     | 9,494     | 9,375     | 9,486     | 9,201     | 8,964     | 8,698     |
| Subordinated notes payable to trust  | 314       | 314       | 314       | 142       |           |           |           |
| Preferred stock issued by subsidiaries   |           | 305       |           | 305       | 305       | 305       | 305       |
| Long-term Federal Home Loan Bank borrowings (original maturities greater than one year at the time of borrowing) | 777       | 1,054     | 794       | 1,304     | 1,924     | 2,662     | 3,169     |
| Other long-term debt   | 11        | 101       | 11        | 101       | 101       | 105       | 106       |
| Stockholders equity  | 892       | 1,009     | 1,138     | 1,015     | 1,017     | 927       | 938       |
| Non-performing assets(d)   | 284       | 36        | 179       | 31        | 37        | 91        | 131       |

**Selected Performance****Ratios:**

|                                       |         |        |       |        |        |        |        |
|---------------------------------------|---------|--------|-------|--------|--------|--------|--------|
| Return on average assets              | (0.24)% | 0.69%  | 0.49% | 0.72%  | 0.71%  | 0.56%  | 0.61%  |
| Return on average stockholders equity | (3.65)% | 10.51% | 7.52% | 11.67% | 11.97% | 10.00% | 11.37% |
| Net interest margin                   | 2.49%   | 2.56%  | 2.59% | 2.58%  | 2.58%  | 2.55%  | 2.37%  |
| Efficiency ratio(e)                   | 71%     | 69%    | 68%   | 67%    | 67%    | 79%    | 72%    |

**Capital Ratios:**

|   |        |        |        |        |        |        |        |
|---|--------|--------|--------|--------|--------|--------|--------|
| Tier 1 leverage ratio (Guaranty Bank)           | 7.58%  | 7.86%  | 7.74%  | 7.62%  | 6.94%  | 6.89%  | 6.31%  |
| Tier 1 risk-based capital ratio (Guaranty Bank) | 9.38%  | 9.97%  | 9.63%  | 9.93%  | 9.89%  | 9.74%  | 9.80%  |
| Total risk-based capital ratio (Guaranty Bank)  | 10.61% | 10.58% | 10.54% | 10.52% | 10.54% | 10.83% | 11.13% |
| Tangible equity/tangible assets                 | 4.45%  | 5.41%  | 5.82%  | 5.27%  | 4.73%  | 4.73%  | 4.11%  |

**Asset quality ratios(f):**

|   |       |         |         |       |       |       |       |
|---|-------|---------|---------|-------|-------|-------|-------|
| Non-performing assets/total loans and foreclosed real estate(d) | 2.76% | 0.37%   | 1.78%   | 0.32% | 0.37% | 0.93% | 1.42% |
| Net charge-offs (recoveries)/average loans outstanding          | 0.08% | (0.33)% | (0.03)% | 0.10% | 0.21% | 0.07% | 0.66% |
| Allowance for loan losses to non-performing loans               | 66%   | 257%    | 71%     | 253%  | 213%  | 170%  | 172%  |
| Allowance for loan losses to total loans                        | 1.67% | 0.74%   | 1.17%   | 0.68% | 0.75% | 0.88% | 1.22% |

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- (a) In 2006, we adopted the modified prospective application method of SFAS No. 123 (revised December 2004), *Share-Based Payment*.
- (b) In 2006, we sold our asset-based lending operations. In 2005, we eliminated our wholesale origination network. In 2004, we repositioned our mortgage origination activities and sold our third-party mortgage servicing rights. Charges related to these actions included in noninterest expense consist of:

|   | <b>For the Year</b>  |             |             |
|---|----------------------|-------------|-------------|
|   | <b>2006</b>          | <b>2005</b> | <b>2004</b> |
|   | <b>(In millions)</b> |             |             |
| Severance                                 | \$ 5                 | \$ 2        | \$ 9        |
| Loss on closure of origination facilities |                      |             | 11          |
| Loss on sale of mortgage servicing rights |                      |             | 11          |
| Goodwill impairment                       | 6                    |             |             |
| Other                                     |                      | 3           | 3           |
|   | \$ 11                | \$ 5        | \$ 34       |

The decrease in noninterest income and expense in 2005 is principally due to the 2004 repositioning of our mortgage origination activities and the sale of our third-party mortgage servicing rights.

- (c) In December 2007, Temple-Inland distributed our common stock to its stockholders in a ratio of one share of our common stock for every three shares of Temple-Inland common stock. Earnings per common share for 2007 is computed as if the distribution had occurred at the beginning of 2007.
- (d) Includes nonaccrual loans, restructured loans not performing in accordance with their modified terms, and assets acquired through foreclosure. Excludes loans past due 90 days or more and still accruing.
- (e) Noninterest expense divided by net interest income plus noninterest income.
- (f) Excludes residential mortgage loans held for sale.

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**RISK FACTORS**

*An investment in our securities involves a high degree of risk. You should carefully consider the risks described below, together with the other information included or incorporated by reference in this prospectus, including the risk factors set forth in our annual report on Form 10-K for the fiscal year ended December 31, 2007, our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2008, and the risks that we have highlighted in other sections of this prospectus. Risks described below are not the only risks involved in an investment in our securities. The risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. If any of the following risks actually occur, our business, results of operations, and financial condition could suffer materially. In that event, the trading price and market value of our common stock could decline, and you may lose all or part of your investment in our common stock. The risks discussed below include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements.*

**Risks Related to Our Business**

***Volatility in the credit and residential housing markets could result in further losses on our mortgage-backed securities and loans.***

Credit markets in many sectors have experienced dramatic reductions in liquidity and increases in required returns by investors in credit-sensitive assets. These conditions began in 2007 in the sub-prime mortgage market but have expanded in 2008 to include virtually all non-agency mortgage-backed securities and many other asset-backed markets. Mortgage-backed securities comprise a higher percentage of our assets than they do for many other financial institutions. At March 31, 2008, approximately 30% of our assets were mortgage-backed securities and approximately two-thirds of those securities were non-agency securities. Recent transactions by distressed sellers, and expectations of further distressed sales, have exacerbated market discounts for mortgage-backed securities and generally removed the majority of typical participants from transactions in non-agency securities. As a result, it is difficult to determine fair values for those securities and would likely be difficult to sell securities in the current market at all. We estimate the fair value of the non-agency securities we own was below par by approximately \$1.1 billion, or 30%, at March 31, 2008 and we do not believe the fair value of those securities has changed significantly subsequent to such date. Though we currently have the intent and ability to hold the securities until repayment, if it became necessary for us to sell non-agency securities, any sales would almost certainly be at a significant discount to par value which would have a negative effect on our operating results and capital position.

Current market conditions include a severe over-supply of land, lots, and finished homes in many markets including those where we do business. At March 31, 2008, approximately 8% of our assets were loans to homebuilders and 10% of our assets were single-family mortgage loans. Many of our homebuilder borrowers are experiencing decreased sales and pricing and some are facing significant financial difficulty. We had approximately \$182 million in non-performing homebuilder loans and approximately \$69 million of non-performing single-family mortgage loans at March 31, 2008. The percentage of our single-family mortgage loans delinquent in their payments increased from 3% to 9% since year-end 2006. If housing markets, particularly in California, continue to deteriorate, we will experience a further increase in non-performing loans, provisions for loan losses, and charge-offs. These factors could adversely affect our ability to grow earning assets, return to profitability, or meet our financial obligations.

***If a significant portion of our non-agency mortgage-backed securities portfolio were to be downgraded, it could negatively affect our liquidity.***



At March 31, 2008, we had outstanding indebtedness to FHLB Dallas in the amount of \$5.7 billion. FHLB Dallas policy requires non-agency mortgage-backed securities we pledge as collateral for those borrowings to be AAA-rated by at least one nationally-recognized securities rating organization at the time we pledge the securities. FHLB Dallas reduces the amount we may borrow against the securities if they are subsequently downgraded, and does not consider as eligible collateral any securities rated below investment grade by at least one nationally-recognized securities rating organization.

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All of our non-agency mortgage-backed securities are currently rated AAA by two nationally-recognized securities rating organizations, though one security with a carrying value of \$136 million has been designated as negative watch by one rating agency. If the rating agencies were to downgrade any of the securities that we have pledged to FHLB Dallas to below investment grade, the downgraded securities would not be eligible as collateral, and our borrowing capacity would be reduced. If our borrowing capacity were reduced, and we were not able to replace the financing on similar terms or replace the downgraded securities with other eligible collateral, our liquidity could be materially and adversely affected. It may be difficult to secure replacement financing in the current credit markets.

***Changes in interest rates could affect our business and profitability.***

Changes in interest rates are not predictable or controllable by us. The majority of our assets and liabilities are monetary in nature and are affected by changes in interest rates. Like most financial institutions, changes in interest rates affect our net interest income as well as the value of our assets and liabilities. A significant change in the general level of interest rates may adversely affect our net interest margin because our interest-bearing assets and liabilities do not necessarily reprice at the same time or in the same amounts. In addition, periodic and lifetime caps may limit interest rate changes on our mortgage-backed securities and loans that pay interest at adjustable rates.

Additionally, changes in interest rates affect the demand for our loan, deposit, and other financial products. An increase in interest rates may reduce the demand for loans and our ability to originate loans. A decrease in the general level of interest rates may affect us through increased prepayments on our loan and mortgage-backed securities portfolios and increased competition for deposits. Accordingly, changes in interest rates will likely affect our net interest income and our overall results.

***Declining real estate values, particularly in California, may cause borrowers to default on loans and leave us unable to fully recover our loans.***

A large portion of our loans are secured by real estate. Values of certain types of real estate, particularly undeveloped land, single-family residential lots, and new home construction have declined recently in certain parts of the country. When real estate prices decline, the value of real estate collateral securing our loans is reduced, increasing the probability we will not fully recover our loans. In California, single-family residential real estate values have decreased approximately 7% on average over the last year. At March 31, 2008, approximately 36% of our loans to homebuilders, and over 50% of our single-family mortgage loans, were secured by real estate in California. Approximately 70% of our non-performing homebuilder loans are secured by real estate in California. We will likely soon foreclose on some of the related collateral and charge off a portion of the related loans against our allowance for loan losses. Additionally, we may continue the development of some of the foreclosed real estate.

***Declining real estate values may cause borrowers to default on loans underlying mortgage-backed securities we own, reducing the likelihood of recoverability of our investments.***

Deterioration in the value of single-family homes may cause borrowers to default on the mortgages underlying the mortgage-backed securities we own. In the cash flow distribution from the underlying assets, our securities are generally senior to subordinated tranches intended to incur credit losses from the underlying loans before losses are allocated to our securities. However, if credit losses on the underlying loans were to exceed the subordinated tranches, we would not receive the full stated interest due on the securities or our full principal balance, or both. If we were to conclude unrealized losses on the mortgage-backed securities were other than temporary which we evaluate by considering estimates of recoverability, as well as the duration and severity of the unrealized loss we would be required under generally accepted accounting principles to reduce the cost basis of the security to fair value and record a corresponding charge to earnings, which would also reduce our regulatory capital.

Many of the loans underlying the non-agency mortgage-backed securities we own have one or more characteristics that increase the risk of default by the borrowers. These characteristics include various monthly

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payment options, referred to as Option ARMs, and limited underwriting documentation. At March 31, 2008, over 90% of the loans underlying the non-agency mortgage-backed securities are Option ARMs. Additionally, approximately 60% of the loans underlying the non-agency mortgage-backed securities are secured by real estate in California.

***If our allowance for loan losses is not sufficient to cover actual loan losses, our profitability could decrease.***

Our loan customers may fail to repay their loans according to the terms, and the collateral securing the payment of these loans may be insufficient to assure repayment. Such loan losses could have a material adverse effect on our operating results. Though we increased our allowance for loan losses to \$172 million at March 31, 2008 from \$65 million at December 31, 2006, our allowance for loan losses as a percentage of non-performing loans decreased from 253% to 66% over that same period. We make various assumptions, estimates, and judgments about the collectibility of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. In determining the amount of the allowance for loan losses, we rely on a number of factors, including third party appraisals and our own experience and our evaluation of current economic conditions. Our allowance for loan losses may not be sufficient to fully cover actual incurred losses in our loan portfolio. If our estimates are incorrect, or real estate values decline further, we will have to further increase our allowances for loan losses through provisions for loan losses, decreasing our future operating results.

***Our loan portfolio lacks diversity, which exposes us to a greater risk of loss from isolated events and individual market adjustments.***

Commercial real estate, homebuilder construction, multifamily, commercial and business, and energy loans, which represent three-fourths of our loan portfolio, generally expose a lender to greater risk of loss than single-family mortgage loans because such loans involve larger loan balances to single borrowers or multiple borrowers in specific industries. Thirteen of our borrowers comprise 10% of our commercial loan portfolio.

General economic trends often move individual markets in the same direction, and geographic concentrations of loans or borrowers that share common risk characteristics or sensitivities to economic, financial, or business downturns could be affected simultaneously. If economic conditions deteriorate in markets where we have higher degrees of exposure, we may be adversely affected to a disproportionate extent. Geographically, at March 31, 2008, approximately 36% of our homebuilder loan portfolio was secured by real estate in California, 9% by real estate in Texas, 9% by real estate in Florida, 6% by real estate in Arizona, 6% by real estate in Colorado, and 34% by real estate in other states.

Because we target our commercial lending to product types in which we have expertise, we may have concentrations of risk in certain industries. At March 31, 2008, approximately 21% of our commercial loans are commercial real estate, 21% are multifamily and senior housing, 17% energy, and 16% commercial and business. The repayment of commercial loans often depends on the successful operations and income streams of the borrowers and for commercial real estate loans. Repayment is also dependent on the completion and successful lease up, sale or refinancing of the property. Although the majority of our energy loans are collateralized by oil and gas reserves, significant changes in energy prices or unsuccessful hedge programs by our borrowers could affect collateral values.

***We have not acquired a significant amount of mortgage loans from our correspondent mortgage warehouse borrowers since we commenced this activity in 2007, and have experienced decreases in our mortgage-backed securities investments; if this continues, our earning assets and interest income could decrease.***

We have developed the capability to acquire mortgage loans from correspondent mortgage warehouse borrowers. The correspondent mortgage business is very competitive, and the current market environment is not generally conducive

to significant production of non-agency adjustable-rate mortgages, which we generally hold. Our single-family loan portfolio will decline in size if market conditions continue to inhibit our ability to

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acquire loans from our correspondent lending activities or if we choose not to acquire loans. Additionally, if we choose not to acquire additional mortgage-backed securities, our investment portfolio will decrease. The resulting decreases in total loans or securities would result in lower net interest income.

***Market conditions may limit our ability to raise additional regulatory capital in the future.***

We are required to maintain minimum levels of capital at Guaranty Bank under federal capital adequacy standards applicable to financial institutions. Under federal law, the Office of Thrift Supervision, or OTS, has broad authority to set and modify capital adequacy standards, to determine whether we have satisfied those standards, to require us to take remedial actions to meet the standards, and to take regulatory action if we do not comply. Acting pursuant to this broad authority, the OTS has wide powers to require us to take actions that it determines to be necessary to protect depositors of Guaranty Bank or the federal deposit insurance fund or to cause us to meet any capital standards that it imposes.

Additionally, we are party to credit arrangements that require that we meet specified capital levels in order to be in compliance with the terms of those credit arrangements. If we do not meet those capital levels, we could be in default under those credit arrangements, and our creditors could accelerate our payment obligations and require immediate repayment.

Following this rights offering, we may at some point need to raise additional capital as a result of regulatory requirements to improve our capital, to support our business as a result of losses, or to meet the capital requirements under our credit arrangements. We are currently actively exploring additional means of raising capital through offerings of our common stock, securities convertible into common stock, or rights to acquire such securities or common stock. We are also currently considering issuance of debt securities by Guaranty Financial Group Inc. or our subsidiary, Guaranty Bank. Our ability to raise additional capital, if needed, will depend on conditions in the capital markets at that time, which are outside our control, and on our financial performance and prospects. Accordingly, we may not be able to raise additional capital if needed on terms acceptable to us, or at all. If we cannot raise additional capital when needed, our ability to further expand our operations through internal growth and operate our business could be materially impaired, our creditors could exercise their remedies, or the OTS could exercise its broad regulatory powers described above.

***Some restrictions in our tax matters agreement with Temple-Inland may limit our ability to engage in desirable acquisitions and other strategic transactions.***

Our spin-off from Temple-Inland was completed on December 28, 2007. To preserve the tax-free treatment of the spin-off to Temple-Inland, under a tax matters agreement we entered into with Temple-Inland and Forestar, for the two-year period following the distribution, we may be prohibited, except in specified circumstances, from:

- issuing equity securities to satisfy financing needs;
- acquiring businesses or assets with equity securities; or
- engaging in mergers or asset transfers that could jeopardize the tax-free status of the distribution.

These restrictions may limit our ability to pursue strategic transactions or engage in new business or other transactions that may maximize the value of our business.

Under the tax matters agreement, in order to engage in many transactions like the ones described above (including the rights offering and our recent private placements of common stock and our Series B Preferred Stock with TRT, Icahn

Partners and other institutional investors) during the two-year period following our spin off from Temple-Inland, we must obtain the consent of Temple-Inland or obtain a tax opinion reasonably acceptable to Temple-Inland. In connection with our recent private placement of common stock with TRT that closed on May 30, 2008, we were able to obtain a tax opinion that Temple-Inland indicated was reasonably acceptable to it. On or prior to the closing of our other recent private placements of our Series B Preferred Stock, we intend to obtain a tax opinion regarding those transactions, but have not done so yet, and Temple-

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Inland may not find those tax opinions reasonably acceptable. Even if we are able to obtain the consent of Temple-Inland or obtain a tax opinion reasonably acceptable to Temple-Inland regarding the recent private placements and the rights offering, the issuance of Series B Preferred Stock pursuant to the private placements or our common stock in this rights offering upon the exercise of subscription rights may further restrict the amount of equity securities that we may issue during this two-year period. These restrictions may limit our ability to pursue strategic transactions, engage in new business, raise capital, or pursue other transactions that may maximize the value of our business.

***Restrictions included in the tax matters agreement with our former parent corporation may restrict our ability to effect this offering or other offerings or strategic transactions undertaken unless our former parent corporation consents or we are able to obtain a favorable tax opinion.***

Our spin-off from our former parent corporation, Temple-Inland was completed on December 28, 2007. At the time of the spin-off, we entered into a tax matters agreement with Temple-Inland and Forestar that prohibits us from issuing any shares of our common stock (including common stock issued on the exercise of subscription rights) unless Temple-Inland consents or we obtain a tax opinion that is reasonably acceptable in form and substance to Temple-Inland. The tax opinion is required to state that the issuance of our common stock will not result in the spin-off being taxed. While we believe that we will be able to obtain a tax opinion that should be reasonably acceptable to Temple-Inland under the terms of the tax matters agreement, we may not be able to do so or may not be able to otherwise obtain Temple-Inland's consent. If we cannot obtain such an opinion, we may have to abandon this rights offering. If Temple-Inland takes the position that the tax opinion is not reasonably acceptable or if they otherwise do not consent, it could allege that we have breached our tax matters agreement by conducting this rights offering.

***If the spin-off is determined to be taxable for U.S. federal income tax purposes, we and our stockholders could incur significant U.S. federal income tax liabilities.***

Temple-Inland received a private letter ruling from the Internal Revenue Service, or IRS, that the spin-off, if completed as described in the ruling request, qualified for tax-free treatment under applicable sections of the Internal Revenue Code of 1986, as amended. In addition, Temple-Inland received an opinion from tax counsel that the spin-off so qualified. The IRS ruling and the opinion rely on certain representations, assumptions, and undertakings, including those relating to the past and future conduct of our business, and neither the IRS ruling nor the opinion would be valid if such representations, assumptions, and undertakings were incorrect. Moreover, the IRS private letter ruling does not address all the issues that are relevant to determining whether the spin-off qualifies for tax-free treatment. Notwithstanding the IRS private letter ruling and opinion, the IRS could determine that the spin-off should be treated as a taxable transaction if it determines that any of the representations, assumptions, or undertakings that were included in the request for the private letter ruling are false or have been violated or if it disagrees with the conclusions in the opinion that are not covered by the IRS ruling.

If the spin-off failed to qualify for tax-free treatment, Temple-Inland would be subject to tax as if it had sold our common stock in a taxable sale for its fair market value at the date of the spin-off, and our initial public stockholders would be subject to tax as if they had received a taxable distribution equal to the fair market value of our common stock that was distributed to them. Under the tax matters agreement between Temple-Inland and us, we would generally be required to indemnify Temple-Inland against any tax resulting from the distribution to the extent that such tax resulted from (1) an issuance of our equity securities, a redemption of our equity securities, or our involvement in other acquisitions of our equity securities, (2) other actions or failures to act by us, or (3) any of our representations or undertakings being incorrect or violating provisions of the tax matters agreement. Our indemnification obligations to Temple-Inland and its subsidiaries, officers, and directors are not limited by any maximum amount. If we are required to indemnify Temple-Inland or such other persons under the circumstances set forth in the tax matters agreement, we may be subject to substantial liabilities.





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***As a savings bank pursuant to the Home Owners Loan Act, or HOLA, Guaranty Bank is required to maintain a certain percentage of its total assets in HOLA-qualifying loans and investments, which limits our asset mix and could limit our ability to increase the yield on our earning assets.***

A savings bank or thrift differs from a commercial bank in that it is required to maintain 65% of its total assets in HOLA-qualifying loans and investments, such as loans for the purchase, refinance, construction, improvement, or repair of residential real estate. To maintain our thrift charter we have to pass the Qualified Thrift Lender test, or QTL test. The QTL test limits the extent to which we can grow our commercial loan portfolio. Accordingly, we may be limited in our ability to change our asset mix and increase the yield on our earning assets by growing our commercial loan portfolio.

In addition, if we continue to grow our commercial loan portfolio and our single-family loan portfolio declines, it is possible that in order to maintain our QTL status, we could be forced to buy mortgage-backed securities or other qualifying assets at times when the terms might not be attractive. Alternatively, we could find it necessary to pursue different structures, including changing Guaranty Bank's thrift charter to a commercial bank charter.

***The business segments in which we operate are highly competitive and competitive conditions may negatively affect our ability to maintain or increase our market share and profitability.***

Guaranty Bank engages in banking activities nationwide in over 30 markets, with a primary focus on California, Texas, and the southeast region. Guaranty Bank's consumer and business banking activities are carried out through banking centers in Texas and California. In addition, our insurance agency operates through offices in Texas and California. We believe the markets we operate in are among the most competitive in the financial services industry. We compete with commercial banks, savings and loan associations, credit unions, mortgage banks, other lenders, and insurance agencies, many of which are substantially larger and have greater resources. Any improvement in the cost structure or service of our competitors will increase the competition we face. Many competitors offer similar products and use similar distribution channels. The substantial expansion of banks' and insurance companies' distribution capacities and product features in recent years has intensified pressure on margins and production levels and has increased the level of competition in many of our business lines.

***We operate in a highly regulated environment and may be adversely affected by changes in federal and local laws and regulations.***

We are subject to regulation, supervision, and examination by federal banking and state insurance authorities. The regulations enforced by these authorities are intended to protect customers and federal deposit insurance funds, not creditors, stockholders, or other security holders. Regulations affecting banks and financial services companies are continuously changing, and any change in applicable regulations or federal or state legislation could have a negative effect on our operations. Further, regulators have significant discretion and power to prevent or remedy unsafe or unsound practices or violations of laws by federal savings banks and their holding companies (including the power to appoint a conservator or receiver for such banks) or to require changes in various aspects of their operations at any time, including restrictions on the payment of dividends to the parent company. Any exercise of such regulatory discretion could have a negative effect on our financial condition or the results of our operations.

***We may not be able to pay dividends if we are not able to receive dividends from Guaranty Bank.***

Cash dividends from Guaranty Bank would be the principal source of funds for paying cash dividends on our common stock. Unless we receive dividends from Guaranty Bank, we may not be able to pay dividends. Guaranty Bank's ability to pay dividends is subject to its ability to earn net income and to meet certain regulatory requirements. Additionally, we may choose for Guaranty Bank to retain its earnings in order to meet regulatory capital requirements.



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***Our information systems may experience an interruption or breach in security that could expose us to liability or loss.***

We rely heavily on communications and information systems to conduct our business. Any failure, interruption, or breach in security of these systems could result in failures or disruptions in customer relationship management, general ledger, deposit, loan, insurance, and other systems. We have policies and procedures designed to prevent or limit the effect of any such failure, interruption, or security breach. However, such failures, interruptions, or security breaches may still occur, and, if they do occur, we may not be able to address them adequately. The occurrence of any failures, interruptions, or security breaches of information systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations.

***We may be unable to achieve some or all of the benefits that we expect to achieve from being a stand-alone public company.***

We may not be able to achieve the full strategic and financial benefits that we expect as a stand-alone public company, or such benefits may be delayed or may not occur at all. Analysts and investors may not regard our corporate structure or business model as appropriate or competitive. Additionally, we will incur costs in excess of the amounts allocated to us by Temple-Inland, such as information technology costs, director and officer liability insurance costs, director fees, and corporate administrative costs.

***We have very little operating history as an independent, publicly-traded company upon which you can evaluate our performance and, accordingly, our prospects must be considered in light of the risks that any newly independent company encounters.***

We have very limited experience operating as an independent, publicly-traded company and performing various public company administrative functions, including human resources, tax administration, registrant filing responsibilities (including compliance with the Sarbanes-Oxley Act of 2002 and with the periodic reporting obligations of the Securities Exchange Act of 1934), investor relations, information technology, and telecommunications services, as well as the accounting for some items such as equity compensation and income taxes. We may be unable to make, on a timely or cost-effective basis, the changes necessary to operate as an independent, publicly-traded company, and we may experience increased costs as an independent publicly traded company. Our prospects must be considered in light of the risks, expenses, and difficulties encountered by companies in the early stages of independent business operations, particularly companies such as ours in highly competitive markets.

***Our agreements with Temple-Inland and Forestar may not reflect terms that would have resulted from arm s-length negotiations among unaffiliated third parties.***

The agreements that we have entered into related to our spin-off from Temple-Inland, including the separation and distribution agreement, employee matters agreement, tax matters agreement and transition services agreement, were prepared in the context of our spin-off from Temple-Inland while we were still part of Temple-Inland and, accordingly, may not reflect terms that would have resulted from arm s-length negotiations among unaffiliated third parties. Arms-length negotiations between unaffiliated third parties might have resulted in terms more favorable to us. In many cases, these agreements extend into future periods, and relate to, among other things, future services provided by us to Temple-Inland and purchased by us from Temple-Inland, contractual rights, indemnifications, and other obligations between Temple-Inland, Forestar and us.

***Our historical financial information is not necessarily indicative of our results as a separate company and, therefore, may not be reliable as an indicator of our future financial results.***

Our historical financial information has been created using our historical results of operations and historical bases of assets and liabilities as part of Temple-Inland. This historical financial information is not

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necessarily indicative of what our results of operations, financial position, and cash flows would have been if we had been a separate, stand-alone entity during the periods presented.

It is also not necessarily indicative of what our results of operations, financial position, and cash flows will be in the future. Our historical financial information does not reflect changes that may occur in our cost structure, financing, and operations as a result of the spin-off. These changes might include increased costs associated with reduced economies of scale and purchasing power.

***The ownership by our chairman, our executive officers and some of our other directors of common stock, options or other equity awards of Temple-Inland or Forestar may create, or may create the appearance of, conflicts of interest.***

Because of their former positions with Temple-Inland, our chairman, substantially all of our executive officers, including our Chief Executive Officer and our Chief Financial Officer, and some of our non-employee directors, own shares of common stock of Temple-Inland, options to purchase shares of common stock of Temple-Inland or other Temple-Inland equity awards. Additionally, as a result of Temple-Inland's distribution of shares of Forestar, these officers and non-employee directors also own shares of common stock, options to purchase shares of common stock and other equity awards in Forestar. The individual holdings of shares of common stock, options to purchase shares of common stock or other equity awards of Temple-Inland and Forestar may be significant for some of these persons compared to their total assets. In light of our continuing relationships with Temple-Inland and Forestar, these equity interests may create, or appear to create, conflicts of interest when these directors and officers are faced with decisions that could benefit or affect the equity holders of Temple-Inland or Forestar in ways that do not benefit or affect us in the same manner.

## **Risks Related to the Rights Offering**

***This rights offering may cause the trading price of our common stock to decrease immediately, and this decrease may continue.***

The number of shares we proposed to issue and ultimately do issue if we complete the rights offering, may result in an immediate decrease in the market value of the common stock. This decrease may continue after the completion of the rights offering.

***Since you cannot revoke the exercise of your subscription rights and the market price of our common stock is volatile and may decline after you elect to exercise the subscription rights, you could be committed to buying shares above the market price of our common stock.***

The market price of our common stock could be subject to wide fluctuations in response to numerous factors, some of which are beyond our control. These factors include, among other things, actual or anticipated variations in our costs of doing business, operating results and cash flow, the nature and content of our earnings releases and our competitors earnings releases, changes in financial estimates by securities analysts, business conditions in our markets and the general state of the securities markets and the market for other financial stocks, changes in capital markets that affect the perceived availability of capital to companies in our industry, governmental legislation or regulation, currency and exchange rate fluctuations, and general economic and market conditions, such as downturns in our economy and recessions.

Once you exercise your subscription rights, you may not revoke them. The market price of our common stock may decline after you elect to exercise your subscription rights. If you exercise your subscription rights and, afterwards, the public trading market price of our common stock decreases below the subscription price, you will have committed to

buying shares of our common stock at a price above the prevailing market price and could have an immediate unrealized loss. Our common stock is traded on The New York Stock Exchange under the ticker symbol GFG, and the closing sales price of our common stock on June 11, 2008 was \$5.29 per share. Moreover, following the exercise of your subscription rights you may not be able to sell your common stock at a price equal to or greater than the subscription price. Until shares are delivered upon expiration of the rights offering, you will not be able to sell or transfer the shares of our common stock that

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you purchase in the rights offering. We will not pay you interest on any funds delivered to the subscription agent pursuant to the exercise of subscription rights.

***If you do not fully exercise your subscription rights, your ownership interest could be diluted.***

Assuming we sell the full amount of common stock issuable in connection with the rights offering, we will issue approximately [ ] shares of our common stock. If you choose not to fully exercise your subscription rights prior to the expiration of the rights offering, your relative ownership interest in our common stock could be diluted.

***The subscription rights are not transferable and there is no market for the subscription rights.***

You may not sell, transfer, or assign your subscription rights. The subscription rights are only transferable by operation of law. Because the subscription rights are non-transferable, there is no market or other means for you to directly realize any value associated with the subscription rights. You must exercise the subscription rights and acquire additional shares of our common stock to realize any value that may be embedded in the subscription rights.

***The subscription price determined for the rights offering is not an indication of the fair value of our common stock.***

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, and the desire to provide an opportunity to our stockholders to participate in the rights offering. In conjunction with its review of these factors, our board also reviewed a range of discounts to market value represented by the subscription prices in various prior rights offerings by other public companies. The subscription price of \$[ ] per full share is not necessarily related to our book value, net worth, or any other established criteria of fair value and may or may not be considered the fair value of our common stock to be offered in the rights offering. Our common stock may trade at prices above or below the subscription price.

***Because our management will have broad discretion over the use of the net proceeds from the rights offering, you may not agree with how we use the proceeds, and we may not invest the proceeds successfully.***

We currently anticipate that we will use the net proceeds of the rights offering for general corporate purposes, including investments in our subsidiaries, and our management may allocate the proceeds among such purposes as it deems appropriate. In addition, market factors may require our management to allocate portions of the proceeds for other purposes. Accordingly, you will be relying on the judgment of our management with regard to the use of the proceeds from the rights offering, and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. It is possible that we may invest the proceeds in a way that does not yield a favorable, or any, return for us.

***We may cancel the rights offering at any time prior to the expiration of the rights offering, or may not close the rights offering if the recent transactions in which we have agreed to sell our Series B Preferred Stock and subordinated notes have not closed, and in such cases neither we nor the subscription agent will have any obligation to you except to return your exercise payments.***

We may, in our sole discretion, decide not to continue with the rights offering or cancel the rights offering prior to the expiration of the rights offering. In addition, the closing of the rights offering is conditioned upon the prior or simultaneous closing of the recent transactions in which we have agreed to sell shares of our Series B Preferred Stock and subordinated notes of Guaranty Bank entered into on June 7, 2008, which we refer to as the investment



transactions. See Prospectus Summary The Rights Offering Conditions to Closing. If the rights offering is cancelled, or

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if we do not close the rights offering because the investment transactions have not closed, all subscription payments that the subscription agent has received will be returned, without interest, as soon as practicable.

***If you do not act promptly and follow the subscription instructions, we will reject your exercise of subscription rights.***

If you desire to purchase shares in the rights offering, you must act promptly to ensure that the subscription agent actually receives all required forms and payments before the expiration of the rights offering at 5:00 p.m., New York City time, on [ ], 2008. If you are a beneficial owner of shares, you must act promptly to ensure that your broker, dealer, custodian bank, or other nominee acts for you and that all required forms and payments are actually received by the subscription agent before the expiration of the rights offering. We are not responsible if your broker, dealer, custodian bank, or nominee fails to ensure that the subscription agent receives all required forms and payments before the expiration of the rights offering. If you fail to complete and sign the required subscription forms, send an incorrect payment amount, or otherwise fail to follow the subscription procedures that apply to your exercise of your subscription rights prior to the expiration of the rights offering, the subscription agent will reject your subscription or accept it only to the extent of the payment received. Neither we nor our subscription agent undertake any action to contact you concerning an incomplete or incorrect subscription form or payment, nor are we under any obligation to correct such forms or payment. We have the sole discretion to determine whether a subscription exercise properly complies with the subscription procedures.

If you are a participant in the 401(k) plans, you must act promptly to ensure that the Plan Participant Election Form is received by the trustee and that the total amount of the funds required for an exercise of your subscription rights (the subscription price for each share of common stock subscribed for pursuant to the exercise of both the basic subscription rights and any over-subscription privilege you may elect to exercise) has been allocated to investment funds held in your account under the 401(k) plan, no later than 5:00 p.m., New York City time, on [ ], 2008. See The Rights Offering -Special Instructions for Participants in Our 401(k) Plan. If you fail to complete the Plan Participant Election Form correctly, the Trustee may be unable to follow your directions. Neither we, the 401(k) plans, the Investment Committee, nor the Trustee will be under any duty to notify you of any defect or irregularity in connection with your submission of the Plan Participant Election Form and we will not be liable for failure to notify you of any defect or irregularity.

***Our 401(k) plan, which is receiving subscription rights, is not permitted to acquire, hold or dispose of subscription rights absent an exemption from the U.S. Department of Labor***

Because the distribution of subscription rights is a dividend under the General Corporation Law of the State of Delaware, we are required to distribute subscription rights to all of our stockholders, including the 401(k) plan on behalf of its participants with shares of our common stock credited to their account under the plan, based upon ownership of our common stock as of 5:00 p.m., New York City time, on the record date. Accordingly, the 401(k) plan and its participants are receiving subscription rights in this rights offering even though 401(k) plans, such as ours, are not permitted to acquire, hold, or dispose of subscription rights absent an exemption from the DOL. We will submit a request to the DOL that an exemption be granted on a retroactive basis, effective to the commencement of the rights offering, with respect to the acquisition, holding, and disposition of the subscription rights by our 401(k) plan and participants in our 401(k) plan. The DOL may, however, deny our exemption application. If our exemption request is denied by the DOL, the DOL may require us to take appropriate remedial action.

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**Risks Related to Our Common Stock**

*Our common stock has limited trading history. The market price of our shares may fluctuate widely as a result of our short history as a stand-alone company.*

The market price of our common stock may fluctuate widely, depending upon many factors, some of which may be beyond our control, including:

a shift in our investor base because previous investors in Temple-Inland may not desire to continue their investments in a financial services related company;

actual or anticipated fluctuations in our operating results, particularly in light of recent market conditions for real estate and mortgage-backed securities;

announcements by us or our competitors of significant acquisitions or dispositions;

the failure of securities analysts to cover our common stock after the distribution;

the operating and stock price performance of other comparable companies;

overall market fluctuations; and

general economic conditions.

Stock markets in general have experienced volatility that has often been unrelated to the operating or financial performance of a particular company. These broad market fluctuations may adversely affect the trading price of our common stock.

*Your percentage ownership in our common stock may be diluted in the future because of existing equity awards on our common stock, and future capital raising activities.*

Your percentage ownership in our common stock may be diluted in the future because of equity awards on our common stock to our directors and officers and directors and officers of Temple-Inland and Forestar as a result of conversion of Temple-Inland awards outstanding at the date of the spin-off. Additionally, we have an approved Stock Incentive Plan, which provides for the grant of equity-based awards, including restricted stock, restricted stock units, stock options, stock appreciation rights, phantom equity awards and other equity-based awards to our directors, officers and other employees. In the future, we may issue additional equity securities, subject to limitations imposed by the tax matters agreement, in order to fund working capital needs, regulatory capital requirements, capital expenditures and product development, or to make acquisitions and other investments, which may dilute your ownership interest.

*The conversion of the preferred stock will dilute your ownership interest in our existing common stock. If our stockholders do not approve the conversion feature of the preferred stock, the dividend rate will materially increase and the conversion price will materially decrease.*

Pursuant to an investment agreement with TRT Financial Holdings, LLC, referred to herein as TRT, and certain affiliates of TRT, we agreed to sell to TRT a number of shares of Series B Mandatory Convertible Perpetual Cumulative Preferred Stock, which we refer to as the Series B Preferred Stock, such that TRT will beneficially own 19.9% of our total outstanding common stock, assuming full conversion immediately following such issuance. In

addition, we have entered into additional investment agreements and a purchase agreement with several institutional investors, including TRT and Icahn Partners, regarding the sale of approximately 5.54 million shares of Series B Preferred Stock and units consisting of subordinated notes of Guaranty Bank and an additional 638,000 shares of Series B Preferred Stock.

Each share of Series B Preferred Stock initially will be convertible into ten shares of common stock. Approval by our stockholders is required before the conversion feature of the Series B Preferred Stock can be exercised, and we are required to call a stockholders meeting for this purpose as promptly as practicable following the issuance of the Series B Preferred Stock pursuant to the investment agreement. The conversion price per share of common stock will be subject to a scheduled price reduction of \$.50 per share semi-annually

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until such time as we obtain stockholder approval of the conversion feature of the Series B Preferred Stock, subject to a minimum conversion price per share of \$3.00. Dividends on the Series B Preferred Stock are cumulative and initially accrue at the rate of 14% per year. The dividend rate will increase 2% every six months following the initial stockholder meeting held to consider approval of the conversion feature of the Series B Preferred Stock if and until stockholder approval is obtained (subject to a maximum rate of 18% per year).

The Series B Preferred Stock will be mandatorily converted into shares of our common stock if and when stockholder approval is received, subject to anti-dilution adjustments. The conversion of the Series B Preferred Stock will dilute the ownership interest of our existing common shareholders.

***We may issue additional shares of our common stock or debt securities in the future, which would dilute your ownership or affect your investment if you did not, or were not permitted to, invest in the additional issuances.***

In the future, we may seek to raise additional capital through issuance of debt securities or our common stock, securities convertible into our common stock, or rights to acquire such securities or our common stock. If our subsidiaries were to issue debt securities in the future, the holders of such debt securities would have rights that are effectively senior to the rights of the security holders of Guaranty Financial Group Inc. Moreover, if our subsidiaries were to issue debt securities, the instruments evidencing such debt securities could contain provisions that restrict our ability to receive dividends or other distributions from our subsidiaries. Our amended and restated certificate of incorporation makes available additional authorized shares of common stock and preferred stock for issuance from time to time at the discretion of our board of directors, without further action by the stockholders, except where stockholder approval is required by law or New York Stock Exchange requirements. The issuance of any additional shares of common stock or convertible securities could be substantially dilutive to stockholders of our common stock if they do not to invest in future offerings.

Moreover, to the extent that we issue restricted stock, restricted stock units, stock options, stock appreciation rights, options, or warrants to purchase our common stock in the future and those awards, rights, options, or warrants are exercised or as the restricted stock units vest, our stockholders may experience further dilution. Other than rights granted to TRT pursuant to its investment agreement, and to Icahn Partners under its letter agreement with us, holders of our shares of common stock have no preemptive rights that entitle them to purchase their pro-rata share of any offering of shares of any class or series and, therefore, our stockholders may not be permitted to invest in future issuances of our common stock and as a result will be diluted.

***The terms of our spin-off from Temple-Inland, anti-takeover provisions of our charter and bylaws, as well as Delaware law and our stockholder rights agreement, may reduce the likelihood of any potential change of control or unsolicited acquisition proposal that you might consider favorable.***

The terms of our spin-off from Temple-Inland could delay or prevent a change of control that you may favor. An acquisition or issuance of our common stock could trigger the application of Section 355(e) of the Internal Revenue Code of 1986, as amended. Under the tax matters agreement we have entered into with Temple-Inland and Forestar, we would be required to indemnify Temple-Inland and Forestar for the resulting tax in connection with such an acquisition or issuance and this indemnity obligation might discourage, delay, or prevent a change of control that you may consider favorable.

In addition, our certificate of incorporation and bylaws and Delaware law contain provisions that could make it more difficult for a third party to acquire us without the consent of our board of directors. Our board of directors may classify or reclassify any unissued shares of common stock or preferred stock and may set the preferences, conversion or other rights, voting powers, and other terms of the classified or reclassified shares. Our board of directors could establish a series of preferred stock that could have the effect of delaying, deferring or preventing a transaction or a

change in control that might involve a premium price for our

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common stock or otherwise be considered favorably by our stockholders. Our certificate of incorporation and bylaws also provide for a classified board structure.

Our bylaws provide that nominations of persons for election to our board of directors and the proposal of business to be considered at a stockholders meeting may be made only in the notice of the meeting, by our board of directors or by a stockholder who is entitled to vote at the meeting and has complied with the advance notice procedures of our bylaws. Also, under Delaware law, business combinations, including issuances of equity securities, between us and any person who beneficially owns 15% or more of our common stock or an affiliate of such person, are prohibited for a three-year period unless exempted by the statute. After this three-year period, a combination of this type must be approved by a super-majority stockholder vote, unless specific conditions are met or the business combination is exempted by our board of directors.

In addition, we have entered into a stockholder rights agreement with a rights agent that provides that in the event of an acquisition of or tender offer for 20% or more of our outstanding common stock, our stockholders will be granted rights to purchase our common stock at a significant discount. The stockholder rights agreement could have the effect of significantly diluting the percentage interest of a potential acquirer and make it more difficult to acquire a controlling interest in our common stock without the approval of our board of directors to redeem the rights or amend the stockholder rights agreement to permit the acquisition.

**Table of Contents****USE OF PROCEEDS**

Assuming all of the rights in the offering are subscribed for at the subscription price of \$[ ] per share, we estimate that the net proceeds to us from the sale of our common stock offered in the rights offering, after deducting estimated offering expenses, will be approximately \$[ ] million. We intend to use the net proceeds for general corporate purposes, including investments in our subsidiaries.

Our management will retain broad discretion in deciding how to allocate the net proceeds of this offering. Until we designate the use of net proceeds, we will invest them temporarily in liquid short-term securities. The precise amounts and timing of our use of the net proceeds will depend upon market conditions and the availability of other funds, among other factors.

**Market Information**

Shares of our common stock are traded on the New York Stock Exchange under the ticker symbol GFG. The following table sets forth, for the periods indicated, the high and low closing sales price as reported by the New York Stock Exchange for our common stock.

Our common stock began regular way trading on the New York Stock Exchange on December 31, 2007 following the completion of our spin-off from Temple-Inland. As such, the following table reflects the high and low trading price of our common stock on December 31, 2007 for the fourth quarter of 2007 and the fiscal year then ended December 31, 2007.

|  | <b>High</b> | <b>Low</b> |
|--|-------------|------------|
| 2007:                                  |             |            |
| Fourth Quarter (December 31, 2007)     | \$ 16.58    | \$ 14.38   |
| Fiscal Year                            | 16.58       | 14.38      |
| 2008:                                  |             |            |
| First Quarter                          | \$ 16.09    | \$ 9.05    |
| Second Quarter (through June 11, 2008) | 12.53       | 5.11       |

As of June 11, 2008, we had 4,303 stockholders of record of our common stock, not including beneficial owners whose shares are held in record names of brokers or other nominees. For a recent closing sales price of our common stock on The New York Stock Exchange, see the cover page of this prospectus.



**Table of Contents****CAPITALIZATION**

The following table shows our capitalization as of March 31, 2008 on an actual basis and as adjusted to give pro forma effect to the rights offering and the private placement transactions contemplated by the initial TRT investment agreement, the subsequent investment agreements and the purchase agreement. The table should be read in conjunction with Selected Historical Consolidated Financial Data and with our consolidated financial statements and the notes to those financial statements included in the documents incorporated by reference in this prospectus.

|  | <b>March 31, 2008</b> |  |   |  |   |
|--|-----------------------|--|---|--|---|
|  | <b>Actual</b>         | <b>Investment<br/>Transactions<br/>Adjustment(1)</b> | <b>As Adjusted<br/>following<br/>Investment<br/>Transactions(1)</b> | <b>Rights<br/>Offering<br/>Adjustment(2)</b> | <b>As<br/>Adjusted<br/>following<br/>Rights<br/>Offering(2)</b> |
|  | <b>(In millions)</b>  |  |   |  |   |
| <b>Liabilities:</b>                          |                       |  |   |  |   |
| Deposits                                     | \$ 9,248              |  | \$ 9,248  |  |   |
| Federal Home Loan Bank borrowings            | 5,732                 |  | 5,732   |  |   |
| Other liabilities                            | 136                   |  | 136   |  |   |
| Subordinated notes payable to trust          | 314                   |  | 314   |  |   |
| Subordinated debentures and other borrowings | 101                   | 236  | 337   |  |   |
| <b>Stockholders' equity:</b>                 |                       |  |   |  |   |
| Preferred stock(3)                           |                       |  |   |  |   |
| Common stock(4)                              | 37                    | 8  | 45  |  |   |
| Additional paid-in capital                   | 901                   | 341  | 1,242   |  |   |
| Retained earnings                            | 226                   |  | 226   |  |   |
| Accumulated other comprehensive loss, net    | (272)                 |  | (272)   |  |   |
| <b>Total stockholders' equity</b>            | <b>892</b>            | <b>349</b>   | <b>1,241</b>  |  |   |
| <b>Total capitalization</b>                  | <b>\$ 16,423</b>      | <b>\$ 585</b>  | <b>\$ 17,008</b>  |  |   |

(1) Assumes the issuance of approximately 8 million shares of common stock pursuant to the initial TRT investment agreement and the issuance of approximately 6.2 million shares of Series B Preferred Stock pursuant to the subsequent investment agreements and the purchase agreement.

(2) Assumes that all subscription rights (including all over-subscription privileges) are exercised in full and the completion of the transactions contemplated by the subsequent investment agreements and the purchase agreement and the issuance of common stock to TRT pursuant to the initial TRT investment agreement.

- (3) Par value \$.01 per share, 25 million shares authorized; none issued or outstanding; [ ] million shares of Series B Preferred Stock issued and outstanding as adjusted (assuming closing of the investment transactions and the purchase by TRT Financial Holdings, LLC of [ ] shares of Series B Preferred Stock pursuant to its investment agreement dated May 26, 2008, as amended) following the investments transactions; [ ] million shares of Series B Preferred Stock issued and outstanding as adjusted following the rights offering.
- (4) Par value \$1.00 per share, 200 million shares authorized; 37.3 million shares issued and outstanding; approximately 45 million shares issued and outstanding as adjusted following the investment transactions including the issuance of approximately 7.4 million shares of common stock to TRT pursuant to the initial TRT investment agreement; [ ] shares issued and outstanding as adjusted following the rights offering.

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**THE RIGHTS OFFERING**

*Before exercising any subscription rights, you should read carefully the information set forth under Risk Factors.*

**The Subscription Rights**

We are distributing to the record holders of our common stock as of the record date non-transferable subscription rights to purchase shares of our common stock. Each holder of record of our common stock will receive one subscription right for each full share of our common stock owned by such holder as of 5:00 p.m., New York City time, on [ ], 2008, the record date. Each subscription right will entitle you to purchase [ ] shares of our common stock which we refer to as the basic subscription right and, if you fully exercise your basic subscription rights and other stockholders do not fully exercise their basic subscription rights, you would be entitled to exercise an over-subscription privilege, to subscribe for, subject to limitations, a portion of the unsubscribed shares of our common stock. The subscription price will be \$[ ] per share.

**Basic Subscription Right**

With your basic subscription right, you may purchase [ ] shares of our common stock per subscription right, upon delivery of the required documents and payment of the subscription price of \$[ ] per full share, prior to the expiration date of the rights offering. You may exercise all or a portion of your basic subscription rights or you may choose not to exercise any of your subscription rights. If you do not exercise your basic subscription rights in full, you will not be entitled to purchase shares pursuant to your over-subscription privilege.

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.

We will credit the account of your record holder with shares of our common stock purchased pursuant to the exercise of your basic subscription right as soon as practicable after the rights offering has expired.

**Over-Subscription Privilege**

If you purchase all of the shares of common stock available to you pursuant to your basic subscription rights, you may also choose to purchase a portion of any shares of our common stock that our other stockholders do not purchase through the exercise of their basic subscription rights. We will determine the maximum number of shares of our common stock that you can purchase pursuant to your over-subscription privilege (subject to the 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: 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 rights in full, you may subscribe to purchase up to 4% of the unsubscribed shares with your over-subscription privilege.

In order to properly exercise your over-subscription privilege, you must deliver the subscription payment (at the initial subscription price of \$[ ] per full share of common stock) related to your over-subscription privilege before 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, assuming that no stockholder other than you has purchased any shares of our common stock pursuant to their basic subscription rights.

We can provide no assurances that you will actually be entitled to purchase any shares of common stock upon the exercise of your over-subscription privilege at the expiration of the rights offering. You will not be

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entitled to purchase shares pursuant to the over-subscription privilege if all of our stockholders exercise their basic subscription rights in full, and we will only honor an over-subscription privilege to the extent sufficient shares of our common stock are available following the exercise of the basic subscription rights.

To the extent the aggregate subscription price of the maximum number of unsubscribed shares available to you pursuant to the over-subscription privilege is less than the amount you actually paid in connection with the exercise of the over-subscription privilege, you will be allocated only the number of unsubscribed shares available to you, and any excess subscription payments received by the subscription agent will be returned, without interest, as soon as practicable.

To the extent the amount you actually paid in connection with the exercise of the over-subscription privilege is less than the aggregate subscription price of the maximum number of unsubscribed shares available to you pursuant to the over-subscription privilege, you will be allocated the number of unsubscribed shares for which you actually paid in connection with the 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.

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.

We will credit the account of your record holder with shares of our common stock purchased pursuant to the exercise of your over-subscription privilege as soon as practicable after the expiration of the rights offering.

**Limit on How Many Shares of Common Stock You May Purchase in the Rights Offering**

Unless we otherwise agree in writing, you, together with the following persons, may not exercise subscription rights (including over-subscriptions) to purchase shares of our common stock which, when aggregated with your existing ownership, would result in you, together with the following persons, owning in excess of 9.9% of our issued and outstanding shares of common stock following the closing of the transactions contemplated by this rights offering:

your spouse or relatives of you or your spouse living in your house;

companies, trusts, or other entities in which you are a trustee, have a controlling beneficial interest or hold a senior position; or

other persons who may be your associates or persons acting in concert with you.

The term *associate* is used above to indicate any of the following relationships with a person:

any corporation or organization, other than Guaranty or a subsidiary thereof, of which a person is a senior officer or partner, or beneficially owns, directly or indirectly, 10% or more of any class of equity securities of the corporation or organization;

any trust or other estate, if the person has a substantial beneficial interest in the trust or estate or is a trustee or fiduciary of the estate (although a person who has a substantial beneficial interest in one of our tax-qualified or non-tax-qualified employee plans, or who is a trustee or fiduciary of the plan is not an associate of the plan, and our tax-qualified employee plans are not associates of a person);

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any person who is related by blood or marriage to such person and:

- (i) who lives in the same house as the person; or
- (ii) who is a director or senior officer of Guaranty or a subsidiary thereof; and

any person acting in concert with the persons or entities specified above.

As used above, the term acting in concert means:

- (i) knowing participation in a joint activity or interdependent conscious parallel action towards a common goal, whether or not pursuant to an express agreement; or
- (ii) a combination or pooling of voting or other interests in the securities of an issuer for a common purpose pursuant to any contract, understanding, relationship, agreement, or other arrangement, whether written or otherwise.

A person or company that acts in concert with another person or company ( other party ) shall also be deemed to be acting in concert with any person or company who is also acting in concert with that other party, except that any of our tax-qualified employee plans will not be deemed to be acting in concert with its trustee or a person who serves in a similar capacity solely for the purpose of determining whether stock held by the trustee and stock held by the plan will be aggregated.

In addition, we will not issue shares of common stock pursuant to the exercise of basic subscription rights or over-subscription privileges to any stockholder who, in our sole opinion, could be 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 of the rights offering, we determine that such clearance or approval has not been satisfactorily obtained and any required waiting period has not expired. If we elect not to issue shares in such case, such shares will become available to satisfy over-subscription by other stockholders pursuant to subscription rights.

**Reasons for the Rights Offering**

In authorizing the rights offering, our board of directors 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, and the desire to provide opportunity to our stockholders to participate in the rights offering. Our board of directors also considered the effects of the investment transactions prior to concluding that the rights offering was the appropriate option under the circumstances. We intend to use the net proceeds for general corporate purposes, including investments in our subsidiaries. We believe that the rights offering, together with the investment transactions, will strengthen our financial condition by generating additional cash and increasing our capital position; however, our board of directors is making no recommendation regarding your exercise of the subscription rights. We urge you to make your decision based on your own assessment of our business and financial condition, our prospects for the future, and the terms of the rights offering.

**Method of Exercising Subscription Rights**

The exercise of subscription rights is irrevocable and may not be cancelled or modified. You may exercise your subscription rights as follows:

***Subscription by Registered Holders***

You may exercise your subscription rights by properly completing and executing the rights certificate together with any required signature guarantees and forwarding it, together with your full subscription payment (at the subscription price of \$[ ] per share), to the subscription agent at the address set forth below under Subscription and Information Agent. These documents and the full subscription payment must be



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received by the subscription agent before 5:00 p.m., New York City time, on the expiration date of the rights offering.

***Subscription by Beneficial Owners***

If you are a beneficial owner of shares of our common stock that are registered in the name of a broker, custodian bank, or other nominee, or if you hold our common stock certificates and would prefer to have an institution conduct the transaction relating to the subscription rights on your behalf, you should instruct your broker, custodian bank, or other nominee or institution to exercise your subscription rights and deliver all documents and payment (at the subscription price of \$[ ] per share) to the subscription agent on your behalf before 5:00 p.m., New York City time, on the expiration date of the rights offering. We will not consider your subscription rights exercised unless the subscription agent receives from you, your broker, custodian bank, nominee, or institution, as the case may be, all of the required documents and your full subscription payment before 5:00 p.m., New York City time, on [ ], 2008.

***Subscription by 401(k) Plan Participants***

If you are a participant in our 401(k) plan, please refer to the information set out in Special Instructions for Participants in Our 401(k) Plan.

**Payment Method**

Payments must be made in full in U.S. currency by:

check or bank draft payable to Computershare Trust Company, N.A., or the subscription agent, drawn upon a U.S. bank;

postal or express money order payable to the subscription agent; or

wire transfer of immediately available funds to accounts maintained by the subscription agent.

We will not honor payment received after the expiration date of the rights offering, and the subscription agent will return your payment to you, without interest, as soon as practicable. The subscription agent will be deemed to receive payment upon:

clearance of any uncertified check deposited by the subscription agent;

receipt by the subscription agent of any certified check or bank draft, drawn upon a U.S. bank;

receipt by the subscription agent of any postal or express money order; or

receipt of collected funds in the subscription agent's account.

If you elect to exercise your subscription rights, we urge you to consider using a certified or cashier's check, money order, or wire transfer of funds to ensure that the subscription agent receives your funds prior to the expiration of the rights offering. If you send an uncertified check, payment will not be deemed to have been received by the subscription agent until the check has cleared. If you send a certified check or bank draft, drawn upon a U.S. bank, a postal or express money order, or wire or transfer funds directly to the subscription agent's account, payment will be deemed to have been received by the subscription agent immediately upon receipt of such instruments and wire or transfer.

Any personal check used to pay for shares of our common stock must clear the appropriate financial institutions prior to 5:00 p.m., New York City time, on \_\_\_\_\_, 2008, which is the expiration of the rights offering. The clearinghouse may require five or more business days. Accordingly, holders that wish to pay the subscription payment by means of an uncertified personal check are urged to make payment sufficiently in advance of the expiration of the rights offering to ensure such payment is both received and cleared by such date.

You should read the instruction letter accompanying the rights certificate carefully and strictly follow it. **Do not send rights certificates or payments to Guaranty.** Except as described below under \_\_\_\_\_ Guaranteed Delivery Procedures, we will not consider your subscription received until the subscription agent has received

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delivery of a properly completed and duly executed rights certificate and payment of the full subscription amount. You and your nominee bear the risk of delivery of all documents and payments and neither we nor the subscription agent have any responsibility for such deliveries.

The method of delivery of rights certificates and payment of the subscription amount to the subscription agent will be at the risk of the holders of subscription rights. If sent by mail, we recommend that you send those certificates and payments by overnight courier or by registered mail, properly insured, with return receipt requested, and that you allow a sufficient number of days to ensure delivery to the subscription agent and clearance of payment prior to the expiration of the rights offering.

Unless a rights certificate states that the shares of our common stock are to be delivered to the record holder of such rights or such certificate is submitted for the account of a bank or a broker, signatures on such rights certificate must be guaranteed by an eligible guarantor institution, as such term is defined in Rule 17Ad-15 of the Securities Exchange Act of 1934, as amended, subject to any standards and procedures adopted by the subscription agent.

If you are a participant in our 401(k) plan, please refer to the information set out in Special Instructions for Participants in Our 401(k) Plan.

## **Missing or Incomplete Subscription Information**

If you do not indicate the number of subscription rights being exercised, or the subscription agent does not receive the full subscription payment for the number of subscription rights that you indicate are being exercised, then you will be deemed to have exercised the maximum number of subscription rights that may be exercised with the aggregate subscription payment you delivered to the subscription agent. If the subscription agent does not apply your full subscription payment to your purchase of shares of our common stock, any excess subscription payment that the subscription agent receives will be returned, without interest, as soon as practicable.

If you are a participant in our 401(k) plan, please refer to the information set out in Special Instructions for Participants in Our 401(k) Plan.

## **Expiration Date and Amendments**

The subscription period, during which you may exercise your subscription rights, expires at 5:00 p.m., New York City time, on , 2008, unless we extend the rights offering period. If you do not exercise your subscription rights prior to that time, your subscription rights will expire and will no longer be exercisable. We will not be required to issue shares of our common stock to you if the subscription agent receives your rights certificate or your subscription payment after that time, regardless of when you sent the rights certificate and subscription payment, unless you send the documents in compliance with the guaranteed delivery procedures described below. 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. We may extend the expiration of the rights offering by giving oral or written notice to the subscription agent prior to the expiration of the rights offering. If we elect to extend the expiration of the rights offering, we will issue a press release announcing such extension no later than 9:00 a.m., New York City time, on the next business day after the most recently announced expiration of the rights offering. We reserve the right to amend or modify the terms of the rights offering prior to the expiration of the offering.

If you are a participant in our 401(k) plan, please refer to the information set out in Special Instructions for Participants in Our 401(k) Plan.

## **Subscription Price**

The subscription price will be the lesser of \$[ ] per share.

In determining the subscription price of \$ [ ] per full share, 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

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for liquidity and capital, potential market conditions, and the desire to provide an opportunity to our stockholders to participate in the rights offering. In conjunction with its review of these factors, our board also reviewed a range of discounts to market value represented by the subscription prices in various prior rights offerings of public companies. The subscription price 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 offered in the rights offering.

We cannot assure you that the market price of our common stock will not decline during or after the rights offering. We also cannot assure you that you will be able to sell shares of our common stock purchased during the rights offering at a price equal to or greater than the subscription price. We urge you to obtain a current quote for our common stock before exercising your subscription rights and to make your decision based on your own assessment of our business and financial condition, our prospects for the future, and the terms of this rights offering.

## **Conditions, Withdrawal, and Termination**

We reserve the right to withdraw the rights offering prior to the expiration of the rights offering for any reason. We may, for example, terminate the rights offering, in whole or in part, if at any time before completion of the rights offering there is any judgment, order, decree, injunction, statute, law or regulation entered, enacted, amended, or held to be applicable to the rights offering that in the sole judgment and discretion of our board of directors would or might make the rights offering or its completion, whether in whole or in part, illegal, or otherwise restrict or prohibit completion of the rights offering. In addition, we have entered into investment agreements and a purchase agreement with several institutional investors regarding the sale of approximately 5.54 million of Series B Preferred Stock and units consisting of subordinated notes of our subsidiary, Guaranty Bank with an aggregate original principal amount of \$275 million and additional shares of Series B Preferred Stock, which we refer to as the private investment transactions. See Prospectus Summary Recent Developments Subsequent Private Placement. Our obligation to close the rights offering and to issue the shares of our common stock subscribed for in the rights offering is expressly conditioned on the prior or simultaneous closing of the private investment transactions. We may waive any of these conditions and choose to proceed with the rights offering even if one or more of these events occur. If we terminate the rights offering, in whole or in part, all affected subscription rights will expire without value, and all excess subscription payments received by the subscription agent will be returned, without interest, as soon as practicable.

## **Cancellation Rights**

Our board of directors may cancel the rights offering at any time for any reason prior to the time the rights offering expires. If we cancel the rights offering, we will issue a press release notifying stockholders of the cancellation and all subscription payments received by the subscription agent will be returned, without interest, as soon as practicable.

## **Subscription and Information Agent**

The subscription agent for this offering is Computershare Trust Company, N.A. The address to which subscription documents, rights certificates, notices of guaranteed delivery, and subscription payments other than wire transfers should be mailed or delivered is:

|                                   |                                  |                                   |
|-----------------------------------|----------------------------------|-----------------------------------|
| By Mail:                          | By Facsimile Transmission:       | By Overnight Delivery:            |
| Computershare Trust Company, N.A. | For Eligible Institutions Only:  | Computershare Trust Company, N.A. |
| Attn: Corporate Actions           | (781) 930-4942                   | Attn: Corporate Actions           |
| P.O. Box 859208                   | For Confirmation Only Telephone: | 161 Bay State Drive               |
| Braintree, MA 02185-9208          | (781) 930-4900                   | Braintree, MA 02184               |

If you deliver subscription documents, rights certificates, or notices of guaranteed delivery in a manner different than that described in this prospectus, we may not honor the exercise of your subscription rights.

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We have appointed D. F. King & Co., Inc. to act as information agent for the rights offering. You should direct any questions or requests for assistance concerning the method of subscribing for the shares of our common stock or for additional copies of this prospectus to the information agent, D. F. King & Co., Inc., at (800) 290-6426 (toll-free) or (212) 269-5550 (collect).

If you are a participant in our 401(k) plan, please refer to the information set out in Special Instructions for Participants in Our 401(k) Plan.

## **Fees and Expenses**

We will pay all fees charged by Computershare Trust Company, N.A., the subscription agent, and D. F. King & Co., Inc., the information agent. We are not charging any fee or sales commission to issue subscription rights to you or to issue shares of common stock 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, as well as any commissions, fees, taxes, or other expenses you may incur in connection with the exercise of the subscription rights.

## **No Fractional Shares**

We will not issue fractional shares. Fractional shares of our common stock resulting from the exercise of the basic subscription rights and the over-subscription privileges 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.

## **Medallion Guarantee May Be Required**

Your signature on each subscription rights certificate must be guaranteed by an eligible institution, such as a member firm of a registered national securities exchange or a member of the Financial Industry Regulatory Authority, Inc., or a commercial bank or trust company having an office or correspondent in the United States, subject to standards and procedures adopted by the subscription agent, unless:

your subscription rights certificate states that shares are to be delivered to you as record holder of those subscription rights; or

you are an eligible institution.

## **Notice to Nominees**

If you are a broker, custodian bank, or other nominee holder that holds shares of our common stock for the account of others on the record date, you should notify the beneficial owners of the shares for whom you are the nominee of the rights offering as soon as possible to learn their intentions with respect to exercising their subscription rights. You should obtain instructions from the beneficial owner, as set forth in the instructions we have provided to you for your distribution to beneficial owners. If the beneficial owner so instructs, you should complete the appropriate rights certificate and submit it to the subscription agent with the proper subscription payment. If you hold shares of our common stock for the account(s) of more than one beneficial owner, you may exercise the number of subscription rights to which all beneficial owners in the aggregate otherwise would have been entitled had they been direct holders of our common stock on the record date, provided that you, as a nominee record holder, make a proper showing to the subscription agent by submitting the form entitled Nominee Holder Certification, which is provided to you with your rights offering materials. If you did not receive this form, you should contact the subscription agent to request a copy.

**Beneficial Owners**

If you are a beneficial rather than record owner of shares of our common stock or will receive your subscription rights through a broker, custodian bank, or other nominee, we will ask your broker, custodian bank, or other nominee to notify you of the rights offering. If you wish to exercise your subscription rights, you will need to have your broker, custodian bank, or other nominee act for you. If you hold certificates of



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our common stock directly and would prefer to have your broker, custodian bank, or other nominee act for you, you should contact your nominee and request it to effect the transactions for you. To indicate your decision with respect to your subscription rights, you should complete and return to your broker, custodian bank, or other nominee the form entitled Beneficial Owner Election Form. You should receive this form from your broker, custodian bank, or other nominee with the other rights offering materials. If you wish to obtain a separate subscription rights certificate, you should contact the nominee as soon as possible and request that a separate subscription rights certificate be issued to you. You should contact your broker, custodian bank, or other nominee if you do not receive this form, but you believe you are entitled to participate in the rights offering. We are not responsible if you do not receive the form from your broker, custodian bank, or nominee or if you receive it without sufficient time to respond.

If you are a participant in our 401(k) plan, please refer to the information set forth in Special Instructions for Participants in Our 401(k) Plan.

**Guaranteed Delivery Procedures**

If you wish to exercise subscription rights, but you do not have sufficient time to deliver the rights certificate evidencing your subscription rights to the subscription agent prior to the expiration of the rights offering, you may exercise your subscription rights by using the following guaranteed delivery procedures:

deliver to the subscription agent before 5:00 p.m., New York City time, on the expiration date of the rights offering the subscription payment (at the initial subscription price of \$[ ] per share) for each share of common stock you elected to purchase pursuant to the exercise of subscription rights in the manner set forth above under Payment Method ;

deliver to the subscription agent before 5:00 p.m., New York City time, on the expiration date of the rights offering the form entitled Notice of Guaranteed Delivery ; and

deliver the properly completed rights certificate evidencing your subscription rights being exercised and the related nominee holder certification, if applicable, with any required signatures guaranteed, to the subscription agent within three business days following the date you submit your Notice of Guaranteed Delivery.

Your Notice of Guaranteed Delivery must be delivered in substantially the same form provided with the Form of Instructions as to Use of Guaranty Financial Group Inc. Rights Certificates, which will be distributed to you with your rights certificate. Your Notice of Guaranteed Delivery must include a signature guarantee from an eligible institution, acceptable to the subscription agent. A form of that guarantee is included with the Notice of Guaranteed Delivery.

In your Notice of Guaranteed Delivery, you must provide:

your name;

the number of subscription rights represented by your rights certificate, the number of shares of our common stock for which you are subscribing under your basic subscription right, and the number of shares of our common stock for which you are subscribing under your over-subscription privilege, if any; and

your guarantee that you will deliver to the subscription agent a rights certificate evidencing the subscription rights you are exercising within three business days following the date the subscription agent receives your Notice of Guaranteed Delivery.

You may deliver your Notice of Guaranteed Delivery to the subscription agent in the same manner as your rights certificate at the address set forth above under Subscription and Information Agent. You may alternatively transmit your Notice of Guaranteed Delivery to the subscription agent by facsimile transmission at (718) 930-4942.

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The information agent will send you additional copies of the form of Notice of Guaranteed Delivery if you need them. To request additional copies of the form of Notice of Guaranteed Delivery, please contact the information agent, D. F. King & Co., Inc., at (800) 290-6426 (toll-free) or (212) 269-5550 (collect).

## **Special Instructions for Participants in Our 401(k) Plan**

Our common stock is one of the investments available under the Guaranty Financial Group Inc. Savings and Retirement Plan, the Temple-Inland Savings Plan, the Temple-Inland Savings Plan for Union Employees, and the El Morro Corrugated Box Corp. Savings and Investment Plan (collectively, the Plan ). If shares of our common stock are held by the Plan in your account as of 5:00 p.m., New York City time, on the record date you will have the ability to direct the trustee to exercise some or all of the subscription rights allocable to you. You will receive a Plan Participant Election Form containing detailed instructions as to procedures for exercise, deadlines, payment requirements, and other procedures from the trustee of the Plan.

Neither we, the subscription agent, the information agent, nor the trustee under any 401(k) plan will be under any duty to notify you of any defect or irregularity in connection with your submission of the Plan Participant Election Form, and we will not be liable for failure to notify you of any defect or irregularity with respect to the completion of such form. We reserve the right to reject your exercise or instructions for sale of subscription rights if your exercise is not in accordance with the terms of this rights offering or in proper form. The trustee will not exercise your subscription rights if it concludes that such action would be a breach of its fiduciary duties under applicable law.

Participants in our 401(k) plan should also review the Letter To Participants in the Guaranty Financial Group Inc. Savings and Retirement Plan, the Temple-Inland Savings Plan, the Temple-Inland Savings Plan for Union Employees, and the El Morro Corrugated Box Corp. Savings and Investment Plan, including the Frequently Asked Questions Regarding the Rights Offering and the Guaranty Financial Group Inc. Savings and Retirement Plan, the Temple-Inland Savings Plan, the Temple-Inland Savings Plan for Union Employees, and the El Morro Corrugated Box Corp. Savings and Investment Plan. section of such letter, a copy of which have been provided to such participants along with this prospectus.

## **Transferability of Subscription Rights**

You may not sell, transfer, or assign your subscription rights. The subscription rights granted to you are only transferable by operation of law.

## **Validity of Subscriptions**

We will resolve all questions regarding the validity and form of the exercise of your subscription rights, including time of receipt and eligibility to participate in the rights offering. Our determination will be final and binding. Once made, subscriptions and directions are irrevocable, and we will not accept any alternative, conditional or contingent subscriptions or directions. We reserve the absolute right to reject any subscriptions or directions not properly submitted or the acceptance of which would be unlawful. You must resolve any irregularities in connection with your subscriptions before the subscription period expires, unless waived by us in our sole discretion. Neither we nor the subscription agent shall be under any duty to notify you or your representative of defects in your subscriptions. A subscription will be considered accepted, subject to our right to withdraw or terminate the rights offering, only when a properly completed and duly executed rights certificate and any other required documents and the full subscription payment have been received by the subscription agent. Our interpretations of the terms and conditions of the rights offering will be final and binding.

If you are a participant in our 401(k) plan, you will not receive a rights certificate, but you will be notified on a 401(k) Plan Participant Election Form of the estimated number of subscription rights that will be allocated to your account under our 401(k) plan. Please refer to the information set out under Special Instructions for Participants in Our 401(k) Plan.

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**Escrow Arrangements; Return of Funds**

The subscription agent will hold funds received in payment for shares of our common stock in a segregated account pending completion of the rights offering. The subscription agent will hold this money in escrow until the rights offering is completed or is withdrawn and canceled. If the rights offering is canceled for any reason, all subscription payments received by the subscription agent will be returned, without interest, as soon as practicable.

**Stockholder Rights**

You will have no rights as a holder of the shares of our common stock you purchase in the rights offering, if any, until certificates representing the shares of our common stock are issued to you or your account at your record holder is credited with the shares of our common stock purchased in the rights offering. You will have no right to revoke your subscriptions after your rights certificate or the Beneficial Owner Election Form, the full subscription payment, and any other required documents have been delivered to the subscription agent.

If you are a participant in our 401(k) plan, please refer to the information set out in Special Instructions for Participants in Our 401(k) Plan.

**Foreign Stockholders**

We will not mail this prospectus or rights certificates to stockholders with addresses that are outside the United States or that have an army post office or foreign post office address. The subscription agent will hold these rights certificates for their account. To exercise subscription rights, our foreign stockholders must notify the subscription agent prior to 11:00 a.m., New York City time, at least three business days prior to the expiration of the rights offering and demonstrate to the satisfaction of the subscription agent that the exercise of such subscription rights does not violate the laws of the jurisdiction of such stockholder.

**No Revocation or Change**

Once you submit your rights certificate or Notice of Guaranteed Delivery to exercise any subscription rights, you are not allowed to revoke or change the exercise or request a refund of monies paid. All exercises of subscription rights are irrevocable. You should not exercise your subscription rights unless you are certain that you wish to purchase additional shares of our common stock at the subscription price. Once you exercise your subscription rights, you cannot revoke the exercise of your rights even if you later learn of information you consider to be unfavorable and even if the market price of our common stock is below the subscription price.

If you are a participant in our 401(k) plan, please refer to the information set out in Special Instructions for Participants in Our 401(k) Plan.

**Regulatory Limitation**

We will not be required to issue to you shares of our common stock pursuant to the exercise of basic subscription rights or over-subscription privileges to any stockholder 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 and 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.

**Material U.S. Federal Income Tax Consequences of Rights Offering**

For U.S. federal income tax purposes, you should not recognize income, gain, or loss upon receipt or exercise or expiration of these subscription rights to purchase shares of our common stock for the reasons described below in Material U.S. Federal Income Tax Consequences.

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**No Recommendation to Rights Holders**

Our board of directors is making no recommendation regarding whether you should exercise your subscription rights. You are urged to make your decision based on your own assessment of our business and financial condition, our prospects for the future and the terms of this rights offering. Please see **Risk Factors** for a discussion of some of the risks involved in investing in our common stock.

**Listing**

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. The shares of our common stock issued upon exercise of the subscription rights will be listed on The New York Stock Exchange under the ticker symbol **GFG**.

**Shares of Our Common Stock Outstanding After the Rights Offering**

Assuming no stock options are exercised prior to the expiration of the rights offering we anticipate that we will have a maximum of [ ] shares of common stock outstanding after consummation of the rights offering, without giving effect to the shares of common stock issuable upon the exercise or conversion of any outstanding securities, including the Series B Preferred Stock. The number of shares of common stock that we will issue in the rights offering will depend on the number of shares that are subscribed for by our stockholders in the rights offering.

**INFORMATION REGARDING RECENTLY APPOINTED DIRECTOR**

On May 30, 2008, Robert B. Rowling was appointed to our board of directors and as a member of the board of directors of our subsidiary, Guaranty Bank. As part of the investment agreement, dated May 26, 2008, with TRT Financial Holdings, LLC, referred to as TRT, TRT has the right to nominate one person to be elected or appointed to our board of directors for so long as TRT beneficially owns 10% of our issued and outstanding common stock. Mr. Rowling's appointment became effective on May 30, 2008, the closing date of the issuance of 7,423,333 shares of common stock to TRT pursuant to the investment agreement.

Mr. Rowling, 54, has served as the Chairman of the Board of TRT Holdings, Inc., a privately owned holding company with interests in businesses engaged in hospitality, energy, fitness and real estate, since 1996, and Mr. Rowling's principal occupation is directing the business operations of TRT Holdings, Inc. Mr. Rowling also serves on The University of Texas System Board of Regents and is the Chairman of the Board of The University of Texas Investment Management Company.

**Table of Contents****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT****Security Ownership of Certain Beneficial Owners**

The name, address and stock ownership of each person or group of persons known by us to own beneficially more than five percent (5%) of the outstanding shares of our common stock as of June 11, 2008 follows (which does not reflect shares that will be issued pursuant to the investment transactions entered into on June 7, 2008):

| <b>Name and Address of Beneficial Owner</b>  | <b>Amount and Nature<br/>of<br/>Beneficial<br/>Ownership</b> | <b>Percent<br/>of<br/>Class(1)</b> |
|--|--|------------------------------------|
| TRT Financial Holdings, LLC (2)<br>c/o TRT Holdings, Inc.<br>600 East Colinas Rd. Ste 1900<br>Irving, Texas 75039              | 7,423,333  | 16.6%                              |
| Carl C. Icahn, et al (3)<br>c/o Icahn Associates Corp.<br>767 Fifth Avenue, 47 <sup>th</sup> Floor<br>New York, New York 10153 | 3,455,493  | 7.73%                              |
| Franklin Mutual Advisers, LLC (4)<br>100 John F. Kennedy<br>Short Hills, NJ 07078  | 2,974,009  | 7.99%                              |
| Greenlight Capital, L.L.C., et al.(5)<br>140 East 45 <sup>th</sup> Street, 24 <sup>th</sup> Floor<br>New York, New York 10017  | 2,878,545  | 8.1%                               |
| Ironbound Capital Management LP (6)<br>902 Carnegie Center, Suite 300<br>Princeton, NJ 08540                                   | 2,006,386  | 5.7%                               |
| Janus Capital Management LLC (7)<br>151 Detroit Street<br>Denver, Colorado 80206   | 1,878,026  | 5.3%                               |
| Vanguard Fiduciary Trust Company (8)<br>500 Admiral Nelson Blvd.<br>Malvern, PA 19355  | 1,859,289  | 5.23%                              |

(1) There were 44,726,599 shares of common stock outstanding on June 11, 2008.

(2) Based solely on information reported on Schedule 13D filed with the Securities and Exchange Commission on June 9, 2008 by TRT Financial Holdings, LLC ( TRT ) and Robert B. Rowling ( Mr. Rowling ). According to the Schedule 13D, TRT and Mr. Rowling have shared voting and dispositive power with respect to 7,423,333 shares of common stock and Mr. Rowling owns all of the voting membership interest of TRT.

(3)



Based solely on information reported on Amendment No. 1 to Schedule 13D (the Report ), filed with the Securities and Exchange Commission (SEC) on January 24, 2008 by High River Limited Partnership ( High River ), Hopper Investments LLC ( Hopper ), Barberry Corp., Icahn Partners Master Fund LP ( Icahn Master ), Icahn Partners Master Fund II LP ( Icahn Master II ), Icahn Partners Master Fund III LP ( Icahn Master III ), Icahn Offshore LP, Icahn Partners LP, Icahn Onshore LP, Icahn Capital LP, IPH GP LLC ( IPH ), Icahn Enterprises Holdings L.P. ( Icahn Enterprises Holdings ), Icahn Enterprises G.P. Inc. ( Icahn Enterprises GP ), Beckton Corp., and Carl C. Icahn. The Report indicates that High River has sole voting and dispositive power with respect to 802,481 shares of common stock; Hopper has shared voting and dispositive power with respect to 802,481 shares of common stock; Barberry Corp. has shared voting and dispositive power with respect to 802,481 shares of common stock; Icahn Master has sole voting and dispositive power with respect to 1,095,118 shares of common stock; Icahn Master II has sole voting and dispositive power with respect to 296,097 shares of common stock; Icahn Master III has sole voting and dispositive power with respect to 112,302 shares of common stock; Icahn Offshore LP has shared voting and dispositive power with

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respect to 1,503,517 shares of common stock; Icahn Partners has sole voting and dispositive power with respect to 1,149,495 shares of common stock; Icahn Onshore LP has shared voting and dispositive power with respect to 1,149,495 shares of common stock; Icahn Capital LP has shared voting and dispositive power with respect to 2,653,012 shares of common stock; IPH has shared voting and dispositive power with respect to 2,653,012 shares of common stock; Icahn Enterprises Holdings has shared voting and dispositive power with respect to 2,653,012 shares of common stock; Icahn Enterprises GP has shared voting and dispositive power with respect to 2,653,012 shares of common stock; Beckton Corp. has shared voting and dispositive power with respect to 2,653,012 shares of common stock; and Carl C. Icahn has shared voting and dispositive power with respect to 3,455,493 shares of common stock (collectively, the Record Holders ).

- (4) Based on information reported on Form 13F-HR for the quarter ended December 31, 2007 and filed with the SEC on February 14, 2008 by Franklin Resources, Inc., as reporting manager for Franklin Mutual Advisers, LLC ( Franklin ). According to the Form 13F-HR, Franklin has reported ownership with respect to 2,974,009 shares of common stock. Form 13F-HR does not represent the reported percentage of ownership in Guaranty common stock by Franklin. We have applied Regulation S-K Item 403, Instruction 3, in determining the number of shares of common stock beneficially owned. Percentage of ownership based on total shares of common stock outstanding on April 4, 2008.
- (5) Based solely on information reported on Schedule 13G, dated January 9, 2008 and filed with the SEC on January 22, 2008, by Greenlight Capital, L.L.C. ( Greenlight LLC ), Greenlight Capital, Inc. ( Greenlight Inc. ), DME Advisors, L.P. ( DME LP ), DME Advisors GP, L.L.C. ( DME GP ) (together with Greenlight LLC, Greenlight Inc. and DME LP, Greenlight ), and Mr. David Einhorn. According to the Schedule 13G, Greenlight LLC has sole voting and dispositive power with respect to 1,175,327 shares of common stock; Greenlight Inc. has sole voting and dispositive power with respect to 1,338,347 shares of common stock; DME LP has sole voting and dispositive power with respect to 364,871 shares of common stock; DME GP has sole voting and dispositive power with respect to 364,871 shares of common stock; and David Einhorn has sole voting and dispositive power with respect to 2,878,545 shares of common stock. Mr. Einhorn is principal of Greenlight and is deemed to beneficially own 2,878,545 shares owned by Greenlight s clients. Greenlight and Mr. Einhorn disclaim beneficial ownership of the securities owned by Greenlight s clients.
- (6) Based solely on information reported on Schedule 13G, dated March 28, 2008 and filed with the SEC on March 28, 2008 by Ironbound Capital Management LP ( Ironbound LP ), Ironbound Capital LLC ( Ironbound LLC ), Ironbound Associates LLC ( Ironbound Associates ) and Mr. Stephen I. Silverman. According to the Schedule 13G, Ironbound LP has shared voting and dispositive power with respect to 1,723,173 shares of common stock; Ironbound LLC has shared voting and dispositive power with respect to 1,723,173 shares of common stock; Ironbound Associates has shared voting and dispositive power with respect to 283,213 shares of common stock; and Mr. Silverman has shared voting and dispositive power with respect to 2,006,386 shares of common stock. According to the Schedule 13G, Mr. Silverman is the managing member of Ironbound LLC, which is the general partner of Ironbound LP, and is the managing member of Ironbound Associates; Ironbound LP, in its role as investment advisor, possesses voting and dispositive power with respect to the shares of common stock owned by its clients; and Ironbound Associates is the general partner of Ironbound Partners LP which owns less than 5% of the outstanding common stock. According to the Schedule 13G, Ironbound LP, Ironbound LLC, Ironbound Associates and Mr. Silverman disclaim beneficial ownership of these securities.
- (7) Based solely on information reported on Schedule 13G, dated December 31, 2007 and, filed with the SEC on February 14, 2008 by Janus Capital Management LLC ( Janus ). The Schedule 13G indicates that Janus has an indirect 86.5% ownership stake in Enhanced Investment Technologies LLC ( InTech ) and an indirect 30% ownership stake in Perkins, Wolf, McDonnell and Company, LLC ( Perkins Wolf ). Also according to the Schedule 13G, Janus, InTech and Perkins Wolf are registered investment advisors and furnish investment advice

to various investment companies and individual and institutional clients and, as a result, InTech and Perkins Wolf may be deemed the beneficial owners of 963,985 and 914,041, respectively, shares of our common stock. Also according to the Schedule 13G, neither InTech nor Perkins Wolf have the right to receive any dividends from, or the proceeds from the sale of, the securities held in such companies and clients and disclaims

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ownership associated with such rights. According to the Schedule 13G, Janus has shared voting and dispositive power with respect to 1,878,026 shares of common stock.

- (8) Based solely on information reported on Schedule 13G dated December 31, 2007 and filed with the SEC February 7, 2008 by Vanguard Fiduciary Trust Company ( Vanguard ), in its capacity as trustee of certain employee benefit plans which hold shares of our common stock in trust for the benefit of the employees in the plans. According to the Schedule 13G, Vanguard has shared voting and dispositive power with respect to 1,859,289 shares of common stock. Vanguard disclaims beneficial ownership of all shares held in trust by the trustee that have been allocated to the individual accounts of participants in the plans for which directions have been received.

**Security Ownership of Management**

The following table sets forth information regarding the beneficial ownership of our common stock as of June 11, 2008 by:

- each of our directors and nominees for director, including our President and Chief Executive Officer (CEO),
- our Chief Financial Officer (CFO) and our three most highly compensated executive officers other than our CEO and CFO, and
- all directors and executive officers as a group.

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We determined beneficial ownership as reported in the table in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended. Unless otherwise indicated, beneficial ownership includes both sole voting and sole dispositive power. Even though Securities and Exchange Commission, or SEC, rules require reporting of certain shares listed in the table, the directors and executive officers do not claim beneficial ownership of all of these shares. For example, a director or executive officer might not claim ownership of shares owned by a relative. Unless otherwise indicated, the table does not include any shares that may be held by pension and profit-sharing plans of the corporations or endowment funds of educational and charitable institutions for which various directors and officers serve as directors or trustees.

| Beneficial Owner                 | Beneficial Ownership<br>Amount and Nature of Beneficial Ownership (b) | Beneficial Ownership                      |   |                                | Additional Ownership(1)        |  |   |  | Total Beneficial and Additional Ownership (b + i + j) |
|----------------------------------|---|---|---|--------------------------------|--------------------------------|--|---|--|---|
|                                  |   | Beneficial Ownership Percent of Class (c) | Shares Issuable on Exercise of Options or after Performance Stock Units August 10, 2008 (d) | Restricted Stock Units (2) (e) | Restricted Stock Units (2) (f) | Restricted Stock Units Payable Upon Retirement (3) (g) | Phantom Shares Deferred and Payable Upon Retirement (4) (h) | Total Additional Ownership (d + e + f + g + h) (i) |   |
| <b>Directors:</b>                |   |   |   |                                |                                |  |   |  |   |
| Robert B. ...                    | 7,423,333(1)  | 16.6%                                     |   |                                |                                |  |   |  | 7,423,333   |
| Margaret M. ...                  | 461,447(2)(3)(4)(6)(7)(8)   | 1.02%                                     |   |                                | 91,666                         | 4,758  | 14,557  | 110,981  | 572,413   |
| David W. Biegler                 | 3,000(3)  | *   |   |                                |                                | 9,983  |   | 9,983  | 12,983  |
| Henry R. Faulkner                | 6,732(3)(4)(6)  | *   |   |                                |                                | 14,422   | 5,991   | 20,413   | 27,145  |
| Robert V. ...                    | 1,430(3)(9)   | *   |   |                                |                                | 11,823   |   | 11,823   | 13,253  |
| Michael M. ...                   | 0(3)  | *   |   |                                |                                | 11,407   |   | 11,407   | 11,407  |
| Edward R. ...                    | 0(3)  | *   |   |                                |                                | 4,758  |   | 4,758  | 4,758   |
| Robert D. McTeer                 | 0(3)  | *   |   |                                |                                | 14,007   |   | 14,007   | 14,007  |
| Michael R. Romero                | 0(3)  | *   |   |                                |                                | 11,407   |   | 11,407   | 11,407  |
| John Stuart III                  | 4,044(3)(6)   | *   |   |                                |                                | 14,007   |   | 14,007   | 18,051  |
| Henry E. Temple                  | 18,301(3)   | *   |   |                                |                                | 13,010   |   | 13,010   | 31,311  |
| Robert Walker                    | 0(3)  | *   |   |                                |                                | 11,763   |   | 11,763   | 11,763  |
| <b>Named Executive Officers:</b> |   |   |   |                                |                                |  |   |  |   |
| Margaret R. ...                  | 213,453(2)(5)(6)(7)   | *   | 12,250  |                                | 25,832                         |  |   | 38,082   | 251,535   |

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|                 |                     |       |        |         |         |        |         |         |
|-----------------|---------------------|-------|--------|---------|---------|--------|---------|---------|
| Wald D. Murff   | 92,300(2)(5)(6)(7)  | *     | 2,551  | 1,400   |         |        | 3,951   | 96,2    |
| bert B.         |                     |       |        |         |         |        |         |         |
| enwood          | 80,974(2)(5)(6)(7)  | *     | 3,500  | 1,750   |         |        | 5,250   | 86,2    |
| old L. Shults,  |                     |       |        |         |         |        |         |         |
|                 | 42,447(2)(5)(6)(7)  | *     | 2,871  | 1,575   |         |        | 4,446   | 46,8    |
| in J. Hanigan   | 72,913(2)(5)(6)(7)  | *     | 3,084  | 1,750   |         |        | 4,834   | 77,7    |
| <b>oup:</b>     |                     |       |        |         |         |        |         |         |
| directors and   |                     |       |        |         |         |        |         |         |
| cutive officers |                     |       |        |         |         |        |         |         |
| persons) as a   | (1)(2)(5)           |       |        |         |         |        |         |         |
| up              | 8,606,901(6)(7)(10) | 19.1% | 34,363 | 129,538 | 121,345 | 20,548 | 305,794 | 8,912,6 |

\* Less than one percent based upon a total of 44,726,599 shares of common stock issued and outstanding on June 11, 2008. Additional Ownership is not included in the SEC's definition of Beneficial Ownership.

- (1) Includes 7,423,333 shares of common stock held by TRT Financial Holdings, LLC.
- (2) Includes performance stock units (or PSUs) and restricted stock units (or RSUs) acquired upon the spin-off from Temple-Inland effective December 28, 2007 that vest on the third anniversary from the date of grant if minimum return on investment (or ROI) criteria are met. PSUs and RSUs will be settled in cash. PSUs for Mr. Jastrow (23,333) and Mr. Dubuque (3,333) vested and were settled in cash effective May 2, 2008.
- (3) Includes shares of our common stock underlying RSUs granted in connection with election to defer director's fees into RSUs under our director fee deferral plan that will be settled in our common stock upon retirement.

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| <b>Director</b> | <b>2008<br/>Deferred<br/>Fees</b> | <b>2008<br/>Annual<br/>Restricted<br/>Stock<br/>Unit<br/>Award</b> | <b>Total</b> |
|-----------------|-----------------------------------|--|--------------|
| Jastrow         |                                   | 4,758  | 4,758        |
| Biegler         | 5,135                             | 4,758  | 9,893        |
| Faulkner        | 9,664                             | 4,758  | 14,422       |
| Kavanaugh       | 7,065                             | 4,758  | 11,823       |
| McAlister       | 6,649                             | 4,758  | 11,407       |
| McPherson       |                                   | 4,758  | 4,758        |
| McTeer          | 9,249                             | 4,758  | 14,007       |
| Romero          | 6,649                             | 4,758  | 11,407       |
| Stuart          | 9,249                             | 4,758  | 14,007       |
| Temple          | 8,252                             | 4,758  | 13,010       |
| Walker          | 7,005                             | 4,758  | 11,763       |

- (4) Includes 14,557 phantom shares in respect of our common stock held by Mr. Jastrow, resulting from equitable adjustment in connection with the spin-off to his phantom shares in respect of Temple-Inland common stock acquired pursuant to a Temple-Inland deferred compensation plan. Includes 5,991 phantom shares in respect of our common stock held by Dr. Faulkner, resulting from equitable adjustment in connection with the spin-off to his phantom shares in respect of Temple-Inland common stock acquired pursuant to a Temple-Inland director fee deferral plan. In addition, under the Temple-Inland director fee deferral plan, director fees could be deferred into phantom shares. In connection with our spin-off, those directors who held Temple-Inland phantom shares received phantom shares in respect of our common stock. Under the Temple-Inland deferred compensation plan and the Temple-Inland director fee deferral plan, phantom shares deferred through 2005 is payable in shares of common stock at retirement, and phantom shares deferred in 2006 and later are payable in cash based on the stock price at retirement.
- (5) Includes restricted stock granted on February 26, 2008 under our 2007 Stock Incentive Plan (SIP) that vest three years from the date of grant, 50% of the award value is cliff vested based on 3-year average after-tax return on equity (or ROE) performance and 50% of the award value vests in 25% increments per year over a four year period from the date of grant assuming annual achievement of minimum after tax earnings.
- (6) Includes the following number of shares of common stock issuable upon the exercise of options exercisable within a period of 60 days from June 11, 2008:

| <b>Directors:</b> |         | <b>Named Executive<br/>Officers:</b> |        |
|-------------------|---------|--------------------------------------|--------|
| Jastrow           | 336,163 | Dubuque                              | 22,816 |
| Faulkner          | 6,666   | Murff                                | 16,195 |
| Stuart            | 3,333   | Greenwood                            | 1,482  |
|                   |         | Shults                               | 3,886  |
|                   |         | Hanigan                              | 2,431  |

All directors and executive officers (21 persons) as a group 415,782.  
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- (7) Mr. Jastrow's shares of our common stock held by a trustee under a Temple-Inland 401(k) plan. Named Executive Officer shares are held by a trustee under our 401(k) plan:

| <b>Directors:</b> |       | <b>Named Executive Officers:</b> |       |
|-------------------|-------|----------------------------------|-------|
| Jastrow           | 6,071 | Dubuque                          | 76    |
|                   |       | Murff                            | 1,894 |
|                   |       | Greenwood                        | 808   |
|                   |       | Shults                           | 52    |
|                   |       | Hanigan                          | 919   |

All shares held for all directors and executive officers (21 persons) as a group 13,458. SEC rules consider these shares to be beneficially owned.

- (8) Includes the following number of shares pledged as security: Mr. Jastrow pledged 23,770 shares as security for a loan to secure a revolving line of credit, and such line of credit is not in default as of June 11, 2008, nor does the pledgee have the power to vote or direct any vote regarding such securities.
- (9) Includes 1,430 shares held in a trust over which Mr. Kavanaugh and his spouse are trustees, sole beneficiaries and have sole voting and dispositive power.
- (10) Includes 3,663 shares owned by relatives of all directors and executive officers (21 persons) as a group. SEC rules consider these shares to be beneficially owned, but the individuals disclaim any beneficial interest in such shares.

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Mr. Rowling, a member of our board of directors, is the sole voting member and the managing member of TRT Financial Holdings, LLC, referred to herein as TRT. As of May 30, 2008, TRT owns 7,423,333 shares of our common stock, or 16.6% of our total outstanding common stock, which shares were purchased pursuant to an investment agreement with TRT dated May 26, 2008, which we refer to as the initial TRT investment agreement. Pursuant to the initial TRT investment agreement, TRT purchased 7,423,333 shares of our common stock at a price of \$5.17 per share for an aggregate purchase price of approximately \$38.4 million, and agreed to purchase, a number of shares of our Series B Preferred Stock, such that TRT will beneficially own 19.9% of the total outstanding common stock, assuming full conversion immediately following such issuance. The per share purchase price of the Series B Preferred Stock to be purchased pursuant to the initial TRT investment agreement will be the lower of \$51.70 per share and the per share price at which any class or series of convertible preferred stock is issued by us to any third party on or prior to the expiration of the 120-day period following the issuance of the shares of common stock pursuant to the initial TRT investment agreement, subject to adjustment for any stock split, reverse stock split, stock dividend, or other combination or division affecting shares of our common stock.

On June 7, 2008, we entered into investment agreements, each dated as of June 7, 2008, which we refer to as the subsequent investment agreements, with several institutional investors, including TRT, Icahn Partners LP and certain of its affiliated companies, whom we refer to collectively as Icahn Partners, Greenlight Capital, LP and certain of its affiliated companies, whom we refer to collectively as Greenlight, and Ironbound Partners LP and certain of its affiliated companies, whom we refer to collectively as Ironbound. Under the subsequent investment agreements, we

have agreed to sell 5.54 million shares of our Series B Preferred Stock to the investors for aggregate consideration of approximately \$286.6 million. We believe that Greenlight, Icahn Partners and Ironbound are all beneficial owners of 5% or more of our outstanding shares of common stock.

Under the subsequent investment agreements, TRT has agreed to purchase from us 1,103,242 shares of our Series B Preferred Stock, Icahn Partners has agreed to purchase from us 2,030,948 shares of our Series B Preferred Stock, Greenlight has agreed to purchase from us 666,058 shares of our Series B Preferred Stock and Ironbound has agreed to purchase from us 483,559 shares of our Series B Preferred Stock.

Each share of our Series B Preferred Stock initially will be convertible into ten shares of our common stock. The conversion price per share of common stock will be subject to a scheduled price reduction of \$.50

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per share every six months following the 120<sup>th</sup> day after issuance of the Series B Preferred Stock until we obtain stockholder approval of the conversion feature of the Series B Preferred Stock, subject to a minimum conversion price per share of \$3.00. Dividends on the Series B Preferred Stock will be cumulative and initially accrue at the rate of 14% per year. The dividend rate will increase 2% every six months following the initial stockholder meeting held to consider approval of the conversion feature of the Series B Preferred Stock if and until stockholder approval is obtained (subject to a maximum rate of 18% per year). The Series B Preferred Stock will be mandatorily convertible if and when we obtain stockholder approval for conversion of the Series B Preferred Stock.

Additionally, on June 7, 2008, we and our subsidiary, Guaranty Bank, entered into a purchase agreement dated June 7, 2008, which we refer to as the purchase agreement, with several institutional investors, including Icahn Partners, Greenlight, and Rowling Family Properties, Ltd., or RFP, an entity affiliated with Mr. Rowling. Under the purchase agreement, we and Guaranty Bank agreed to sell to purchasers, for an aggregate consideration of \$275 million, units, which we refer to as the units, consisting of subordinated notes of Guaranty Bank with an aggregate original principal amount of \$275 million, which we refer to as the subordinated notes, and 638,000 shares of our Series B Preferred Stock. Under the purchase agreement:

RFP agreed to purchase units consisting of subordinated notes with an original aggregate face value of \$54,725,000, which constituted approximately 19.9% of the principal amount of subordinated notes issued under the purchase agreement, as well as 126,962 shares of our Series B Preferred Stock in addition to the 1,103,242 shares of our Series B Preferred Stock it agreed to purchase under the subsequent investment agreements;

Icahn Partners agreed to purchase units consisting of subordinated notes with an original aggregate face value of \$175,000,000, which constituted approximately 64% of the principal amount of subordinated notes issued under the purchase agreement, as well as 406,000 shares of our Series B Preferred Stock in addition to the 2,030,948 shares of our Series B Preferred Stock it agreed to purchase under the subsequent investment agreements; and

Greenlight agreed to purchase units consisting of subordinated notes with an original aggregate face value of \$27,500,000, which constituted approximately 10% of the principal amount of subordinated notes issued under the purchase agreement, as well as 63,800 shares of our Series B Preferred Stock in addition to the 666,058 shares of our Series B Preferred Stock it agreed to purchase under the subsequent investment agreements

We are obligated to call a stockholder meeting to approve the conversion feature of the Series B Preferred Stock as promptly as practicable following closing and the issuance of the Series B Preferred Stock pursuant to the terms of the subsequent investment agreements. Each investor executing a subsequent investment agreement is required to vote any shares of common stock it owns in favor of the conversion of the Series B Preferred Stock to the extent it is permitted to under the applicable rules of the New York Stock Exchange. The investor's and our respective obligations to close under the subsequent investment agreements and the purchase agreement are subject to standard conditions, including obtaining approvals of the OTS for the issuance of the Series B Preferred Stock, to the extent required, and the treatment of the debt component of the subordinated notes as Tier 2 Capital.

The subordinated notes will bear interest at an annual rate of 12% and mature on the tenth anniversary of the date of issuance and are callable after the fifth anniversary of the date of issuance. Interest payments on the subordinated notes will be due semiannually in arrears on the last business day of each June and December commencing on December 31, 2008. The subordinated notes are subordinated as to principal, interest and premium, if any, to all claims against Guaranty Bank that have the same priority as savings accounts or higher, and interest is subordinate to Guaranty Bank's obligations to its depositors, its obligations under bankers' acceptances and letters of credit, and its

obligations to its other creditors, including its obligations to the Federal Reserve Bank and the Federal Deposit Insurance Corporation.

In connection with the subsequent investment agreements and the purchase agreement, we entered into letter agreements with Icahn Partners and TRT. Under the letter agreement with Icahn Partners, Icahn Partners

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and our Nominating and Governance Committee are to cooperate and work jointly to identify a qualified candidate that is acceptable to both the Icahn Partners and our Nominating and Governance Committee to serve on our board of directors. Our letter agreement with Icahn Partners also provides that Icahn Partners will have pre-emptive rights with regard to our issuance of specified securities for one year following the issuance of the Series B Preferred Stock under the subsequent investment agreement with Icahn Partners.

**MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES**

The following is a discussion of the material U.S. federal income tax consequences, as of the date of this prospectus, to U.S. holders (as defined below) of the receipt, exercise, and expiration of subscription rights received by them in the rights offering. For purposes of this discussion, a U.S. holder is a beneficial owner of shares of our common stock who holds such shares as a capital asset for U.S. federal income tax purposes (generally property held for investment) and is for U.S. federal income tax purposes:

an individual who is a citizen or resident of the United States (including certain former citizens and former long-term residents);

a corporation, or other entity taxable as a corporation for U.S. federal tax purposes, created or organized in or under the laws of the United States or any state thereof or the District of Columbia;

an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

a trust (i) that is subject to the primary supervision of a court within the United States and the control of one or more United States persons as defined in section 7701(a)(30) of the Code (as defined below) or (ii) that has a valid election in effect under applicable Treasury regulations to be treated as a United States person.

This discussion does not describe all of the tax consequences that may be relevant to a U.S. holder in light of its particular circumstances. For example, this discussion does not address:

tax consequences to U.S. holders who may be subject to special tax treatment, such as dealers in securities or currencies, traders in securities that elect to use the mark-to-market method of accounting for their securities, financial institutions, partnerships or other pass-through entities for U.S. federal income tax purposes (or investors in such entities), regulated investment companies, expatriates, real estate investment trusts, tax-exempt entities, insurance companies, individual retirement accounts or other tax-deferred account, or retirement plans;

tax consequences to persons holding shares of our common stock or subscription rights as part of a hedging, constructive sale or conversion, straddle or other risk reducing transaction;

tax consequences to U.S. holders whose functional currency is not the U.S. dollar;

the U.S. federal estate, gift or alternative minimum tax consequences, if any, to U.S. holders; or

any state, local, or foreign tax consequences.

If a partnership or other entity classified as a partnership for U.S. federal tax purposes holds shares of our common stock, the tax treatment of a partner of such partnership will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding shares of our common stock, you should consult your own tax advisors concerning the tax treatment of the receipt of subscription rights in the rights offering

and the exercise and lapse of the subscription rights.

This discussion is based upon the provisions of the Internal Revenue Code of 1986, as amended (the Code), its legislative history, Treasury regulations promulgated thereunder, published rulings and judicial decisions as of the date of this prospectus. The foregoing authorities are subject to change or differing interpretations at any time with possible retroactive effect. No advance tax ruling has been sought or obtained from the Internal Revenue Service (the IRS) regarding the U.S. federal income tax consequences described below. If the IRS contests a conclusion set forth herein, no assurance can be given that a U.S. holder would ultimately prevail in a final determination by a court.

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THIS DISCUSSION IS PROVIDED FOR GENERAL INFORMATION ONLY AND DOES NOT CONSTITUTE LEGAL OR TAX ADVICE TO ANY U.S. HOLDER. EACH U.S. HOLDER SHOULD CONSULT ITS OWN TAX ADVISORS CONCERNING THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE RECEIPT, EXERCISE, AND EXPIRATION OF SUBSCRIPTION RIGHTS RECEIVED IN THE RIGHTS OFFERING IN LIGHT OF ITS PARTICULAR CIRCUMSTANCES AND ANY CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE, LOCAL, OR FOREIGN TAXING JURISDICTION.

**Receipt, Exercise, and Expiration of the Subscription Rights**

For U.S. federal income tax purposes, a U.S. holder should not recognize income, gain, or loss upon its receipt of subscription rights in the rights offering, the expiration of such subscription rights, or its exercise of such subscription rights.

A U.S. holder's basis in the subscription rights received in the rights offering will generally be zero unless the subscription rights are exercised and either (1) the fair market value of the subscription rights on the date such subscription rights are distributed by us is equal to or exceeds 15% of the fair market value on such date of the shares of our common stock with respect to which the subscription rights are received or (2) such U.S. holder elects, in its U.S. federal income tax return for the taxable year in which the subscription rights are received, to allocate part of its basis in its shares of our common stock held to the subscription rights. In either case, the U.S. holder's basis in its shares of our common stock with respect to which the subscription rights are received will be allocated among such shares and the subscription rights received in proportion to their respective fair market values on the date the subscription rights are distributed by us.

A U.S. holder's basis in the shares of our common stock acquired through the exercise of subscription rights should equal the sum of the subscription price paid for the shares and the U.S. holder's tax basis, if any, in the subscription rights. The holding period for the shares of our common stock acquired through the exercise of the subscription rights will begin on the date the subscription rights are exercised.

Notwithstanding the foregoing, if a U.S. holder exercises subscription rights received in this rights offering after disposing of the shares of our common stock with respect to which the subscription rights are received, then certain aspects of the tax treatment of the exercise of the subscription rights are unclear, including (1) the allocation of the basis of the shares sold and the subscription rights received in respect of such shares, (2) the impact of such allocation on the amount and timing of gain or loss recognized with respect to the shares sold, and (3) the impact of such allocation on the basis of the shares of our common stock acquired through the exercise of such subscription rights. If a U.S. holder exercises the subscription rights received in the rights offering after disposing of the shares of our common stock with respect to which the subscription rights are received, such U.S. holder should consult its tax advisors.

**PLAN OF DISTRIBUTION**

We are offering shares of our common stock directly to you pursuant to the rights offering. Our officers and directors may contact holders of our common stock by mail, telephone, facsimile, and personal interview and may request brokers, dealers, custodian banks or other nominees on your behalf to forward materials relating to the offers to beneficial owners of our common stock. These officers, directors, and other employees will not receive any commissions or compensation in connection with these activities other than their normal compensation. We have retained Keefe, Bruyette & Woods, Inc. to act as dealer manager in connection with the rights offering. The dealer manager will use its reasonable efforts to advise and assist us in our efforts to solicit holders to exercise rights in the rights offering but will not underwrite the rights offering and has no obligation to purchase or procure purchases of the common stock offered hereby or otherwise act in any capacity whatsoever as an underwriter in connection with the

rights offering. For acting as dealer manager, we have agreed to pay the dealer manager a fee of \$1 million. In addition, we have agreed to reimburse the dealer manager for its reasonable out-of-pocket expenses of up to \$150,000. Other than the dealer manager, we have not employed any brokers, dealers or underwriters to assist in the solicitation of the exercise of rights



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in the rights offering and, except as just described, no other commissions, fees, or discounts will be paid in connection with the rights offering.

We have agreed to indemnify Keefe, Bruyette & Woods, Inc. against certain liabilities and expenses in connection with its engagement, including certain potential liabilities under the federal securities laws. We will also pay the fees and expenses of Computershare Trust Company N.A., as subscription agent, and D.F. King & Co., Inc., as information agent, and we have agreed to indemnify the subscription agent and the information agent from certain liabilities in connection with the offering. We will pay out-of-pocket expenses, including payments to legal advisors, accountants, the dealer manager, information agent, and subscription agent, printing costs, mailing costs, and filing fees estimated to total approximately \$[ ] million.

The dealer manager has not prepared any report or opinion constituting a recommendation or advice to us or to our stockholders, nor has the dealer manager prepared an opinion as to the fairness of the subscription price or the terms of the rights offering. The dealer manager expresses no opinion and makes no recommendation to our stockholders as to the purchase by any person of any shares of common stock. The dealer manager expresses no opinion as to the prices at which the shares of common stock may trade if and when they are issued or at any future time.

In the ordinary course of their business, Keefe, Bruyette & Woods, Inc. and/or its affiliates have in the past performed investment banking and other services for us for which they have received customary compensation. In the ordinary course of its business, Keefe, Bruyette & Woods, Inc. and/or its affiliates may in the future perform investment banking or other services for us for which they will receive customary compensation. Keefe, Bruyette & Woods, Inc. acted as the sole placement agent in relation to the private placement of our Series B Mandatory Convertible Preferred Stock and subordinated notes. We have entered into a general advisory engagement letter with Keefe, Bruyette & Woods, Inc. as of February 27, 2008 under which Keefe, Bruyette & Woods, Inc. has a right of first refusal if the Company proposes to effect any restructuring transaction, disposition transaction, bank financing, public offering, Rule 144A offering or private placement of securities for the term of such engagement letter and the twelve month period thereafter. Under NASD Rule 2710 such right of first refusal is deemed to be compensation to Keefe, Bruyette & Woods, Inc.

As soon as practicable after the record date for the rights offering, we will distribute the subscription rights and rights certificates to individuals who owned shares of our common stock at 5:00 p.m., New York City time, on [ ], 2008. If you wish to exercise your subscription rights and purchase shares of our common stock, you should complete the rights certificate and return it with payment for the shares to the subscription agent, Computershare Trust Company, N.A., at the following address:

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

By Facsimile Transmission  
For Eligible Institutions Only:  
(718) 930-4942  
For Confirmation Only:  
(718) 930-4900

By Overnight Delivery or  
Overnight Courier:  
Computershare Trust Company, N.A.  
Attn: Corporate Actions  
161 Bay State Drive  
Braintree, MA 02184

See The Rights Offering Method of Exercising Subscription Rights. If you have any questions, you should contact the information agent, D. F. King & Co., Inc., at (800) 290-6426 (toll-free) or (212) 269-5550 (collect).

Other than the agreement with the dealer manager, as described herein, we do not know of any existing agreements between or among any stockholder, broker, dealer, underwriter, or agent relating to the sale or distribution of the common stock in connection with this rights offering.

**LEGAL MATTERS**

The legality and validity of the securities offered from time to time under this prospectus will be passed upon by Fulbright & Jaworski L.L.P.

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**EXPERTS**

The consolidated financial statements of Guaranty Financial Group Inc. appearing in Guaranty Financial Group Inc.'s Annual Report (Form 10-K) for the year ended December 31, 2007 and the effectiveness of Guaranty Financial Group Inc.'s internal control over financial reporting as of December 31, 2007 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

**INCORPORATION BY REFERENCE**

The U.S. Securities and Exchange Commission, or the SEC, allows us to incorporate by reference the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information we incorporate by reference is an important part of this prospectus, and later information that we file with the SEC will automatically update and supersede some of this information. We incorporate by reference the documents listed below, and any future filings we make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities and Exchange Act of 1934 prior to the effectiveness of the registration statement. The documents we incorporate by reference are:

our Annual Report on Form 10-K for the fiscal year ended December 31, 2007;

our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2008;

our Current Report on Form 8-K filed with the SEC on May 27, 2008 (other than 7.01, which was furnished and is not incorporated herein by reference);

our Current Report on Form 8-K filed with the SEC on June 4, 2008;

our Current Report on Form 8-K filed with the SEC on June 9, 2008; and

the description of our common stock, \$1.00 par value, set forth in the Form 10-12B/A (File No. 001-33661) Registration Statement filed with the Securities and Exchange Commission on December 4, 2007, including any amendment or report filed for the purpose of updating such description.

Any statement contained in a document that is incorporated by reference will be modified or superseded for all purposes to the extent that a statement contained in this prospectus (or in any other document that is subsequently filed with the SEC and incorporated by reference) modifies or is contrary to that previous statement. Any statement so modified or superseded will not be deemed a part of this prospectus except as so modified or superseded.

You may request a copy of any of these filings at no cost, by writing or telephoning us at the following address and telephone number:

Guaranty Financial Group Inc.  
1300 MoPac Expressway South  
Austin, Texas 78746  
(512) 434-1000

We maintain an internet site at <http://www.guarantygroup.com> which contains information concerning us and our subsidiaries. The information contained on our internet site and those of our subsidiaries is not incorporated by reference in this prospectus and should not be considered a part of this prospectus.

We file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy these materials at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 800-SEC-0330. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding the company.

**Table of Contents****PART II****INFORMATION NOT REQUIRED IN PROSPECTUS****ITEM 13. *Other Expenses of Issuance and Distribution***

The following table sets forth the various expenses to be incurred in connection with the sale and distribution of the securities being registered hereby, all of which will be borne by Guaranty Financial Group Inc. All amounts shown are estimates except the U.S. Securities and Exchange Commission registration fee.

|  |         |
|--|---------|
| U.S. Securities and Exchange Commission registration fee | \$      |
| Subscription Agent and Information Agent fees            | 218,000 |
| NYSE listing fee   |         |
| Legal fees and expenses                                  | 900,000 |
| Investment banking fees and expenses                     |         |
| Accounting fees and expenses                             | 250,000 |
| Printing expenses  | 200,000 |
| Miscellaneous  | 100,000 |
| <br>Total expenses                                       |         |

**ITEM 14. *Indemnification of Directors and Officers***

The following is a summary of relevant provisions of our amended and restated certificate of incorporation, our amended and restated bylaws, the form of indemnification agreement that we have entered into with each of our directors, and certain provisions of the General Corporation Law of the State of Delaware (the "DGCL"). We urge you to read the full text of these documents, forms of which have been filed with the U.S. Securities and Exchange Commission, as well as the referenced provisions of the DGCL because they are the legal documents and provisions that will govern matters of indemnification with respect to our directors and officers.

We are incorporated under the laws of the state of Delaware. Section 145 of the DGCL provides that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he or she is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. A similar standard is applicable in the case of derivative actions, except that indemnification only extends to expenses (including attorneys' fees) incurred in connection with the defense or settlement of such action, and the statute requires court approval before there can be any indemnification where the person seeking indemnification has been found liable to the corporation. The statute provides that it is not exclusive of other indemnification that may be granted by a corporation's by-laws, disinterested director vote, stockholder vote, agreement or otherwise.

Our amended and restated bylaws provide for the indemnification of directors, officers and certain authorized representatives of the corporation to the fullest extent permitted by the DGCL, except that our bylaws provide for indemnification in a derivative action or suit initiated by a director, officer or authorized representative of the corporation only if our board of directors authorized the initiation of that action or suit. In addition, as permitted by the DGCL, our amended and restated certificate of incorporation provides that our directors shall have no personal liability to us or our stockholders for monetary damages for breach of fiduciary duty as a director, except (1) for any breach of the director's duty of loyalty to us or our stockholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or knowing

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violation of law, (3) under Section 174 of the DGCL or (4) for any transaction from which a director derived an improper personal benefit.

The indemnification agreements entered into with each of our directors assure that our directors and senior officers are indemnified to the maximum extent permitted under applicable law.

**ITEM 15. *Recent Sales of Unregistered Securities***

***Initial Private Placement with TRT Financial Holdings, LLC***

On May 26, 2008, we entered into an investment agreement, which was amended on May 29, 2008, with TRT Financial Holdings, LLC, referred to herein as TRT, and certain affiliates of TRT, to sell 7,423,333 shares of our common stock at a price of \$5.17 per share to TRT for an aggregate purchase price of approximately \$38.4 million. We refer to this investment agreement as the initial TRT investment agreement. Following the issuance of 7,423,333 shares of our common stock to TRT on May 30, 2008 pursuant to the initial TRT investment agreement, we had 44,726,513 shares of common stock outstanding, and TRT owned our common stock. The percentage ownership of our existing stockholders was reduced proportionately as a result of the issuance to TRT. Pursuant to the initial TRT investment agreement, TRT also agreed to purchase, and we agreed to sell, a number of shares of our Series B Mandatory Convertible Perpetual Cumulative Preferred Stock, which we refer to as the Series B Preferred Stock, such that TRT will beneficially own 19.9% of the total outstanding common stock, assuming full conversion immediately following such issuance. The per share purchase price of the Series B Preferred Stock to be purchased pursuant to the initial TRT investment agreement will be the lower of \$51.70 per share and the per share price at which any class or series of convertible preferred stock is issued by us to any third party on or prior to the expiration of the 120-day period following the issuance of the shares of common stock pursuant to the initial TRT investment agreement, subject to adjustment for any stock split, reverse stock split, stock dividend, or other combination or division affecting shares of our common stock.

Each share of our Series B Preferred Stock initially will be convertible into ten shares of our common stock. The conversion price per share of common stock will be subject to a scheduled price reduction of \$.50 per share every six months following the 120<sup>th</sup> day after issuance of the Series B Preferred Stock until we obtain stockholder approval of the conversion feature of the Series B Preferred Stock, subject to a minimum conversion price per share of \$3.00. Dividends on the Series B Preferred Stock will be cumulative and initially accrue at the rate of 14% per year. The dividend rate will increase 2% every six months following the initial stockholder meeting held to consider approval of the conversion feature of the Series B Preferred Stock if and until stockholder approval is obtained (subject to a maximum rate of 18% per year). The Series B Preferred Stock will be mandatorily convertible if and when we obtain stockholder approval for conversion of the Series B Preferred Stock.

Closing for the issuance of the shares of common stock to TRT pursuant to the initial TRT investment agreement occurred on May 30, 2008. The closing of the issuance of the Series B Preferred Stock is expected to occur on or before October 1, 2008. The securities offered and sold to TRT under the initial TRT investment agreement pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended, pursuant to an exemption under 4(2) thereunder.

As part of the initial TRT investment agreement, TRT will have the right to have one person nominated by TRT to be elected to our board of directors for so long as TRT beneficially owns 10% or more of our issued and outstanding common stock. Pursuant to this right, Robert Rowling was appointed to our board of directors on May 30, 2008. Also, pursuant to the initial TRT investment agreement, TRT will have a preemptive right with regard to our issuance of specified securities until May 30, 2009.

***Subsequent Private Placement with Institutional Investors***

On June 7, 2008, we entered into investment agreements, each dated as of June 7, 2008, which we refer to as the subsequent investment agreements, with several institutional investors, including TRT, and Icahn Partners LP and certain of its affiliated companies, whom we refer to collectively as Icahn Partners. We refer to the purchasers under the subsequent investment agreements as the stock investors. Under the subsequent

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investment agreements, we have agreed to sell 5.54 million shares of our Series B Preferred Stock to the stock investors for aggregate consideration of approximately \$286.6 million. Additionally, on June 7, 2008, we and our subsidiary, Guaranty Bank, entered into a purchase agreement dated June 7, 2008, which we refer to as the purchase agreement, with the stock investors and other institutional investors. We refer to the purchasers under the purchase agreement collectively as the unit investors. Under the purchase agreement, we and Guaranty Bank agreed to sell to the unit investors, for an aggregate consideration of \$275 million, units, which we refer to as the units, consisting of subordinated notes of Guaranty Bank with an aggregate original principal amount of \$275 million, which we refer to as the subordinated notes, and 638,000 shares of our Series B Preferred Stock. The stock investors and unit investors include several of our largest stockholders, and the sale to them under the investment agreements and the purchase agreement was made as a private placement exempt from the registration requirements of the Securities Act of 1933, as amended, pursuant to an exemption under Section 4(2) thereof.

We are obligated to call a stockholder meeting to approve the conversion feature of the Series B Preferred Stock as promptly as practicable following closing and the issuance of the Series B Preferred Stock pursuant to the terms of the subsequent investment agreements. Each stock investor executing a subsequent investment agreement is required to vote any shares of common stock it owns in favor of the conversion of the Series B Preferred Stock to the extent it is permitted to under the applicable rules of the New York Stock Exchange.

The stock investors, the unit investors and our respective obligations to close under the subsequent investment agreements and the purchase agreement are subject to standard conditions, including obtaining approvals of the OTS for the purchase of the Series B Preferred Stock, to the extent required, and the treatment of the debt component of the subordinated notes as Tier 2 capital.

The subordinated notes will bear interest at an annual rate of 12% and mature on the tenth anniversary of the date of issuance and are callable after the fifth anniversary of the date of issuance. Interest payments on the subordinated notes will be due semiannually in arrears on the last business day of each June and December commencing on December 31, 2008. The subordinated notes are subordinated as to principal, interest and premium, if any, to all claims against Guaranty Bank that have the same priority as savings accounts or higher, and interest is subordinate to Guaranty Bank's obligations to its depositors, its obligations under bankers' acceptances and letters of credit, and its obligations to its other creditors, including its obligations to the Federal Reserve Bank and the Federal Deposit Insurance Corporation.

In connection with the sale of the Series B Preferred Stock to the stock investors and the units to the unit investors, we entered into letter agreements with Icahn Partners and TRT. Under the letter agreement with Icahn Partners, Icahn Partners and our Nominating and Governance Committee are to cooperate and work jointly to identify a qualified candidate that is acceptable to both the Icahn Partners and our Nominating and Governance Committee to serve on our board of directors. Our letter agreement with Icahn Partners also provides that Icahn Partners will have pre-emptive rights with regard to our issuance of specified securities for one year following the issuance of the Series B Preferred Stock under the subsequent investment agreement with Icahn Partners. Among other things, our letter agreement with TRT amends provisions of the initial TRT investment agreement to conform certain definitions to those in our letter agreement with Icahn Partners.

**ITEM 16. *Exhibits and Financial Statement Schedules***

The exhibits to this Registration Statement are listed on the Exhibit Index Page hereof, which is incorporated by reference in this Item 16.

**ITEM 17. *Undertakings***

The undersigned registrant hereby undertakes:

1. To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of this registration statement (or the most recent post-effective amendment thereof) which, individually or in

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the aggregate, represent a fundamental change in the information set forth in this registration statement. Notwithstanding the foregoing, any increase or decrease in the volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in this registration statement or any material change to such information in this registration statement;

provided, however, that paragraphs (1)(i) and (1)(ii) above do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the SEC by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended, that are incorporated by reference in this registration statement.

2. That, for the purposes of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at the time shall be deemed to be the initial bona fide offering thereof.

3. To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

4. Each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

5. The undersigned registrant hereby undertakes to supplement the prospectus, after the expiration of the subscription period, to set forth the results of the subscription offer, the transactions by the underwriters during the subscription period, the amount of unsubscribed securities to be purchased by the underwriters, and the terms of any subsequent reoffering thereof. If any public offering by the underwriters is to be made on terms differing from those set forth on the cover page of the prospectus, a post-effective amendment will be filed to set forth the terms of such offering.

6. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling the registrant pursuant to the foregoing provisions, the registrant has been informed that in the opinion of the U.S. Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is therefore unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

7. For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed

to be part of this registration statement as of the time it was declared effective.

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**Table of Contents****SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized on June 13, 2008.

**Guaranty Financial Group Inc.**

By: /s/ Scott A. Almy

Scott A. Almy  
Executive Vice President  
General Counsel and  
Secretary

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the date or dates indicated:

| <b>Signature</b>            | <b>Title</b>   | <b>Date</b>   |
|-----------------------------|--|---------------|
| /s/ Kenneth R. Dubuque*     | Director, President and Chief Executive Officer (Principal Executive Officer)          | June 13, 2008 |
| Kenneth R. Dubuque          |  |               |
| /s/ Ronald D. Murff*        | Senior Executive Vice President, Chief Financial Officer (Principal Financial Officer) | June 13, 2008 |
| Ronald D. Murff             |  |               |
| /s/ Craig E. Gifford*       | Executive Vice President (Principal Accounting Officer)                                | June 13, 2008 |
| Craig E. Gifford            |  |               |
| /s/ Kenneth M. Jastrow, II* | Director, Chairman of the Board  | June 13, 2008 |
| Kenneth M. Jastrow, II      |  |               |
| /s/ David W. Biegler*       | Director   | June 13, 2008 |
| David W. Biegler            |  |               |
| /s/ Larry R. Faulkner*      | Director   | June 13, 2008 |
| Larry R. Faulkner           |  |               |
| /s/ Robert V. Kavanaugh*    | Director   | June 13, 2008 |
| Robert V. Kavanaugh         |  |               |

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|                                  |          |               |
|----------------------------------|----------|---------------|
| /s/ Leigh M. McAlister*          | Director | June 13, 2008 |
| Leigh M. McAlister               |          |               |
| /s/ Edward R. ( Ted ) McPherson* | Director | June 13, 2008 |
| Edward R. ( Ted ) McPherson      |          |               |
| /s/ Robert D. McTeer*            | Director | June 13, 2008 |
| Robert D. McTeer                 |          |               |

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| <b>Signature</b>      | <b>Title</b> | <b>Date</b>   |
|-----------------------|--------------|---------------|
| /s/ Raul R. Romero*   | Director     | June 13, 2008 |
| Raul R. Romero        |              |               |
| /s/ John T. Stuart*   | Director     | June 13, 2008 |
| John T. Stuart        |              |               |
| /s/ Larry E. Temple*  | Director     | June 13, 2008 |
| Larry E. Temple       |              |               |
| /s/ Billy D. Walker*  | Director     | June 13, 2008 |
| Billy D. Walker       |              |               |
| /s/ Robert B. Rowling | Director     | June 13, 2008 |
| Robert B. Rowling     |              |               |

\*By: Scott A. Almy  
Attorney-in-Fact

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**EXHIBIT INDEX**

| <b>Exhibit No.</b> | <b>Exhibit Description</b>  |
|--------------------|---|
| 2.1                | Separation and Distribution Agreement among the Registrant, Forestar Real Estate Group Inc. and Temple-Inland Inc. (Incorporated herein by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K dated as of December 11, 2007.)            |
| 3.1                | Amended and Restated Certificate of Incorporation of the Registrant. (Incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K dated as of December 11, 2007.)  |
| 3.2                | Amended and Restated Bylaws of the Registrant. (Incorporated herein by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K dated as of December 11, 2007.)  |
| 3.3                | Form of Certificate of Designations Rights and Preferences of the Company's Series B Mandatory Convertible Perpetual Cumulative Preferred Stock (Incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed June 9, 2008). |
| 4.1                | Specimen Certificate for shares of common stock, par value \$1.00 per share, of the Registrant. (Incorporated herein by reference to Exhibit 4.1 to Amendment No. 5 to the Registrant's Form 10 dated as of December 4, 2007.)                                |
| 4.2                | Rights Agreement between the Registrant and Computershare Trust Company, N.A., as Rights Agent. (Incorporated herein by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated as of December 11, 2007.)                               |
| 4.3                | Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock. (Incorporated by reference to Exhibit 3.3 to the Current Report on Form 8-K, filed by the Company on December 11, 2007.)                                 |
| 4.4                | Subscription Agent Agreement. (Incorporated by reference to Exhibit 4.4 to the Registrant's Amendment No. 4 to the Form S-1 dated May 30, 2008)   |
| 4.5                | Form of Rights Certificate (Incorporated herein by reference to Exhibit 4.5 to the Registrant Amendment No. 2 to Form S-1 dated May 19, 2007.)  |
| 4.6                | Form of Subordinated Note (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on June 9, 2008)   |
| 5.1                | Opinion of Fulbright & Jaworski L.L.P.  |
| 10.1               | Tax Matters Agreement among the Registrant, Forestar Real Estate Group Inc. and Temple-Inland Inc. (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated as of December 11, 2007.)                           |
| 10.2               | Employee Matters Agreement among the Registrant, Forestar Real Estate Group Inc. and Temple-Inland Inc. (Incorporated herein by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K dated as of December 11, 2007.)                      |
| 10.3               | Master Transition Services Agreement among the Registrant, Forestar Real Estate Group Inc. and Temple-Inland Inc. (Incorporated herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K dated as of December 11, 2007.)            |
| 10.4               | Guaranty Financial Group Inc. Savings and Retirement Plan. (Incorporated herein by reference to Exhibit 10.5 to the Registrant's Annual Report on Form 10-K dated for the year ended December 31, 2007.)  |
| 10.5               | Guaranty Financial Group Inc. Supplemental Executive Retirement Plan. (Incorporated herein by reference to Exhibit 10.5 to the Registrant's Annual Report on Form 10-K dated for the year ended December 31, 2007.)   |
| 10.6               | Guaranty Financial Group Inc. 2007 Stock Incentive Plan. (Incorporated herein by reference to Exhibit 10.6 to the Registrant's Annual Report on Form 10-K dated for the year ended December 31, 2007.)  |



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- 10.7 Guaranty Financial Group Inc. Director's Fee Deferral Plan. (Incorporated herein by reference to Exhibit 10.7 to the Registrant's Annual Report on Form 10-K dated for the year ended December 31, 2007.)
  - 10.8 Master Transactions Agreement between the Registrant and the Federal Home Loan Bank of Dallas dated August 1, 2005. (Incorporated herein by reference to Exhibit 10.8 to the Registrant's Form 10 dated as of August 10, 2007.)
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| <b>Exhibit No.</b> | <b>Exhibit Description</b>  |
|--------------------|---|
| 10.9               | Advances and Security Agreement between the Registrant and the Federal Home Loan Bank of Dallas dated August 1, 2005. (Incorporated herein by reference to Exhibit 10.9 to the Registrant's Form 10 dated as of August 10, 2007.)                     |
| 10.10              | Form of Indemnification Agreement to be entered into between the Registrant and each of its directors. (Incorporated herein by reference to Exhibit 10.10 to Amendment No. 5 to the Registrant's Form 10 dated as of December 4, 2007.)               |
| 10.11              | Change in Control Agreement between the Registrant and each of its named executive officers. (Incorporated herein by reference to Exhibit 10.11 to the Registrant's Annual Report on Form 10-K dated for the year ended December 31, 2007.)           |
| 10.12              | Employment Agreement between the Registrant and Kenneth R. Dubuque dated August 9, 2007. (Incorporated herein by reference to Exhibit 10.12 to the Registrant's Form 10 dated as of August 10, 2007.)   |
| 10.13              | Form of Restricted Stock Agreement (time and performance vesting). (Incorporated herein by reference to Exhibit 10.13 to the Registrant's Annual Report on Form 10-K dated for the year ended December 31, 2007.)                                     |
| 10.14              | Form of Restricted Stock Agreement (performance vesting). (Incorporated herein by reference to Exhibit 10.14 to the Registrant's Annual Report on Form 10-K dated for the year ended December 31, 2007.)  |
| 10.15              | Supplemental Change in Control Agreement between the Registrant and each of its named executive officers. (Incorporated herein by reference to Exhibit 10.15 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.) |
| 10.16              | Form of Dealer Manager Agreement. (Incorporated by reference to Exhibit 10.16 to the Registrant's Amendment No. 4 to Form S-1 dated May 30, 2008.)  |
| 10.17              | Investment Agreement dated May 26, 2008. (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated as of May 27, 2008.)  |
| 10.18              | First Amendment to Investment Agreement dated May 29, 2008. (Incorporated by reference to Exhibit 10.18 to the Registrant's Amendment No. 4 to Form S-1 dated May 30, 2008.)  |
| 10.19              | Investment Agreement dated June 7, 2008 by and between the Company and TRT Financial Holdings, LLC (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed June 9, 2008.)                                     |
| 10.20              | Investment Agreement dated June 7, 2008 by and between the Company and Icahn Partners, L.P. (Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed June 9, 2008.)  |
| 10.21              | Form of Investment Agreement entered into by the Company and investors other than Icahn Partners and TRT (Incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed June 9, 2008.)                               |
| 10.22              | Purchase Agreement dated June 7, 2008 by and among the Company and the purchasers named therein (Incorporated herein by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed June 9, 2008.)                                 |
| 10.23              | Letter Agreement dated June 7, 2008 by and between the Company and Icahn Partners, LP (Incorporated herein by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed June 9, 2008.)   |
| 10.24              | Letter Agreement dated June 7, 2008 by and between the Company and TRT Financial Holdings, LLC (Incorporated herein by reference to Exhibit 10.6 to the Registrant's Current Report on Form 8-K filed June 9, 2008.)                                  |
| 10.25              |   |

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Agency Agreement between the Company, Guaranty Bank and Keefe, Bruyette & Woods, Inc.  
(Incorporated herein by reference to Exhibit 10.7 to the Registrant's Current Report on Form 8-K filed  
June 9, 2008.)

- 21.1 List of Subsidiaries of the Registrant. (Incorporated herein by reference to Exhibit 21.1 to the  
Registrant's Annual Report on Form 10-K dated for the year ended December 31, 2007.)
  - 23.1\* Consent of Ernst & Young LLP.
  - 23.2 Consent of Fulbright & Jaworski, L.L.P. will be contained in Exhibit 5.1 hereto.
  - 99.1 Form of Instructions as to Use of Rights Certificates.
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| <b>Exhibit No.</b> | <b>Exhibit Description</b>                                     |
|--------------------|--|
| 99.2               | Form of Notice of Guaranteed Delivery for Rights Certificates. |
| 99.3               | Form of Letter to Beneficial Holders.                          |
| 99.4               | Form of Letter to Stockholders.                                |
| 99.5               | Form of Letter to Clients.                                     |
| 99.6               | Form of Nominee Holder Certification.                          |
| 99.7               | Beneficial Owner Election Form.                                |
| 99.8               | Form of Plan Participant Election Form.                        |
| 99.9               | Form of Letter to Plan Participants.                           |

\* Filed herewith.

To be filed by amendment.