SMITH INTERNATIONAL INC
Form 424B5
November 18, 2009

Table of Contents

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-153631

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Offered	Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
Common Stock, par value $1.00 per share	$853,300,000	$47,614.14

(1) Includes shares of common stock that may be purchased by the underwriters pursuant to their option to purchase additional shares to cover over-allotments, if any.

(2) This filing fee is calculated in accordance with Rule 457(r) under the Securities Act of 1933.

Prospectus supplement
(To Prospectus dated September 23, 2008)

28,000,000 shares

Smith International, Inc.

Common stock

We are offering 28,000,000 shares of our common stock.

Our common stock is listed on the New York Stock Exchange under the symbol SII. The last reported sale price of our common stock on the New York Stock Exchange on November 17, 2009 was $26.86 per share.

	Per share	Total
Public offering price	$ 26.50000	$ 742,000,000
Underwriting discounts and commissions	$ 0.86125	$ 24,115,000
Proceeds to Smith International, before expenses	$ 25.63875	$ 717,885,000

We have granted the underwriters a 30-day option to purchase up to an additional 4,200,000 shares of common stock from us on the same terms and conditions as set forth above.

Investing in our common stock involves risks. See Risk factors beginning on page S-4 of this prospectus supplement. You should also consider the risk factors described in the documents incorporated by reference into this prospectus supplement and the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The underwriters are offering the shares of common stock as set forth under Underwriting. Delivery of the shares will be made on or about November 23, 2009.

Sole Book-Running Manager

J.P. Morgan

Joint Lead Manager

UBS Investment Bank

Co-Managers

Calyon Securities (USA) Inc.

DnB NOR Markets

Fortis Securities LLC

Wells Fargo Securities

Comerica Securities

November 17, 2009

Table of contents

This prospectus supplement, the accompanying prospectus and the incorporated documents include trademarks, service marks and trade names owned by us or other companies. All such trademarks, service marks and trade names are the property of their respective owners.

About the prospectus supplement

This prospectus supplement is a supplement to the accompanying prospectus. This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the Securities and Exchange Commission, or the SEC, using a shelf registration process. Under the shelf process, we may, from time to time, issue and sell to the public any combination of the securities described in the accompanying prospectus up to an indeterminate amount, of which this offering is a part.

In this prospectus supplement, we provide you with specific information about the terms of this offering of our common stock. The accompanying prospectus gives more general information about securities we may offer from time to time, some of which does not apply to the common stock we are offering. Both this prospectus supplement and the accompanying prospectus include important information about us, our common stock and other information you should know before investing in our common stock. This prospectus supplement also adds to, updates and changes some of the information contained in the accompanying prospectus. Generally, when we refer to the prospectus, we are referring to this prospectus supplement combined with the accompanying prospectus. To the extent that any statement that we make in this prospectus supplement is inconsistent with the statements made in the accompanying prospectus, the statements made in the accompanying prospectus are deemed modified or superseded by the statements made in this prospectus supplement.

In making your investment decision, you should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus or contained in any free writing prospectus issued by us. We have not, and the underwriters have not, authorized anyone to provide you with information that is different. If anyone provides you with different or inconsistent information you should not rely on it. This document may only be used where it is legal to sell our securities. You should not assume that the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus or any free writing prospectus is accurate as of any time subsequent to the date of such information. Our business, financial condition, results of operations and prospects may have changed since that date.

The distribution of this prospectus supplement and the accompanying prospectus and the offering of our common stock in certain jurisdictions may be restricted by law. We are not making an offer of our common stock in any jurisdiction where the offer is not permitted. Persons who come into possession of this prospectus supplement and the accompanying prospectus should inform themselves about and observe any such restrictions. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

You should not consider any information in this prospectus supplement or the accompanying prospectus to be investment, legal or tax advice. You should consult your own counsel, accountant and other advisors for legal, tax, business, financial and related advice regarding the purchase of the common stock. We are not making any representation to you regarding the legality of an investment in the common stock by you under applicable investment or similar laws.

In this document, Smith, we, us and our refer to Smith International, Inc. and our company refers to the combine entities of Smith International, Inc. and its subsidiaries on a consolidated basis, unless expressly stated or otherwise required. The term you refers to a prospective investor. In this document, references to U.S. dollars, U.S. $ or $ are the currency of the United States of America.

Table of Contents

Where you can find more information

This prospectus supplement and the accompanying prospectus do not contain all of the information included in the registration statement and all of the exhibits and schedules thereto. For further information about us, you should refer to the registration statement of which this prospectus supplement and the accompanying prospectus is a part. Summaries of agreements or other documents in this prospectus supplement and the accompanying prospectus are not necessarily complete. Please refer to the exhibits to the registration statement for complete copies of such documents.

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public on the Internet at the SEC s website at http://www.sec.gov. You may also read and copy any document we file at the SEC s public reference room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the SEC s public reference room by calling the SEC at 1-800-SEC-0330.

Our common stock is listed on the New York Stock Exchange under the trading symbol SII. Our reports, proxy statements and other information may be read and copied at the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

The SEC allows us to incorporate by reference the information that we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus supplement and the accompanying prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and all documents we subsequently file with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended (the Exchange Act) until all the securities described in this prospectus supplement are sold:

- Our Annual Report on Form 10-K for the year ended December 31, 2008;
- Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2009, June 30, 2009 and September 30, 2009;
- Our Current Reports on Form 8-K filed on January 29, 2009, March 9, 2009, March 13, 2009, March 20, 2009, April 27, 2009, July 27, 2009, July 28, 2009, October 1, 2009, October 26, 2009, and October 29, 2009;
- The description of our common stock, par value $1.00 per share, contained in our Registration Statement on Form 8-B filed with the SEC on May 25, 1983, including any subsequent amendment or any report filed for the purpose of updating such description; and
- The description of our preferred share purchase rights contained in our Registration Statement on Form 8-A filed with the SEC on June 15, 2000, including any subsequent amendment or any report filed for the purpose of updating such description.

Any statement contained in a document incorporated by reference in this document shall be deemed to be modified or superseded for purposes of this document to the extent that a statement contained herein or in any other subsequently filed document that also is incorporated by reference in this document modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this document.

Notwithstanding the foregoing, we are not incorporating by reference information furnished under Items 2.02 and 7.01 of any Current Report on Form 8-K, including the related exhibits, nor in any document or information deemed to have been furnished and not filed in accordance with SEC rules.

You may request a copy of these filings, other than exhibits to those documents that are not specifically incorporated by reference in this prospectus supplement and the accompanying prospectus, at no cost, by writing or calling us at:

Smith International, Inc.
1310 Rankin Road
Houston, TX 77073
Attention: Investor Relations
Telephone: (281) 443-3370

We maintain a website which can be found at http://www.smith.com. We make our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and the amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act available on our website. Unless specifically incorporated by reference in this prospectus supplement or the accompanying prospectus, information that you may find on our website is not part of this prospectus supplement.

Summary

This summary highlights selected information from this prospectus supplement, the accompanying prospectus or the documents incorporated by reference and should be read together with the information contained in other parts of this prospectus supplement, in the accompanying prospectus and in the documents incorporated by reference. You should read carefully the entire prospectus supplement, the accompanying prospectus, the documents incorporated by reference and the other documents to which we refer for a more complete understanding of this offering. You should read Risk factors beginning on page S-4 of this prospectus supplement for more information about important risks that you should consider before buying the common stock to be issued in connection with this offering.

Smith International, Inc.

Smith International, Inc. is a leading global provider of premium products and services used during the drilling, completion and production phases of oil and natural gas development activities. We have experienced significant business growth influenced by a combination of technology investment, geographic and product expansion and strategic acquisitions.

Our business is segregated into three operating segments, M-I SWACO, Smith Oilfield and Distribution, which is the basis upon which we report our results. We provide a comprehensive line of technologically-advanced products and engineering services, including drilling and completion fluid systems, solids-control and separation equipment, waste-management services, oilfield production chemicals, three-cone and diamond drill bits, borehole enlargement services, tubulars, packers, liner hangers, fishing services, casing exit and multilateral systems, drilling-related product technologies, including directional drilling, measurement-while-drilling and logging-while-drilling services, and well completion and production products and services, including coiled tubing services, cased-hole wireline and other related applications. We also offer supply-chain management solutions through an extensive North American branch network providing pipe, valves and fittings as well as mill, safety and other maintenance products.

Smith International, Inc. was incorporated in the State of California in January 1937 and reincorporated under Delaware law in May 1983. Our executive offices are headquartered at 1310 Rankin Road, Houston, Texas 77073 and our telephone number is (281) 443-3370.

Table of Contents

The offering

The following summary contains basic information about this offering. The summary is not intended to be complete. You should read the full text and more specific details contained elsewhere in this document. For a more detailed description of our common stock, see Description of Capital Stock Common Stock in the accompanying prospectus.

Issuer	Smith International, Inc.
Common stock offered	28,000,000 shares of common stock, par value $1.00 per share, including associated preferred share purchase rights.
Over-allotment option	We have granted the underwriters an option exercisable for a period of 30 days from the date of this prospectus supplement to purchase up to an additional 4,200,000 shares of common stock at the public offering price, less the underwriting discount.
Common stock outstanding immediately following this offering	247,411,172 shares[1]
NYSE symbol	SII
Use of proceeds	We estimate that the net proceeds from the sale of the shares of common stock in this offering will be approximately 717.4 million (or approximately $825.1 million if the underwriters option is exercised in full), after deducting the underwriting discount and estimated offering expenses. We expect to use the net proceeds from the sale of our common stock for debt repayment, general corporate purposes, and funding of potential acquisitions or investments. For more information, see Use of Proceeds .
Dividend policy	Smith has in the past paid regular cash dividends to the holders of our common stock and currently intends to continue paying regular dividends. However, we are not required to do so and may reduce or eliminate dividends on our common stock at any time. The level of future dividend payments will be at the discretion of the Company s Board of Directors and will depend upon the Company s financial condition, earnings, cash flows, compliance with certain debt covenants and other relevant factors.

[1] The number of shares of common stock shown as being outstanding after this offering is based on the number of shares outstanding as of November 13, 2009 and the issuance by us of 28,000,000 shares of common stock in this offering. Such number excludes (1) 17,690,730 shares held as treasury shares, (2) 4,200,000 shares of common stock issuable pursuant to the exercise of the underwriters option, and (3) 7,080,047 shares reserved for issuance under our stock compensation plans and awards thereunder.

Table of Contents

Certain U.S. federal income tax considerations for non-U.S. holders	For a discussion of certain U.S. federal income tax consequences of the ownership and disposition of shares of our common stock by non-U.S. holders, see Certain U.S. federal income tax considerations for non-U.S. holders.
Risk factors	See Risk factors and the other information included or incorporated by reference in this document for a discussion of certain factors you should carefully consider before deciding to invest in shares of our common stock.
Underwriting (Conflicts of interest)	Certain of the underwriters and their affiliates are lenders under our credit agreement dated August 20, 2008 among us, the lenders thereto, Fortis Bank, SA/NV, New York Branch, Wells Fargo Bank, N.A., Calyon New York Branch, DNB Nor Bank ASA, and The Royal Bank of Scotland, Plc. (the term loan due 2012). We intend to use a portion of the net proceeds of this offering to repay some of the indebtedness outstanding under the term loan due 2012. Because more than 5% of the net proceeds of this offering may be paid to the underwriters and their affiliates as lenders under the issuer s outstanding term loan due 2012, this offering will be made in accordance with Rule 2720(a) of the Financial Industry Regulatory Authority, Inc.

Risk factors

An investment in our common stock involves risks. Before making a decision to invest in the common stock offered hereby, you should carefully consider the risks described below, the risk factors included in Part I, Item 1A Risk Factors in our annual report on Form 10-K for the year ended December 31, 2008 and Item 1A, Risk Factors of Part II of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, together with all of the other information contained in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus. The risks and uncertainties described below and incorporated by reference into this document are not the only ones related to our business, our common stock or the offering. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also materially and adversely affect our business operations, results of operations, financial condition or prospects. If any of these risks were to occur, our business, financial condition, results of operations or prospects could be materially adversely affected. In addition, the trading price of the shares of our common stock could decline due to the materialization of any of these risks, and you may lose all or part of your investment.

Risks related to our common stock

The common stock is an equity security and is subordinate to our existing and future indebtedness.

The shares of our common stock are equity interests. This means the shares of common stock will rank junior to our indebtedness and to other non-equity claims on us and our assets available to satisfy claims on us, including claims in a bankruptcy or similar proceeding. Our existing and future indebtedness may restrict payment of dividends on the common stock. At September 30, 2009, our outstanding long-term debt (including current portions thereof) was approximately $2,321 million. We may in the future incur additional indebtedness, to which the common stock would also be subordinate.

Additionally, unlike indebtedness, where principal and interest customarily are payable on specified due dates, in the case of common stock, (1) dividends are payable only when and if declared by our board of directors and (2) as a corporation, we are restricted to making dividend payments and redemption payments only as permitted by law. Further, the common stock places no restrictions on our business or operations or on our ability to incur indebtedness or engage in any transactions, subject only to the voting rights available to stockholders generally.

Fluctuations in the price of our common stock may make our common stock more difficult to resell and could cause the value of your investment to decline.

The market price and trading volume of our common stock have been and may continue to be subject to significant fluctuations due not only to general stock market conditions but also to a change in sentiment in the market regarding the industry in which we operate, our operations, business prospects or liquidity or this offering. During the period from January 1, 2009 to November 17, 2009, the daily closing sale price of our common stock has fluctuated from a high of $33.81 per share to a low of $18.92 per share. In addition to the risk factors discussed in our periodic reports and elsewhere in this document, the price and volume volatility of our common stock may be affected by:

- changes in financial estimates by securities analysts, or our inability to meet or exceed securities analysts or investors estimates or expectations;
- actual or anticipated sales of common stock by existing stockholders, whether in the market or in subsequent public offerings;
- capital commitments;
- additions or departures of key personnel;
- general economic and business conditions;
- actual and perceived changes in the supply of and demand for oil and natural gas;
- developments in our business or in our industry generally;
- armed conflict, war or terrorism;
- changes in market valuations of other companies in our industry;
- the operating and securities price performance of companies that investors consider to be comparable to us; and
- announcements of strategic developments, acquisitions and other material events by us or our competitors.

Stock markets in general have experienced extreme volatility that has at times been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock, make it difficult to predict the market price of our common stock in the future and cause the value of your investment to decline.

There may be future sales or other dilution of our equity, which may adversely affect the market price of our common stock.

Except as described under Underwriting, we are not restricted from issuing additional common stock, including securities that are convertible into or exchangeable for, or that represent the right to receive, common stock. We are offering 28,000,000 shares of common stock (or 32,200,000 if the underwriters option is exercised in full). The issuance of additional shares of our common stock in this offering or other issuances of our common stock or convertible or other equity-linked securities, including options and warrants, or otherwise, will dilute the ownership interest of our common stockholders. As of November 13, 2009, we had 219,411,172 outstanding shares of common stock (not including 17,690,730 shares of common stock held in treasury) and (1) 1,083,071 shares of common stock issuable upon the exercise of stock options outstanding under our stock compensation plans with a weighted average exercise price of $19.85, (2) 4,128,298 shares of common stock issuable upon vesting of performance-based and time-based restricted stock unit awards and (3) 1,868,678 shares of common stock available for future stock award grants.

Sales of a substantial number of shares of our common stock or other equity-related securities in the public market could depress the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities. We cannot predict the effect that future sales of our common stock or other equity-related securities would have on the market price of our common stock.

Although we have paid cash dividends in the past, we may not pay cash dividends in the future.

Although Smith has in the past paid regular cash dividends to the holders of our common stock and currently intends to continue paying regular dividends, we are not required to do so and may reduce or eliminate dividends on our common stock in the future. The level of future dividend payments will be at the discretion of the Company s Board of Directors and will depend upon the Company s financial condition, earnings, cash flows, compliance with certain debt covenants and other relevant factors. Accordingly, there can be no assurance that we will pay dividends even if sufficient cash is available for distribution.

Provisions in our charter documents and stockholder rights agreement may impede or discourage a takeover, which could impair the market price of our common stock.

Our charter documents and our stockholder rights agreement contain various provisions which may create impediments to the ability of a third party to acquire control of us, even if a change in control would be beneficial to our existing stockholders. In addition, under our charter documents our board of directors has the power, without stockholder approval, to designate the terms of one or more series of preferred stock and issue shares of preferred stock. Thus, certain provisions of our charter documents and our rights agreement could impede a merger, takeover or other business combination involving us or discourage a potential acquirer from making a tender offer for our common stock, which, under certain circumstances, could reduce the market price of our common stock.

Our issuance of preferred stock could adversely affect holders of common stock.

Our board of directors is authorized to issue series of preferred stock without any action on the part of our holders of common stock. Our board of directors also has the power, without stockholder approval, to set the terms of any such series of preferred stock that may be issued, including voting powers, preferences over our common stock with respect to dividends or if we voluntarily or involuntarily dissolve or distribute our assets and other terms. If we issue preferred stock in the future that has preference over our common stock with respect to the payment of dividends or upon our liquidation, dissolution or winding up, or if we issue preferred stock with voting rights that dilute the voting power of our common stock, the rights of holders of our common stock or the price of our common stock could be adversely affected.

Management will have broad discretion as to the use of the proceeds from this offering, and we may not use the proceeds effectively.

We currently intend to use the net proceeds from this offering for repayment of debt, general corporate purposes, and funding of potential acquisitions or investments, although we have no current commitments or agreements with respect to any material repayments, investments or acquisitions as of the date of this prospectus supplement. Our management has broad discretion over how these proceeds are used and could spend the proceeds in ways with which you may not agree. However, there is no guarantee the proceeds will be used in a manner that yields a favorable return or any at all.

Table of Contents

Risks related to our business

The significant deterioration in the global business environment and related factors could adversely impact our financial condition, results of operations and prospects.

The deterioration in the global business environment has led to a significant reduction in commodity prices compared to one year ago, which has contributed to lower cash flow generation for oil and natural gas exploration and production companies. In addition, a reduction in the availability and increased cost of financing has had a significant impact on a number of our customers. These factors could contribute to a material decline in our customers spending levels which may continue or accelerate. In response to such decline, we must manage our costs, including our workforce levels, to match the decline. A continued reduction in the level of future investment or our inability to reduce our costs sufficiently to match the material slowdown in drilling activity could have a material adverse effect on our results of operations, financial condition, prospects and cash flows.

Moreover, if the business environment experiences a significant deterioration from current levels, we may be required to record a goodwill impairment loss, which could have a material adverse effect on our results of operations and financial condition and our compliance with applicable debt covenants.

The financial and credit market environment may limit our ability to expand our business through acquisitions and to fund necessary expenditures.

The global financial and credit market environment has limited the availability of financing and increased costs when available. Any inability to access the credit and capital markets could limit our ability to make significant business acquisitions and pursue business opportunities. Both we and our M-I SWACO joint venture partner can offer to sell to the other party its entire ownership interest in the joint venture in exchange for a cash purchase price specified by the offering partner. If the initiating partner s offer to sell is not accepted, such party is obligated to purchase the other party s interest at the same valuation per interest. If we agree to purchase our partner s joint venture interest, whether pursuant to these provisions or otherwise, we would need to fund the transaction. Our funding could include issuing equity, resulting in dilution to our existing stockholders, obtaining additional debt, which may require waivers of applicable debt covenants, or obtaining other financing, as well as using available cash to fund the purchase. This financing and/or use of cash could impact our ability to fund working capital requirements, make capital expenditures and investments or fund other general corporate requirements, and could limit our ability to make future acquisitions. Should we instead not purchase the other party s interest, we would no longer have an interest in the joint venture. The failure to pursue significant acquisition opportunities, or the consequences of seeking waivers, issuing equity or obtaining other financing, could have a material adverse effect on our future results of operations, financial condition and cash flows.

Our level of leverage and debt service obligations, which may increase in the future, could adversely affect our results of operations, financial condition and prospects.

At September 30, 2009, our outstanding long-term debt and capital lease obligations (including current portions thereof) totaled approximately $2,321 million. Our existing $400 million unsecured revolving credit facility and our existing $375 million unsecured revolving credit facility, both of which are currently undrawn, expire on May 5, 2010 and July 23, 2010, respectively, and in connection with our efforts to replace or extend such facilities, we expect to seek to increase the amount available thereunder. We may also borrow funds under such facilities or their replacements or incur additional debt, which may or may not be secured, in order to fund operations, investments, or acquisitions, improve liquidity, refinance existing debt, or for other corporate purposes. Our current or future level of debt and debt service obligations could also, among other things, limit our ability to obtain additional financing or renew existing financing at maturity on satisfactory terms; increase our vulnerability to general economic downturns, competition and industry conditions; result in a downgrade of our credit ratings; increase our exposure to rising interest rates to the extent any of our borrowings are at variable interest rates; and/or reduce the availability of our cash flow to fund our operations and other corporate initiatives.

We are dependent on the level of oil and natural gas exploration and development activities.

Demand for our products and services is dependent upon the level of oil and natural gas exploration and development activities. The level of worldwide oil and natural gas development activities is primarily influenced by the price of oil and natural gas, as well as price expectations. The current state of world economies could lead to further weakness in exploration and production spending levels, further reducing demand for our products and services and adversely impacting future results. In addition to oil and natural gas prices, the following factors impact exploration and development activity and may lead to significant changes in worldwide activity levels:

- overall level of global economic growth and activity;
- actual and perceived changes in the supply of and demand for oil and natural gas;
- political stability and policies of oil-producing countries;
- finding and development costs of operators;
- decline and depletion rates for oil and natural gas wells; and
- seasonal weather conditions that temporarily curtail drilling operations.

Changes in any of these factors could adversely impact our financial condition, results of operations, prospects or cash flows.

A significant portion of our revenue is derived in markets outside of North America.

We are a multinational oilfield service company and generate the majority of our oilfield revenues in markets outside of North America. Changes in conditions within certain countries that have historically experienced a high degree of political and/or economic instability could adversely impact our operations in such countries and as a result our financial condition, results of operations, prospects or cash flows. Additional risks inherent in our non-North American business activities include:

- changes in political and economic conditions in the countries in which we operate, including civil uprisings, riots and terrorist acts;
- unexpected changes in regulatory requirements affecting oil and natural gas exploration and development activities;

Table of Contents

- fluctuations in currency exchange rates and the value of the U.S. dollar;
- restrictions on repatriation of earnings or expropriation of property without fair compensation;
- governmental actions that result in the deprivation of contract or proprietary rights in the countries in which we operate; and
- governmental sanctions.

We operate in a highly technical and competitive environment.

We operate in a highly competitive business environment. Accordingly, demand for our products and services is largely dependent on our ability to provide leading-edge, technology-based solutions that reduce the operator s overall cost of developing energy assets and to commercialize performance-driven new technology. If competitive or other market conditions impact our ability to continue providing superior-performing product offerings, our financial condition, results of operations, prospects or cash flows could be adversely impacted.

Regulatory compliance costs and liabilities could adversely impact our earnings and cash available for operations.

We are exposed to a variety of federal, state, local and international laws and regulations relating to matters such as the use of hazardous materials, health and safety, labor and employment, import/export control, currency exchange, bribery, corruption and taxation, and the environment, including laws and regulations governing air emissions, wastewater discharges and waste management. These laws and regulations are complex, change frequently and have tended to become more stringent over time. In the event the scope of these laws and regulations expand in the future, the incremental cost of compliance could adversely impact our financial condition, results of operations, prospects or cash flows. For example, the adoption of more stringent laws and regulations that curtailed either directly or indirectly the level of oil and natural gas exploration and development activities could adversely affect our operations by limiting demand for our products and services.

Our industry is experiencing more litigation involving claims of infringement of intellectual property rights.

Over the past few years, the industry in which we operate has experienced increased litigation related to the infringement of intellectual property rights. Although no material matters are pending or threatened at this time, we, as well as certain of our competitors, have been named as defendants in various intellectual property matters in the past. These types of claims are typically costly to defend, involve the risk of monetary judgments that, in certain circumstances, are subject to being enhanced and are often brought in venues that have proved to be favorable to plaintiffs. If we are served with any intellectual property claims that we are unsuccessful in defending, it could adversely impact our results of operations, financial condition, prospects and cash flows.

Table of Contents

Our business operations in countries outside the United States are subject to a number of U.S. federal laws and regulations, including restrictions imposed by the Foreign Corrupt Practices Act as well as trade sanctions administered by the Office of Foreign Assets Control and the Commerce Department.

Our business operations in countries outside the United States are subject to a number of U.S. federal laws and regulations, including restrictions imposed by the Foreign Corrupt Practices Act (FCPA) as well as trade sanctions administered by the Office of Foreign Assets Control (OFAC) and the Commerce Department. The FCPA is intended to prohibit bribery of foreign officials or parties and requires public companies in the United States to keep books and records that accurately and fairly reflect those companies transactions. OFAC and the Commerce Department administer and enforce economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign states, organizations and individuals. If we fail to comply with these laws and regulations, we could be exposed to claims for damages, financial penalties, reputational harm, incarceration of our employees or restrictions on our operations. We are actively pursuing the termination of all business activities in Iran and Sudan. We are conducting a review of the business activities involving Iran and Sudan. While the nature and scope of issues that may emerge from this review are yet to be determined, there is a risk that we could identify violations of U.S. sanctions laws, which if pursued by regulatory authorities, could result in administrative or criminal penalties which in certain circumstances could be material.

Table of Contents

Forward-looking statements

Certain matters discussed in this prospectus supplement, the accompanying prospectus and the documents we incorporate by reference herein and therein are forward-looking statements intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Exchange Act. These forward-looking statements can generally be identified as such because of the context of the statement or because the statement will include words such as we intend, plan, may, should, will, anticipate, believe, could, estimate, expect, continue, opportunity, project, or similar terms or words of similar import. Similarly, statements that describe our future plans, objectives or goals or future revenues or other financial metrics are also forward-looking statements. These statements are based on certain assumptions and analyses that we believe are appropriate under the circumstances. Management believes these forward-looking statements are reasonable. However, we cannot guarantee that we actually will achieve these plans, intentions or expectations. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to publicly update or revise any of them in light of new information, future events or otherwise. Such forward-looking statements are subject to certain risks and uncertainties that could cause our actual results to differ materially from those anticipated as of the date of this prospectus supplement, the accompanying prospectus or the documents we incorporate by reference herein and therein, as applicable. These risks, uncertainties and factors that could have a material adverse effect on our operations and future prospects include, but are not limited to:

overall demand for and pricing of the Company s products and services;

actual and perceived changes in the supply of and demand for oil and natural gas;

the deterioration in the global business environment;

general economic and business conditions;

the financial and credit market environment;

our ability to identify and finance acquisition opportunities;

the level of oil and natural gas exploration and development activities;

global economic growth and activity;

political and economic stability of oil-producing countries and the countries within which Smith operates;

finding and development costs of operations;

decline and depletion rates for oil and natural gas wells;

seasonal weather conditions;

compliance with domestic and international regulations in the markets we serve;

increased levels of intellectual property infringement litigation in our industry;

fluctuations in currency exchange rates and the value of the U.S. dollar;

Table of Contents

- competitive or other market and industry conditions; and
- changes in laws or regulations.

Other factors and assumptions not identified above also were involved in the derivation of the forward-looking statements. While it is not possible to identify all factors, our forward-looking statements are subject to the above risk factors and other risk factors that include, but are not limited to, those discussed in the Risk factors section beginning on page S-4 of this prospectus supplement, as well as additional disclosures described in the documents incorporated by reference into this prospectus supplement and the accompanying prospectus, including the information in Item 1A, Risk Factors of Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and Item 1A, Risk Factors of Part II of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, many of which are beyond our ability to control or predict. The risks described in the Risk factors section of this prospectus supplement and the failure of other assumptions to be realized could cause our actual results to differ materially from those described in, or otherwise implied by, the forward-looking statements.

These risks and uncertainties should be considered in evaluating these forward-looking statements. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements in this section. You should not unduly rely on these forward-looking statements, which speak only as of the date such statements are made and for which we assume no obligation to update or to publicly announce the results of any revisions to any of the forward-looking statements to reflect actual results, future events or developments, changes in assumptions or changes in other factors affecting the forward-looking statements. You should, however, review the factors and risks we describe in the reports we file from time to time with the SEC.

Table of Contents

Use of proceeds

We estimate that the net proceeds from the sale of common stock in this offering will be approximately $717.4 million, based on an offering price of $26.50 per share, or $825.1 million if the underwriters option is exercised in full, in each case after deducting the underwriting discount and estimated offering expenses. We intend to use the net proceeds from this offering for debt repayment (including partial repayment of our term loan due June 2012, which carries interest at a Eurodollar rate of LIBOR plus 70 basis points), general corporate purposes, and funding of potential acquisitions or investments, although we have no current commitments or agreements with respect to any material repayments, investments or acquisitions as of the date of this prospectus supplement. We are undertaking this offering in order to have additional liquid assets available for these purposes and to provide us with additional financial and strategic flexibility.

Table of Contents

Capitalization

The following table sets forth our cash and cash equivalents and our capitalization as of September 30, 2009 on:

- an actual basis; and

- an as adjusted basis to give effect to the sale of the shares of common stock offered hereby and partial repayment of our term loan due June 2012 (at an offering price of $26.50 per share and assuming no exercise of the underwriters option for this offering).

You should read the following table in conjunction with (1) the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and notes thereto contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, and (2) the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and notes thereto contained in our Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2009, all of which are incorporated by reference in this prospectus supplement.

	As of Septembe	
ds)	Actual	
ash	$ 281,497	$
and tion of ebt	322,874	
debt: of d	1,493,539	
credit	827,221	
rent portion n debt	(271,350)	
debt	2,049,410	
including tion	2,372,284	
rs equity:		

ock,
alue;
s
no shares

ock,
alue;
ares
237,000
0 shares

237,000

paid-in

&nbsreal estate based on their judgments about information available at the time of their examinations. Page 28 For the periods indicated, the following table summarizes the Company's balances of loans outstanding, average loans outstanding, changes in the allowance for loan losses arising from charge-offs and recoveries, and additions to the allowance for loan losses that have been charged to expense. Nine Months Twelve Months Nine Months Ended Ended Ended September 30, December 31, September 30, ($ in thousands) 2006 2005 2005 ------------ ------------ ------------ Loans outstanding at end of period $ 1,696,835 1,482,611 1,446,185 ============ ============ ============ Average amount of loans outstanding $ 1,592,983 1,422,419 1,408,736 ============ ============ ============ Allowance for loan losses, at beginning of period $ 15,716 14,717 14,717 Total charge-offs (1,135) (2,363) (1,171) Total recoveries 202 322 218 ------------ ------------ ------------ Net charge-offs (933) (2,041) (953) ------------ ------------ ------------ Additions recorded related to loans acquired in branch purchase 52 -- -- Additions to the allowance charged to expense 3,630 3,040 2,115 ------------ ------------ ------------ Allowance for loan losses, at end of period $ 18,465 15,716 15,879 ============ ============ ============ Ratios: Net charge-offs (annualized) as a percent of average loans 0.08% 0.14% 0.09% Allowance for loan losses as a percent of loans at end of period 1.09% 1.06% 1.10% Based on the results of the Company's loan analysis and grading program and management's evaluation of the allowance for loan losses at September 30, 2006, there have been no material changes to the allocation of the allowance for loan losses among the various categories of loans since December 31, 2005. Liquidity, Commitments, and Contingencies The Company's liquidity is determined by its ability to convert assets to cash or acquire alternative sources of funds to meet the needs of its customers who are withdrawing or borrowing funds, and to maintain required reserve levels, pay expenses and operate the Company on an ongoing basis. The Company's primary liquidity sources are net income from operations, cash and due from banks, federal funds sold and other short-term investments. The Company's securities portfolio is comprised almost entirely of readily marketable securities, which could also be sold to provide cash. In addition to internally generated liquidity sources, the Company has the ability to obtain borrowings from the following three sources - 1) an approximately $415 million line of credit with the Federal Home Loan Bank (of which $133 million was outstanding at September 30, 2006), 2) a $50 million overnight federal funds line of credit with a correspondent bank (none of which was outstanding at September 30, 2006), and 3) an approximately $72 million line of credit through the Federal Reserve Bank of Richmond's discount window (none of which was outstanding at September 30, 2006). The Company's liquidity decreased slightly from December 31, 2005 to September 30, 2006, as a result of loan growth that exceeded deposit growth during the first nine months of the year. Loans increased during the first nine months of 2006 by $214 million compared to deposit growth of $170 million. The Company's loan to deposit ratio was 101.9% at September 30, 2006 compared to 99.2% at December 31, 2005. The higher growth in loans Page 29 compared to deposits is the primary factor in the Company increasing its outstanding borrowings from $100 million at December 31, 2005 to $200 million at September 30, 2006. The Company's management believes its liquidity sources, including unused lines of credit, are at an acceptable level and remain adequate to meet its operating needs in the foreseeable future. The Company will continue to monitor its liquidity position carefully and will explore and implement strategies to increase liquidity if deemed appropriate. The amount and timing of the

Company's contractual obligations and commercial commitments has not changed materially since December 31, 2005, detail of which is presented in Table 18 on page 56 of the Company's 2005 Form 10-K. See Note 10 to the Consolidated Financial Statements above for information related to a tax contingency. The Company is not involved in any legal proceedings that, in management's opinion, could have a material effect on the consolidated financial position of the Company. Off-Balance Sheet Arrangements and Derivative Financial Instruments Off-balance sheet arrangements include transactions, agreements, or other contractual arrangements in which the Company has obligations or provides guarantees on behalf of an unconsolidated entity. The Company has no off-balance sheet arrangements of this kind other than repayment guarantees associated with trust preferred securities. Derivative financial instruments include futures, forwards, interest rate swaps, options contracts, and other financial instruments with similar characteristics. The Company has not engaged in derivative activities through September 30, 2006, and has no current plans to do so. Capital Resources The Company is regulated by the Board of Governors of the Federal Reserve Board (FED) and is subject to securities registration and public reporting regulations of the Securities and Exchange Commission. The Company's banking subsidiary is regulated by the Federal Deposit Insurance Corporation (FDIC) and the North Carolina Office of the Commissioner of Banks. The Company is not aware of any recommendations of regulatory authorities or otherwise which, if they were to be implemented, would have a material effect on its liquidity, capital resources, or operations. The Company must comply with regulatory capital requirements established by the FED and FDIC. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. These capital standards require the Company to maintain minimum ratios of "Tier 1" capital to total risk-weighted assets and total capital to risk-weighted assets of 4.00% and 8.00%, respectively. Tier 1 capital is comprised of total shareholders' equity calculated in accordance with generally accepted accounting principles, excluding accumulated other comprehensive income (loss), less intangible assets, and total capital is comprised of Tier 1 capital plus certain adjustments, the largest of which for the Company is the allowance for loan losses. Risk-weighted assets refer to the on- and off-balance sheet exposures of the Company, adjusted for their related risk levels using formulas set forth in FED and FDIC regulations. Page 30 In addition to the risk-based capital requirements described above, the Company is subject to a leverage capital requirement, which calls for a minimum ratio of Tier 1 capital (as defined above) to quarterly average total assets of 3.00% to 5.00%, depending upon the institution's composite ratings as determined by its regulators. The FED has not advised the Company of any requirement specifically applicable to it. At September 30, 2006, the Company's capital ratios exceeded the regulatory minimum ratios discussed above. The following table presents the Company's capital ratios and the regulatory minimums discussed above for the periods indicated. September 30, December 31, September 30, 2006 2005 2005 ------------- ------------- ------------- Risk-based capital ratios: Tier I capital to Tier I risk adjusted assets 10.13% 10.52% 10.42% Minimum required Tier I capital 4.00% 4.00% 4.00% Total risk-based capital to Tier II risk-adjusted assets 11.77% 11.51% 11.46% Minimum required total risk-based capital 8.00% 8.00% 8.00% Leverage capital ratios: Tier I leverage capital to adjusted most recent quarter average assets 8.69% 8.62% 8.49% Minimum required Tier I leverage capital 4.00% 4.00% 4.00% In April 2006, the Company issued an additional $25 million in trust preferred securities, which qualify as regulatory capital and helped maintain the Company's regulatory capital ratios at acceptable levels during the recent periods of high growth and the two branch purchases. The Company's bank subsidiary is also subject to similar capital requirements as those discussed above. The bank subsidiary's capital ratios do not vary materially from the Company's capital ratios presented above. At September 30, 2006, the Company's bank subsidiary exceeded the minimum ratios established by the FED and FDIC. SHARE REPURCHASES During the second quarter of 2006, the Company repurchased 53,000 shares of its common stock at an average price of $20.97 per share. The Company made no share repurchases during the first or third quarters of 2006. At September 30, 2006, the Company had approximately 262,000 shares available for repurchase under existing authority from its board of directors. The Company may repurchase these shares in open market and privately negotiated transactions, as market conditions and the Company's liquidity warrant, subject to compliance with applicable regulations. See also Part II, Item 2 "Unregistered Sales of Equity Securities and Use of Proceeds." Page 31 Item 3 - Quantitative and Qualitative Disclosures About Market Risk INTEREST RATE RISK (INCLUDING QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK) Net interest income is the Company's most significant component of earnings. Notwithstanding changes in volumes of loans and deposits, the Company's level of net interest income is continually at risk due to the effect that changes in general market interest rate trends have on interest yields earned and paid with respect to the various categories of earning assets and interest-bearing liabilities. It is the Company's policy to maintain portfolios of earning assets and interest-bearing liabilities with maturities and repricing opportunities that will afford protection, to the extent practical, against wide interest rate fluctuations. The Company's exposure to interest rate risk is analyzed on a regular basis by management using standard GAP reports, maturity reports, and an asset/liability software model that simulates future levels of interest income and expense based on current interest rates, expected future interest rates, and various intervals of "shock" interest rates. Over the years, the Company has been able to maintain a fairly consistent yield on average earning assets (net interest margin). Over the past five calendar years the Company's net interest margin has ranged from a low of 4.23% (realized in 2001) to a high of 4.58% (realized in 2002). During that five year period the prime rate of interest has ranged from a low of 4.00% to a high of 9.50%. Using stated maturities for all instruments except mortgage-backed securities (which are allocated in the periods of their expected payback) and securities and borrowings with call features that are expected to be called (which are included in the period of their expected call), at September 30, 2006 the Company had $447 million more in interest-bearing liabilities that are subject to interest rate changes within one year than earning assets. This generally would indicate that net interest income would experience downward pressure in a rising interest rate environment and would benefit from a declining interest rate environment. However, this method of analyzing interest sensitivity only measures the magnitude of the timing differences and does not address earnings, market value, or management actions. Also, interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. In addition to the effects of "when" various rate-sensitive products reprice, market rate changes may not result in uniform changes in rates among all products. For example, included in interest-bearing liabilities at September 30, 2006 subject to interest rate changes within one year are deposits totaling $497 million comprised of NOW, savings, and certain types of money market deposits with interest rates set by management. These types of deposits historically have not repriced coincidentally with or in the same proportion as general market indicators. Interest rate caps and floors which are in place for a portion of the Company's variable rate loans can also impact its repricing characteristics. Overall, the Company believes that in the near term (twelve months), net interest income would not likely experience significant downward pressure from rising interest rates. Similarly, management would not expect a significant increase in near term net interest income from falling interest rates. Generally, when rates change, the Company's interest-sensitive assets that are subject to adjustment reprice immediately at the full amount of the change, while the Company's interest-sensitive liabilities that are subject to adjustment reprice at a lag to the rate change and typically not to the full extent of the rate change. The net effect is that in the twelve month horizon, as rates change, the impact of having a higher level of interest-sensitive liabilities is substantially negated by the later and typically lower proportionate change these liabilities experience compared to interest sensitive assets. The general discussion in this paragraph applies most directly in a "normal" interest rate environment in which longer term maturity instruments carry higher interest rates than short term maturity instruments, and is less applicable in periods in which there is a "flat" interest rate curve, which is discussed in the following paragraph. Since the second half of 2004, the Federal Reserve has increased

the discount rate 17 times totaling 425 basis points. However the impact of these rate increases has not had an equal effect on short-term interest rates and long-term interest rates in the marketplace. In the marketplace, short-term rates have risen by a significantly higher amount than have longer-term interest rates. For example, from June 30, 2004 to September 30, 2006, the interest rate on three-month treasury bills rose by 331 basis points, whereas the interest rate for seven-year treasury notes Page 32 increased by just 25 basis points. This has resulted in what economists refer to as a "flat yield curve", which means that short-term interest rates are substantially the same as long-term interest rates. This is an unfavorable interest rate environment for many banks, including the Company, as short-term interest rates generally drive the Company's deposit pricing and longer-term interest rates generally drive loan pricing. When these rates converge, as they have recently (particularly in 2006), the "profit" spread the Company realizes between loan yields and deposit rates narrows, which reduces the Company's net interest margin. In addition to the negative impact of the flat yield curve interest rate environment, the Company's net interest margin has also been negatively impacted by customers shifting their funds from low cost deposits to higher cost deposits as rates have risen. The factors just discussed are the primary reasons for the Company experiencing a decline in its net interest margin for the third consecutive quarter. The Company's net interest margin was 4.37% in the fourth quarter of 2005, 4.33% in the first quarter of 2006, 4.22% in the second quarter of 2006, and 4.12% in the third quarter of 2006. Based on rate projections the Company has reviewed, the Company expects its net interest margin to continue to experience compression for the fourth quarter of 2006. The Company has no market risk sensitive instruments held for trading purposes, nor does it maintain any foreign currency positions. See additional discussion of the Company's net interest margin in the "Components of Earnings" section above. Item 4 - Controls and Procedures As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, which are our controls and other procedures that are designed to ensure that information required to be disclosed in our periodic reports with the SEC is recorded, processed, summarized and reported within the required time periods. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed is communicated to our management to allow timely decisions regarding required disclosure. Based on the evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective in allowing timely decisions regarding disclosure to be made about material information required to be included in our periodic reports with the SEC. In addition, no change in our internal control over financial reporting has occurred during, or subsequent to, the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.
FORWARD-LOOKING STATEMENTS Part I of this report contains statements that could be deemed forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act, which statements are inherently subject to risks and uncertainties. Forward-looking statements are statements that include projections, predictions, expectations or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often characterized by the use of qualifying words (and their derivatives) such as "expect," "believe," "estimate," "plan," "project," or other statements concerning opinions or judgment of the Company and its management about future events. Factors that could influence the accuracy of such forward-looking statements include, but are not limited to, the financial success or changing strategies of the Company's customers, the Company's level of success in integrating acquisitions, actions of government regulators, the level of market interest rates, and general economic conditions. For additional information that could affect the matters discussed in this paragraph, see the "Risk Factor" section of the Company's 2005 Annual Report on Form 10-K. Page 33 Part II. Other Information Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds Issuer Purchases of Equity Securities
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Total Number of Shares Maximum Number of Purchased as Part of Shares that May Yet Be Total Number of Average Price Paid per Publicly Announced Purchased Under the Period Shares Purchased

Share Plans or Programs Plans or Programs (1) --------------------------- ---------------------
---------------------- ---------------------- ---------------------- July 1, 2006 to July 31, 2006 -- -- -- 262,015 August 1, 2006 to August 31, 2006 -- -- -- 262,015 September 1, 2006 to September 30, 2006 -- -- -- 262,015 --------------------- ---------------------- ---------------------- ---------------------- Total -- -- -- 262,015 ===================== ====================== ====================== ====================== Footnotes to the Above Table --------------------------- (1) All shares available for repurchase are pursuant to publicly announced share repurchase authorizations. On July 30, 2004, the Company announced that its Board of Directors had approved the repurchase of 375,000 shares of the Company's common stock. The repurchase authorization does not have an expiration date. There are no plans or programs the Company has determined to terminate prior to expiration, or under which the Company does not intend to make further purchases. (2) The above table above does not include shares that were used by option holders to satisfy the exercise price of the Company's call options issued by the Company to its employees and directors pursuant to the Company's stock option plans. There were no such options exercised during the periods shown. Item 6 - Exhibits The following exhibits are filed with this report or, as noted, are incorporated by reference. Management contracts, compensatory plans and arrangements are marked with an asterisk (*). 3.a. Copy of Articles of Incorporation of the Company and amendments thereto were filed as Exhibits 3.a.i through 3.a.v to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2002, and are incorporated herein by reference. 3.b Copy of the Amended and Restated Bylaws of the Company was filed as Exhibit 3.b to the Company's Annual Report on Form 10-K for the year ended December 31, 2003, and is incorporated herein by reference. 4 Form of Common Stock Certificate was filed as Exhibit 4 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999, and is incorporated herein by reference. 31.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002. 31.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002. Page 34 32.1 Chief Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. 32.2 Chief Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 Copies of exhibits are available upon written request to: First Bancorp, Anna G. Hollers, Executive Vice President, P.O. Box 508, Troy, NC 27371 Pursuant to the requirements 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. FIRST BANCORP November 8, 2006 BY: James H. Garner -------------------------- James H. Garner President, Chief Executive Officer (Principal Executive Officer), Treasurer and Director November 8, 2006 BY: Anna G. Hollers -------------------------- Anna G. Hollers Executive Vice President, Chief Operating Officer and Secretary November 8, 2006 BY: Eric P. Credle -------------------------- Eric P. Credle Senior Vice President and Chief Financial Officer Page 35