

Padget Hebert N JR  
Form 4  
January 03, 2007

**FORM 4**

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
Padget Hebert N JR

(Last) (First) (Middle)  
3475 PIEDMONT ROAD,, NE,  
SUITE 550  
(Street)

ATLANTA, GA 30305

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol  
FLAG FINANCIAL CORP [FLAG]

3. Date of Earliest Transaction  
(Month/Day/Year)  
12/08/2006

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director  10% Owner  
 Officer (give title below)  Other (specify below)  
Executive Vice President

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)	
			Code	V	Amount	(A) or (D)	Price	
Common Stock	12/08/2006		D		46,214	D	0	D
Common Stock	12/08/2006		D		1,600	D	0	I By Daughter
Common Stock	12/08/2006		D		4,000	D	0	I By Son
Common Stock	12/08/2006		D		4,000	D	0	I By Son
Common Stock	12/08/2006		D		4,416	D	0	I By 401(k)

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Common Stock      12/08/2006      D      2,704      D      (1)      0      I      By ESOP

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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(9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**  
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Amount or Number of Shares
Stock Option (right to buy)	\$ 16.36	12/08/2006		D	18,336	<u>(2)</u> 12/28/2015	Common Stock	18,336
Stock Option (right to buy)	\$ 16.36	12/08/2006		D	1,664	<u>(3)</u> 12/28/2015	Common Stock	1,664
Stock Option (right to buy)	\$ 6.25	12/08/2006		D	56,000	<u>(4)</u> 08/19/2008	Common Stock	56,000
Stock Option (right to buy)	\$ 4.69	12/08/2006		D	4,800	<u>(5)</u> 04/30/2011	Common Stock	4,800
Stock Option (right to buy)	\$ 5.16	12/08/2006		D	9,600	<u>(6)</u> 12/31/2009	Common Stock	9,600

## Reporting Owners

Reporting Owner Name / Address

Relationships

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Director    10% Owner    Officer    Other

Padget Hebert N JR  
3475 PIEDMONT ROAD,  
NE, SUITE 550  
ATLANTA, GA 30305

X

Executive Vice President

## Signatures

/s/ Hebert N.  
Padget, Jr.

01/03/2007

  Signature of Reporting  
Person

Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Disposed of pursuant to a merger agreement between issuer and RBC Centura Banks, Inc. in exchange for cash in the amount of \$25.50 per share.
- (2) This option, which provided for vesting in three equal annual installments beginning December 28, 2005, was canceled in the merger in exchange for a cash payment of \$167,591, representing the difference between the exercise price of the option and \$25.50.
- (3) This option, which was fully vested on the grant date, was canceled in the merger in exchange for a cash payment of \$15,208, representing the difference between the exercise price of the option and \$25.50.
- (4) This option, which was fully vested on the grant date, was canceled in the merger in exchange for a cash payment of \$1,078,000, representing the difference between the exercise price of the option and \$25.50.
- (5) This option, which was fully vested on the grant date, was canceled in the merger in exchange for a cash payment of \$99,888, representing the difference between the exercise price of the option and \$25.50.
- (6) This option, which was fully vested on the grant date, was canceled in the merger in exchange for a cash payment of \$195,264, representing the difference between the exercise price of the option and \$25.50

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.