

EACO CORP
Form 10-KT/A
March 10, 2010

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
Form 10-K/A
(Amendment No. 1)

- o ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended _____
- p TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from January 1, 2009 through August 31, 2009

Commission File No. 000-14311

EACO CORPORATION
(Exact name of Registrant as specified in its charter)

Florida
(State of Incorporation)

59-2597349
(I.R.S. Employer Identification No.)

1500 North Lakeview Avenue
Anaheim, California 92807
(Address of Principal Executive Offices)

Registrant's telephone number, including area code: (714) 876-2490

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, \$.01 Par Value
(Title of Class)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during

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the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

The aggregate market value of the registrant's common stock as of July 1, 2009 (based upon the average bid and asked price of the common stock on that date) held by non-affiliates of the registrant was approximately \$135,000.

As of December 1, 2009, 3,910,264 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

No documents required to be listed hereunder are incorporated by reference in this report on Form 10-K.

EXPLANATORY NOTE

EACO Corporation (the Company) is filing this Amendment No. 1 to its Transition Report on Form 10-K for the eight months ended August 31, 2009 (the Original Report), filed with the Securities and Exchange Commission (the SEC) on December 23, 2009, solely to add the audited consolidated balance sheet as of January 2, 2008, the audited consolidated statements of operations, cash flows and shareholders' (deficit) equity for the fiscal years ended December 31, 2008 and January 2, 2008, and the related management's discussion and analysis of financial condition and results of operations, all of which had been previously filed with the SEC on the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008. Except as stated in this paragraph, this amendment does not update or change any other items or disclosures in the Original Report or reflect events that occurred after the date of the Original Report. We have also included the certifications required under Section 302 and Section 906 of the Sarbanes-Oxley Act of 2002.

Item 7. Management's Discussion and Analysis of Financial Condition and Results Of Operations

Critical Accounting Policies

Revenue Recognition

The Company leases its properties to tenants under operating leases with terms exceeding one year. Some of these leases contain scheduled rent increases. We record rent revenue for leases which contain scheduled rent increases on a straight-line basis over the term of the lease, in accordance with Statement of Financial Accounting Standards (SFAS) No. 13, Accounting for Leases.

Receivables are carried net of an allowance for uncollectible receivables. An allowance is maintained for estimated losses resulting from the inability of any tenant to meet their contractual obligations under their lease agreements. We determine the adequacy of this allowance by continually evaluating individual tenants' receivables considering the tenant's financial condition and security deposits, and current economic conditions. An allowance for uncollectible accounts of \$0 and \$53,400 as of August 31, 2009 and December 31, 2008, respectively, was determined to be necessary to reduce receivables to our estimate of the amount recoverable.

Impairment of Long Lived Assets

The Company's accounting policy for the recognition of impairment losses on long-lived assets is considered critical. The Company's policy is to review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For the purpose of the impairment review, assets are tested on an individual basis. The recoverability of the assets is measured by a comparison of the carrying value of each asset to the future net undiscounted cash flows expected to be generated by such assets. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds their estimated fair value. During the eight months ended August 31, 2009 and August 31, 2008, the Company did not record an impairment charge on its rental property assets although an impairment charge of \$2,057,800 was recognized on three rental property assets during the quarter ended December 31, 2008.

Liabilities of Discontinued Operations

The Company's policy for estimating liabilities of its discontinued operations is considered critical. This item consists of the Company's self-insured worker's compensation program. The Company self-insures workers' compensation claims losses up to certain limits. The liability for workers' compensation represents an estimate of the present value of the ultimate cost of uninsured losses which are unpaid as of the balance sheet dates. The estimate is continually

reviewed and adjustments to the Company's estimated claim liability, if any, are reflected in discontinued operations. At fiscal year end, the Company obtains an actuarial report which estimates its overall exposure based on historical claims and an evaluation of future claims. An actuarial evaluation was obtained by the Company as of August 31, 2009. The Company pursues recovery of certain claims from an insurance carrier. Recoveries, if any, are recognized when realization is reasonably assured.

Deferred Tax Assets

The Company's policy for recording a valuation allowance against deferred tax assets (see Note 8 to the financial statements included elsewhere herein) is considered critical. A valuation allowance is provided for deferred tax assets if it is more likely than not these items will either expire before the Company is able to realize their benefit, or when future deductibility is uncertain. In accordance with SFAS No. 109, Accounting for Income Taxes (SFAS 109), the Company records net deferred tax assets to the extent management believes these assets will more likely than not be realized. In making such determination, the Company considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income (if any), tax planning strategies and recent financial performance. SFAS 109 further states that forming a conclusion that a valuation allowance is not required is difficult when there is negative evidence such as cumulative losses and/or significant decreases in operations. As a result of the

Company's disposal of significant business operations, management concluded that a valuation allowance should be recorded against certain federal and state tax credits. The utilization of these credits requires sufficient taxable income after consideration of net operating loss utilization.

Loss on Sublease Contracts

The Company's policy for recording a loss on sublease contracts is to evaluate the costs expected to be incurred under an operating sublease in relation to the anticipated revenue in accordance with Financial Accounting Standards Board (FASB) Technical Bulletins (FTB) 79-15, Section L-10; if such costs exceed anticipated revenue on the operating sublease, the Company recognizes a loss equal to the present value of the shortfall in rental income over the term of the sublease.

Results of Operations

Eight Months Ended August 31, 2009 Compared to August 31, 2008

Continuing Operations

The Company exited the restaurant business through the sale of its operating restaurants to Banner Buffets LLC (Banner) on June 29, 2005 (the Asset Sale). At August 31, 2009, the Company owns two restaurant properties, one located in Orange Park, Florida (the Orange Park Property) and one in Brooksville, Florida (the Brooksville Property). The Orange Park Property was vacant at August 31, 2009, while the Brooksville Property was occupied by a tenant, whose lease period commenced on January 9, 2008. At August 31, 2009, the Company was obligated for leases of one restaurant located in Deland, Florida (the Deland Property). In 2008, this property was occupied by a nonperforming subtenant who was evicted at the beginning of 2009. During 2009, the Company reached an agreement with the landlord of property the Company leased in Tampa, Florida (the Fowler Property). For a lump sum, the Company was released from any past and future obligations related to that property. In 2008, the Fowler Property was occupied by a non-performing subtenant who was evicted in early 2009. In addition, the Company owns an income producing real estate property held for investment in Sylmar, California (the Sylmar Property) with two industrial tenants.

Rental income decreased \$269,200 or 28% in the eight months ended August 31, 2009 as compared to the same period in 2008. This was due to the subtenants at the Fowler Property and Deland Property. Both of these tenants failed to fulfill their obligations under their respective subtenant agreements and were evicted at the beginning of 2009. These properties were vacant during 2009 and were income producing in 2008.

In March 2007, the Company entered into a sublease on the Deland Property for \$16,600 per month for a period of five years with a 4% rent increase every two years. The monthly sublease income was \$7,000 less than the monthly minimum lease payments. The lease on the Deland Property contained a purchase option, which expired unexercised in December 2007. At that point, the purchase of the property was no longer imminent and, as a result, the Company recognized a loss on the sublease contract for the Deland Property of \$720,900 in 2007 in accordance with the Financial Accounting Standards Board (FASB) Technical Bulletin (FTB) No. 79-15, Accounting for Loss on a Sublease Not Involving the Disposal of a Segment. The loss was calculated as the present value of the shortfall in rental income over the term of the sublease contract. At the end of 2009 the subtenant defaulted on the lease. Eviction of the subtenant was completed in February 2009. As a result, the accrual for loss on sublease contract was derecognized in December 2008, resulting in a gain of approximately \$720,900.

In June 2008, the Company entered into a sublease on the Fowler Property for \$22,500 per month for a period of two years with no rent increase during the lease term. The monthly sublease income was \$7,800 less than the monthly minimum lease payments. In 2008, the Company recognized a loss on the sublease contract for the Fowler Property of

\$151,000 in accordance with the FTB No. 79-15. The loss was calculated as the present value of the shortfall in rental income over the term of the sublease contract.

Both the tenants of the Fowler Property and the Deland Property were evicted at the beginning of 2009. The remaining loss on contracts were reversed in December 2008 and reflected in the Company's financial statements for the fiscal year ended December 31, 2008 (fiscal 2008). As a result, no amounts related to the loss on contract were recognized in the eight months ended August 31, 2009.

In the latter half of fiscal 2008, the real estate market in Florida declined considerably. In addition, the general economic climate in the United States has caused consumers to decrease discretionary spending, adversely affecting the restaurant industries. These two situations combined with vacancies at three of the Company's four Florida properties triggered an analysis by management of the Company's owned real estate properties and capital lease holdings in the State of Florida as required by SFAS No. 144, *Accounting for the Impairment of Disposal of Long Lived Assets*. The Company contracted with an outside firm to value the four properties in Florida: the Deland Property, Fowler Property, Brooksville Property and Orange Park Property. Based upon the appraisals received, the Company recorded impairment charges of approximately \$2,057,800 with regard to the Fowler Property, the Deland Property and the Brooksville Property as of December 31, 2008. Management did not record an impairment charge related to the Orange Park Property as the book value was less than the estimated fair value.

As previously stated, during the eight month period ended August 31, 2009, the Company negotiated a settlement of the capital lease it held at the Fowler Property. The disposition of the property related to the lease resulted in a loss of \$146,400. The extinguishment of the related capital lease obligation resulted in a gain of \$949,300. Both of these amounts are presented in the accompanying statement of operations for the eight months ended August 31, 2009. No such transaction occurred in 2008.

Depreciation and amortization decreased \$120,800 or 25% in the eight months ended August 31, 2009 as compared to the same period in 2008, due to the settlement of the capital lease obligation related to the Fowler Property. Depreciation and amortization related to that property and to various other assets of that property were not expensed in the eight month period ended August 31, 2009 as they were in the eight month period ended August 31, 2008.

General and administrative expenses decreased \$357,100 or 31% in the eight months ended August 31, 2009 as compared to the same period in 2008, due to significant decreases in rent related to the release from the Company's lease obligation for the Fowler Property that occurred at the beginning of 2009 and an absence of bad debt in 2009. The nonperforming subtenants of the Fowler Property and Deland Property resulted in approximately \$155,400 of bad debt being recorded during the eight months ended August 31, 2008. Those tenants were evicted in February 2009 and no bad debt occurred in the eight months ended August 31, 2009.

The results from continuing operations for the eight month period ended August 31, 2008 included net realized gains of \$95,700 from the sale of marketable securities and securities sold, not yet purchased, compared to net realized losses of \$0 in the eight month period ended August 31, 2009. During the first four months of 2008, the Company liquidated all of its marketable securities to meet the demands of operating cash flow. There were no marketable securities held in 2009.

Interest and other income decreased \$154,500 or 95% in the eight months ended August 31, 2009 as compared to the eight months ended August 31, 2008. The decrease was due to the lack of interest income received in 2009 due to the Company's liquidation of its marketable securities. In addition, in the eight month period ended August 31, 2008, the Company received a reimbursement from the Florida Disability Trust fund related to one of the claims in the Company's self insured worker's compensation program. No such reimbursement occurred in the eight month period ended August 31, 2009, and is not expected to occur in the future.

The Company had a loss from continuing operations before income taxes of \$302,900 in the eight month period ended August 31, 2009 compared to a loss of \$1,169,700 in the eight month period ended August 31, 2008. In the eight month period ended August 31, 2009, income tax expense of \$5,900 was recognized related to various state income taxes. The Company recognized \$15,800 of income tax expense during the eight month period ended August 31, 2008. Basic and diluted loss per share from continuing operations in the eight month period ended August 31, 2009 was \$0.09 compared to \$0.31 in the eight month period ended August 31, 2008.

Discontinued Operations

There was a gain on discontinued operations net of income tax in the eight month period ended August 31, 2009 of \$308,700 as compared to a loss in the eight month period ended August 31, 2008 of \$1,185,500. The

loss on discontinued operations in 2008 includes a settlement reached in May 2008 on a claim filed by a broker requesting a commission related to the Asset Sale. See Note 11 to the financial statements. The gain on discontinued operations in the eight month period ended August 31, 2009 was due to a settlement reached with one of the Company's third party administrators of its self insured workers compensation program relating to one specific claim. The Company also recognized a decrease in liabilities of discontinued operations of \$124,600 based upon the Company's most recent actuarial analysis. Basic and diluted income per common share from discontinued operations was \$0.08 for the eight month period ended August 31, 2009, compared to a loss per common share of \$0.15 for the eight month period ended August 31, 2008.

Net loss for the eight month period ended August 31, 2009 was \$100 compared to net loss of \$1,781,700 in the eight month period ended August 31, 2008. Basic and diluted loss per common share was \$0.01 for the eight month period ended August 31, 2009, compared to \$0.46 in the eight month period ended August 31, 2008.

2008 Compared to 2007

Continuing Operations

As described in Note 2 to the financial statements, the Company exited the restaurant business through the sale of its operating restaurants to Banner Buffets LLC (Banner) on June 30, 2005 (the Asset Sale). At December 31, 2008, the Company owns two restaurant properties, one located in Orange Park, Florida (the Orange Park Property) and one in Brooksville, Florida (the Brooksville Property). The Orange Park Property was vacant at fiscal year end, while the Brooksville Property was occupied by a tenant, whose lease period commenced on January 9, 2008. At December 31, 2008, the Company was obligated for leases of two restaurant locations, one located in Tampa, Florida (the Fowler Property) and another located in Deland, Florida (the Deland Property). Both of these properties contained nonperforming subtenants who were both evicted at the beginning of 2009. In addition, the Company owns an income producing real estate property held for investment in Sylmar, California (the Sylmar Property) with two industrial tenants.

In March 2007, the Company entered into a sublease on the Deland Property for \$16,600 per month for a period of five years with a 4% rent increase every two years. The monthly sublease income was \$7,000 less than the monthly minimum lease payments. The lease on the Deland Property contained a purchase option which management intended to exercise; however, the purchase option expired unexercised in December 2007. At that point, the purchase of the property was no longer imminent and as a result, the Company recognized a loss on the sublease contract for the Deland Property of \$720,900 in 2007 in accordance with the Financial Accounting Standards Board (FASB) Technical Bulletins (FTB) No. 79-15, Accounting for Loss on a Sublease Not Involving the Disposal of a Segment . The loss was calculated as the present value of the shortfall in rental income over the term of the sublease contract. At the end of 2008, the subtenant defaulted on the lease. Eviction of the subtenant was completed in February 2009. As a result, the accrual for loss on sublease contract was derecognized in December 2008, resulting in a gain of approximately \$720,900.

In the latter half of fiscal 2008, the real estate market in Florida declined considerably. In addition, the general economic climate in the United States has caused consumers to decrease discretionary spending, adversely affecting the restaurant industries. These two situations combined with vacancies at three of the Company's four Florida properties triggered an analysis by management of the Company's owned real estate properties and capital lease holdings in the State of Florida as required by Statement of Financial Accounting Standards (SFAS) No. 144,

Accounting for the Impairment or Disposal of Long-Lived Assets . The Company contracted with an outside expert to value the four properties in Florida: the Deland Property, Fowler Property, Brooksville Property and Orange Park Property. Based upon the appraisals received, the Company recorded an impairment charge of approximately \$2,057,800 with regards to the Fowler Property, the Deland Property and the Brooksville Property as of December 31, 2008. Management did not book an impairment charge related to the Orange Park Property as the net book value was less than the appraised market value.

The results from continuing operations for 2008 included net realized gains of \$133,000 from the sale of marketable securities and securities sold not yet purchased, compared to net realized losses of \$321,900 in 2007. Net unrealized losses for 2008 were \$37,300 compared to net unrealized gains of \$225,200 in 2007.

In 2007, Banner closed its remaining store. Consequently, the Company wrote-off the remaining balance on the note receivable from Banner related to the Asset Sale in the amount of \$69,200 in 2007. No such write off occurred in 2008.

General and administrative expenses increased from \$1,808,700 in 2007 to \$1,954,400 in 2008. The increase was primarily due to an increase in rents and property taxes due to the return of the Fowler Property to the Company at the end of 2007. This was offset slightly by a reduction in legal fees due to the settlement of two large cases in the first quarter of 2008, of which most of the legal fees were incurred in 2007.

The Company had a loss from continuing operations before income taxes of \$3,419,600 in 2008 compared to a loss of \$2,682,900 in 2007. In 2008, no income tax benefit was recognized as management believes it is not likely that the net operating losses will be utilized for the foreseeable future. The Company did not recognize an income tax benefit for 2007. Loss from continuing operations net of the income tax expense for the years ended December 31, 2008 and January 2, 2008 was \$3,435,400 and \$2,682,900, respectively. Basic and diluted loss per share from continuing operations in 2008 was \$0.89, compared to \$0.69 in 2007.

Discontinued Operations

There was a loss on discontinued operations in fiscal year 2008 of \$596,200 versus a loss in the fiscal year 2007 of \$2,317,700. The loss on discontinued operations in 2008 was due to a settlement reached in May 2008 on a claim filed by a broker requesting a commission related to the Asset Sale, see Note 12 to the financial statements. The loss on discontinued operations in 2007 was due to the final judgment rendered in December 2007 for a claim filed by a second broker requesting a commission related to the Asset Sale. Basic and diluted net loss per share from discontinued operations was \$0.16 for 2008, compared to \$0.59 for 2007.

Net loss for 2008 was \$4,031,600 compared to net loss of \$4,996,600 in 2007. Basic and diluted loss per share was \$1.05 for 2008, compared to \$1.30 in 2007.

Liquidity and Capital Resources

The financial statements of the Company included elsewhere herein have been prepared assuming that the Company will continue as a going concern. The Company incurred significant losses and had negative cash flow from operations for the eight months ended August 31, 2009, and had a working capital deficit of approximately \$10,750,000 at that date. The cash balance at August 31, 2009 was \$42,500. The cash outflows through December 2010 are estimated to total approximately \$3,580,000, which will result in a negative cash balance of \$3,533,400 as of December 2010. The projections assume that EACO will not make any additional payments on its loans to Bisco through December 2010 and ignores the potential impact of the proposed merger with Bisco.

Management has taken actions to address these matters including those described below; however, there can be no assurance that improvement in operating results will occur or that the Company will successfully implement its plans. Since cash flow from operations will not be sufficient, the Company will require additional sources of financing in order to maintain its current operations. The Company has entered into an agreement to complete a merger transaction with Bisco, an affiliated entity which has a history of positive operating cash flows and sufficient liquidity. The planned merger is expected to alleviate the Company's cash flow problems; however, there can be no assurance that the merger will be consummated or that improvements in operations will result. The transaction is subject to shareholder approval.

Throughout the eight month period ended August 31, 2009, the Company received bridge loans from Bisco totaling approximately \$1,249,200, including interest, of which \$54,125 was repaid during the year. The bridge loans were made pursuant to note agreements that accrue interest at an annual rate of 7.5%. The note agreements do not provide for regularly scheduled payments; however, all outstanding principal balance plus accrued interest is due six months from the date of each note. The loans have been extended by the Company to March 2010.

Due to the reassignment of two leased properties to the Company and loss on the Company's lawsuit with two brokers, working capital requirements have been significant.

The Company purchased the Sylmar Property in November 2005 for \$8.3 million. The transaction was structured as a like-kind exchange transaction under Section 1031 of the Internal Revenue Code, which resulted in the deferral of an estimated \$1 million in income taxes payable from the Asset Sale. The Company assumed a loan on the property for \$1.8 million with a variable interest rate equal to prime. This loan was repaid in full in 2007 when the Company refinanced the Sylmar Property with Community Bank. The property was refinanced for 20 years at an annual interest rate of 6.0%. The property currently has two industrial tenants and produces rental income of approximately \$770,000 to \$800,000 per year.

In December 2007, the Company exercised the purchase option under the lease agreement with CNL American Property, the landlord, for the purchase of the Brooksville Property. The purchase price was approximately \$2,027,000 and was paid in cash. During 2008, the Company financed the Brooksville Property with Zion's Bank receiving cash of approximately \$1,200,000 and a mortgage for that amount. The mortgage

is for twenty years at an annual interest rate of 6.65%. Proceeds from the financing were used to repay a portion of the amounts borrowed from Bisco. The outstanding balance of the loan at August 31, 2009 was \$1,187,800. As of August 31, 2009, the Company was not in compliance with one covenant of the loan agreement. The defaulted covenant prohibited EACO from incurring any additional debt during the eight months ended August 31, 2009. The Company violated this covenant through borrowings from Bisco to fund operations throughout the course of fiscal 2009. Zion's Bank has not granted the Company a waiver regarding that default. Although Zion's Bank has not accelerated the loan, the full amount due under the mortgage is being shown as a current liability in the August 31, 2009 balance sheet. Zion's Bank has indicated they will not take any action regarding the breach; however, they reserve any and all rights they have under the mortgage agreement.

Violation of the Zion Bank debt covenant triggered a cross default provision with the GE Capital and Community Bank loans. As a result and because the Company did not obtain waivers from those creditors, such loans have been classified as current liabilities as of August 31, 2009.

As of August 31, 2009, the Company was current on the payments of principal and interest required by the debt agreements described above. Management believes that the possibility of foreclosure of any of the properties which collateralize such debt is remote. Should the properties be foreclosed upon, the Company risks losing all of its related revenue stream.

Also in December 2007, a final judgment of \$2,317,700 was entered against the Company in a lawsuit with a broker claiming it was owed a commission on the Asset Sale. On January 22, 2008, the Company entered into a settlement agreement with the broker and paid the broker the judgment amount.

In May 2008, the Company entered into a settlement agreement for a total amount of \$550,000 with a second broker claiming he was owed a commission on the Asset Sale. In June 2008, the Company paid the broker the settlement amount.

In April 2009, the Company entered into a settlement agreement with the landlord of the Fowler Property. For a sum of \$500,000, the landlord agreed to release the Company from all past and future obligations relating to the lease. In May 2009, the Company paid the landlord the settlement amount.

In July 2009, the Company entered into a settlement agreement with the landlord of the Deland Property. For the sum of \$2,123,000, the landlord agreed to sell the property to the Company and release the Company from all past and future liabilities related to the lease. The Company paid \$200,000 in July 2009 and the remainder in September 2009.

In June 2004, the Company sold 145,833 shares of its common stock (the "Common Stock") directly to Bisco Industries, Inc. Profit Sharing and Savings Plan for a total cash purchase price of \$175,000. In September 2004, the Company sold 36,000 shares of the Company's newly authorized Series A Cumulative Convertible Preferred Stock (the "Preferred Stock") to the Company's Chairman at a price of \$25 per share, for a total cash purchase price of \$900,000. Preferred stock dividends cumulate whether or not declared but are paid quarterly when declared by the Company's Board of Directors. The Company declared no preferred stock dividends during the eight months period ended August 31, 2009. As of August 31, 2009, there was \$38,200 of cumulative undeclared dividends.

The Company is required to pledge collateral for its workers' compensation self insurance liability with the Florida Self Insurers Guaranty Association ("FSIGA"). The Company decreased this collateral by \$369,500 during the quarter ended December 31, 2008, and had a total of \$3,769,500 pledged collateral at August 31, 2009. Bisco provides \$1 million of this collateral. The Company may be required to increase this collateral pledge from time to time in the future, based on its workers' compensation claim experience and various FSIGA requirements for self-insured companies. Despite the sale of the Company's restaurants, workers' compensation will remain an ongoing liability for

the Company until all claims are paid, which will likely take many years.

Cash used in operating activities was \$616,600 for the eight months ended August 31, 2009 compared to \$4,570,400 for the same period in 2008, and the decrease of \$3,953,800 is primarily due to the settlement amounts paid to the two brokers in the first half of 2008 and the significant increase in net income in the eight month period ended August 31, 2009 as compared to the eight month period ended August 31, 2008.

In October 2002, the Company entered into a loan agreement with GE Capital for one restaurant property owned by the Company. The loan requires monthly principal and interest payments totaling \$10,400. Interest is at the thirty-day LIBOR rate +3.75% (minimum interest rates of 7.34%). The loan is due December 2016. As of August 31, 2009, the outstanding balance due under the Company's loan with GE Capital was \$699,100.

The Company also assumed a loan in the amount of \$1,800,000 with Citizen's Bank of California in connection with the Sylmar Property purchase in November 2005. On November 9, 2007, the Company completed the refinance of the Sylmar Property in exchange for a note in the amount of \$5,875,000 from Community Bank. Of this amount, \$1,752,000 was used to payoff the assumed loan from Citizen's Bank, \$4,088,900 was received in cash, and \$34,100 represented fees paid for refinancing. The loan agreement requires the Company to comply with certain financial covenants and ratios measured annually beginning with the 12-month period ended December 31, 2007. The Company was in compliance with its loan covenants as of August 31, 2009 and December 31, 2008. As of August 31, 2009, the outstanding balance due on the loan to Community Bank, collateralized by the Sylmar Property, was \$5,671,900.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the financial position, revenues, results of operations, liquidity or capital expenditures, except for the land leases on the restaurant properties treated as operating leases.

Recent Developments

On September 30, 2009, the Company completed the purchase of the Deland Property. Under the agreement reached with the landlord in July 2009, the Company made an earnest money deposit of \$200,000 upon execution of the agreement. The remaining \$1,923,000 was paid at the closing of the acquisition on September 30, 2009. The required amounts were borrowed from Bisco.

Impact of Inflation

Since the Asset Sale, inflation has not had a significant effect on the Company's operations.

Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued SFAS No. 166, Accounting for Transfers of Financial Assets (SFAS 166). SFAS 166 is a revision to SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, and will require more information about transfers of financial assets and where companies have continuing exposure to the risk related to transferred financial assets. It eliminates the concept of a qualifying special purpose entity, changes the requirements for derecognizing financial assets, and requires additional disclosure. This standard is effective for interim and annual periods ending after November 15, 2009. We are currently evaluating the potential impact on our financial statements when implemented.

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) (SFAS 167). SFAS 167 is intended to improve financial reporting by providing additional guidance to companies involved with variable interest entities (VIEs) and by requiring additional disclosures about a company's involvement in variable interest entities. This standard is generally effective for interim and annual periods ending after November 15, 2009. We are currently evaluating the potential impact on our financial statements when implemented. However, the effective date has been deferred (until late 2010) for certain entities and VIEs such as mutual funds, hedge funds, private equity funds and venture capital funds.

In June 2009, the FASB issued Statement No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162 (SFAS 168). SFAS 168 establishes the FASB Accounting Standards Codification (the Codification) as the sole source of authoritative generally accepted accounting principles in the United States (GAAP) recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of

federal securities laws are also sources of authoritative GAAP for SEC registrants. On the effective date of SFAS 168, the Codification superseded all then-existing non-SEC accounting and reporting standards. All other nongrandfathered non-SEC accounting literature not included in the Codification then became nonauthoritative. SFAS 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. SFAS 168 is not expected to have a material impact on our financial position, results of operations, or cash flows.

In June 2008, the FASB ratified the consensus reached on Emerging Issues Task Force (EITF) Issue No. 07-05, *Determining Whether an Instrument (or an Embedded Feature) is Indexed to an Entity's Own Stock* (EITF 07-05). EITF 07-05 provides guidance for determining whether an equity-linked financial instrument (or embedded feature) is indexed to an entity's own stock. EITF 07-05 applies to any freestanding financial instrument or embedded feature that has all the characteristics of a derivative under paragraphs 6-9 of SFAS 133, for purposes of determining whether that instrument or embedded feature qualifies for the first part of the scope exception under paragraph 11(a) of SFAS 133 and for purposes of determining whether that instrument is within the scope of EITF No. 00-19 *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock*, which provides accounting guidance for instruments that are indexed to, and potentially settled in, the issuer's own stock. EITF 07-05 is effective for fiscal years beginning after December 15, 2008, and early adoption is not permitted. The Company is currently evaluating the impact of this pronouncement on its financial statements.

In April 2009, the FASB issued FASB Staff Position (FSP) FAS 107-1/APB 28-1 (FSP 107-1), which is entitled *Interim Disclosures about Fair Value of Financial Instruments*. This pronouncement amended SFAS No. 107 (*Disclosures about Fair Value of Financial Instruments*) to require disclosure of the carrying amount and the fair value of all financial instruments for interim reporting periods and annual financial statements of publicly traded companies (even if the financial instrument is not recognized in the balance sheet), including the methods and significant assumptions used to estimate the fair values and any changes in such methods and assumptions. FSP 107-1 also amended APB Opinion No. 28 (*Interim Financial Reporting*) to require disclosures in summarized financial information at interim reporting periods. FSP 107-1 is effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ended after March 15, 2009 if a company also elects to early adopt FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, and FSP FAS 115-2/FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*. FSP FAS 157-4 and FSP FAS 115-2/FAS 124-2 are discussed immediately below.

In April 2009, the FASB also issued FSP FAS 157-4, which generally applies to all assets and liabilities within the scope of any accounting pronouncements that require or permit fair value measurements. This pronouncement, which does not change SFAS No. 157's guidance regarding Level 1 inputs, requires the entity to (i) evaluate certain factors to determine whether there has been a significant decrease in the volume and level of activity for the asset or liability when compared with normal market activity, (ii) consider whether the preceding indicates that transactions or quoted prices are not determinative of fair value and, if so, whether a significant adjustment thereof is necessary to estimate fair value in accordance with SFAS No. 157, and (iii) ignore the intent to hold the asset or liability when estimating fair value. FSP FAS 157-4 also provides guidance to consider in determining whether a transaction is orderly when there has been a significant decrease in the volume and level of activity for the asset or liability, based on the weight of available evidence. This pronouncement is effective for interim and annual reporting periods ending after June 15, 2009, and shall be applied prospectively. Early adoption of FSP FAS 157-4 also requires early adoption of the pronouncement described in the following paragraph. However, early adoption for periods ended before March 15, 2009 is not permitted.

In April 2009, the FASB issued FSP FAS 115-2/FAS 124-2 (hereinafter referred to as FSP FAS 115-2/124-2), which amends the other-than-temporary impairment (OTTI) recognition guidance in certain existing GAAP (including SFAS No. 115 and 130, FSP FAS 115-1/FAS 124-1, and EITF Issue No. 99-20) for debt securities classified as

available-for-sale and held-to-maturity. FSP FAS 115-2/124-2 requires the entity to consider (i) whether the entire amortized cost basis of the security will be recovered (based on the present value of expected cash flows), and (ii) its intent to sell the security. Based on the factors described in the preceding sentence, this pronouncement

describes the process for determining the OTTI to be recognized in other comprehensive income (generally, the impairment charge for a non-credit loss) and in earnings. FSP FAS 115-2/124-2 does not change existing recognition or measurement guidance related to OTTI of equity securities. This pronouncement is effective as described in the preceding paragraph. Certain transition rules apply to debt securities held at the beginning of the interim period of adoption when an OTTI charge was previously recognized. If an entity early adopts either FSP 107-1 or FSP FAS 157-4, the entity is also required to early adopt this pronouncement. In addition, if an entity early adopts FSP FAS 115-2/124-2, it is also required to early adopt FSP FAS 157-4.

The pronouncements described in the immediately preceding three paragraphs do not require any of the new disclosures for earlier periods (ended before initial adoption) that are presented for comparative purposes.

In May 2009, the FASB issued SFAS No. 165 entitled Subsequent Events. Transactions and events that occur after the balance sheet date but before the financial statements are issued or are available to be issued (which are generally referred to as subsequent events) that are addressed by other GAAP, such as those governed by FASB Interpretation No. 48, SFAS No. 5 and SFAS No. 128, are not within the scope of SFAS No. 165.

Companies are now required to disclose the date through which subsequent events have been evaluated by management. Public entities (as defined) must conduct the evaluation as of the date the financial statements are issued, and provide disclosure that such date was used for this evaluation. SFAS No. 165 provides that financial statements are considered issued when they are widely distributed for general use and reliance in a form and format that complies with GAAP. SFAS No. 165 is effective for interim or annual periods ending after June 15, 2009, and must be applied prospectively.

The adoption of SFAS No. 165 during the quarter ended July 1, 2009 did not have a significant effect on the Company's financial statements as of that date or for the quarter or year-to-date period then ended.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The financial statements listed below and commencing on the pages indicated are filed as part of this report on Form 10-K/A.

Financial Statements as of August 31, 2009 and December 31, 2008 and for the eight month periods ended August 31, 2008 (unaudited) and August 31, 2009

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Financial Statements as of December 31, 2008 and January 2, 2008 and for each of the years in the two year period ended December 31, 2008

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(b) The following exhibits are filed as part of this report on Form 10-K as required by Item 601 of Regulation S-K.

Number	Exhibit
2.1	Agreement and Plan of Merger dated December 22, 2009 by and between EACO Corporation, Bisco Acquisition Corp., Bisco Industries, Inc. and Glen Ceiley (previously filed as an exhibit to the Company's Transition Report on Form 10-K filed with the SEC on December 23, 2009)
3.1	Articles of Incorporation of Family Steak Houses of Florida, Inc. (Exhibit 3.01 to the Company's Registration Statement on Form S-1, filed with the SEC on November 29, 1985, Registration No. 33-1887, is incorporated herein by reference.)
3.2	Articles of Amendment to the Articles of Incorporation of Family Steak Houses of Florida, Inc. (Exhibit 3.03 to the Company's Registration Statement on Form S-1, filed with the SEC on November 29, 1985, Registration No. 33-1887, is incorporated herein by reference.)
3.3	Articles of Amendment to the Articles of Incorporation of Family Steak Houses of Florida, Inc. (Exhibit 3.03 to the Company's Registration Statement on Form S-1, filed with the SEC on November 29, 1985, Registration No. 33-1887, is incorporated herein by reference.)
3.4	Amended and Restated Bylaws of Family Steak Houses of Florida, Inc. (Exhibit 4 to the Company's registration statement on Form 8-A, filed with the SEC on March 19, 1997, is incorporated herein by reference.)
3.5	Articles of Amendment to the Articles of Incorporation of Family Steak Houses of Florida, Inc. (Exhibit 3.08 to the Company's Annual Report on Form 10-K filed with the SEC on March 31, 1998, is incorporated herein by reference.)
3.6	Amendment to Amended and Restated Bylaws of Family Steak Houses of Florida, Inc. (Exhibit 3.08 to the Company's Annual Report on Form 10-K filed with the SEC on March 15, 2000, is incorporated herein by reference.)
3.7	Articles of Amendment to the Articles of Incorporation of Family Steak Houses of Florida, Inc. (Exhibit 3.09 to the Company's Annual Report on Form 10-K filed with the SEC on March 29, 2004 is incorporated herein by reference.)
3.8	Articles of Amendment to the Articles of Incorporation of Family Steak Houses of Florida, Inc., changing the name of the corporation to EACO Corporation. (Exhibit 3.10 to the Company's Quarterly Report on Form 10-Q filed with the SEC on September 3, 2004, is incorporated herein by reference.)
3.9	Articles of Amendment Designating the Preferences of Series A Cumulative Convertible Preferred Stock \$0.10 Par Value of EACO Corporation (Exhibit 3.1 to the Company's current report on Form 8-K filed with the SEC on September 8, 2004, is incorporated herein by reference.)
3.10	Certificate of Amendment to Amended and Restated Bylaws effective December 21, 2009 (previously filed as an exhibit to the Company's Transition Report on Form 10-K filed with the SEC on December 23, 2009)
3.11	Articles of Amendment to Articles of Amendment Designating the Preferences of Series A Cumulative Convertible Preferred Stock, as filed with the Secretary of State of the State of Florida on December 22, 2009 (previously filed as an exhibit to the Company's Transition Report on Form 10-K filed with the SEC on December 23, 2009)
10.1	Form of Amended and Restated Mortgage, Assignment of Rents and Leases, Security Agreement and Fixture Filing between the Company and GE Capital Franchise Corporation dated October 21, 2002. (Exhibit 10.01 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on November 14, 2002, is incorporated herein by reference.)
10.2	Form of Amended and Restated Promissory Note between the Company and GE Capital Franchise Finance Corporation dated October 21, 2012. (Exhibit 10.02 to the Company's Quarterly Report on Form 10-Q filed with the SEC on November 14, 2002, Registration No. 33-1887, is incorporated herein

- by reference.)
- 10.3 Form of Loan Agreement between the Company and GE Capital Franchise Finance Corporation dated October 21, 2002. (Exhibit 10.03 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on November 14, 2002, is incorporated herein by reference.)
 - 10.4 Settlement Agreement dated as of May 9, 2008 by and among EACO Corporation, Horn Capital Realty, Inc. and Jonathan S. Horn. (Exhibit 10.1 to the Company's current report on Form 8-K, filed with the SEC on May 9, 2008 is hereby incorporated by reference.)
 - 10.5 Settlement Agreement dated as of January 22, 2008 by and between EACO Corporation, Glen Ceiley, Florida Growth Realty, Inc. and Robert Lurie. (Exhibit 10.1 to the Company's current report on Form 8-K/A filed with the SEC on January 23, 2008 is incorporated by reference.)

Number	Exhibit
10.6+	2002 Long-Term Incentive Plan (Appendix A to the Company's Proxy Statement on Schedule 14A, filed with the SEC on May 1, 2002, is hereby incorporated by reference)
10.7	Form of Note Agreement by and between Bisco Industries, Inc. and EACO Corporation (previously filed as an exhibit to the Company's Transition Report on Form 10-K filed with the SEC on December 23, 2009)
10.8	Purchase and Sale Agreement dated July 31, 2009 by and between Gottula Properties, LLC and EACO Corporation (previously filed as an exhibit to the Company's Transition Report on Form 10-K filed with the SEC on December 23, 2009)
10.9	Administrative Services Agreement dated March 3, 2006 by and between Eaco Corporation and Bisco Industries, Inc. (previously filed as an exhibit to the Company's Transition Report on Form 10-K filed with the SEC on December 23, 2009)
23.1	Consent of Squar, Milner, Peterson, Miranda & Williamson LLP. (previously filed as an exhibit to the Company's Transition Report on Form 10-K filed with the SEC on December 23, 2009)
31.1	Certification of Chief Executive Officer (principal executive officer and principal financial officer) pursuant to Securities and Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer (principal executive officer and principal financial officer) pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

+ Indicates a management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EACO Corporation

By: /s/ Glen Ceiley

Glen Ceiley
Its: Chief Executive Officer
(principal executive officer and
principal financial officer)

March 10, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant in the capacities and on the date indicated.

Signature	Title	Date
/s/ Glen F. Ceiley Glen F. Ceiley	Chairman of the Board	March 10, 2010
/s/ Steve Catanzaro Steve Catanzaro	Director	March 10, 2010
/s/ Jay Conzen Jay Conzen	Director	March 10, 2010
/s/ William Means William Means	Director	March 10, 2010

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**The Board of Directors and Shareholders of
EACO Corporation
Anaheim, California**

We have audited the accompanying balance sheets of EACO Corporation (the Company) as of August 31, 2009 and December 31, 2008 and the related statements of operations, shareholders' deficit, and cash flows for the eight month period ended August 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company was not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made. Management rights for the Additional Investors allow them to sell their Common Shares before their holding period under Rule 144 expires. The market value of our Common Shares could decline as a result of sales by the Investors and Treasury from time to time of a substantial amount of the Common Shares held by them.

Our ability to use net operating loss carryovers to reduce future tax payments may be limited or restricted.

We have generated significant NOLs as a result of our recent losses. We generally are able to carry NOLs forward to reduce taxable income in future years. However, our ability to utilize the NOLs is subject to the rules of Section 382 of the Internal Revenue Code. Section 382 generally restricts the use of NOLs after an "ownership change." An ownership change occurs if, among other things, the shareholders (or specified groups of shareholders) who own or have owned, directly or indirectly, 5% or more of a corporation's common stock or are otherwise treated as 5% shareholders under Section 382 and Treasury regulations promulgated thereunder increase their aggregate percentage ownership of that corporation's stock by more than 50 percentage points over the lowest percentage of the stock owned by these shareholders over a three-year rolling period. In the event of an ownership change, Section 382 imposes an annual limitation on the amount of taxable income a corporation may offset with NOL carry forwards. This annual limitation is generally equal to the product of the value of the corporation's stock on the date of the ownership change, multiplied by the long-term tax-exempt rate published monthly by the Internal Revenue Service. Any unused annual limitation may be carried over to later years until the applicable expiration date for the respective NOL carry forwards.

Our recapitalization did not cause an "ownership change" within the meaning of Section 382. In order to reduce the likelihood that future transactions in our Common Shares will result in an ownership change, on November 23, 2010, we adopted a Tax Benefits Preservation Plan, which provides

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an economic disincentive for any person or group to become an owner, for relevant tax purposes, of 4.99% or more of our Common Shares. To further protect our tax benefits, on May 2, 2011, we filed the Protective Charter Amendment to restrict transfers of our Common Shares if the effect of the transfer would be to cause the transferee to become a Threshold Holder (which is an owner, for relevant tax purposes, of 4.99% or more of our Common Shares) or cause the beneficial ownership of our Common Shares by any Threshold Holder to increase. However, we cannot ensure that our ability to use our NOLs to offset income will not become limited in the future. As a result, we could pay taxes earlier and in larger amounts than would be the case if our NOLs were available to reduce our federal income taxes without restriction.

The Protective Charter Amendment expires on the earliest of (i) May 2, 2014, (ii) such time as the Board of Directors determines the Protective Charter Amendment is no longer necessary for the preservation of our tax benefits and (iii) the date the Board of Directors determines that the Protective Charter Amendment is no longer in our and our shareholders' best interest.

Because of our participation in the Troubled Asset Relief Program ("TARP") and under the terms of our exchange agreement with Treasury, we are subject to restrictions on compensation paid to our executives, which may make it difficult to attract and retain key members of management.

Pursuant to the terms of the TARP Capital Purchase Program, we adopted certain standards for executive compensation and corporate governance for the period during which Treasury owns any debt or equity securities acquired pursuant to TARP. These standards generally apply to our five most highly compensated senior executive officers, including our President and Chief Executive Officer and Chief Financial Officer, and/or certain of these restrictions also apply up to the next 20 most highly compensated senior executives. The standards include, among other things:

ensuring that incentive compensation for senior executives does not encourage unnecessary and excessive risks that threaten the value of the financial institution;

a required clawback of any bonus or incentive compensation paid to a senior executive officer and the next twenty most highly compensated employees based on materially inaccurate financial statements or any other materially inaccurate financial performance metric criteria;

a prohibition on making golden parachute payments to senior executive officers and the next five most highly compensated employees;

an agreement not to deduct for tax purposes annual compensation in excess of \$500,000 for each senior executive officer; and

limitations on bonuses and incentive compensation.

We depend on the services of existing management to carry out our business strategy and our recovery plan which we began implementing in March 2010 to improve our financial health and capital ratios. In addition, our success depends in large part on our ability to attract and retain other key employees. See " We may not be able to attract and retain skilled people" below. The loss of the services of any management personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on our results of operations, financial condition and prospects. In particular, the change to the deductibility limit on executive compensation may increase the overall cost of our compensation programs in future periods and make it more difficult to attract suitable candidates to serve as executive officers.

We are also obligated to comply with any subsequent amendments to these restrictions for so long as we remain subject to such restrictions.

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Our Hawaii and, to a lesser extent, California commercial real estate and construction loan operations have a considerable effect on our results of operations.

The performance of our Hawaii and California commercial real estate and construction loans depends on a number of factors, including improvement of the real estate market in which we operate. As we have seen in the Hawaii and California construction and commercial real estate markets since the latter part of 2007, the strength of the real estate market and the results of our operations could continue to be negatively affected by the economic downturn. While we are no longer originating new loans out of our Mainland operations, we still have a sizable California loan portfolio and the performance of that portfolio continues to be subject to market conditions in California.

Declines in the market for commercial property are causing commercial borrowers to suffer losses on their projects and they may be unable to repay their loans. Defaults of these loans or further deterioration in the credit worthiness of any of these borrowers would further negatively affect our financial condition, results of operations and prospects. Declines in housing prices and the supply of existing houses for sale are causing residential developers who are our borrowers to also suffer losses on their projects and encounter difficulty in repaying their loans. Although during the first quarter of 2011, our provision for loan and lease losses amounted to a credit of \$1.6 million, from the third quarter of 2007 through 2010, we significantly increased our provision for loan and lease losses as a result of these challenging conditions. During the year ended December 31, 2010, our provision for loan and lease losses amounted to \$159.5 million, compared to \$348.8 million in 2009 and \$171.7 million in 2008. As of March 31, 2011, our percentage of nonperforming assets to total loans and leases, loans held for sale and other real estate was 13.08%, compared to 13.18% as of December 31, 2010, 15.85% as of December 31, 2009 and 3.52% as of December 31, 2008. We cannot assure you that we will have an adequate provision for loan and lease losses to cover future losses. If we suffer greater losses than we are projecting, our recovery plan and the ability to improve our position will be materially adversely affected.

Difficult economic and market conditions have adversely affected our industry and continued economic slowdown in Hawaii or a worsening of current market conditions in general would result in additional adverse effects on us.

The U.S. economy entered into one of the longest economic recessions to have occurred since the Great Depression of the 1930's in December 2007. Although general economic trends and market conditions have since stabilized to some degree, a continued economic slowdown in Hawaii or a worsening of current market conditions in general would likely result in additional adverse effects on us, including: (i) loan delinquencies may increase; (ii) problem assets and foreclosures may increase leading to more loan charge-offs; (iii) demand for our products and services may decline; (iv) low cost or non-interest bearing deposits may decrease; and (v) collateral for loans made by us, especially involving real estate, may continue to decline in value, in turn reducing customers' borrowing power and reducing the value of assets and collateral associated with our existing loans.

Furthermore, unlike larger national or other regional banks that are more geographically diversified, our business and operations are closely tied to the Hawaii market. The Hawaii economy relies on tourism, real estate, government and other service-based industries. Declines in tourism, increases in energy costs, the availability of affordable air transportation, adverse weather and natural disasters, like the recent earthquake and tsunami in Japan, and local budget issues impact consumer and corporate spending. As a result, such events may contribute to the deterioration in Hawaii's general economic condition, which could adversely impact us and our borrowers.

The high concentration of commercial real estate and construction loans in our portfolio, combined with the deterioration in these sectors caused by the economic downturn, had and may continue to have a significantly more adverse impact on our operating results than many other banks

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across the nation. Although we have taken a number of steps to reduce our credit risk exposure over the past several quarters, we still had \$284.9 million in nonperforming assets at March 31, 2011. If our borrowers continue to experience financial difficulty, or if property values securing our real estate loans decline further, we will continue to incur elevated credit costs due to the composition of our loan portfolio even if market conditions stabilize or improve.

Our allowance for loan and lease losses may not be sufficient to cover actual loan losses, which could adversely affect our results of operations. Additional loan losses will likely occur in the future and may occur at a rate greater than we have experienced to date.

As a lender, we are exposed to the risk that our loan customers may not repay their loans according to their terms and that the collateral or guarantees securing these loans may be insufficient to assure repayment. Although during the three months ended March 31, 2011, our provision for loan and lease losses amounted a credit of \$1.6 million, prior to that, during the year ended December 31, 2010, our provision for loan and lease losses amounted to \$159.5 million, compared to \$348.8 million in 2009 and \$171.7 million in 2008. Our current allowance for loan and lease losses may not be sufficient to cover future loan losses. We may experience significant loan losses that could have a material adverse effect on our operating results. Management makes various assumptions and judgments about the collectibility of our loan portfolio, which are regularly reevaluated and are based in part on:

current economic conditions and their estimated effects on specific borrowers;

an evaluation of the existing relationships among loans, potential loan losses and the present level of the allowance for loan and lease losses;

results of examinations of our loan portfolios by regulatory agencies; and

management's internal review of the loan portfolio.

In determining the size of the allowance for loan and lease losses, we rely on an analysis of our loan portfolio, our experience and our evaluation of general economic conditions, as well as the requirements of the Bank MOU and other regulatory input. If our assumptions prove to be incorrect, our current allowance for loan and lease losses may not be sufficient. Because of the uncertainty in the economy, volatility in the credit and real estate markets, including specifically, the deterioration in the Hawaii and California real estate markets and our high concentration of commercial real estate and construction loans, we made significant adjustments to our allowance for loan and lease losses in 2008, 2009 and 2010 and may need to make additional adjustments in the future.

Our ability to maintain adequate sources of funding and liquidity and required capital levels may be negatively impacted by the current economic environment which may, among other things, impact our ability to satisfy our obligations.

Liquidity is essential to our business. An inability to raise funds through deposits, borrowings, the sale of investments or loans, and other sources would have a substantial negative effect on our liquidity. Our access to funding sources in amounts adequate to finance our activities on terms which are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy in general. Factors that could detrimentally impact our access to liquidity sources include concerns regarding the continued deterioration in our financial condition, increased regulatory actions against us and a decrease in the level of our business activity as a result of a downturn in the markets in which our loans or deposits are concentrated. Our ability to borrow could also be impaired by factors that are not specific to us, such as a disruption in the financial markets or negative views and expectations about the prospects for the financial industry in light of the recent turmoil faced by banking organizations and the credit markets.

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The management of liquidity risk is critical to the management of our business and our ability to service our customer base. In managing our balance sheet, our primary source of funding is customer deposits. Our ability to continue to attract these deposits and other funding sources is subject to variability based upon a number of factors including volume and volatility in the securities' markets, our financial condition, our credit rating and the relative interest rates that we are prepared to pay for these liabilities. The availability and level of deposits and other funding sources is highly dependent upon the perception of the liquidity and creditworthiness of the financial institution, which perception can change quickly in response to market conditions or circumstances unique to a particular company. Concerns about our past and future financial condition or concerns about our credit exposure to other persons could adversely impact our sources of liquidity, financial position, including regulatory capital ratios, results of operations and our business prospects.

If the level of deposits were to materially decrease, we would have to raise additional funds by increasing the interest that we pay on certificates of deposits or other depository accounts, seek other debt or equity financing or draw upon our available lines of credit. We rely on commercial and retail deposits, and to a lesser extent, advances from the FHLB and the Federal Reserve discount window, to fund our operations. Although we have historically been able to replace maturing deposits and advances as necessary, we might not be able to replace such funds in the future if, among other things, our results of operations or financial condition or the results of operations or financial condition of the FHLB or market conditions were to change.

Our line of credit with the FHLB serves as our primary outside source of liquidity. Our maximum borrowing term is limited to two years. The Federal Reserve discount window also serves as an additional outside source of liquidity. Borrowings under this arrangement are through the Federal Reserve's secondary facility and are subject to providing additional information regarding the financial condition of the bank and reasons for the borrowing. The duration of borrowings from the Federal Reserve discount window are generally for a very short period, usually overnight. In the event that these outside sources of liquidity become unavailable to us, we will need to seek additional sources of liquidity, including selling assets. We cannot assure you that we will be able to sell assets at a level to allow us to repay borrowings or meet our liquidity needs.

In February 2009, our collateral arrangement with the FHLB converted from a blanket pledge arrangement to a physical possession arrangement whereby we are required to deliver certain original loan documents to the FHLB for the collateral securing our advances. In December 2010, the FHLB expanded the physical possession arrangement to require copies of all loan documents for the collateral securing advances. As a result, should the FHLB elect to call any of our outstanding borrowings, they would maintain possession of the collateral we pledged and could assume legal ownership of the assets in the event we are unable to meet our obligations.

We constantly monitor our activities with respect to liquidity and evaluate closely our utilization of our cash assets; however, there can be no assurance that our liquidity or the cost of funds to us may not be materially and adversely impacted as a result of economic, market, or operational considerations that we may not be able to control.

In addition to the Bank MOU, the Agreement and the BSA MOU, governmental regulation and regulatory actions against us may further impair our operations or restrict our growth.

In addition to the requirements of the Bank MOU, the Agreement and the BSA MOU, we are subject to significant governmental supervision and regulation. These regulations are intended primarily for the protection of depositors' funds, federal deposit insurance funds and the banking system as a whole, not security holders. These regulations affect our lending practices, capital structure, investment practices, dividend policy and growth, among other things. Congress and federal regulatory agencies continually review banking laws, regulations and policies for possible changes. Statutes and regulations

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affecting our business may be changed at any time and the interpretation of these statutes and regulations by examining authorities may also change.

There can be no assurance that such changes to the statutes and regulations or to their interpretation will not adversely affect our business. Such changes could subject us to additional costs, limit the types of financial services and products we may offer and/or increase the ability of non-banks to offer competing financial services and products, among other things. In addition to governmental supervision and regulation, we are subject to changes in other federal and state laws, including changes in tax laws, which could materially affect the banking industry. We are subject to the rules and regulations of the FRBSF, FDIC and DFI and may be subject to the rules and regulations promulgated by the Consumer Protection Bureau which was recently created pursuant to the Dodd-Frank Act. If we fail to comply with federal and state bank regulations, the regulators may limit our activities or growth, impose fines on us or ultimately cease our operations. Banking laws and regulations change from time to time. Bank regulations can hinder our ability to compete with financial services companies that are not regulated in the same manner or are less regulated. Federal and state bank regulatory agencies regulate many aspects of our operations. These areas include:

the capital that must be maintained;

the kinds of activities that can be engaged in;

the kinds and amounts of investments that can be made;

the locations of offices;

insurance of deposits and the premiums that we must pay for this insurance; and

how much cash we must set aside as reserves for deposits.

In particular, President Obama signed the Dodd-Frank Act into law on July 21, 2010. The Dodd-Frank Act provides for a comprehensive overhaul of the financial services industry within the United States. While the full effects of the legislation on us cannot yet be determined, it could result in higher compliance and other costs, reduced revenues and higher capital and liquidity requirements, among other things, which could adversely affect our business.

In addition, bank regulatory authorities have the authority to bring enforcement actions against banks and bank holding companies for unsafe or unsound practices in the conduct of their businesses or for violations of any law, rule or regulation, any condition imposed in writing by the appropriate bank regulatory agency or any written agreement with the authority. Possible enforcement actions against us could include a federal conservatorship or receivership for the bank, the issuance of additional orders that could be judicially enforced, the imposition of civil monetary penalties, the issuance of directives to enter into a strategic transaction, whether by merger or otherwise, with a third party, the termination of insurance of deposits, the issuance of removal and prohibition orders against institution-affiliated parties, and the enforcement of such actions through injunctions or restraining orders.

We may not be able to attract and retain skilled people.

Our success depends in large part on our ability to attract and retain key people. There are a limited number of qualified persons in Hawaii with the knowledge and experience required to successfully implement our recovery plan. The more senior the executive, the more difficult it is to locate suitable candidates in the local market. Accordingly, in many circumstances, it is necessary for us to recruit potential candidates from the mainland. At this time, new senior executives are required to be approved by our regulators. Suitable candidates for positions may decline to consider employment with the Company given its financial condition and the current regulatory environment, particularly since in some circumstances, this would require that the employee relocate from the mainland to

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Hawaii, where other employment opportunities in the banking industry may be limited. In addition, it may be difficult for us to offer compensation packages that would be sufficient to convince candidates that are acceptable to our regulators and meet our requirements to agree to become our employee and/or relocate. Our financial condition and the existing uncertainties may result in existing employees seeking positions at other companies where these issues are not present. The unexpected loss of services of other key personnel could have a material adverse impact on our business because of a loss of their skills, knowledge of our market and years of industry experience. If we are not able to promptly recruit qualified personnel, which we require to conduct our operations, our business and our ability to successfully implement our recovery plan could be adversely affected.

The recent turnover in key positions in our finance and credit departments could increase the risk that our disclosure controls and procedures may not prevent or detect all errors or acts of fraud.

Our disclosure controls and procedures are designed to reasonably assure that information required to be disclosed by us in reports we file or submit under the Exchange Act is accurately accumulated by management, and recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. We believe that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met and depend on the sufficiency of the personnel involved in those functions. There has been recent turnover in key positions in our finance and credit departments as part of the implementation of our recovery plan. We have also experienced significant turnover on our executive management team within the past year, including the appointments of a new Executive Chairman of the Board of Directors in June 2010 (who is now the President and Chief Executive Officer), new Chief Financial Officer in August 2010, new Chief Administrative Officer in November 2010, new Chief Credit Officer in February 2011 and a new Chief Information Officer in June 2011. The recent changes to our executive management team, combined with the turnover within our finance and credit departments, could increase the risk that our disclosure controls and procedures may not prevent or detect all errors or acts of fraud.

A large percentage of our real estate loans are construction loans which involve the additional risk that a project may not be completed, increasing the risk of loss.

Approximately 16% of our real estate loan portfolio as of March 31, 2011 was comprised of construction loans. Seventy percent of these construction loans were in Hawaii while 30% were located on the mainland. Many of our construction loans are reliant upon sponsors and/or guarantors for additional support. Repayment of construction loans is dependent upon the successful completion of the construction project, on time and within budget, and the successful sale of a completed project or the conversion of the construction loan into a term loan. If a borrower is unable to complete a construction project or if the marketability or value of the completed development is impaired, proceeds from the sale of the subject property may be insufficient to repay the loan.

In recent periods, our construction loan portfolio has been significantly impacted by an increase in loan delinquencies and defaults, as well as declining collateral values resulting from the downturn in the commercial real estate markets in Hawaii and California and the significant negative impact this had on our borrowers, guarantors, and many of the projects securing our construction loans. Even if economic conditions stabilize or improve, our construction loan portfolio may continue to experience material credit losses due to our high concentration of loans with exposure to this sector, combined with the continuing uncertainty surrounding many of the projects securing our existing construction loans and the diminished capacity of many of our construction borrowers and guarantors.

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A large percentage of our loans are collateralized by real estate and continued deterioration in the real estate market may result in additional losses and adversely affect our financial results.

Our results of operations have been, and in future periods, will continue to be significantly impacted by the economy in Hawaii, and to a lesser extent, other markets we are exposed to including California. Approximately 85% of our loan portfolio as of March 31, 2011 was comprised of loans primarily collateralized by real estate, with the majority of these loans concentrated in Hawaii.

Deterioration of the economic environment in Hawaii, California or other markets we are exposed to, including a continued decline or worsening declines in the real estate market and single-family home resales or a material external shock, may significantly impair the value of our collateral and our ability to sell the collateral upon foreclosure. In the event of a default with respect to any of these loans, amounts received upon sale of the collateral may be insufficient to recover outstanding principal and interest on the loan. Over the past three years, material declines in the value of the real estate assets securing many of our commercial real estate loans has led to significant credit losses in this portfolio. As a result of our particularly high concentration of commercial real estate and construction loans, the risk within our portfolio is higher than many financial institutions and, as a result, our portfolio had been and remains particularly susceptible to significant credit losses during economic downturns and adverse changes in the real estate market. Because of our high concentration of loans secured by real estate (the majority of which were originated several years ago), it is possible that we will continue to experience elevated levels of credit losses and higher Provisions even if the overall real estate market stabilizes or improves due to the continuing uncertainty surrounding many of the specific real estate assets securing our loans and the weakened financial condition of many of our commercial real estate borrowers and guarantors.

The Federal Home Loan Bank of Seattle has entered into a consent order with the Federal Housing Finance Agency. If our investment in the Federal Home Loan Bank of Seattle is classified as other-than-temporarily impaired or as permanently impaired, our earnings and stockholder's equity could decrease.

We own stock in the Federal Home Loan Bank of Seattle ("FHLB"). We hold this stock to qualify for membership in the Federal Home Loan Bank System and to be eligible to borrow funds under the FHLB's advance program. The aggregate cost and fair value of our FHLB stock was \$48.8 million as of March 31, 2011.

On October 25, 2010, the FHLB entered into a consent order with the Federal Housing Finance Agency (the "FHFA"), which requires the FHLB to take certain specified actions related to its business and operations. Following the filing of the FHLB's second quarter 2011 quarterly report on Form 10-Q with the SEC, and once the FHLB reaches and maintains certain thresholds, it may begin repurchasing member capital stock at par. Further, the FHLB may again be in position to redeem certain capital stock from members and begin paying dividends once the FHLB:

achieves and maintains certain other financial and operational metrics;

remediates certain concerns regarding its oversight and management, asset improvement program, capital adequacy and retained earnings, risk management, compensation practices, examination findings, and information technology; and

returns to a "safe and sound" condition as determined by the FHFA.

Any stock repurchases, redemptions and dividend payments will be subject to FHFA approval. There continues to be a risk that the FHLB may not be permitted to redeem capital stock from members and begin paying dividends in the future, and that our investment in FHLB stock could be impaired at some time in the future. If this occurs, our earnings and stockholders' equity would be negatively impacted.

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Our business is subject to interest rate risk and fluctuations in interest rates may adversely affect our earnings.

The majority of our assets and liabilities are monetary in nature and subject to risk from changes in interest rates. Like most financial institutions, our earnings and profitability depend significantly on our net interest income, which is the difference between interest income on interest-earning assets, such as loans and investment securities, and interest expense on interest-bearing liabilities, such as deposits and borrowings. We expect that we will periodically experience "gaps" in the interest rate sensitivities of our assets and liabilities, meaning that either our interest-bearing liabilities will be more sensitive to changes in market interest rates than our interest-earning assets, or vice versa. If market interest rates should move contrary to our position, this "gap" will work against us and our earnings may be negatively affected. In light of our current volume and mix of interest-earning assets and interest-bearing liabilities, our net interest margin could be expected to increase during periods of rising interest rates and, conversely, to decline during periods of falling interest rates. We are unable to predict or control fluctuations of market interest rates, which are affected by many factors, including the following:

inflation;

recession;

changes in unemployment;

the money supply;

international disorder and instability in domestic and foreign financial markets; and

governmental actions.

Our asset/liability management strategy may not be able to control our risk from changes in market interest rates and it may not be able to prevent changes in interest rates from having a material adverse effect on our results of operations and financial condition. From time to time, we may reposition our assets and liabilities to reduce our net interest income volatility.

We operate in a highly competitive industry and market area.

We face substantial competition in all areas of our operations from a variety of different competitors, many of which are larger and may have more financial resources. Such competitors primarily include national, regional and community banks within the various markets we operate. We also face competition from many other types of financial institutions, including, without limitation, savings and loans, credit unions, finance companies, brokerage firms, insurance companies, factoring companies and other financial intermediaries.

The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. Banks, securities firms and insurance companies can merge under the umbrella of a financial holding company, which can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking. Also, technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. Many of our competitors have fewer regulatory constraints and may have lower cost structures. Additionally, due to their size, many competitors may be able to achieve economies of scale and, as a result, may offer a broader range of products and services as well as better pricing for those products and services than we can.

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Our ability to compete successfully depends on a number of factors, including, among other things:

the ability to develop, maintain and build upon long-term customer relationships based on top quality service, high ethical standards and safe, sound assets;

the ability to expand our market position;

the scope, relevance and pricing of products and services offered to meet customer needs and demands;

the rate at which we introduce new products and services relative to our competitors;

customer satisfaction with our level of service; and

industry and general economic trends.

Failure to perform in any of these areas could significantly weaken our competitive position, which could adversely affect our growth and profitability, which, in turn, could have a material adverse effect on our financial condition and results of operations.

The soundness of our financial condition may also affect our competitiveness. Customers may decide not to do business with the bank due to its financial condition. In addition, our ability to compete is impacted by the limitations on our activities imposed under the Bank MOU and the Agreement. We have and continue to face additional regulatory restrictions that our competitors may not be subject to, including reducing our commercial real estate loan portfolio and improving the overall risk profile of the Company, which could adversely impact our ability to compete and attract and retain customers.

The soundness of other financial institutions could adversely affect us.

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, have led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. There is no assurance that any such losses would not materially and adversely affect our results of operations.

Our deposit customers may pursue alternatives to deposits at our bank or seek higher yielding deposits causing us to incur increased funding costs.

We are facing increasing deposit-pricing pressures. Checking and savings account balances and other forms of deposits can decrease when our deposit customers perceive alternative investments, such as the stock market or other non-depository investments as providing superior expected returns or seek to spread their deposits over several banks to maximize FDIC insurance coverage. Furthermore, technology and other changes have made it more convenient for the bank's customers to transfer funds into alternative investments including products offered by other financial institutions or non-bank service providers. Additional increases in short-term interest rates could increase transfers of deposits to higher yielding deposits. Efforts and initiatives we undertake to retain and increase deposits, including deposit pricing, can increase our costs. When the bank's customers move money out of bank deposits in favor of alternative investments or into higher yielding deposits, or spread their accounts over several banks, we can lose a relatively inexpensive source of funds, thus increasing our funding costs. The bank's financial condition compared to other top Hawaii financial institutions may affect our customers' decisions to keep their deposit accounts with us.

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The fiscal, monetary and regulatory policies of the federal government and its agencies could have a material adverse effect on our results of operations.

The Federal Reserve Board regulates the supply of money and credit in the United States. Its policies determine in large part the cost of funds for lending and investing and the return earned on those loans and investments, both of which affect the net interest margin. It also can materially decrease the value of financial assets we hold, such as debt securities. Its policies also can adversely affect borrowers, potentially increasing the risk that they may fail to repay their loans. Changes in Federal Reserve Board policies and our regulatory environment generally are beyond our control, and we are unable to predict what changes may occur or the manner in which any future changes may affect our business, financial condition and results of operation.

Increases in deposit insurance premiums and special FDIC assessments may decrease our future earnings.

In May 2009, the FDIC announced that it had voted to levy a special assessment on insured institutions in order to facilitate the rebuilding of the Deposit Insurance Fund. The assessment, which was payable on September 30, 2009, was in addition to an increase in premiums and a change in the way regular premiums are assessed, which the FDIC previously approved. The cost of the special assessment was equal to five basis points of the bank's total assets minus Tier 1 capital as of June 30, 2009 and resulted in a charge of approximately \$2.5 million. On November 17, 2009, the FDIC issued new assessment regulations that require FDIC-insured institutions to prepay on December 30, 2009 their estimated quarterly risk-based assessments for the fourth quarter 2009 and for all of 2010, 2011 and 2012; however certain financial institutions, including the bank, were exempted from the new prepayment regulations and will continue to pay their risk-based assessments on a quarterly basis. The FDIC also adopted a uniform three-basis point increase in assessment rates effective on January 1, 2011; however, in October 2010, the FDIC adopted a new DIF restoration plan pursuant to which the FDIC will forego the uniform three-basis point increase in initial assessment rates scheduled to take place on January 1, 2011 and maintain the current schedule of assessment rates for all depository institutions.

The recent assessment increases and special assessment discussed above, along with any future assessment increases and/or special assessments applicable to the bank, may increase our expenses and adversely impact our earnings.

The recent repeal of federal prohibitions on payment of interest on demand deposits could increase our interest expense.

All federal prohibitions on the ability of financial institutions to pay interest on demand deposit accounts were repealed as part of the Dodd-Frank Act. As a result, beginning on July 21, 2011, financial institutions could commence offering interest on demand deposits to compete for clients. We do not yet know what interest rates other institutions may offer. Our interest expense will increase and our net interest margin will decrease if we have to offer higher rates of interest than we currently offer on demand deposits to attract additional customers or maintain current customers, which could have a material adverse effect on our business, financial condition and results of operations.

Our business could be adversely affected by unfavorable actions from rating agencies.

Ratings assigned by ratings agencies to us, our affiliates or our securities may impact the decision of certain customers, in particular, institutions, to do business with us. A rating downgrade or a negative rating could adversely affect our deposits and our business relationships. On February 23, 2011, Fitch Ratings upgraded the long-term Issuer Default Rating of the Company and the bank from CC to B- and removed the Company and the bank from Rating Watch Evolving. On May 20, 2011, Fitch Ratings upgraded the long-term Issuer Default Rating of the Company and the bank to B+ from

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B- and assigned a Positive Rating Outlook. However, our ratings may not improve further and may be downgraded in the future if there are adverse developments concerning our business.

We rely on dividends from our subsidiaries for most of our revenue.

Because we are a holding company with no significant operations other than our bank, we depend upon dividends from our bank for a substantial portion of our revenues.

In addition to obtaining approval from the FDIC and DFI, Hawaii law only permits the bank to pay dividends out of retained earnings. Given that the bank had an accumulated deficit of \$478.1 million at March 31, 2011, the bank is prohibited from paying any dividends until this deficit is eliminated. Accordingly, we do not anticipate that the bank will be permitted to pay dividends for the foreseeable future.

In addition, even if the bank was able to pay us dividends, we do not anticipate paying cash dividends on our Common Shares in the foreseeable future.

Our information systems may experience an interruption or breach in security.

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 our customer relationship management, general ledger, deposit, loan and other systems. While we have policies and procedures designed to prevent or limit the effect of the failure, interruption or security breach of our information systems, there can be no assurance that any such failures, interruptions or security breaches will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures, interruptions or security breaches of our 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 continually encounter technological change.

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Our future success depends, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse impact on our business and, in turn, our financial condition and results of operations.

Financial services companies depend on the accuracy and completeness of information about customers and counterparties.

In deciding whether to extend credit or enter into other transactions, we may rely on information furnished by or on behalf of customers and counterparties, including financial statements, credit reports and other financial information. We may also rely on representations of those customers, counterparties or other third parties, such as independent auditors, as to the accuracy and completeness of that information. Reliance on inaccurate or misleading financial statements, credit reports or other financial information could have a material adverse impact on our business and, in turn, our financial condition and results of operations.

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We are subject to various legal claims and litigation.

From time to time, customers, employees and others that we do business with make claims and take legal action against us for various business occurrences, including the performance of our fiduciary responsibilities. Regardless of whether these claims and legal actions are founded or unfounded, if such claims and legal actions are not resolved in a manner favorable to us, they may result in significant financial liability and/or adversely affect the market perception of us and our products and services, as well as impact customer demand for our products and services. Any financial liability or reputational damage could have a material adverse effect on our business, which, in turn, could have a material adverse effect on our financial condition and results of operations. Even if these claims and legal actions do not result in a financial liability or reputational damage, defending these claims and actions have resulted in, and will continue to result in, increased legal and professional services costs, which adds to our noninterest expense and negatively impacts our operating results.

Risk Factors Related to Our Common Stock

The market price of our Common Shares has declined significantly and is volatile.

The trading price of our Common Shares has declined significantly since February 2007 when our stock price traded above \$800.00 per share (after giving effect to the Reverse Stock Split). On February 22, 2011, the first trading day after the closing of the Private Placement and the TARP Exchange, the closing price of our Common Shares was \$30.00 per share. On June 15, 2011, the closing price of our Common Shares was \$12.42 per share. The per share purchase price in the Private Placement and the Rights Offering was \$10. The trading price of our Common Shares may fluctuate widely as a result of a number of factors, many of which are outside our control. In addition, the stock market is subject to fluctuations in the share prices and trading volumes that affect the market prices of the shares of many companies. These broad market fluctuations could adversely affect the market price of our Common Shares. Among the factors that could affect our stock price are:

failure to comply with all of the requirements of the Bank MOU, the Agreement and the BSA MOU, and the possibility of resulting action by the regulators;

further deterioration of asset quality;

the incurrence of continuing losses;

actual or anticipated quarterly fluctuations in our operating results and financial condition;

changes in revenue or earnings/losses estimates or publication of research reports and recommendations by financial analysts;

failure to meet analysts' revenue or earnings/losses estimates;

speculation in the press or investment community;

strategic actions by us or our competitors, such as acquisitions or restructurings;

additions or departures of key personnel;

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fluctuations in the stock price and operating results of our competitors;

future sales of our Common Shares, including sales of our Common Shares in short sale transactions;

general market conditions and, in particular, developments related to market conditions for the financial services industry;

proposed or adopted regulatory changes or developments;

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anticipated or pending investigations, proceedings or litigation that involve or affect us; or

domestic and international economic factors unrelated to our performance.

The stock market and, in particular, the market for financial institution stocks, have experienced significant volatility over the past few years. In addition, the trading volume in our Common Shares may fluctuate more than usual and cause significant price variations to occur. In addition, sales of shares by Investors and Treasury may cause our share price to decrease. Accordingly, the Common Shares that you purchase may trade at a price lower than that at which they were purchased. Volatility in the market price of our Common Shares may prevent individual shareholders from being able to sell their shares when they want or at prices they find attractive.

A significant decline in our stock price could result in substantial losses for shareholders and could lead to costly and disruptive securities litigation.

The transferability of our Common Shares is limited as a result of the Tax Benefits Preservation Plan and the Protective Charter Amendment.

As described under " Risk Factors Related to our Business Our ability to use net operating loss carryovers to reduce future tax payments may be limited or restricted", we have generated significant NOLs as a result of our recent losses. In order to reduce the likelihood that future transactions in our Common Shares will result in an ownership change, on November 23, 2010, we adopted a Tax Benefits Preservation Plan, which provides an economic disincentive for any person or group to become an owner, for relevant tax purposes, of 4.99% or more of our Common Shares. To further protect our NOLs, we filed the Protective Charter Amendment on May 2, 2011 to restrict transfers of our stock if the effect of an attempted transfer would cause the transferee to become a Threshold Holder or cause the beneficial ownership of a Threshold Holder to increase. The Protective Charter Amendment expires on the earliest of (i) May 2, 2014, (ii) such time as the Board of Directors determines the Protective Charter Amendment is no longer necessary for the preservation of our tax benefits and (iii) the date the Board of Directors determines that the Protective Charter Amendment is no longer in our and our shareholders' best interest.

The Tax Benefits Preservation Plan and the Protective Charter Amendment have the effect of limiting transferability of our Common Shares because they may make it more difficult and more expensive to acquire our Common Shares under the circumstances described above and, in the case of the Protective Charter Amendment, prohibit certain acquisitions of our Common Shares as described above. A shareholder's ability to dispose of our Common Shares is therefore limited by reducing the class of potential acquirers for such Common Shares.

Our Common Shares are equity and therefore are subordinate to our subsidiaries' indebtedness and preferred stock.

Our Common Shares are equity interests and do not constitute indebtedness. As such, Common Shares will rank junior to all current and future indebtedness and other non-equity claims on us with respect to assets available to satisfy claims against us, including in the event of our liquidation. We may, and the bank and our other subsidiaries may also, incur additional indebtedness from time to time and may increase our aggregate level of outstanding indebtedness. As of March 31, 2011, we had \$105.0 million in face amount of trust preferred securities outstanding and accrued and unpaid dividends thereon of \$5.9 million. Additionally, holders of Common Shares are subject to the prior dividend and liquidation rights of any holders of our preferred stock that may be outstanding from time to time. The Board of Directors is authorized to cause us to issue additional classes or series of preferred stock without any action on the part of our stockholders. If we issue preferred shares in the future that have a preference over our Common Shares with respect to the payment of dividends or upon liquidation, or if we issue preferred shares with voting rights that dilute the voting power of the

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Common Shares, then the rights of holders of our Common Shares or the market price of our Common Shares could be adversely affected.

There is a limited trading market for our Common Shares and as a result, you may not be able to resell your shares at or above the price you pay for them.

Although our Common Shares are listed for trading on the NYSE, the volume of trading in our Common Shares is lower than many other companies listed on the NYSE. A public trading market with depth, liquidity and orderliness depends on the presence in the market of willing buyers and sellers of our Common Shares at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which we have no control.

Our Common Shares are not insured and you could lose the value of your entire investment.

An investment in our Common Shares is not a deposit and is not insured against loss by the government.

Treasury, which is a selling shareholder, is a federal agency and your ability to bring a claim against Treasury under the federal securities laws may be limited.

The doctrine of sovereign immunity, as limited by the Federal Tort Claims Act (the "FTCA"), provides that claims may not be brought against the United States of America or any agency or instrumentality thereof unless specifically permitted by act of Congress. The FTCA bars claims for fraud or misrepresentation. At least one federal court, in a case involving a federal agency, has held that the United States may assert its sovereign immunity to claims brought under the federal securities laws. In addition, Treasury and its officers, agents, and employees are exempt from liability for any violation or alleged violation of the anti-fraud provisions of Section 10(b) of the Exchange Act by virtue of Section 3(c) thereof. We do not expect any underwriter in an offering of Common Shares by Treasury to claim to be an agent of Treasury in such offering. Accordingly, any attempt to assert such a claim against the officers, agents or employees of Treasury for a violation of the Securities Act or the Exchange Act resulting from an alleged material misstatement in or material omission from this prospectus or the registration statement of which this prospectus is a part or resulting from any other act or omission in connection with an offering of Common Shares by Treasury would likely be barred.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this prospectus that are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Act"), notwithstanding that such statements are not specifically identified. In addition, certain statements may be contained in our future filings with the SEC, in press releases and in oral and written statements made by or with the approval of us that are not statements of historical fact and constitute forward-looking statements within the meaning of the Act. Examples of forward-looking statements include but are not limited to: (i) projections of revenues, expenses, income or loss, earnings or loss per share, the payment or nonpayment of dividends, capital structure and other financial items; (ii) statements of plans, objectives and expectations of Central Pacific Financial Corp., its management or the Board of Directors, including those relating to regulatory actions, business plans, products or services; (iii) statements of future economic performance; and (iv) statements of assumptions underlying such statements. Words such as "believes," "anticipates," "expects," "intends," "targeted," "continue," "remain," "will," "should," "may" and other similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those in such statements. Factors that could cause actual results to differ from those discussed in the forward-looking statements include but are not limited to:

the effect of and our failure to comply with all of the requirements of the Bank MOU, the Agreement, the BSA MOU and any further regulatory actions;

our ability to execute on our recovery plan;

oversupply of inventory and adverse conditions in the Hawaii and California real estate markets and further weakness in the construction industry;

adverse changes in the financial performance and/or condition of our borrowers and, as a result, increased loan delinquency rates, further deterioration in asset quality and further losses in our loan portfolio;

the impact of local, national, and international economies and events (including natural disasters such as wildfires, tsunamis and earthquakes, such as the recent tsunami in Japan and related fallout) on the Company's business and operations and on tourism, the military, and other major industries operating within the Hawaii market and any other markets in which the Company does business;

deterioration or malaise in economic conditions, including the continued destabilizing factors in the financial industry and continued deterioration of the real estate market, as well as the impact of declining levels of consumer and business confidence in the state of the economy in general and in financial institutions in particular;

the impact of regulatory action on the Company and the bank and legislation affecting the banking industry;

changes in estimates of future reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements;

the impact of the Dodd-Frank Act, other regulatory reform, including but not limited to government-sponsored enterprise reform, and any related rules and regulations on our business operations and competitiveness, including the impact of executive compensation restrictions, which may affect our ability to retain and recruit executives in competition with other firms who do not operate under those restrictions;

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the costs and effects of legal and regulatory developments, including the resolution of legal proceedings or regulatory or other governmental inquiries and the results of regulatory examinations or reviews;

the effects of and changes in trade and monetary and fiscal policies and laws, including the interest rate policies of the FRB;

inflation, interest rate, securities market and monetary fluctuations;

movements in interest rates;

negative trends in our market capitalization and adverse changes in the price of our Common Shares;

political instability;

acts of war or terrorism;

changes in consumer spending, borrowings and savings habits;

technological changes;

changes in the competitive environment among financial holding companies and other financial service providers;

the effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Public Company Accounting Oversight Board, the Financial Accounting Standards Board and other accounting standard setters;

ability to retain and attract skilled employees;

changes in our organization, compensation and benefit plans; and

our success at managing the risks involved in the foregoing items.

Forward-looking statements speak only as of the date on which such statements are made. We undertake no obligation to update 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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PLAN OF DISTRIBUTION

We are registering the Common Shares covered by this prospectus to permit Selling Shareholders to conduct public secondary trading of the Common Shares from time to time after the date of this prospectus. We will not receive any of the proceeds of the sale of the Common Shares offered by this prospectus. The aggregate proceeds to the Selling Shareholders from the sale of the Common Shares will be the purchase price of the Common Shares less any discounts and commissions. A Selling Shareholder reserves the right to accept and, together with their agents, to reject, any proposed purchases of Common Shares to be made directly or through agents.

The Common Shares offered by this prospectus may be sold from time to time to purchasers:

directly by the Selling Shareholders and their successors, which include their donees, pledgees or transferees or their successors-in-interest, or

through underwriters, broker-dealers or agents, who may receive compensation in the form of discounts, commissions or agent's commissions from the Selling Shareholders or the purchasers of the Common Shares. These discounts, concessions or commissions may be in excess of those customary in the types of transactions involved, provided that in compliance with Financial Industry Regulatory Authority guidelines the maximum compensation to any underwriter, broker-dealer or agent in connection with any sale of Common Shares by a Selling Shareholder pursuant to this prospectus will not exceed 8% of the total offering price of the Common Shares by the Selling Shareholder.

The Selling Shareholders and any underwriters, broker-dealers or agents who participate in the sale or distribution of the Common Shares may be deemed to be "underwriters" within the meaning of the Securities Act. As a result, any profits on the sale of the Common Shares by such Selling Shareholders and any discounts, commissions or agent's commissions or concessions received by any such broker-dealer or agents may be deemed to be underwriting discounts and commissions under the Securities Act. Selling Shareholders who are deemed to be "underwriters" within the meaning of Section 2(11) of the Securities Act will be subject to prospectus delivery requirements of the Securities Act. Underwriters are subject to certain statutory liabilities, including, but not limited to, Sections 11, 12 and 17 of the Securities Act.

The Common Shares may be sold in one or more transactions at:

fixed prices;

prevailing market prices at the time of sale;

prices related to such prevailing market prices;

varying prices determined at the time of sale; or

negotiated prices.

The sales may be effected in one or more transactions:

on any national securities exchange or quotation on which the Common Shares may be listed or quoted at the time of the sale;

in the over-the-counter market;

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in transactions other than on such exchanges or services or in the over-the-counter market;

through the writing of options (including the issuance by the Selling Shareholders of derivative securities), whether the options or such other derivative securities are listed on an options exchange or otherwise;

in a public auction;

through the settlement of short sales; or

through any combination of the foregoing.

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These transactions may include block transactions or crosses. Crosses are transactions in which the same broker acts as an agent on both sides of the trade.

In connection with the sales of the Common Shares, the Selling Shareholders may enter into hedging transactions with broker-dealers or other financial institutions which in turn may:

engage in short sales of the Common Shares in the course of hedging their positions;

sell the Common Shares short and deliver the Common Shares to close out short positions;

loan or pledge the Common Shares to broker-dealers or other financial institutions that in turn may sell the Common Shares;

enter into option or other transactions with broker-dealers or other financial institutions that require the delivery to the broker-dealer or other financial institution of the Common Shares, which the broker-dealer or other financial institution may resell under the prospectus; or

enter into transactions in which a broker-dealer makes purchases as a principal for resale for its own account or through other types of transactions.

To our knowledge, other than the Treasury Offering, there are currently no plans, arrangements or understandings between any Selling Shareholders and any underwriter, broker-dealer or agent regarding the sale of the Common Shares by the Selling Shareholders.

The Common Shares are listed on the NYSE under the symbol "CPF."

There can be no assurance that any Selling Shareholder will sell any or all of the Common Shares under this prospectus. Further, we cannot assure you that any such Selling Shareholder will not transfer, devise or gift the Common Shares by other means not described in this prospectus. The Common Shares covered by this prospectus may also be sold to non-U.S. persons outside the U.S. in accordance with Regulation S under the Securities Act rather than under this prospectus. The Common Shares may be sold in some states only through registered or licensed brokers or dealers. In addition, in some states the Common Shares may not be sold unless it has been registered or qualified for sale or an exemption from registration or qualification is available and complied with.

The Selling Shareholders and any other person participating in the sale of the Common Shares will be subject to the Exchange Act. The Exchange Act rules include, without limitation, Regulation M, which may limit the timing of purchases and sales of any of the Common Shares by the Selling Shareholders and any other such person. In addition, Regulation M may restrict the ability of any person engaged in the distribution of the Common Shares to engage in market-making activities with respect to the Common Shares being distributed. This may affect the marketability of the Common Shares and the ability of any person or entity to engage in market-making activities with respect to the Common Shares.

We have agreed to indemnify the Selling Shareholders against certain liabilities, including liabilities under the Securities Act.

We have agreed to pay substantially all of the expenses incidental to the registration of the Common Shares, including all registration, filing and listing fees, printing expenses, fees and disbursements of counsel for the Company and blue sky fees and expenses. The Selling Shareholders will be required to pay all discounts, selling commission and stock transfer taxes applicable to the sale of the Common Shares and fees and disbursements of counsel for any Selling Shareholder.

USE OF PROCEEDS

We will receive no proceeds from Common Shares sold by the Selling Shareholders.

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SELLING SHAREHOLDERS

The table below sets forth information concerning the resale of Common Shares by the Selling Shareholders. We will not receive any proceeds from the resale of the Common Shares by the Selling Shareholders. Except as described below, the Selling Shareholders have not held any position or office or had any other material relationship with us or any of our predecessors or affiliates within the past three years. Our operations are regulated by various U.S. governmental authorities, including in certain respects by Treasury. Pursuant to the Exchange Agreement, dated February 17, 2011, between the Company and Treasury, Treasury has the right to an observer on the Board of Directors of the Company for so long as it owns at least 5% of the issued and outstanding Common Shares. Other than through its role as a regulator, the observer on the Board of Directors and the acquisition of the Treasury Shares and the Amended TARP Warrant, Treasury has not held any position or office or had any other material relationship with us or any of our predecessors or affiliates within the past three years.

Treasury acquired the Amended TARP Warrant and the Treasury Shares as part of the Troubled Asset Relief Program, which was established pursuant to the Emergency Economic Stabilization Act of 2008 ("EESA"). EESA was enacted into law on October 3, 2008 to restore confidence and stabilize the volatility in the U.S. banking system and to encourage financial institutions to increase their lending to customers and to each other.

The following description was provided by Treasury and is derived from the website of Treasury. Treasury is the executive agency of the United States government responsible for promoting economic prosperity and ensuring the financial security of the United States. Treasury is responsible for a wide range of activities, such as advising the President of the United States on economic and financial issues, encouraging sustainable economic growth and fostering improved governance in financial institutions. Treasury operates and maintains systems that are critical to the nation's financial infrastructure, such as the production of coin and currency, the disbursement of payments to the American public, revenue collection and the borrowing of funds necessary to run the federal government. Treasury works with other federal agencies, foreign governments, and international financial institutions to encourage global economic growth, raise standards of living and, to the extent possible, predict and prevent economic and financial crises. Treasury also performs a critical and far-reaching role in enhancing national security by implementing economic sanctions against foreign threats to the United States, identifying and targeting the financial support networks of national security threats and improving the safeguards of our financial systems. In addition, under the EESA, Treasury was given certain authority and facilities to restore the liquidity and stability of the financial system.

The doctrine of sovereign immunity, as limited by the FTCA, provides that claims may not be brought against the United States of America or any agency or instrumentality thereof unless specifically permitted by act of Congress. The FTCA bars claims for fraud or misrepresentation. The courts have held, in cases involving federal agencies and instrumentalities, that the United States may assert its sovereign immunity to claims brought under the federal securities laws. Thus, any attempt to assert a claim against Treasury alleging a violation of the federal securities laws, including the Securities Act and the Exchange Act, resulting from an alleged material misstatement in or material omission from this prospectus or the registration statement of which this prospectus is a part, or any other act or omission in connection with the offering to which this prospectus relates, likely would be barred. In addition, Treasury has advised us that Treasury and its members, officers, agents, and employees are exempt from liability for any violation or alleged violation of the anti-fraud provisions of Section 10(b) of the Exchange Act by virtue of Section 3(c) thereof. We do not expect any underwriter in an offering of Common Shares by Treasury to claim to be an agent of Treasury in such offering. Accordingly, any attempt to assert such a claim against the members, officers, agents or employees of Treasury for a violation of the Securities Act or the Exchange Act resulting from an alleged material misstatement in or material omission from this prospectus, any applicable prospectus supplement or the registration

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statement of which this prospectus and any applicable prospectus supplement are a part or resulting from any other act or omission in connection with the offering to which this prospectus relates likely would be barred.

The following table is based on information provided to us by the Selling Shareholders on or about February 25, 2011 and as of such date. Because the Selling Shareholders may sell all, some or none of the Common Shares in the Shelf Offering, no estimate can be given as to the amount of Common Shares that will be held by the Selling Shareholders upon termination of the Shelf Offering. For purposes of the table below, we have assumed that the Selling Shareholders will sell all of the Common Shares offered in the Shelf Offering and Treasury will sell all of the Underwritten Treasury Shares in the Treasury Offering.

The percentages below are calculated based on 41,738,820 Common Shares issued and outstanding as of May 31, 2011.

Name and Address of Beneficial Owner	Beneficial Ownership Prior to the Offering		Common Shares Being Offered	Beneficial Ownership After the Offering	
	Number of Common Shares Beneficially Owned(1)	Percent(2)		Number of Common Shares Beneficially Owned	Percent(2)
Auxier Asset Management(3) 5285 Meadows Road, Suite 333 Lake Oswego, Oregon 97035	5,000	*	5,000	0	*
Barclays Bank PLC(4) 745 7th Avenue, 16th Floor New York, NY 10019	1,000,000	2.40%	1,000,000	0	*
Baupost Group Securities, L.L.C.(5) 10 St. James Avenue, Suite 1700 Boston, MA 02116	1,800,000	4.31%	1,800,000	0	*
BHR Master Fund Ltd.(6) 545 Madison Avenue, Floor 20 New York, NY 10022	680,000	1.63%	680,000	0	*
BHR OC Master Fund Ltd.(7) 545 Madison Avenue, Floor 10 New York, NY 10022	370,000	*	370,000	0	*
Chrisman & Company, Inc.(8) 350 South Figueroa Street, Suite 550 Los Angeles, CA 90071	25,000	*	25,000	0	*
Citadel Global Equities Master Fund Ltd.(9) c/o Citadel Advisors LLC 131 S. Dearborn Street Chicago, IL 60603	192,665	*	192,665	0	*
Crescent 1, L.P.(10) c/o Cyrus Capital Partners, L.P. 399 Park Avenue, 39th Floor New York, NY 10022	210,000	*	210,000	0	*
CRS Fund, Ltd.(11) c/o Cyrus Capital Partners, L.P. 399 Park Avenue, 39th Floor New York, NY 10022	220,500	*	220,500	0	*

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Name and Address of Beneficial Owner	Beneficial Ownership Prior to the Offering		Common Shares Being Offered	Beneficial Ownership After the Offering	
	Number of Common Shares Beneficially Owned(1)	Percent(2)		Number of Common Shares Beneficially Owned	Percent(2)
Cyrus Opportunities Master Fund II, Ltd.(12) c/o Cyrus Capital Partners, L.P. 399 Park Avenue, 39th Floor New York, NY 10022	514,500	1.23%	514,500	0	*
Cyrus Select Opportunities Master Fund, Ltd.(13) c/o Cyrus Capital Partners, L.P. 399 Park Avenue, 39th Floor New York, NY 10022	105,000	*	105,000	0	*
East Rock Focus Fund, LP(14) c/o East Rock Focus Fund GP, LLC 10 East 53rd Street, 31st Floor New York, NY 10022	398,000	*	398,000	0	*
East Rock Simco Endowment Fund, LP(15) c/o East Rock Focus Fund GP, LLC 10 East 53rd Street, 31st Floor New York, NY 10022	58,000	*	58,000	0	*
EREF Special Situations, LLC(16) c/o East Rock Focus Fund GP, LLC 10 East 53rd Street, 31st Floor New York, NY 10022	632,000	1.51%	632,000	0	*
LHK Capital Limited(17) Room 2102, 21/F Westlands Centre 20 Westlands Road Quarry Bay, Hong Kong	200,000	*	200,000	0	*
LMA SPC on behalf of the MAP 86 Segregated Portfolio(18) c/o Citadel Advisors LLC 131 S. Dearborn Street Chicago, IL 60603	7,345	*	7,345	0	*
Mariner Tricadia Credit Strategies Master Fund, Ltd.(19) 780 Third Avenue, 29th Floor New York, NY 10017	220,000	*	220,000	0	*
National Mortgage & Finance Co., Ltd.(20) 1165 Bethel Street Honolulu, HI 96813	100,000	*	100,000	0	*
Redwood Master Fund, Ltd.(21) 910 Sylvan Avenue Englewood Cliffs, NJ 07632	800,000	1.92%	800,000	0	*

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Name and Address of Beneficial Owner	Beneficial Ownership Prior to the Offering		Common Shares Being Offered	Beneficial Ownership After the Offering	
	Number of Common Shares Beneficially Owned(1)	Percent(2)		Number of Common Shares Beneficially Owned	Percent(2)
The Robert and Kathryn Heaney Living Trust dated August 23, 2006(22) 1186 Sunrise Ridge Drive Lafayette, CA 94549	10,000	*	10,000	0	*
Senator Sidecar Master Fund LP(23) 1330 Avenue of the Americas, 26th Floor New York, NY 10019	1,200,000	2.88%	1,200,000	0	*
SGT Financials Recovery Fund, L.P.(24) 780 Third Avenue, 29th Floor New York, NY 10017	330,000	*	330,000	0	*
Shore, Steven(25) c/o East Rock Capital, LLC 10 East 53rd Street, 31st Floor New York, NY 10022	37,000	*	37,000	0	*
The Stephen E. Jackson Trust dated July 10 1985(26) 6655 South Lewis Avenue, Suite 222 Tulsa, OK 74136	100,000	*	100,000	0	*
Sternberg, Stuart L.(27) 85 Bellevue Avenue Rye, NY 10580	125,000	*	125,000	0	*
Structured Credit Opportunities Fund II, LP(28) 780 Third Avenue, 29th Floor New York, NY 10017	550,000	1.32%	550,000	0	*
TFO Financial Institutions Seeding Fund Segregated Portfolio of TFO Master Opportunities SPC(29) c/o The Family Office co. BSC(c) 9th Floor, Al-Zamil Tower 31 Government Avenue, P.O. Box 18024 Manama Center 305 Kingdom of Bahrain	1,073,300	2.57%	1,073,300	0	*
Tradewind Capital Group, Inc.(30) 1132 Bishop Street, Suite 2450 Honolulu, HI 96813	500,000	1.20%	500,000	0	*
TRB Fund I LP(31) 767 Fifth Avenue, 12th Floor New York, NY 10153	800,000	1.92%	800,000	0	*
United States Department of the Treasury 1500 Pennsylvania Avenue Washington, D.C. 2022	5,699,405(32)	13.65%	2,849,405(33)	0	*

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Name and Address of Beneficial Owner	Beneficial Ownership Prior to the Offering		Common Shares Being Offered	Beneficial Ownership After the Offering	
	Number of Common Shares Beneficially Owned(1)	Percent(2)		Number of Common Shares Beneficially Owned	Percent(2)
WCP Hawaii Holdings, LLC(35) c/o WCP Investment Manager, LLC 40 Danbury Road Wilton, CT 06897	500,000	1.20%	500,000	0	*

*

Less than 1 percent

(1)

In accordance with Rule 13d-3 under the Exchange Act, a person is deemed to be the beneficial owner, for purposes of this table, of any Common Shares over which such person has voting or investment power and of which such person has the right to acquire beneficial ownership within 60 days of February 25, 2011. The table includes shares owned by spouses, other immediate family members, in trust, shares held in retirement accounts or funds for the benefit of the named individuals, shares held as restricted stock and other forms of ownership, over which shares the persons named in the table may possess voting and/or investment power.

(2)

In computing the percentage of shares beneficially owned by each person named above, any shares which the person has a right to acquire within sixty (60) days after February 25, 2011 are deemed outstanding for the purpose of computing the percentage of Common Stock beneficially owned by that person but are not deemed outstanding for the purpose of computing the percentage of shares beneficially owned by any other person.

(3)

J. Jeffrey Auxier, president of Auxier Asset Management LLC, makes investment and voting decisions with respect to shares held by Auxier Asset Management LLC. Auxier Asset Management LLC has indicated that it is an affiliate of a broker-dealer. Auxier Asset Management LLC has represented that it acquired its shares in the ordinary course of business and, at the time of the acquisition of the shares, had no agreements or understandings, directly or indirectly, with any person to distribute the shares.

(4)

Steve Stancarone, as assistant vice president of Barclays Bank PLC, makes investment and voting decisions with respect to shares held by Barclays Bank PLC. Barclays Bank PLC has indicated that it is an affiliate of a broker-dealer. Barclays Bank PLC has represented that it acquired its shares in the ordinary course of business and, at the time of the acquisition of the shares, had no agreements or understandings, directly or indirectly, with any person to distribute the shares.

(5)

The Baupost Group, L.L.C., an investment adviser registered under the Investment Advisers Act of 1940, as amended, acts as a manager of Baupost Group Securities, L.L.C. SAK Corporation is the manager of The Baupost Group, L.L.C. and Seth A. Klarman is the sole director and sole officer of SAK Corporation and is a controlling person of The Baupost Group, L.L.C.

(6)

Michael Thompson, as Managing Partner and Portfolio Manager and Steven Van Dyke, as Managing Partner of BHR Capital, LLC, the investment manager of BHR Master Fund, Ltd., make investment and voting decisions with respect to shares held by BHR Master Fund, Ltd. BHR Capital, LLC disclaims beneficial ownership of the shares held by BHR Master Fund, except to the extent of any pecuniary interest in the shares.

(7)

Michael Thompson, as Portfolio Manager and Steven Van Dyke, as Chief Investment Officer of BHR Capital, LLC, the investment manager of BHR OC Master Fund, Ltd., make investment and voting decisions with respect to shares held by BHR OC Master Fund, Ltd. BHR Capital, LLC

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disclaims beneficial ownership of the shares held by BHR OC Master Fund, except to the extent of any pecuniary interest in the shares.

- (8) Timothy R. Chrisman, as president and chief executive officer of Chrisman & Company, Inc. makes investment and voting decisions with respect to shares held by Chrisman & Company, Inc. Chrisman & Company, Inc. provides executive search services to the Company and the bank from time to time.
- (9) Pursuant to a portfolio management agreement, Citadel Advisors LLC, an investment adviser registered under the Investments Advisers Act of 1940, as amended, holds the voting power with respect to the shares held by Citadel Global Equities Master Fund Ltd. Citadel Holdings II LP is the managing member of Citadel Advisors LLC. Citadel Investment Group II, L.L.C. is the general partner of Citadel Holdings II LP. Kenneth Griffin the president and chief executive officer of, and owns a controlling interest in, Citadel Investment Group II, L.L.C. Citadel Investment Group II, L.L.C. and Kenneth Griffin may be deemed to be the beneficial owners of the shares through their control of Citadel Advisors LLC and/or certain other affiliated entities. Citadel Global Equities Master Fund Ltd. has indicated that it is an affiliate of a broker-dealer. Citadel Global Equities Master Fund Ltd. has represented that it acquired its shares in the ordinary course of business and, at the time of the acquisition of the shares, had no agreements or understandings, directly or indirectly, with any person to distribute the shares.
- (10) Stephen C. Freidheim, as sole managing member of Cyrus Capital Partners GP, LLC, the general partner of Cyrus Capital Partners, L.P., the investment manager of Crescent 1, L.P. makes investment and voting decisions with respect to shares held by Crescent 1, L.P. Stephen C. Freidheim disclaims beneficial ownership of the shares held by Crescent 1, L.P., except to the extent of any pecuniary interest in the shares. Crescent 1, L.P. has indicated that it is an affiliate of a broker-dealer. Crescent 1, L.P. has represented that it acquired its shares in the ordinary course of business and, at the time of the acquisition of the shares, had no agreements or understandings, directly or indirectly, with any person to distribute the shares.
- (11) Stephen C. Freidheim, as sole managing member of Cyrus Capital Partners GP, LLC, the general partner of Cyrus Capital Partners, L.P., the investment manager of CRS Fund, Ltd. makes investment and voting decisions with respect to shares held by CRS Fund, Ltd. Stephen C. Freidheim disclaims beneficial ownership of the shares held by CRS Fund, Ltd., except to the extent of any pecuniary interest in the shares. CRS Fund, Ltd. has indicated that it is an affiliate of a broker-dealer. CRS Fund, Ltd. has represented that it acquired its shares in the ordinary course of business and, at the time of the acquisition of the shares, had no agreements or understandings, directly or indirectly, with any person to distribute the shares.
- (12) Stephen C. Freidheim, as sole managing member of Cyrus Capital Partners GP, LLC, the general partner of Cyrus Capital Partners, L.P., the investment manager of Cyrus Opportunities Master Fund II, Ltd. makes investment and voting decisions with respect to shares held by Cyrus Opportunities Master Fund II, Ltd. Stephen C. Freidheim disclaims beneficial ownership of the shares held by Cyrus Opportunities Master Fund II, Ltd., except to the extent of any pecuniary interest in the shares. Cyrus Opportunities Fund II, Ltd. has indicated that it is an affiliate of a broker-dealer. Cyrus Opportunities Fund II, Ltd. has represented that it acquired its shares in the ordinary course of business and, at the time of the acquisition of the shares, had no agreements or understandings, directly or indirectly, with any person to distribute the shares.
- (13) Stephen C. Freidheim, as sole managing member of Cyrus Capital Partners GP, LLC, the general partner of Cyrus Capital Partners, L.P., the investment manager of Cyrus Select Opportunities Master Fund, Ltd. makes investment and voting decisions with respect to shares held by Cyrus Select Opportunities Master Fund, Ltd.

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Stephen C. Freidheim disclaims beneficial ownership of the shares held by Cyrus Select Opportunities Master Fund, Ltd., except to the extent of any pecuniary interest in the shares. Cyrus Select Opportunities Master Fund, Ltd. has indicated that it is an affiliate of a broker-dealer. Cyrus Select Opportunities Master Fund, Ltd. has represented that it acquired its shares in the ordinary course of business and, at the time of the acquisition of the shares, had no agreements or understandings, directly or indirectly, with any person to distribute the shares.

- (14) Graham Duncan and Adam Shapiro, as managing principals of East Rock Focus Fund Management, LLC, the investment manager of East Rock Focus Fund, LP make investment and voting decisions with respect to shares held by East Rock Focus Fund, LP.
- (15) Graham Duncan and Adam Shapiro, as managing principals of East Rock Capital, LLC, the investment manager of East Rock Simco Endowment Fund, LP make investment and voting decisions with respect to shares held by East Rock Simco Endowment Fund, LP.
- (16) Graham Duncan and Adam Shapiro, as managing principals of East Rock Capital, LLC, the investment manager of East Rock Endowment Fund, LP, as the managing member of EREF Special Situations, LLC, make investment and voting decisions with respect to shares held by EREF Special Situations, LLC.
- (17) Tam Ping Lui, as chairman and chief executive officer of LHK Capital Limited, makes investment and voting decisions with respect to shares held by LHK Capital Limited.
- (18) Pursuant to an investment manager agreement, Citadel Advisors LLC, an investment adviser registered under the Investments Advisers Act of 1940, as amended, holds the voting and dispositive power with respect to the shares held by the LMA SPC, MAP 86 Segregate Portfolio. Citadel Holdings II LP is the managing member of Citadel Advisors LLC. Citadel Investment Group II, L.L.C. is the general partner of Citadel Holdings II LP. Kenneth Griffin the president and chief executive officer of, and owns a controlling interest in, Citadel Investment Group II, L.L.C. Citadel Investment Group II, L.L.C. and Kenneth Griffin may be deemed to be the beneficial owners of the shares through their control of Citadel Advisors LLC and/or certain other affiliated entities.
- (19) Arif Inayatullah and Michael Barnes, as partners of Tricadia Holdings, L.P., direct owner of Tricadia Capital Management, LLC, external manager of Mariner Tricadia Credit Strategies Master Fund, Ltd., make investment and voting decisions with respect to shares held by Mariner Tricadia Credit Strategies Master Fund, Ltd. All but Mariner Tricadia Credit Strategies Master Fund, Ltd. disclaim beneficial ownership of the shares. Mariner Tricadia Credit Strategies Master Fund, Ltd. has indicated that it is an affiliate of a broker-dealer. Mariner Tricadia Credit Strategies Master Fund, Ltd. has represented that it acquired its shares in the ordinary course of business and, at the time of the acquisition of the shares, had no agreements or understandings, directly or indirectly, with any person to distribute the shares.
- (20) Franklin M. Tokioka II, as president of National Mortgage and Finance Co., Ltd., makes investment and voting decisions with respect to shares held by National Mortgage and Finance Co., Ltd. Bank director Duane Kurisu is a director of Tradewind Capital Group, Inc. and Island Holdings, Inc. National Mortgage and Finance Co., Ltd. controls approximately 41% of the voting stock of Island Holdings, Inc. Company director Colbert Matsumoto is the president and a director of Tradewind Capital Group, Inc. and the president and a director of and holds a less than 5% ownership interest in Island Holdings, Inc. Former Company director Ronald Migita is a director of Island Insurance Company, Ltd., which is wholly-owned by Island Holdings, Inc.
- (21) Jonathan Kolatch, as director of Redwood Master Fund, Ltd., makes investment and voting decisions with respect to shares held by Redwood Master Fund, Ltd.

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- (22) Robert Michael Heaney and Kathryn L. Heaney, as trustees of The Robert and Kathryn Heaney Living Trust, make investment and voting decisions with respect to shares held by The Robert and Kathryn Heaney Living Trust. The Robert and Kathryn Heaney Living Trust has indicated that it is an affiliate of a broker-dealer. The Robert and Kathryn Heaney Living Trust has represented that it acquired its shares in the ordinary course of business and, at the time of the acquisition of the shares, had no agreements or understandings, directly or indirectly, with any person to distribute the shares.
- (23) Senator Investment Group LP serves as the investment manager for this selling shareholder. Douglas Silverman and Alexander Klabin are the managing members of Senator Investment Group LP and they may be deemed to exercise voting power or investment control over the securities stated as beneficially owned by this selling security holder. Senator Sidecar Master Fund LP disclaims beneficial ownership of the shares. The Senator Sidecar Master Fund's partners may be deemed to have beneficial ownership shares held by the fund.
- (24) Arif Inayatullah and Michael Barnes, as partners of Tricadia Holdings, L.P., direct owner of Tricadia Capital Management, LLC, external manager of SGT Financials Recovery Fund, LP, make investment and voting decisions with respect to shares held by SGT Financials Recovery Fund, LP. All but SGT Financials Recovery Fund, LP disclaim beneficial ownership of the shares. SGT Financials Recovery Fund, LP has indicated that it is an affiliate of a broker-dealer. SGT Financials Recovery Fund, LP has represented that it acquired its shares in the ordinary course of business and, at the time of the acquisition of the shares, had no agreements or understandings, directly or indirectly, with any person to distribute the shares.
- (25) Graham Duncan and Adam Shapiro, as managing principals of East Rock Focus Fund Management, LLC, make investment and voting decisions with respect to shares held by Steven Shore.
- (26) Stephen E. Jackson, as trustee of the Stephen E. Jackson Revocable Trust DTD July 10, 1985, makes investment and voting decisions with respect to shares held by the Stephen E. Jackson Revocable Trust DTD July 10, 1985.
- (27) Stuart Sternberg has indicated that he is an affiliate of a broker-dealer. Stuart Sternberg has represented that he acquired his shares in the ordinary course of business and, at the time of the acquisition of the shares, had no agreements or understandings, directly or indirectly, with any person to distribute the shares.
- (28) Arif Inayatullah and Michael Barnes, as partners of Tricadia Holdings, L.P., direct owner of Tricadia Capital Management, LLC, external manager of Structured Credit Opportunities Fund II, L.P., make investment and voting decisions with respect to shares held by Structured Credit Opportunities Fund II, L.P. All but Structured Credit Opportunities Fund II, L.P. disclaim beneficial ownership of the shares. Structured Credit Opportunities Fund II, L.P. has indicated that it is an affiliate of a broker-dealer. Structured Credit Opportunities Fund II, L.P. has represented that it acquired its shares in the ordinary course of business and, at the time of the acquisition of the shares, had no agreements or understandings, directly or indirectly, with any person to distribute the shares.
- (29) Abdulmohsin Al Omran, Mathew Hansen and Naji Nehme, as directors, and Dragomir Kolev, as the portfolio manager, of TFO Financial Institutions Seeding Fund, a segregated portfolio of TFO Master Opportunities SPC, make investment and voting decisions with respect to shares held by TFO Financial Institutions Seeding Fund, a segregated portfolio of TFO Master Opportunities SPC.
- (30) Franklin M. Tokioka, as chairman of Tradewind Capital Group, Inc., makes investment and voting decisions with respect to shares held by Tradewind Capital Group, Inc. Bank director Duane

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Kurusu is a director of Tradewind Capital Group, Inc. and Island Holdings, Inc. National Mortgage and Finance Co., Ltd. controls approximately 41% of the voting stock of Island Holdings, Inc. Company director Colbert Matsumoto is the president and a director of Tradewind Capital Group, Inc. and the president and a director of and holds a less than 5% ownership interest in Island Holdings, Inc., which owns Tradewind Capital Group, Inc.

- (31) Timothy Barakett, as chairman of TRB Fund I LP, makes investment and voting decisions with respect to shares held by TRB Fund I LP.
- (32) Includes 79,288 shares issuable upon exercise of the Amended TARP Warrant.
- (33) 2,770,117 Common Shares and 79,288 Common Shares issuable upon exercise of the Amended TARP Warrant are being offered by this prospectus and the 2,850,000 Underwritten Treasury Shares are being offered by a separate prospectus.
- (34) WCP Real Estate Fund II, L.P., WCP Real Estate Fund II(A), L.P. and WCP Real Estate Fund II(B), L.P. are the managing members of WCP Hawaii Holdings, LLC. WCP Real Estate Fund II GP, LLC is the general partner of WCP Real Estate Fund II, L.P. and WCP Real Estate Fund II(A), L.P. WCP Real Estate Fund II(B) GP, LLC is the general partner of WCP Real Estate Fund II(B), L.P. WCP Investment Manager, LLC acts as (i) investment manager of WCP Real Estate Fund II, L.P., WCP Real Estate Fund II(A), L.P. and WCP Real Estate Fund II(B), L.P., and (ii) manager of WCP Real Estate Fund II GP and WCP Real Estate Fund II(B) GP, LLC. Sean F. Armstrong, as vice president of WCP Hawaii Holdings, LLC and principal of WCP Investment Manager, LLC, Wm. Gregory Geiger, as vice president of WCP Hawaii Holdings, LLC and principal of WCP Investment Manager, LLC, Russel S. Bernard, as president of WCP Hawaii Holdings, LLC and managing principal of WCP Investment Manager, LLC, and Marc Porosoff, as vice president and secretary of WCP Hawaii Holdings, LLC and principal and general counsel of WCP Investment Manager, LLC, make investment and voting decisions with respect to WCP Hawaii Holdings, LLC.

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Our Common Shares are traded on the NYSE under the symbol "CPF."

The following table sets forth the quarterly high and low sales prices of our Common Shares on the NYSE for the periods indicated after adjustment of all amounts to retroactively reflect the Reverse Stock Split:

	High	Low	Cash Dividends Per Common Share
Year Ended December 31, 2009			
First Quarter	\$ 204.40	\$ 70.00	
Second Quarter	199.40	73.60	
Third Quarter	78.20	35.00	
Fourth Quarter	54.00	15.80	
Year Ended December 31, 2010			
First Quarter	45.40	20.80	
Second Quarter	77.60	30.00	
Third Quarter	36.40	26.00	
Fourth Quarter	31.80	23.20	
Year Ending December 31, 2011			
First Quarter	53.00	18.61	
Second Quarter (through June 15, 2011)	21.08	12.42	

On June 15, 2011, the last closing sale price reported on the NYSE for our Common Shares was \$12.42 per share.

Holdings

As of May 31, 2011, there were 4,316 common shareholders of record.

Dividend Policy

The holders of our Common Shares share proportionately, on a per share basis, in all dividends and other distributions declared by the Board of Directors. On January 28, 2009, the Board of Directors suspended the payment of cash dividends to preserve capital during these challenging economic times. Accordingly, no cash dividends were declared on our Common Shares in 2010 and 2009. Dividends by the Company require the approval of the FRB, DFI and Treasury. Dividends by the bank require the approval of the FDIC and DFI.

As a result of the Agreement effective July 2, 2010 and due to the terms of our trust preferred securities, our ability to pay dividends with respect to Common Shares is subject to obtaining approval from the FRBSF, DFI and Treasury and is restricted until our obligations under our trust preferred securities are brought current. We will seek regulatory approval to pay all deferred payments under our trust preferred securities. Under our exchange agreement with Treasury, any dividend payment will continue to require the approval of Treasury until the earlier of January 9, 2012 and such time as Treasury ceases to own any of our or our affiliates' securities. Additionally, our ability to pay dividends depends on our ability to obtain dividends from the bank. The bank, in addition to obtaining approval from the FDIC and DFI, is not permitted under Hawaii law to pay dividends except out of retained earnings. Given that the bank had an accumulated deficit of \$478.1 million at March 31, 2011, the bank is prohibited from paying any dividends until this deficit is eliminated. Accordingly, we do not anticipate that the bank or the Company will be paying cash dividends in the foreseeable future.

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DESCRIPTION OF CAPITAL STOCK

In this section, references to "the Company," "we," "our," and "us" refer only to Central Pacific Financial Corp. and not its consolidated subsidiaries.

The following is a summary description of our Common Shares. This description is not complete and is qualified in its entirety by reference to the provisions of our restated articles of incorporation and bylaws, the applicable provisions of the Hawaii Business Corporation Act (the "HBCA") and the Tax Benefits Preservation Plan, dated as of November 23, 2010. Our restated articles of incorporation and our amended bylaws are filed as exhibits to the registration statement of which this prospectus is a part and our Tax Benefits Preservation Plan is filed as an exhibit to our Current Report on Form 8-K filed on November 24, 2010 (see "Where You Can Find More Information").

Our authorized common stock consists of 185,000,000 shares of common stock, no par value per share, which remains unchanged after the Reverse Stock Split. As of May 31, 2011, 41,738,820 Common Shares were issued and outstanding. Our Common Shares were held by 4,316 shareholders of record as of May 31, 2011. Our outstanding Common Shares are fully paid and nonassessable. The issued Common Shares represent non-withdrawable capital, are not accounts of an insurable type, and are not federally insured. In addition, Treasury holds a warrant to purchase 79,288 Common Shares, subject to adjustment.

Dividend Rights

Holders of our Common Shares are entitled to receive dividends if, as and when declared by the Board of Directors out of any funds legally available for dividends. There are currently several limitations on our ability to pay dividends. For more information, see "Market for Common Shares and Dividend Policy."

Liquidation and Dissolution

In the event of our liquidation or dissolution, the holders of Common Shares are entitled to receive proportionately all assets available for distribution to shareholders after the payment of all debts and other liabilities and subject to the prior rights of any outstanding preferred stock. Holders of Common Shares are not entitled to a liquidation preference in respect of those shares.

No Preemptive or Conversion Rights

Holders of Common Shares generally do not have preemptive rights to purchase additional Common Shares and have no conversion or redemption rights under our restated articles of incorporation or the HBCA.

The Investors have certain contractual preemptive rights. Please see " Common Shares Issued in the Private Placement" below.

Voting Rights

Holders of our Common Shares are entitled to one vote for each share held on all matters submitted to a vote of shareholders and do not have cumulative voting rights. An election of directors by our shareholders shall be determined by a plurality of the votes cast by the shareholders entitled to vote on the election.

Common Shares issued In the Private Placement

Pursuant to the Investment Agreements and the subscription agreements, the Lead Investors and the Additional Investors in the Private Placement are entitled to certain rights and are subject to

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certain obligations with respect to the Common Shares they hold to which our other shareholders are not entitled or subject. Pursuant to the Investment Agreements, for so long as each Lead Investor owns, together with its affiliates, 10% or more of the outstanding Common Shares, the Company will nominate a director designated by each Lead Investor to serve on the Board of Directors and the bank's Board of Directors. For so long as each Lead Investor owns, together with its affiliates, 5% or more of the outstanding Common Shares, the Company will invite a person designated by each Lead Investor to observe all meetings of the Board of Directors and the bank's Board of Directors.

In addition, so long as a Lead Investor owns, together with its affiliates, at least 10% of the outstanding Common Shares, such Lead Investor has preemptive rights in connection with certain equity issuances by the Company to purchase securities being offered by the Company, at the same price as offered to other parties, to maintain its proportionate ownership of the Company. Pursuant to the subscription agreements, the Additional Investors have similar preemptive rights, except the minimum ownership threshold is 1.5% and their preemptive rights expire two years following the closing date of the Private Placement.

The Investment Agreements also prohibit the Lead Investors from selling the Common Shares they purchased in the Private Placement until the earlier of one year after the closing date of the Private Placement, the date on which the Lead Investor owns in the aggregate with its affiliates less than 5% of the outstanding Common Shares, the date on which any person commences a bona fide public tender or exchange offer which would result in a change in control of the Company, the public announcement by the Company that it is "for sale" in a transaction that would result in a change in control of the Company, and the execution by the Company of a definitive agreement which, if consummated, would result in a change in control of the Company. The subscription agreements do not contain transfer restrictions. However, because the Common Shares issued to the Additional Investors are restricted securities, they can be sold only pursuant to an effective registration statement or an exemption therefrom.

In addition, the Lead Investors have certain registration rights with respect to the Common Shares held by them following the lock-up period described above. The Additional Investors have certain registration rights with respect to the Common Shares held by them until six months following the completion of the Private Placement.

Tax Benefits Preservation Plan

We have generated significant net operating losses carry-overs as a result of our recent losses. Our ability to use these net operating loss carry-forwards to offset future taxable income will be limited if we experience an "ownership change" as defined in Section 382 of the Internal Revenue Code. Section 382 generally restricts the use of NOLs after an "ownership change." An ownership change occurs if, among other things, the shareholders (or specified groups of shareholders) who own or have owned, directly or indirectly, 5% or more of a corporation's common stock or are otherwise treated as 5% shareholders under Section 382 and the Treasury regulations promulgated thereunder increase their aggregate percentage ownership of that corporation's stock by more than 50 percentage points over the lowest percentage of the stock owned by these shareholders over a three-year rolling period. In the event of an ownership change, Section 382 imposes an annual limitation on the amount of taxable income a corporation may offset with NOL carry forwards. This annual limitation is generally equal to the product of the value of the corporation's stock on the date of the ownership change, multiplied by the long-term tax-exempt rate published monthly by the Internal Revenue Service. Any unused annual limitation may be carried over to later years until the applicable expiration date for the respective NOL carry forwards.

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In order to reduce the likelihood that future transactions in our Common Shares will result in an ownership change, on November 23, 2010, we adopted a Tax Benefits Preservation Plan, which provides an economic disincentive for any person or group to become a Threshold Holder.

In connection with the Tax Benefits Preservation Plan, the Board of Directors declared a dividend of one preferred share purchase right (a "Preferred Share Purchase Right") in respect of each Common Share outstanding as of November 30, 2010 and to become outstanding during the term of the plan. Each Preferred Share Purchase Right represents the right to purchase, upon the terms and subject to the conditions in the Tax Benefits Preservation Plan, 1/10,000th of a share of Junior Participating Preferred Stock, Series C, no par value, for \$6.00, subject to adjustment. The Preferred Share Purchase Rights will become exercisable by holders of those rights (other than the Threshold Owner) upon certain triggering events, such as any person becoming a Threshold Holder. Prior to such a triggering event, the Board of Directors may, at its option, exchange all or part of the then outstanding and exercisable Preferred Share Purchase Rights at an exchange ratio of one Common Share per Preferred Share Purchase Right, subject to adjustments and limitations described in the Tax Benefits Preservation Plan. For more information on our Tax Benefits Preservation Plan, see our Form 8-A and Form 8-K, and the related exhibits, filed with the SEC on November 24, 2010.

Protective Charter Amendment

To further protect our tax benefits, we filed the Protective Charter Amendment on May 2, 2011. Subject to certain restrictions and exceptions, the Protective Charter Amendment restricts any direct or indirect transfer of our Common Shares (such as transfers of our Common Shares that result from the transfer of interests in other entities that own our Common Shares) if the effect would be to (1) cause the transferee to become a Threshold Holder or (2) cause the beneficial ownership of our Common Shares by any Threshold Holder to increase.

Exceptions for transfers that would otherwise be prohibited include transfers: (i) to a public group of persons each of whom owns, directly or indirectly, less than five percent of the outstanding Common Stock (including a new public group), (ii) approved by the Board of Directors prior to their consummation or if involuntary, as soon as practicable after consummation, (iii) relating to a merger or consolidation affecting all holders of Common Stock and upon consummation the acquiror will own at least a majority of the outstanding shares of Common Stock or (iv) by the Company to an underwriter or placement agent for distribution to the public, under certain circumstances. The Protective Charter Amendment includes the right to require a proposed transferee, as a condition to registration of a transfer of our Common Stock, to provide all information reasonably requested regarding such person's direct and indirect ownership of our Common Stock.

Any direct or indirect transfer attempted in violation of the Protective Charter Amendment would be void as of the date of the prohibited transfer as to the purported transferee (or, in the case of an indirect transfer, the ownership of the direct owner of our Common Shares would terminate simultaneously with the transfer), and the purported transferee (or in the case of any indirect transfer, the direct owner) would not be recognized as the owner of the shares owned in violation of the Protective Charter Amendment for any purpose, including for purposes of voting and receiving dividends or other distributions in respect of such Common Shares, or in the case of options, receiving our Common Shares in respect of their exercise. In this prospectus, our Common Shares purportedly acquired in violation of the Protective Charter Amendment is referred to as "prohibited shares."

The Board of Directors will have the discretion to approve a transfer of our Common Shares that would otherwise violate the transfer restrictions if it determines that the transfer is in our and our shareholders' best interests.

Notwithstanding the restrictions described above, the Protective Charter Amendment permits a person to acquire stock pursuant to a merger, tender offer or other transaction pursuant to which such

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person will own at least a majority of the outstanding Common Stock and in which all shareholders are offered the same opportunity to receive cash, stock or other consideration.

The Protective Charter Amendment expires on the earliest of (i) May 2, 2014, (ii) such time as the Board of Directors determines the Protective Charter Amendment is no longer necessary for the preservation of our tax benefits and (iii) the date the Board of Directors determines that the Protective Charter Amendment is no longer in our and our shareholders' best interest.

Although the Protective Charter Amendment is intended to reduce the likelihood of an ownership change, we cannot eliminate the possibility that an ownership change will occur notwithstanding the adoption of the Protective Charter Amendment. For more information on the Protective Charter Amendment, please see our restated articles of incorporation and the description of the Protective Charter Amendment in our proxy statement, filed with the SEC on March 4, 2011.

Restrictions on Ownership Bank Holding Company Act

The Bank Holding Company Act of 1956 (the "BHCA") requires any "bank holding company" (as defined in the BHCA) to obtain the approval of the Board of Governors of the Federal Reserve System prior to acquiring more than 5% of our outstanding Common Shares. Any holder of 25% or more of our outstanding Common Shares, other than an individual, is subject to regulation as a bank holding company under the BHCA. In addition, any person other than a bank holding company is required to obtain prior approval of the Federal Reserve Board to acquire 10% or more of our outstanding Common Shares under the Change in Bank Control Act of 1978.

Anti-Takeover Effects of Hawaii Law

The Hawaii Control Share Acquisitions Act (the "CSA Act") is applicable to CPF and is designed to inhibit hostile acquisitions by restricting Control Share Acquisitions. A Control Share Acquisition is the acquisition of shares of an issuer resulting in beneficial ownership of a new range of voting power (with thresholds for the ranges starting at 10% and set at 10% intervals up to a majority) for the election of directors. Certain acquisitions are exempt from the CSA Act, including acquisitions from the issuer or where the issuer's prior approval has been obtained. The CSA Act prohibits the consummation of a Control Share Acquisition unless each such acquisition is separately approved by a majority of the corporation's outstanding shares (excluding shares beneficially owned by the acquiring person) and imposes certain state law disclosure and timing requirements. If a Control Share Acquisition is made without the requisite shareholder approval, then, for a period of one year after the acquisition, the shares acquired by the acquiring person will (i) be denied voting rights, (ii) be non-transferable, and (iii) be subject to redemption at the option of the corporation either at the price at which the shares were acquired or at book value per share as of the last day of the fiscal quarter ended prior to the date of the call for redemption.

Thus, under certain circumstances, the CSA Act may make it more difficult for an acquiring person to exercise control over the Company due to the limitations placed on that person's ability to vote the shares so acquired and the right of the Company to acquire the subject shares. The foregoing discusses all material information relating to the CSA Act and the sale of Common Shares by Selling Shareholders.

Anti-Takeover Provisions in the Restated Articles and Bylaws

The following discussion is a general summary of certain provisions of the restated articles of incorporation, and amended bylaws of the Company which may be deemed to have an "anti-takeover" effect.

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Advance Notice Requirement for Director Nominations. Our bylaws provide that shareholder nominations for the election of directors may not be brought before a meeting of shareholders unless the shareholder has given timely written notice in proper form of such nomination to the Secretary of the Company at the principal executive office. Such proposals or nominations may be made only by persons who are shareholders of record on the date on which such notice is given and on the record date for determination of shareholders entitled to vote at that meeting. To be timely, a shareholder's notice shall be delivered to or mailed and received at the executive office of the corporation not less than 90 calendar days nor more than 120 calendar days prior to the first anniversary date of the annual meeting for the preceding year; provided, however, if and only if the annual meeting is not scheduled to be held within a period that commences 30 days before such anniversary date and ends 30 days after such anniversary date, the shareholder's notice shall be given in the manner provided herein by the later of (i) the close of business on the date 90 days prior to the meeting date or (ii) the tenth day following the date the meeting is first publicly announced or disclosed, and (iii) in the case of a special meeting of shareholders called for the purpose of electing directors, not later than the close of business on the tenth day following the day on which the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting is publicly announced or disclosed.

No person is eligible for election to the Board of Directors unless nominated in accordance with the foregoing procedures, and thus such procedures could make it more difficult for dissident shareholders to nominate and elect their candidates.

Supermajority Shareholder Vote to Call a Special Shareholders Meeting to Amend Bylaws. Subject to repeal or change at any regular meeting of the shareholders, or at any special meeting called for that purpose by the vote of the holders of eighty percent (80%) of the outstanding shares entitled to vote at such meeting, the power to alter, amend or repeal our bylaws or adopt new bylaws is vested in the Board of Directors. The supermajority vote required to call a special meeting of shareholders to amend the bylaws could have the effect of discouraging a tender offer or other takeover attempt where the ability to make fundamental changes through bylaw amendments adopted by the shareholders at a special meeting is an important element of the takeover strategy.

Fair Price Provisions Involving Business Combinations. Our restated articles of incorporation contains a "fair price" provision that applies to certain business combination transactions involving any interested shareholder, which is (i) any person that beneficially owns more than 10% of our voting stock or (ii) any affiliate of the Company that within the past five years beneficially owned more than 10% of our voting stock. This provision requires the affirmative vote of the holders of at least 75% of our voting stock to approve specified transactions between an interested shareholder or its affiliate and us or our subsidiaries, including:

any merger or consolidation;

any sale, lease, license, exchange, pledge, transfer or other disposition of assets (in one transaction or a series of transactions) having a fair market value of \$2 million or more;

the issuance or transfer of any of our securities or any of our subsidiaries' securities by us or any of our subsidiaries to an interested shareholder or its affiliates having a fair market value of \$2 million or more;

the adoption of a plan or proposal for our liquidation or dissolution proposed by or on behalf of an interested shareholder or its affiliate; and

any reclassification of securities (including any reverse stock split), recapitalization, merger or consolidation of our company with any of our subsidiaries or other transaction (whether or not involving an interested shareholder) that has the effect of increasing the proportionate share of the outstanding shares of any class of our equity or convertible securities or those of our subsidiaries owned by an interested shareholder or its affiliate.

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This voting requirement will not apply to any particular transaction approved by a majority vote of the directors who are unaffiliated with the interested shareholder and who were members of the Board of Directors before the latter of the first public announcement of the terms of the proposed business combination and the day the interested shareholder became a shareholder and any successor to such directors who were unaffiliated with the interested shareholder and recommended to the Board of Directors by a majority of such directors. This voting requirement will also not apply to any transaction involving the payment of consideration to holders of our outstanding Common Shares in which certain minimum "fair price" and procedural requirements are met.

This "fair price" provision could have the effect of delaying or preventing a change in control of our company in a transaction of series of transactions that does not satisfy the stated criteria.

Preferred Stock. Our restated articles of incorporation allow the Board of Directors to issue up to 1,000,000 shares of preferred stock, no par value per share. The Board of Directors also has the authority to designate the rights, preferences, privileges and restrictions of such preferred stock, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series. The issuance of preferred stock may have the effect of delaying, deterring or preventing a change of control of our company without further action by the shareholders. The issuance of preferred stock with voting and conversion rights may also adversely affect the voting power of the holders of Common Shares. In certain circumstances, an issuance of preferred stock could have the effect of decreasing the market price of our Common Shares.

Tax Benefits Preservation Plan and Protective Charter Amendment. We adopted the Tax Benefits Preservation Plan and the Protective Charter Amendment to preserve the long-term value of our tax benefits. However, they could be deemed to have an anti-takeover effect. The Tax Benefits Preservation Plan provides an economic disincentive for any person or group to become a Threshold Holder. The Protective Charter Amendment restricts the ability of a person to become a Threshold Holder and the ability of existing Threshold Holders from acquiring additional Common Shares without the approval of the Board of Directors. However, the adoption of the Tax Benefits Preservation Plan and the Protective Charter Amendment was not part of a plan by us to adopt a series of anti-takeover measures, and we are not presently aware of any potential takeover transaction.

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DESCRIPTION OF TARP WARRANT

In this section, references to "the Company," "we," "our," and "us" refer only to Central Pacific Financial Corp. and not its consolidated subsidiaries.

The following is a brief description of the amended warrant that was issued to Treasury on February 18, 2011 (the "Amended TARP Warrant"). The description of the Amended TARP Warrant contained in this section is qualified in its entirety by the actual terms of the Amended TARP Warrant, a form of which is attached as an exhibit to our Current Report on Form 8-K filed on February 22, 2011 and incorporated by reference into this prospectus.

Common Shares Subject to the Amended TARP Warrant

The Amended TARP Warrant is initially exercisable for 79,288 Common Shares.

Exercise of the Amended TARP Warrant

The initial exercise price applicable to the Amended TARP Warrant is \$10 per Common Share. The Amended TARP Warrant may be exercised at any time on or before February 18, 2021 by surrender of the Amended TARP Warrant and a completed notice of exercise attached as an annex to the Amended TARP Warrant and the payment of the exercise price for the Common Shares for which the Amended TARP Warrant is being exercised. The exercise price may be paid either by the withholding by the Company of such number of Common Shares issuable upon exercise of the Amended TARP Warrant equal to the value of the aggregate exercise price of the Amended TARP Warrant determined by reference to the market price of our Common Shares on the trading day on which the Amended TARP Warrant is exercised or, if agreed to by us and the holder of the Amended TARP Warrant, by the payment of cash equal to the aggregate exercise price. The exercise price applicable to the Amended TARP Warrant is subject to the further adjustments described below under the heading " Adjustments to the Amended TARP Warrant."

Upon exercise of the Amended TARP Warrant, certificates for the Common Shares issuable upon exercise will be issued to the holder of the Amended TARP Warrant. We will not issue fractional shares upon any exercise of the Amended TARP Warrant. Instead, the holder of the Amended TARP Warrant will be entitled to a cash payment equal to the market price of our Common Shares on the last trading day preceding the exercise of the Amended TARP Warrant (less the pro-rated exercise price of the Amended TARP Warrant) for any fractional shares that would have otherwise been issuable upon exercise of the Amended TARP Warrant. We will at all times reserve the aggregate number of Common Shares for which the Amended TARP Warrant may be exercised. We have listed the Common Shares issuable upon exercise of the Amended TARP Warrant with the NYSE.

Rights as a Shareholder

The holder of the Amended TARP Warrant shall have no rights or privileges of the holders of our Common Shares, including any voting rights, until (and then only to the extent) the Amended TARP Warrant has been exercised.

Transferability and Assignability

The Amended TARP Warrant, and all rights under the Amended TARP Warrant, are transferable and assignable.

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Adjustments to the Amended TARP Warrant

Adjustments in Connection with Stock Dividends, Stock Splits, Subdivisions, Reclassifications and Combinations.

The number of shares for which the Amended TARP Warrant may be exercised and the exercise price applicable to the Amended TARP Warrant will be proportionately adjusted in the event we pay stock dividends or make distributions of our Common Shares, subdivide, combine or reclassify outstanding Common Shares.

Certain Issuances.

Until the earlier of February 18, 2014 and the date Treasury no longer holds the Amended TARP Warrant (and other than in certain permitted transactions described below), if we issue any Common Shares (or securities convertible or exercisable into Common Shares) at a price per share less than the applicable per share warrant exercise price, then the exercise price under the Amended TARP Warrant shall be adjusted to equal the consideration per Common Share received by the Company in connection with such issuance, and the number of Common Shares into which the Amended TARP Warrant is exercisable will be adjusted. Permitted transactions include issuances:

as consideration for or to fund the acquisition of businesses and/or related assets at fair market value;

in connection with employee benefit plans and compensation related arrangements in the ordinary course and consistent with past practice approved by the Board of Directors;

in connection with public or broadly marketed offerings and sales of Common Shares or convertible securities for cash conducted by us or our affiliates pursuant to registration under the Securities Act, or Rule 144A thereunder on a basis consistent with capital-raising transactions by comparable financial institutions; and

in connection with the exercise of preemptive rights on terms existing as of the Amended TARP Warrant issue date.

Other Distributions.

If we declare any dividends or distributions other than stock dividends, the exercise price of the Amended TARP Warrant will be adjusted to reflect such distribution.

Certain Repurchases.

If we effect a pro rata repurchase of Common Shares both the number of shares issuable upon exercise of the Amended TARP Warrant and the exercise price will be adjusted.

Business Combinations.

In the event of a merger, consolidation or similar transaction involving the Company and requiring shareholder approval, the Amended TARP Warrant holder's right to receive Common Shares upon exercise of the Amended TARP Warrant shall be converted into the right to exercise the Amended TARP Warrant for the consideration that would have been payable to the Amended TARP Warrant holder with respect to the Common Shares for which the Amended TARP Warrant may be exercised, as if the Amended TARP Warrant had been exercised prior to such merger, consolidation or similar transaction.

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U.S. FEDERAL INCOME TAX CONSEQUENCES

The following discussion describes the material United States federal income tax consequences to U.S. holders and Non-U.S. holders (both as defined below) of the ownership of shares of Common Stock.

You are a U.S. holder if you are a beneficial owner of shares of Common Stock and you are:

an individual citizen or resident of the United States;

a corporation (or any other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

an estate whose income is subject to United States federal income tax regardless of its source; or

a trust if it (1) is subject to the primary supervision of a court within the United States and one or more "United States persons," as defined in the United States Internal Revenue Code of 1986, as amended (the "Code"), have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable Treasury Department regulations to be treated as a United States person.

You are a "Non-U.S. Holder" if you are a beneficial owner of Common Stock and are not a U.S. Holder and are not a partnership or other entity treated as a partnership for United States federal income tax purposes.

The following discussion is based upon the provisions of the Code, regulations promulgated by Treasury Department thereunder, and administrative rulings and judicial decisions, in each case as of the date hereof. These authorities are subject to differing interpretations and may be changed, perhaps retroactively, resulting in United States federal income tax consequences different from those discussed below. We have not sought any ruling from the United States Internal Revenue Service ("IRS") with respect to the statements made and the conclusions reached in this discussion, and there can be no assurance that the IRS will agree with such statements and conclusions. Further, this discussion assumes that the shares of Common Stock will be held as capital assets within the meaning of Section 1221 of the Code. In addition, this summary does not address all tax considerations that may be applicable to your particular circumstances or to you if you are a U.S. holder that may be subject to special tax rules, including, without limitation:

banks, insurance companies or other financial institutions;

regulated investment companies;

real estate investment trusts;

dealers in securities or commodities;

traders in securities that elect to use a mark-to-market method of accounting for securities holdings;

tax-exempt organizations;

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persons liable for alternative minimum tax;

persons that hold shares of Common Stock as part of a straddle or a hedging or conversion transaction; or

persons whose "functional currency" is not the United States dollar.

If a partnership (including any entity treated as a partnership for United States federal income tax purposes) holds shares of Common Stock, the tax treatment of a partner in a partnership generally will

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depend upon the status of the partner and the activities of the partnership. Such a partner or partnership should consult its own tax advisor as to the United States federal income tax consequences of the ownership of shares of Common Stock.

You should consult your own tax advisor regarding the United States federal, state, local, non-U.S. and other tax consequences of the ownership of shares of Common Stock in your particular circumstances.

Ownership of Common Stock

U.S. Holders

Dividends

In general, distributions with respect to Common Stock will constitute dividends to the extent made out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. If a distribution exceeds our current and accumulated earnings and profits, the excess will be treated as a non-taxable return of capital to the extent of your tax basis in Common Stock and thereafter as capital gain from the sale or exchange of such Common Stock. Dividends received by a corporate U.S. holder may qualify for a dividends-received deduction and dividends received by non-corporate U.S. holders, including individuals, may qualify for preferential rates of taxation; however, in each case, certain holding period and other limitations apply.

Gain on Disposition of Common Stock

Upon the sale or other disposition of Common Stock, you will generally recognize capital gain or loss for United States federal income tax purposes equal to the difference between the value of the amount that you realize and your tax basis in Common Stock. Capital gain of a noncorporate U.S. holder is generally taxed at preferential rates where the holder has a holding period greater than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. The deductibility of capital losses is subject to limitations.

Non-U.S. Holders

Dividends

Except as described below, if you are a Non-U.S. holder of Common Stock, dividends paid to you are subject to withholding of United States federal income tax at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate. Even if you are eligible for a lower treaty rate, we and other payors will generally be required to withhold at a 30% rate (rather than the lower treaty rate) on dividend payments to you, unless you have furnished to us or another payor:

a valid Internal Revenue Service Form W-8BEN or an acceptable substitute form upon which you certify, under penalties of perjury, your status as a non-United States person and your entitlement to the lower treaty rate with respect to such payments, or

in the case of payments made outside the United States to an offshore account (generally, an account maintained by you at an office or branch of a bank or other financial institution at any location outside the United States), other documentary evidence establishing your entitlement to the lower treaty rate in accordance with U.S. Treasury regulations.

If you are eligible for a reduced rate of United States withholding tax under a tax treaty, you may obtain a refund of any amounts withheld in excess of that rate by filing a refund claim with the IRS.

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If dividends paid to you are "effectively connected" with your conduct of a trade or business within the United States, and, if required by a tax treaty, the dividends are attributable to a permanent establishment that you maintain in the United States, we and other payors generally are not required to withhold tax from the dividends, provided that you have furnished to us or another payor a valid Internal Revenue Service Form W-8ECI or an acceptable substitute form upon which you represent, under penalties of perjury, that:

you are a non-United States person, and

the dividends are effectively connected with your conduct of a trade or business within the United States and are includible in your gross income.

"Effectively connected" dividends are taxed at rates applicable to United States citizens, resident aliens and domestic United States corporations.

If you are a corporate Non-U.S. holder, "effectively connected" dividends that you receive may, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

Gain on Disposition of Common Stock

If you are a Non-U.S. holder, you generally will not be subject to United States federal income tax on gain that you recognize on a disposition of Common Stock unless:

the gain is "effectively connected" with your conduct of a trade or business in the United States, and the gain is attributable to a permanent establishment that you maintain in the United States, if that is required by an applicable income tax treaty as a condition for subjecting you to United States taxation on a net income basis,

you are an individual, you hold the Common Stock as a capital asset, you are present in the United States for 183 or more days in the taxable year of the sale and certain other conditions exist, or

we are or have been a United States real property holding corporation for federal income tax purposes and you held, directly or indirectly, at any time during the five-year period ending on the date of disposition, more than 5% of the Common Stock and you are not eligible for any treaty exemption.

If you are a corporate non-U.S. holder, "effectively connected" gains that you recognize may also, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

We have not been, are not and do not anticipate becoming a United States real property holding corporation for United States federal income tax purposes.

Withholdable Payments to Foreign Financial Entities and Other Foreign Entities

Under recently enacted legislation, a 30% withholding tax would be imposed on certain payments that are made after December 31, 2012 to certain foreign financial institutions, investment funds and other non-U.S. persons that fail to comply with information reporting requirements in respect of their direct and indirect United States shareholders and/or United States accountholders. Such payments would include U.S.-source dividends and the gross proceeds from the sale or other disposition of stock that can produce U.S.-source dividends.

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Federal Estate Taxes

Common Stock held by a Non-U.S. holder at the time of death will be included in the holder's gross estate for United States federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

Backup Withholding and Information Reporting

If you are a Non-U.S. holder, we and other payors are required to report payments of dividends on IRS Form 1042-S even if the payments are exempt from withholding. You are otherwise generally exempt from backup withholding and information reporting requirements with respect to:

dividend payments and

the payment of the proceeds from the sale of Common Stock effected at a United States office of a broker,

as long as the income associated with such payments is otherwise exempt from United States federal income tax, and:

the payor or broker does not have actual knowledge or reason to know that you are a United States person and you have furnished to the payor or broker:

a valid Internal Revenue Service Form W-8BEN or an acceptable substitute form upon which you certify, under penalties of perjury, that you are a non-United States person, or

other documentation upon which it may rely to treat the payments as made to a non-United States person in accordance with U.S. Treasury regulations, or

you otherwise establish an exemption.

Payment of the proceeds from the sale of Common Stock effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale of Common Stock that is effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

the proceeds are transferred to an account maintained by you in the United States,

the payment of proceeds or the confirmation of the sale is mailed to you at a United States address, or

the sale has some other specified connection with the United States as provided in U.S. Treasury regulations,

unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above are met or you otherwise establish an exemption.

In addition, a sale of Common Stock will be subject to information reporting if it is effected at a foreign office of a broker that is:

a United States person,

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a controlled foreign corporation for United States tax purposes,

a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period, or

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a foreign partnership, if at any time during its tax year:

one or more of its partners are "U.S. persons", as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership, or

such foreign partnership is engaged in the conduct of a United States trade or business,

unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above are met or you otherwise establish an exemption. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that you are a United States person.

You generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your income tax liability by filing a refund claim with the IRS.

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LEGAL MATTERS

The validity of the Common Shares offered by this prospectus and certain other legal matters will be passed upon for us by Glenn K.C. Ching, Senior Vice President, Corporate Secretary and General Counsel of Central Pacific Financial Corp.

EXPERTS

Our consolidated financial statements as of December 31, 2010 and 2009 and for each of the years in the three-year period ended December 31, 2010 have been incorporated by reference in this prospectus in reliance upon the report of KPMG LLP, registered independent public accountants, incorporated by reference herein and upon the authority of said firm as experts in accounting and auditing.

The audit report covering the December 31, 2010, consolidated financial statements contains an explanatory paragraph that states that the Company entered into a consent order dated December 8, 2009 with its primary banking regulators that among other things restricts certain operations and requires the Company to increase its leverage and total risk-based capital ratios to at least 10% and 12%, respectively, by March 31, 2010 and maintain such levels thereafter. The Company failed to meet the aforementioned capital ratio requirements as well as other requirements of the consent order, which exposes Central Pacific Financial Corp. to additional restrictions and regulatory actions, including seizure of Central Pacific Bank. This situation raises substantial doubt about Central Pacific Financial Corp.'s ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of that uncertainty.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Exchange Act and file with the SEC proxy statements, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as required of a U.S. listed company. You may read and copy any document we file at the SEC's public reference room at 100 F Street, NE, Room 1580, Washington, D.C. 20549. Please call the SEC at 1-888-SEC-0330 for further information on the public reference rooms. Our SEC filings are also available to the public from the SEC's web site at www.sec.gov or our website at www.centralpacificbank.com. Written requests for copies of the documents we file with the SEC should be directed to Glenn K.C. Ching, Senior Vice President, Corporate Secretary and General Counsel of Central Pacific Financial Corp., 220 South King Street, Honolulu, Hawaii 96813.

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June 16, 2011

Up to 15,612,715 Shares of Common Stock

PROSPECTUS

We have not authorized any dealer, salesperson or other person to give you written information other than this prospectus or to make representations as to matters not stated in this prospectus. You must not rely on unauthorized information. This prospectus is not an offer to sell these securities or our solicitation of your offer to buy these securities in any jurisdiction where that would not be permitted or legal. Neither the delivery of this prospectus nor any sales made hereunder after the date of this prospectus shall create an implication that the information contained herein or the affairs of the Company have not changed since the date of this prospectus.
