

22nd Century Group, Inc.
Form 10-Q
November 14, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
X ACT OF 1934**

For the Quarterly Period Ended September 30, 2014

**..TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

For the Transition Period From _____ to _____

Commission File Number: 001-36228

22nd Century Group, Inc.

(Exact name of registrant as specified in its charter)

<u>Nevada</u>	<u>98-0468420</u>
(State or other jurisdiction of incorporation)	(IRS Employer Identification No.)

9530 Main Street, Clarence, New York 14031
(Address of principal executive offices)

(716) 270-1523

(Registrant's telephone number, including area code)

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 (§232.405 of this chapter) during 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer

Non-accelerated Filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 14, 2014, there were 64,325,042 shares of common stock issued and outstanding.

22nd CENTURY GROUP, INC.

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22nd CENTURY GROUP INC. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS****September 30, 2014 and Comparative Figures at December 31, 2013**

	September 30, 2014 (unaudited)	December 31, 2013
ASSETS		
Current assets:		
Cash	\$ 10,020,548	\$ 5,830,599
Due from related party	44,569	42,069
Due from officers	-	7,471
Inventory	1,748,236	1,406,280
Prepaid consulting fees	4,047,514	-
Prepaid expenses and other assets	175,023	-
Machinery and equipment held for resale	-	457,696
Total current assets	16,035,890	7,744,115
Machinery and equipment, net	2,880,613	2,997,760
Other assets:		
Intangible assets, net	5,528,053	1,544,869
Equity investment	1,393,443	-
Goodwill	852,000	-
Total other assets	7,773,496	1,544,869
Total assets	\$ 26,689,999	\$ 12,286,744
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Demand bank loan	\$ 174,925	\$ 174,925
Accounts payable	486,300	54,665
Accrued expenses	1,833,848	575,730
Deferred revenue	-	179,014
Total current liabilities	2,495,073	984,334
Warrant liability	3,216,450	3,779,522
Deferred tax liability	852,000	-
Total liabilities	6,563,523	4,763,856
Commitments and contingencies (Note 14)	-	-
Shareholders' equity		

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Capital stock authorized:

10,000,000 preferred shares, \$.00001 par value

300,000,000 common shares, \$.00001 par value

Capital stock issued and outstanding:

64,075,042 common shares (56,902,770 at December 31, 2013)	641	569
Capital in excess of par value	70,060,823	47,452,055
Accumulated deficit	(49,934,988)	(39,929,736)
Total shareholders' equity	20,126,476	7,522,888
Total liabilities and shareholders' equity	\$26,689,999	\$12,286,744

See accompany notes to consolidated financial statements.

22nd CENTURY GROUP INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF OPERATIONS****Three Months Ended September 30, 2014 and 2013****(unaudited)**

	September 30, 2014	September 30, 2013
Revenue:		
Sale of products	\$64,431	\$52,500
Cost of goods sold:		
Royalties for licensing	246,434	-
Products	59,413	20,550
	305,847	20,550
Gross (loss) profit	(241,416)	31,950
Operating expenses:		
Research and development (including stock based compensation of \$90,400 and \$0, respectively)	349,335	142,912
General and administrative (including stock based compensation of \$676,508 and \$322,591, respectively)	1,810,908	907,993
Pre-manufacturing facility costs (including stock based compensation of \$11,415 and \$0, respectively)	269,399	-
Sales and marketing costs	23,415	4,332
Amortization and depreciation	130,349	63,518
	2,583,406	1,118,755
Operating loss	(2,824,822)	(1,086,805)
Other income (expense):		
Warrant liability gain (loss) - net	142,858	(13,727,891)
Loss on the sale of machinery and equipment	(14,500)	
Loss on equity investment	(26,057)	-
Interest expense and amortization of debt discount and expense:		
Related parties	-	(5,672)
Other	(1,788)	(552,149)
	100,513	(14,285,712)
Net loss	\$(2,724,309)	\$(15,372,517)

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Loss per common share - basic and diluted	\$ (0.05)	\$ (0.32)
Common shares used in basic earnings per share calculation	60,103,693		47,389,538	

See accompany notes to consolidated financial statements.

22nd CENTURY GROUP INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF OPERATIONS****Nine Months Ended September 30, 2014 and 2013****(unaudited)**

	September 30, 2014	September 30, 2013
Revenue:		
Sale of products	\$528,080	\$52,500
Cost of goods sold:		
Royalties for licensing	246,434	-
Products	250,285	20,550
	496,719	20,550
Gross profit	31,361	31,950
Operating expenses:		
Research and development (including stock based compensation of \$241,067 and \$111,563, respectively)	835,050	498,746
General and administrative (including stock based compensation of \$1,514,797 and \$2,147,959, respectively)	4,160,775	3,456,642
Pre-manufacturing facility costs (including stock based compensation of \$16,508 and \$0, respectively)	702,166	-
Sales and marketing costs	57,575	4,332
Amortization and depreciation	325,962	173,118
	6,081,528	4,132,838
Operating loss	(6,050,167)	(4,100,888)
Other income (expense):		
Warrant liability loss - net	(3,850,295)	(13,485,564)
Warrant amendment inducement expense	(144,548)	-
Gain on the sale of machinery and equipment	71,121	-
Loss on equity investment	(26,057)	-
Interest expense and amortization of debt discount and expense:		
Related parties	-	(17,827)
Other	(5,306)	(727,396)
	(3,955,085)	(14,230,787)
Net loss	\$(10,005,252)	\$(18,331,675)

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Loss per common share - basic and diluted	\$(0.17)	\$(0.44)
Common shares used in basic earnings per share calculation	58,687,238		41,203,732	

See accompany notes to consolidated financial statements.

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22nd CENTURY GROUP INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY****Nine Months Ended September 30, 2014****(unaudited)**

	Common Shares Outstanding	Par value of Common Shares	Contributed Capital	Accumulated Deficit	Shareholders' Equity
Balance at December 31, 2013	56,902,770	\$569	\$47,452,055	\$(39,929,736)	\$7,522,888
Stock based compensation	1,272,768	13	1,749,873	-	1,749,886
Warrants issued as compensation for services	-	-	1,260,000	-	1,260,000
Exercise of warrants	1,167,737	12	486,939	-	486,951

Act of 1933, as amended, covering the resale of exercise of the warrants, as promptly as practical certain circumstances we may be obligated to file these securities upon the request of the Treasury

Limits on Executive Compensation

As a condition to the issuance of the Shares, we chief executive officer, chief financial officer, and we must

ensure that incentive compensation for any risks that threaten our value;

implement a required clawback of any bonus on statements of earnings, gains, or other

not make any golden parachute payment to any executive; and

agree not to deduct for tax purposes executive's golden parachute payment.

Limitations on Share Repurchases

Subject to limited exceptions, we will be prohibited from repurchasing our common stock (the "Shares") until the earlier of (i) the third anniversary of the date the Shares have been redeemed in whole or the Treasury

LIQUIDITY AND FINANCIAL RESOURCES THE CAPITAL PURCHASE PROGRAM

Overview

Synovus has always placed great emphasis on maintaining sufficient regulatory capital requirements for well capitalized banks. We are committed to maintaining a capital level sufficient to assure the safety and soundness of our operations, and to enable Synovus to provide a desirable level of service. We believe that Synovus should take all necessary actions to remain strong through this crisis, including participating in the

Synovus' capital ratios remain strong and we believe we have sufficient funding needs. However, to the extent that shareholders exercise their rights of Incorporation and Bylaws described in this Prospectus, the Capital Purchase Program, which is one of the ways we intend to further strengthen its capital base.

In managing our consolidated balance sheet, we will continue to maintain sufficient capital resources and liquidity to meet the transaction and cash management needs of our customers. We rely as regular components of our liquidity and capital resources on cash and brokered deposits. We have also historically been able to raise funds from either short-term debt or equity. In the event of volatility and disruption in the capital and credit

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unprecedented levels. In some cases, the market availability for certain issuers without regard to market disruption and volatility continue or worse satisfactory terms may be disrupted, which may the extent that our shareholders do not approve the Bylaws described in this Proxy Statement, Syno Program, which is one of the most cost effective capital base.

Pro Forma Financial Information

The unaudited pro forma condensed consolidated application of pro forma adjustments to our historical and the nine months ended September 30, 2008. to the events discussed below as if they had occurred data and September 30, 2008 in the case of the b

The issuance of \$973 million of preferred

The issuance of warrants to purchase 15.3 price of \$9.55 per share (trailing 20-day S

The reduction in short-term borrowings (the Capital Purchase Program.

We present unaudited pro forma consolidated balance sheet and selected capital ratios, as of September consolidated income statements for the year ended 2008. The pro forma financial data may change well as certain other factors including the strike common stock price, and the discount rate used

The information should be read in conjunction with as part of our Annual Report on Form 10-K for the consolidated financial statements and the related the quarter ended September 30, 2008.

The following unaudited pro forma consolidated position or results of operations that actually would Program been received, or the issuance of the warrants the dates indicated, and is not necessarily indicative achieved in the future. In addition, as noted above our shareholders approving the proposed amendments this Proxy Statement.

We have included the following unaudited pro forma providing shareholders with information that may proposals to amend our Articles of Incorporation economic and industry specific conditions and fi

uncertainties, certain of which are beyond our control, are discussed in this Proxy Statement and

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those described under Item 1A of our Annual Report on Form 10-K and Item 1A of our Quarterly Report on Form 10-Q, and other reports filed with the SEC, which are specifically identified in the following table.

Synopsis

Pro Forma Consolidated

Balance Sheet:

Total liabilities (1)

Total shareholders' equity

Capital Ratios:

Total risk-based capital to risk-weighted assets ratio

Tier 1 capital ratio

Leverage ratio

Equity to assets ratio

Tangible equity to tangible assets ratio

(1) Assumes that proceeds are initially used to pay for deposits).

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Syn

Pro Forma Condense
(In thousa

Net interest income
Provision for losses on loans
Net interest income after provision for losses on
Non-interest income
Non-interest expense
Income from continuing operations before incom
taxes
Income tax expense
Income from continuing operations(2)
Less: Preferred dividends
Income from continuing operations available to
common stockholders
Basic earnings per share available to common
stockholders
Income from continuing operations
Diluted earnings per share available to common
stockholders
Income from continuing operations
Weighted average shares outstanding
Basic
Diluted

(1) Assumes that the \$973 million in Capital P
borrowings (consisting primarily of broker
different as Synovus expects to utilize a po

However, such impact cannot be estimated when the loans are funded, the actual pricing

- (2) On December 31, 2007, Synovus completed the issuance of common stock to Synovus shareholders. In accordance with Accounting Standards (SFAS) No. 144, SFAS No. 146, Accounting for Costs of Discontinued Operations, consolidated results of operations of TSYS, are not reported for discontinued operations includes a \$4.2 million of cash and funds to a non-affiliated third party. Accordingly, the pro forma since the information would not be available.
 - (3) Additional income tax expense is attributable to the issuance of the common stock.
 - (4) Consists of dividends on preferred stock at the time of issuance. The discount is determined at the time of issuance. The discount is accreted back to par value (7%) over a five year term, which is the expected life of the warrants. The accretion is based on a number of assumptions including the discount (market rate at issuance) rate on the warrants. The proceeds are allocated based on the fair value of the preferred stock. The fair value model includes assumptions regarding Synovus stock price as well as assumptions regarding the risk-free rate and the negative impact on net income and earnings per share. The fair value of the preferred stock is determined based on the fair value of the common stock.
-

Weighted average shares outstanding
Basic

Diluted

- (1) Assumes that the \$973 million in Capital P borrowings (consisting primarily of broker borrowings (consisting primarily of broker different as Synovus expects to utilize a po However, such impact cannot be estimated when the loans are funded, the actual pricing
 - (2) Additional income tax expense is attributable
 - (3) Consists of dividends on preferred stock at stock upon issuance. The discount is determined issuance. The discount is accreted back to p 7%) over a five year term, which is the expected accretion is based on a number of assumptions discount (market rate at issuance) rate on the warrants. The proceeds are allocated based value of the preferred stock. The fair value model includes assumptions regarding Synovus as well as assumptions regarding the risk-free negative impact on net income and earnings
-

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The fair value of the preferred stock is determined (based on the fair value rate) on the preferred stock (currently estimated based on net income and earnings per share available for common stock).

- (4) As described in the Section titled "Additional Information," the Company will receive warrants to purchase a number of shares of common stock equal to 15% of the proceeds on the date of the offering, based on the trading average leading up to the closing date of the offering. Treasury the option to purchase 15.3 million shares of common stock shows the increase in diluted shares outstanding for the year ended 2007 at a strike price of \$9.55 (based on the closing price of the Company 2008) and remained outstanding for the entire year. The Company will determine dilution of the warrants for the period.

CERTAIN ANTI-TAKEOVER PROVISIONS

As described below, Synovus' Articles of Incorporation and Bylaws may make Synovus a less attractive target for an acquisition and may limit Synovus' Board of Directors' ability to take certain actions.

Supermajority Approvals

Under Synovus' Articles of Incorporation and Bylaws, certain actions requiring the approval of shareholders possessing 66 2/3% of the votes entitled to be cast in the election of Synovus common stock is required to:

- call a special meeting of Synovus shareholders;
- fix, from time to time, the number of members of Synovus' Board of Directors;
- remove a member of Synovus' Board of Directors;
- approve any merger or consolidation of Synovus, or the sale, lease, exchange or other disposition of all, or substantially all, of Synovus' assets, corporation, person or entity, with respect to which the Company is a party to the provisions of the corporate laws of the State of Delaware;
- alter, delete or rescind any provision of Synovus' Articles of Incorporation or Bylaws.

This allows directors to be removed only by 66 2/3% of the votes of the shareholders called for that purpose. Vacancies or new directorships may be filled by the Board of Directors in office. A potential acquiror with shares recently acquired may be discouraged or prevented from soliciting proxies for the election of directors by current management for the purpose of changing control of the Company.

Shareholder Action

The Bylaws allow action by the shareholders with respect to the election of directors.

Advance Notice for Shareholder Proposals or

In accordance with Synovus' Bylaws, shareholders may bring other business before a shareholders' meeting, provided they are complying with certain other requirements. With respect to proposals that generally be received by the Synovus' Corporate Secretary no later than the close of business on the 120th day prior to the meeting. With respect to any special meeting of shareholders, proposals must be received by the Corporate Secretary no later than the close of business on the 120th day prior to date of the special meeting, unless the notice of the meeting is less than 100 days prior to the meeting.

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date of such special meeting, the 10th day following the date of such special meeting is made by Synovus). Any notice of such special meeting shall contain the information specified in the Bylaws.

Evaluation of Business Combinations

Synovus Articles of Incorporation also provide that the Synovus Board of Directors may consider, in addition to the interests of Synovus and its shareholders, (i) the interests of Synovus subsidiaries and the communities in which offices are located (the Constituencies), (ii) the reputation and business of Synovus may affect the Constituencies and the future value of Synovus. The Board of Directors deems pertinent.

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AND EXECUTIVE OFFICERS**

The following table sets forth ownership of shares of common stock of the Company as of September 30, 2008, by (1) each person identified as our named executive officers in Item 1 of this Form 10-Q, (2) each director of the Company, and (3) all directors and executive officers as a group.

	Shares of Synovus Stock Beneficially Owned	with Sole Voting and Investment Power as of 9/30/08
Daniel P. Amos	296,274	
Richard E. Anthony	675,295	
James H. Blanchard	1,643,873	
Richard Y. Bradley	31,836	
Frank W. Brumley	39,612	
Elizabeth W. Camp	28,809	
Gardiner W. Garrard, Jr.	154,647	
T. Michael Goodrich	163,899	
Frederick L. Green, III	154,210	
G. Sanders Griffith, III(3)	230,330	
V. Nathaniel Hansford(4)	127,411	
Elizabeth R. James	57,041	
Mason H. Lampton	102,494	
Elizabeth C. Ogie	483,395	
H. Lynn Page	682,212	
Thomas J. Prescott	66,324	
J. Neal Purcell	17,224	
Melvin T. Stith	12,072	
Philip W. Tomlinson	83,281	
William B. Turner, Jr.	127,394	
James D. Yancey	834,704	
Directors and Executive Officers as a Group (24 persons)	6,091,277	

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* Less than one percent of the outstanding shares

- (1) The totals shown in the table above for the following shares as of September 30, 2011 include: (a) the number of Synovus stock that each individual had the right to purchase under the terms of the options, and (b) under the heading "Pledged" including shares held in a margin account.

Name

Richard E. Anthony
James H. Blanchard
Gardiner W. Garrard, Jr.
Frederick L. Green, III
G. Sanders Griffith, III
Elizabeth R. James
Mason H. Lampton
H. Lynn Page
Thomas J. Prescott
William B. Turner, Jr.
James D. Yancey

In addition, the other executive officers of Synovus own and hold Synovus stock within 60 days through the exercise of the options. The following Synovus stock that were pledged, including shares held in a margin account:

- (2) Includes 15,280 shares of Synovus stock held by Mr. Goodrich. Mr. Goodrich disclaims beneficial ownership of these shares.
- (3) Mr. Griffith resigned effective January 1, 2011.
- (4) Does not include 684,052 shares previously owned by Mr. Hansford. Mr. Hansford's spouse is one of three general partners in a partnership that owns 684,052 shares.
- (5) Includes 176,187 shares of Synovus stock held by Mr. Lampton. Mr. Lampton disclaims beneficial ownership of these shares.

PRINCIPAL

The following table sets forth the number of shares owned by each person who owns more than 5% of the outstanding shares of Synovus stock as of September 30, 2011.

**Name and Address
of Beneficial
Owner**

Synovus Trust Company, N.A.(1)
1148 Broadway
Columbus, Georgia 31901

- (1) The shares of Synovus stock held by Synovus Trust Company.
 - (2) As of September 30, 2008, the banking, bro Synovus, including CB&T through its who fiduciary or advisory capacities a total of 4 sole or shared voting or investment power. to which it possessed sole voting power, 46 165,355 shares as to which it possessed sha shared investment power. The other bankin Synovus held 96,573 shares as to which the subsidiaries disclaim beneficial ownership fiduciary, advisory, non-advisory or agency
-

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SHAREHOLDER P

In order for a shareholder proposal to be considered at the Annual Meeting of Shareholders, the written proposal must be sent to the address below. The Corporate Secretary must receive the proposal at least 60 days before the meeting. In addition, the proposal will also need to comply with the SEC rules regarding shareholder proposals in company sponsored proxy statements.

C
Synovus
1111
Columbus, GA

For a shareholder proposal that is not intended to be presented at the Annual Meeting of Shareholders, or if you want to nominate a director, you must give notice to the Corporate Secretary at the address above no later than December 25, 2008 and not later than January 2, 2009. The notice must contain information as required in the Bylaws of Synovus, including a brief description of the matter to be brought before the meeting; your name, address, and number of shares owned; and, for certain derivative transactions you have entered into, a description of those transactions and the relief you are seeking in the proposal.

The notice of a proposed director nomination must also include information which, in general, require that the notice of a director nomination be made by a shareholder who owns shares you own beneficially or of record; any hedge or short position you have entered into with respect to our shares; evidence of the nominee's consent; a statement that the proposed nominee, if elected, will not be subject to any arrangement that would limit such nominee's ability to receive the required vote for election or re-election; a statement that the nominee, or re-election, an irrevocable resignation effective as of the date of the meeting in accordance with the corporation's corporate bylaws; and any other information that would be required to be disclosed in the solicitation of proxies under applicable securities laws. You must submit the nominee's consent to the requirements will be provided upon request to the Corporate Secretary.

GENE

Solicitation of Proxies

Synovus will pay the cost of soliciting proxies. It may also pay the cost of officers or employees by mail, in person or by telephone. It may also reimburse brokerage firms, nominees, custodians, and other persons for proxy materials to beneficial owners. In addition, it may pay for the solicitation of proxies with respect to shares of our common stock held by institutions and, in certain cases, by other holders.

telephone or by personal calls. The anticipated c
expenses.

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Householding

The SEC's proxy rules permit companies and intermediaries to meet the requirements for proxy statements with respect to householding, should reduce the amount of duplicate copies of proxy materials and mailing costs for companies. Synovus is not making a householding connection with the Special Meeting. However, you may request a single copy of proxy materials. If you hold your shares of Synovus in a household proxy materials:

Only one Annual Report and Proxy Statement will be sent to the same address unless you notify your broker or transfer agent.

You can contact Synovus by calling (706) 325-1000 or writing to Synovus Financial Corp., P.O. Box 120, Columbus, GA 31902, to request a Proxy Statement for the Special Meeting and for a similar request; and

You can request delivery of a single copy of proxy materials to the same address as another Synovus shareholder.

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Where You Can Find More Information

The rules of the SEC permit us to incorporate by reference our Proxy Statement. This means that we can disclose information to our shareholders to another document. Any information incorporated is considered to be part of this Proxy Statement from the date it is filed by us with the SEC after the date of this Proxy Statement. It does not supersede any information contained in this Proxy Statement.

We incorporate herein by reference the following information, in addition to, and in addition to, than, in each case, any and all documents and/or information filed with the SEC in accordance with applicable SEC rules and regulations:

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

our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2008, June 30, 2008, and September 30, 2008, and our Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2008;

our Current Reports on Form 8-K filed on January 29, 2008, June 10, 2008, July 8, 2008, and August 1, 2008;

the description of our common stock contained in our Charter, as amended, filed with the SEC on August 21, 1989; and

all documents filed by us subsequent to the date of this Proxy Statement under the Securities Exchange Act of 1934, as amended.

A copy of any of the documents referred to above is available to any shareholder without charge. The Secretary, Synovus Financial Corp., 1111 Bay Avenue, Suite 1000, Tallahassee, Florida 32301, or our Corporate Secretary, Synovus Financial Corp., 1111 Bay Avenue, Suite 1000, Tallahassee, Florida 32301, or our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K are available on our website page on the Internet at www.synovus.com. Click on the "Investor Relations" link. In addition, representatives of KPMG LLP, our independent registered public accounting firm, will be present at the Special Meeting, and will have the opportunity to answer questions. A list of representatives will be available to respond to appropriate questions.

The above Notice of Special Meeting and Proxy Statement is being filed with the SEC.

Richard E. Anthony
Chairman of the Board and
Chief Executive Officer

November 17, 2008

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**PROPOSED AMENDMENTS TO THE CHARTER
ARTICLES OF INCORPORATION**

The proposed amendments to Article 4 of the System of the Corporation shall be indicated through the text to be deleted and underlining the text to be added.

The maximum number of shares of capital stock of the Corporation at any time shall be ~~600,000,000~~ **700,000,000** shares. **the authority to issue (i) 600,000,000 shares of common stock and (ii) 100,000,000 shares of preferred stock, no more than one series, and shares so acquired shall become treasury shares.**

In accordance with the provisions of the Georgia General Corporation Law, the Board of Directors shall determine the preferences, limitations, and restrictions on the dividend and voting rights of any shares of preferred stock and (ii) one or more shares within that series, before the issuance of such shares.

The common stock of the corporation shall have the following characteristics:

(a) Except as otherwise provided in paragraph (b) above, every share of the common stock shall be entitled to one (1) vote in person or by proxy on all matters to be voted on at each share of the common stock held of record by the shareholder on the record date of such meeting.

(b) Notwithstanding paragraph (a) above, every share of the common stock that meets one or more of the following criteria, shall be entitled to ten (10) votes in person or by proxy on all matters to be voted on at a meeting of shareholders for each share of the common stock held of record on the record date of such meeting which:

- (1) has had the same beneficial owner for at least one (1) year immediately preceding the record date of such meeting;
- (2) has had the same beneficial owner for at least one (1) year immediately preceding the record date of such meeting;
- (3) is held by the same beneficial owner as a result of an acquisition of a banking institution, and the acquisition is specifically reference and granted by the resolutions adopted by the corporation;
- (4) is held by the same beneficial owner as a result of a transfer of shares by the corporation, and the transfer is specifically reference and granted by the resolutions adopted by the corporation.

- (5) was acquired under any empl
more employees, officers and
held by the same beneficial o
such plan; or
-

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(6) was acquired by reason of pa
corporation and is held by the
terms and provisions of such

(7) is owned by a holder who, in
provisions of paragraph (b) (
of common stock of the corpo
properly reflect any change in
stock split, a stock dividend,

(c) For purposes of paragraphs (b) above and (e)

(1) any transferee of shares of the

(i) by gift; or

(ii) by bequest, devise or ot
from a decedent's estat

(iii) by distribution from a tr

(2) any corporate transferee rece
of such corporate transferee p
such common stock and their
outstanding shares of capital
to be the same beneficial own

Any transfer of any share of the capital stock of
other than by means described in subparagraph (c)
by such corporate transferee from the operation

(d) for purposes of paragraph (b) above, shares o
deemed to have been acquired on the date the op
the beneficial owner as a direct result of a stock
respect to existing shares (Dividend Shares) v
the date on which the shares with regard to whic

(e) For purposes of paragraph (b) above, any sha
presumed to have been acquired by the beneficia
beneficial owner for a continuous period of less
question. This presumption shall be rebuttable b
beneficial owner of evidence satisfactory to the
beneficial owner continuously since April 24, 19
greater than 48 months prior to the record date o

(f) For purposes of this section, a beneficial own
group of persons who, directly or indirectly, thro
otherwise has or shares (1) voting power, which

of common stock, (2) investment power, which

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common stock, (3) the right to receive, retain or disposition of such share of common stock, or (4) distributions, including cash dividends, in respect (a) through (e) above, all determinations concerning such change, shall be made by the corporation. The determinations shall be established by the corporate procedures shall provide, among other things, the frequency with which such proof may be required. The holder is entitled to rely on all information concerning beneficial ownership from any source and in any manner reasonably consistent with any other knowledge concerning the

Any disputes arising concerning beneficial ownership pursuant to this paragraph (f), shall be definitive and binding on the Directors made in good faith.

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**PROPOSED AMENDMENT TO
BYLAWS**

The proposed amendments to Section 1 of Article I of the Bylaws consist of deleting the text to be deleted and underlining the text to be added.

ARTICLE I

Section 1. Number. The Board of Directors of the Corporation shall consist of not less than three (3) Directors. The number of Directors may vary between three (3) and ten (10) Directors. **(i) the Board of Directors or (ii)** the shareholders of the Corporation, the holders of all of the issued and outstanding shares of common stock of the Corporation, at any time, by resolution fix the number of Directors to be in the Board of Directors of the Corporation at any time, fixing the number of Directors of the Corporation to be in the Board of Directors of the Corporation representing at least 66 2/3% of the outstanding shares of common stock of the Corporation, by the affirmative vote of the shareholders of the Corporation, at any time, by the holders of all of the issued and outstanding shares of common stock of the Corporation.

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PROXY

CER

THE BOARD OF DIRECTORS RECOMMENDS

1. To Approve Amendment of Article 4 of the Charter and to Authorize the Issuance of Preferred Stock

2. To Approve Amendment of Section 1 of Article 3 of the Charter and to Authorize the Board of Directors to Fix the Size of the Board

PLEASE BE SURE TO READ THE

INSTRUCTIONS: Please provide the required information to make your ballot **VALID**. If you do not complete and sign this Certificate of Proxy, the votes to the left will be voted on the basis of one vote per share.

A. Are you the beneficial owner, in all capacities, of the shares of Synovus Common Stock?

If you answered No to Question A, do not sign this Proxy. The shares represented by the Proxy to the left are not yours.

B. If your answer to Question A was Yes, have you received any shares of Synovus Common Stock since October 3, 2011 (as a result of a stock dividend)?

If you answered No to Question B, do not sign this Proxy. The shares represented by the Proxy to the left are not yours.

C. If you answered Yes to Question B, please indicate the number of shares of Synovus Common Stock you have received (as a result of a stock dividend). Your response will determine the number of votes the Proxy will be entitled to ten votes per share.

To the best of my knowledge and correct. I understand that you may require me to provide a copy of my beneficial ownership requested

more. Simply log on to **Inv**
S e r v i c e D i r e c t®
www.bnymellon.com/shareown
where step-by-step instructions
prompt you through enrollment

You can view the Proxy Statement
on the Internet at www.synovus.com/special/200

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**SYNOVUS
POST OFFICE BOX 12
SPECIAL MEETING OF SHAREHOLDERS
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

By signing on the reverse side, I hereby authorize the undersigned to execute and file Proxies, each of them singly and each with respect to the Special Meeting of Shareholders to be held on record by me or with respect to the Special Meeting of Shareholders to be postponed or postponed thereof.

THIS PROXY WHEN PROPERLY EXECUTED AND UNDER SIGNED. IF THIS PROXY IS SIGNED AS A VOTE ON ANY PROPOSAL, THE VOTER AGREES TO THE RECOMMENDATIONS OF THE BOARD OF DIRECTORS.

The Board of Directors is not aware of any other matters to be brought before the Special Meeting of Shareholders other than the matters properly brought before the Special Meeting of Shareholders. The undersigned will vote upon such other matters in accordance with the instructions on the reverse side of this proxy at any time prior to its use.

By signing on the reverse side, I acknowledge that I have read the PROXY STATEMENT and hereby request that the undersigned vote at the SPECIAL MEETING.

IN ADDITION TO VOTING AND SIGNING THE PROXY STATEMENT, YOU MUST SIGN THE CERTIFICATION TO THE REVERSE SIDE OF THIS PROXY STATEMENT.

Address Change/Comments (M)

5 FOLD

IF YOU DO NOT VOTE BY PHONE OR INTERNET, YOU MUST SIGN ON THE REVERSE SIDE AND RETURN THIS PROXY STATEMENT TO THE ADDRESS ABOVE.

Please sign exactly as your name appears on the reverse side of this proxy. When signing in a fiduciary or representative capacity, please sign in full corporate name by an authorized officer or name by an authorized person.

You can now access your

Access your Synovus Financial Corp. stockholder account at www.synovus.com.

The transfer agent for Synovus Financial Corporation provides the following information on your shareholder account.

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