

Richard B. Brualdi
THE BRUALDI LAW FIRM, P.C.
29 Broadway, Suite 2400
New York, New York 10006
Telephone: (212) 952-0602
Facsimile: (212) 952-0608

**SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK**

RSD CAPITAL, On Behalf of Itself and All
Others Similarly Situated

Plaintiff,

vs.

MARK A. ABERNATHY, DAVID C. BYARS,
ROBERT S. CALDWELL, JR., ROBERT L.
CALVERT III, ROBERT A. CUNNINGHAM,
J. NUTIE DOWDLE, JAMES C.
GALLOWAY, JR., CLIFTON S. HUNT,
LEWIS F. MALLORY, JR., ALLEN B.
PUCKETT, III, H. STOKES SMITH,
SAMMY J. SMITH, CADENCE FINANCIAL
CORP., AND COMMUNITY BANCORP LLC.,

Defendants.

Index No.

SUMMONS

JURY TRIAL DEMANDED

TO THE ABOVE NAMED DEFENDANTS:

YOU ARE HEREBY SUMMONED to answer the complaint in this action and to serve a copy of your answer on plaintiff's attorney within twenty days after the service of this summons, exclusive of the day of service, or if service of this summons is made by any means other than by personal delivery to you within the state, within thirty days after such service is complete. In case of your failure to appear or answer, judgment will be taken against you by default for the relief demanded in the complaint.

The basis of the venue designated is plaintiff's residence.

Dated: New York, New York
October 28, 2010

Respectfully Submitted,

/s/ Richard B. Brualdi
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29 Broadway, Suite 2400
New York, NY 10006
Telephone: (212) 952-0602
Facsimile: (212) 952-0608

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Index No.

**CLASS ACTION COMPLAINT FOR
BREACH OF FIDUCIARY DUTY**

JURY TRIAL DEMANDED

Plaintiff, by its attorneys, alleges as follows for its class action complaint, based upon personal knowledge as to itself and its own acts, and based upon information and belief derived from, *inter alia*, a review of documents filed with the Securities and Exchange Commission ("SEC") and publicly available news sources, such as newspaper articles, as to all other matters:

NATURE OF THE ACTION

1. This is a class action (the "Action") brought on behalf of Plaintiff and the other public shareholders of Cadence Financial Corporation ("Cadence" or the "Company") against Cadence, the members of its board of directors and Community Bancorp LLC ("CBC"). The Action challenges Defendants' actions in causing the Company to enter into an agreement (the

“Sale Agreement”) pursuant to which CBC will purchase all of the issued and outstanding shares of the Company’s common stock for \$2.50 per share in a transaction which protects and advances the interests of the members of Cadence’s management team who are using this opportunity to benefit themselves. The Action also challenges Defendants’ efforts to conceal material information from Plaintiff and Cadence’s other public shareholders in the proxy statement that the Board caused the Company to file with the SEC and make available to Cadence’s shareholders on or about October 20, 2010 in connection with recommending that shareholders vote their shares in favor of the Sale Agreement (the “Proxy Statement”).

JURISDICTION AND VENUE

2. This Court has jurisdiction over the subject matter of this action pursuant to New York Judiciary Law § 140-b.

3. Venue is proper in this Court pursuant to CPLR 503 since Plaintiff resides in New York County.

4. This action challenges the internal affairs or governance of Cadence and hence is not removable to Federal Court under the Class Action Fairness Act of 2005 or the Securities Litigation Uniform Standards Act (“SLUSA”), 15 U.S.C. § 78bb(f).

PARTIES

5. Plaintiff RSD Capital, a resident of New York, has owned shares of Cadence common stock continuously since on or about October 15, 2007.

6. Defendant Cadence is a publicly traded corporation whose stock is traded on the NASDAQ stock exchange. Through its wholly-owned subsidiary, Cadence Bank, N.A. (“Cadence Bank”), Cadence operates in the states of Mississippi, Alabama, Tennessee, Florida and Georgia. Cadence’s primary business is providing traditional commercial and retail banking

services to customers. Cadence also provides other financial services, including trust services, mortgage services and investment products. This court has jurisdiction over Cadence because the stock is traded on the NASDAQ, which is headquartered in this State and County, and because its wrongful acts challenged in this complaint were directed toward this State and County.

7. Defendant Mark. A. Abernathy ("Abernathy") has been a director of the Company since 1994, and was appointed as President and Chief Operating Officer ("COO") in 1998. This court has jurisdiction over Abernathy because Cadence's stock is traded on the NASDAQ, which is headquartered in this State and County, and because Abernathy's wrongful acts challenged in this complaint were directed toward this State and County.

8. Defendant David C. Byars ("Byars") has served as a director of the Company since 1999. This court has jurisdiction over Byars because Cadence's stock is traded on the NASDAQ, which is headquartered in this State and County, and because Byars' wrongful acts challenged in this complaint were directed toward this State and County.

9. Defendant Robert S. Caldwell, Jr. ("Caldwell") has served as a director of the Company since 1999. This court has jurisdiction over Caldwell because Cadence's stock is traded on the NASDAQ, which is headquartered in this State and County, and because Caldwell's wrongful acts challenged in this complaint were directed toward this State and County.

10. Defendant Robert L. Calvert, III ("Calvert") has served as a director of the Company since 1999. This court has jurisdiction over Calvert because Cadence's stock is traded on the NASDAQ, which is headquartered in this State and County, and because Calvert's wrongful acts challenged in this complaint were directed toward this State and County.

11. Defendant Robert A. Cunningham ("Cunningham") has served as a director of the Company since 1990. This court has jurisdiction over Cunningham because Cadence's stock is traded on the NASDAQ, which is headquartered in this State and County, and because Cunningham's wrongful acts challenged in this complaint were directed toward this State and County.

12. Defendant J. Nutie Dowdle ("Dowdle") has served as a director of the Company since 1990. This court has jurisdiction over Dowdle because Cadence's stock is traded on the NASDAQ, which is headquartered in this State and County, and because Dowdle's wrongful acts challenged in this complaint were directed toward this State and County.

13. Defendant James C. Galloway, Jr. ("Galloway") has served as a director of the Company since 1997. This court has jurisdiction over Galloway because Cadence's stock is traded on the NASDAQ, which is headquartered in this State and County, and because Galloway's wrongful acts challenged in this complaint were directed toward this State and County.

14. Defendant Clifton S. Hunt ("Hunt") has served as a director of the company since 2005. This court has jurisdiction over Hunt because Cadence's stock is traded on the NASDAQ, which is headquartered in this State and County, and because Hunt's wrongful acts challenged in this complaint were directed toward this State and County.

15. Defendant Lewis F. Mallory, Jr. ("Mallory") has been a director of the Company since 1969 and has served as Chairman of the Board and as Chief Executive Officer ("CEO") since 1994. This court has jurisdiction over Mallory because Cadence's stock is traded on the NASDAQ, which is headquartered in this State and County, and because Mallory's wrongful acts challenged in this complaint were directed toward this State and County.

16. Defendant Allen B. Puckett, III ("Puckett") has served as a director of the Company since 1987. This court has jurisdiction over Puckett because Cadence's stock is traded on the NASDAQ, which is headquartered in this State and County, and because Puckett's wrongful acts challenged in this complaint were directed toward this State and County.

17. Defendant Sammy J. Smith ("S. Smith") has served as a director of the Company since 1977. This court has jurisdiction over S. Smith because Cadence's stock is traded on the NASDAQ, which is headquartered in this State and County, and because S. Smith's wrongful acts challenged in this complaint were directed toward this State and County.

18. Defendant H. Stokes Smith ("H. Smith") has served as a director of the Company since 1999. This court has jurisdiction over H. Smith because Cadence's stock is traded on the NASDAQ, which is headquartered in this State and County, and because H. Smith's wrongful acts challenged in this complaint were directed toward this State and County.

19. Defendant CBC is a limited liability bank holding company, organized under the laws of Delaware, and is headquartered in Houston, Texas. This court has jurisdiction over CBC because its wrongful acts challenged in this complaint were directed toward this State and County.

20. The 12 individuals listed in paragraphs 7 through 18 are hereinafter collectively known as the "Individual Defendants"

21. The individual Defendants, Cadence and CBC are collectively referred to herein as the "Defendants."

22. Each Defendant herein is sued individually and/or as an aider and abettor. The Defendants are also sued in their capacity as directors of Cadence. The liability of each

Defendant arises from the fact that they have engaged in all or part of the unlawful acts, plans, schemes, or transactions complained of herein.

THE DEFENDANTS' FIDUCIARY DUTIES

23. Under applicable common law, the directors of a publicly held company such as Cadence have fiduciary duties of care, loyalty, disclosure, good faith and fair dealing and are liable for breaches thereof. They are required to exercise good faith and subordinate their own selfish interests to those of the corporation where their interests conflict. Where it appears that a director has obtained any personal profit from dealing with the corporation, and the transaction is drawn into question as between him and the corporation, the burden is upon the director to show that the transaction has been fair, open and in the utmost good faith.

24. As alleged in detail below, Defendants have breached, and/or aided other Defendants' breaches of, their fiduciary duties to plaintiff and Cadence's other public shareholders by acting to cause or facilitate the Sale Agreement because it is not in the best interests of those shareholders, but is in the best interests of the members of Cadence's management team.

25. Because Defendants have knowingly or recklessly breached their fiduciary duties in connection with the Sale Agreement, and/or are personally profiting from the same, the burden of proving the inherent or entire fairness of the Sale Agreement, including all aspects of its negotiation, structure, and terms, is borne by Defendants as a matter of law.

26. Further, as alleged in detail *infra*, the Individual Defendants have breached their fiduciary duty of disclosure in that on October 20, 2010, the Individual Defendants caused Cadence to file with the SEC, and make the same available to Plaintiff and the Company's other public shareholders, a Proxy Statement (in connection with recommending that shareholders vote

their shares in favor of the Sale Agreement) but concealed certain material information which a reasonable shareholder would find material in determining whether to tender his or her shares. Among other things, the Defendants have failed to disclose material information regarding, *inter alia*, (i) the conflicts of interest of the Company's financial advisors, Keefe, Bruyette & Woods, Inc. ("KBW"), (ii) the criteria used by the financial advisors to render their fairness opinions and (iii) the process they engaged in which led to the signing of the Sale Agreement (the "Sale Process.")

CLASS ACTION ALLEGATIONS

27. Plaintiff brings this action as a class action pursuant to CPLR § 901, *et. seq.* on behalf of itself and all other shareholders of the Company except the Defendants herein and any person(s), firm(s), trust(s), corporation(s), or other entit(ies) related to or affiliated with them, who are or will be threatened with injury arising from Defendants' actions, as more fully described herein (the "Class").

28. The members of the Class are so numerous that joinder of all of them would be impracticable. While the exact number of Class members is unknown to Plaintiff, and can be ascertained only through appropriate discovery, Plaintiff believes there are many hundreds, if not thousands, of Class members. Cadence had approximately 11,909,127 shares of common stock outstanding as of October 20, 2010.

29. Plaintiff's claims are typical of the claims of the Class since Plaintiff and the other members of the Class have and will sustain harm arising out of Defendants' breaches of their fiduciary duties. Plaintiff does not have any interests that are adverse or antagonistic to those of the Class. Plaintiff will fairly and adequately protect the interests of the Class. Plaintiff is committed to the vigorous prosecution of this action and has retained counsel competent and

experienced in this type of litigation.

30. There are questions of law and fact common to the members of the Class that predominate over any questions which, if they exist, may affect individual Class members. The predominant questions of law and fact include, among others, whether:

a. the Defendants have and are breaching their fiduciary duties to the detriment of Cadence shareholders;

b. Plaintiff and the Class have been damaged and the extent to which they have sustained damages, and what is the proper measure of those damages.

31. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Further, as individual damages may be relatively small for most members of the Class, the burden and expense of prosecuting litigation of this nature makes it unlikely that members of the Class would prosecute individual actions. Plaintiff anticipates no difficulty in the management of this action as a class action. Further, the prosecution of separate actions by individual members of the Class would create a risk of inconsistent or varying results, which may establish incompatible standards of conduct for Defendants.

SUBSTANTIVE ALLEGATIONS

A. **Cadence's Management Team Used Their Control Of Cadence To Cause It To Enter Into The Sale Agreement To Promote Their Own Personal Interests**

32. Like many banks, Cadence suffered as a result of the recent economic downturn and had to take advantage of relief offered via the United States' government's Troubled Asset Relief Program ("TARP") in January 2009. However, while TARP led to an infusion of \$44 million into the Company, it also imposed stringent restrictions on executive compensation including, *inter alia*, the following:

- *Prohibition on Bonus and Similar Payments to Top Employees.* Prohibits the payment of any “bonus, retention award, or incentive compensation” to Senior Executive Officers (“SEOs”) or the next twenty most highly compensated employees (collectively, the “TARP Covered Employees”) except in the form of long-term restricted stock that is subject to vesting and transfer restrictions and that does not exceed one-third of the TARP Covered Employee’s total annual compensation in the year of grant.
- *Shareholder “Say-on-Pay” Vote Required.* Requires every company receiving assistance pursuant to the United States Treasury Department’s capital purchase Program (the “CPP”) to permit a non-binding shareholder vote to approve the compensation of executives as disclosed in the company’s proxy statement.
- *Stricter Restrictions on “Golden Parachute” Payments.* Prohibits golden parachute payments to the CEOs and the next five most highly compensated employees, which include substantially all payments made upon (i) such employee’s departure from the CPP participant for any reason other than death or disability or (ii) the effective date of a change in control of the CPP participant, other than payments for services already performed or benefits already accrued.
- *Clawback Requirements.* Requires that any bonus payments made to TARP Covered Employees must be subject to a clawback provision that provides for the clawback or recovery of the bonus payment if it was based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria.
- *Prohibition on Tax Gross-Ups.* Prohibits CPP participants from providing (formally or informally) tax “gross-ups” to TARP Covered Employees, other than certain tax equalization amounts for expatriates.
- *Prohibition on Compensation Plans that “Encourage” Earnings Manipulation.* Prohibits CPP participants from implementing any compensation plan that could encourage manipulation of the reported earnings of the company in order to enhance the compensation of any of its employees.
- *Board Compensation Committee Required.* Requires CPP participants to establish a board compensation committee and requires the committee to meet at least semi-annually to discuss and evaluate employee compensation plans in light of an assessment of any risk to the company posed by such plans.
- *New Reporting and Certification Requirements.* Requires the principal executive officer, the principal financial officer and the compensation

committee of any publicly-traded CPP-participating company to provide a written certification of compliance with these executive compensation restrictions in the company's annual filings with the SEC.

- *Risk Review.* Require the compensation committee to review SEO incentive compensation arrangements with our senior risk officers to ensure that SEOs are not encouraged to take such risks. Also require the compensation committee to meet at least every six months with our senior risk officers to discuss and review the relationship between our risk management policies and practices and the SEO incentive compensation arrangements.
- *Policy on Luxury Expenditures.* Requires each CPP-participating company to implement and publicly post on its website a company-wide policy regarding excessive or luxury expenditures, including excessive expenditures on entertainment or events, office and facility renovations, aviation or other transportation services.
- *Limit on Tax Deduction.* Limits tax deduction for compensation paid to any SEO to \$500,000 annually. Section 162(m) (5) of the Internal Revenue Code was amended to impose a \$500,000 deduction limit. In addition, the amendment also includes certain performance based compensation paid under shareholder approved plans which previously did not count toward such deduction limit.
- *Treasury Review of Prior Payments.* Directs the Treasury to review bonuses, retention awards, and other compensation paid to a TARP Covered Employee of a CPP recipient before ARRA was enacted, and to "seek to negotiate" with the CPP recipient and affected employees for reimbursement if it finds any such payments were inconsistent with CPP or otherwise in conflict with the public interest.

33. The TARP rules came into effect at the beginning of 2010 and the following restrictions would apply to executive compensation in 2010 for so long as Cadence remains a TARP participant:

- *No Bonuses.* The SEOs (including Messrs. Mallory and Abernathy) cannot be paid any cash bonus for 2009 – any pro-rated bonus earned for 2009 must be deferred until TARP funds are repaid.
- *No Opportunity To Earn A Cash Bonus.* The SEOs cannot be provided an opportunity to earn any cash bonus for 2010.

- *Restrictions on Long Term Equity Award.* The SEOs can receive long-term equity awards only if the terms are compliant with the TARP Rules and only if the accounting value of the awards is no more than one-third of total compensation for 2010, disregarding certain retirement amounts.
- *Restrictions on Severance Benefits.* The TARP Covered Employees cannot be provided many kinds of severance benefits, including change-in-control benefits.

34. Burdened by the restrictions of TARP and unable to repay the United States' government, the Company's management therefore sought to rid themselves of these restrictions by effectuating a sale of the Company. In pursuit of this, on or about October 6, 2010, Cadence announced that it had entered into an agreement to be acquired by CBC. Under the agreement, Cadence shareholders will receive \$2.50 in cash per Cadence common share. In addition, CBC has offered to purchase the \$44.0 million of Cadence preferred stock and the associated warrants issued under the TARP program for \$38 million in cash.

35. Also, pursuant to the Sale Agreement, CBC agreed to assume the obligations under the employment and change in control agreements (collectively the "Change in Control Payments") held by Mr. Mallory and Abernathy and pursuant to which each of them will be entitled to payments equal to 2.99 times his base salary plus an amount equal to twelve times his monthly medical insurance premiums which amounts to \$907,997.00 and \$738,318.00 respectively. Further, CBC has also agreed to offer continued employment to Messrs. Mallory and Abernathy, among other Cadence executives in the event that the agreement to pay the Change in Control Payments contradicts any regulations. Notably, neither Mr. Mallory nor Mr. Abernathy would receive these lucrative payments at this time absent the sale of the Company.

B. Defendants Have Admitted That The Sale Process Was Overseen By Management

36. Defendants have also admitted that the Sale Process was directed and overseen by the Company's self-interested management. Specifically, the Proxy Statement provides as follows:

In evaluating whether to merge with CBC, Cadence's board of directors considered ...

- * * * * *
- the *process conducted by Cadence's management* with the assistance of KBW to identify potential merger partners and to solicit proposals as to the financial terms, structure and other aspects of a potential transaction from potential merger partners.
- * * * * *
- the limited strategic alternatives available to Cadence, notwithstanding the extensive *search and evaluation of alternatives conducted by management* with the assistance of legal and financial advisors.

(Emphasis added).

C. The Materially Misleading And/Or Incomplete Proxy Statement

37. In addition, the Individual Defendants are breaching their fiduciary duty of full disclosure in connection with the Sale Agreement. In this regard, on or about October 20, 2010, the Individual Defendants caused Cadence to file a Proxy Statement with the SEC, and distribute the same to Cadence's public shareholders, in connection with recommending that shareholders vote for approval of the proposal to adopt the merger agreement. However, the Proxy Statement is deficient in that it misrepresents and/or omits, *inter alia*, material information as alleged below:

- (i) According to the Proxy Statement, in arriving at its opinion that the price to be paid for the Company is fair, KBW reviewed financial projections of the Company prepared by Cadence's and CBC's senior management teams. However, the Proxy Statement is deficient because it fails to disclose these projections.

The criteria used by a financial advisor to render its fairness opinion is material to the public shareholders of the Company in determining how much weight to place on the fairness opinion and must therefore be disclosed. Specifically, when a banker's endorsement of the fairness of a transaction is touted to shareholders, the valuation methods used to arrive at that opinion as well as the key inputs and range of ultimate values generated by those analyses must also be fairly disclosed. Only providing some of that information is insufficient to fulfill the duty of providing a fair summary of the substantive work performed by the investment bankers upon whose advice the recommendation of the Board - that shareholders vote their shares in favor of the Sale Agreement - rely.

- (ii) According to the Proxy Statement, in the ordinary course of its business as a broker-dealer, KBW may, from time to time, purchase securities from, and sell securities to, Cadence and CBC. The Proxy Statement is deficient because it fails to disclose the value of KBW's positions in these regards.

Information with regard to any conflict of interest that KBW had is material to the public shareholders of Cadence in determining how much weight to place on KBW's fairness opinion and must therefore be disclosed.

- (iii) According to the Proxy Statement, as a market maker in securities KBW may from time to time have a long or short position in, and buy or sell, debt or equity securities of Cadence for KBW's own account and for the accounts of its customers. The Proxy Statement is deficient because it fails to disclose the value of KBW's positions in these regards.

Information with regard to any conflict of interest that KBW had is material to the public shareholders of Cadence in determining how much weight to place on KBW's fairness opinion and must therefore be disclosed.

- (iv) According to the Proxy Statement, in July 2010 Cadence directed KBW to approach private investors that might be interested in providing capital to the Company or acquiring the Company. As a result of such inquiries, in July and early August of 2010 the Company entered into non-disclosure agreements with eight interested parties. However, the Proxy Statement is deficient because it fails to disclose (a) the number of parties contacted by KBW and (b) the criteria used to select the companies contacted.

This information is material to the Company's public shareholders in determining the extent to which the Individual Defendants complied with their duties of loyalty and care to protect the best interests of the

Company's public shareholders and to put the interests of these shareholders before their own.

- (v) According to the Proxy Statement, during this period Cadence also directed KBW to contact financial institutions that may have an interest in acquiring Cadence. However, the Proxy Statement is deficient because it fails to disclose (a) how many financial institutions were contacted, (b) what resulted from contacting these financial institutions, i.e. how many expressed interest in acquiring the Company or in entering into a non-disclosure agreement, and (c) the criteria used to select the financial institutions contacted.

This information is material to the Company's public shareholders in determining the extent to which the Individual Defendants complied with their duties of loyalty and care to protect the best interests of the Company's public shareholders and to put the interests of these shareholders before their own.

- (vi) According to the Proxy Statement, KBW performed a *Selected Peer Group Analysis* comparing the financial performance, financial condition and market performance of Cadence to groups of depository institutions that KBW considered comparable to Cadence. The Proxy Statement is deficient because it fails to disclose (a) the criteria used to select these comparable companies, (b) the median and mean percentages of the peer group for each financial performance category analyzed, (c) the mean and median percentages of the peer group for each financial condition category analyzed, and (d) the mean and median dollar amount of the peer group for each market performance category analyzed.

The criteria used by a financial advisor to render its fairness opinion is material to the public shareholders of the Company in determining how much weight to place on the fairness opinion and must therefore be disclosed. Specifically, when a banker's endorsement of the fairness of a transaction is touted to shareholders, the valuation methods used to arrive at that opinion as well as the key inputs and range of ultimate values generated by those analyses must also be fairly disclosed. Only providing some of that information is insufficient to fulfill the duty of providing a fair summary of the substantive work performed by the investment bankers upon whose advice the recommendation of the Board - that shareholders vote their shares in favor of the Sale Agreement - rely.

- (vii) According to the Proxy Statement, KBW performed a *Comparable Transaction Analysis* in which the transaction multiples for the merger were derived from an offer price of \$2.50 per share for Cadence. The Proxy Statement is deficient because it fails to disclose (a) the transaction

multiples derived and (b) the methodology used to calculate the transaction multiples.

The criteria used by a financial advisor to render its fairness opinion is material to the public shareholders of the Company in determining how much weight to place on the fairness opinion and must therefore be disclosed. Specifically, when a banker's endorsement of the fairness of a transaction is touted to shareholders, the valuation methods used to arrive at that opinion as well as the key inputs and range of ultimate values generated by those analyses must also be fairly disclosed. Only providing some of that information is insufficient to fulfill the duty of providing a fair summary of the substantive work performed by the investment bankers upon whose advice the recommendation of the Board - that shareholders vote their shares in favor of the Sale Agreement - rely.

- (viii) According to the Proxy Statement, KBW performed a *Discounted Cash Flow Analysis*. The Proxy Statement discloses that, in calculating the terminal value of Cadence, KBW applied multiples ranging from 10.0x to 14.0x 2015 forecasted earnings. The Proxy Statement is deficient because it fails to disclose the methodology used to calculate the range of multiples.

The criteria used by a financial advisor to render its fairness opinion is material to the public shareholders of the Company in determining how much weight to place on the fairness opinion and must therefore be disclosed. Specifically, when a banker's endorsement of the fairness of a transaction is touted to shareholders, the valuation methods used to arrive at that opinion as well as the key inputs and range of ultimate values generated by those analyses must also be fairly disclosed. Only providing some of that information is insufficient to fulfill the duty of providing a fair summary of the substantive work performed by the investment bankers upon whose advice the recommendation of the Board - that shareholders vote their shares in favor of the Sale Agreement - rely.

- (ix) According to the Proxy Statement, KBW also considered and discussed with the Cadence board how its *Discounted Cash Flow Analysis* would be affected by changes in the underlying assumptions of the capital raise, including variations with respect to the amount raised and offer price per share. To illustrate this impact, KBW performed a similar discounted cash flow analysis assuming capital raises ranging from \$80.0 million to \$100.0 million at offer prices from \$.50 per share to \$1.50 per share. The analysis assumes a 12.0x terminal multiple on 2015 earnings and a 14.0% discount rate. The Proxy Statement is deficient because it fails to disclose (a) why KBW did not consider offer prices above \$1.50 per share, such as \$2.50 per share, the current offer that shareholders will receive if the Sale Agreement is consummated, (b) the methodology used to calculate the

12.0x terminal multiple and the (c) the methodology used to calculate the 14.0% discount rate.

The criteria used by a financial advisor to render its fairness opinion is material to the public shareholders of the Company in determining how much weight to place on the fairness opinion and must therefore be disclosed. Specifically, when a banker's endorsement of the fairness of a transaction is touted to shareholders, the valuation methods used to arrive at that opinion as well as the key inputs and range of ultimate values generated by those analyses must also be fairly disclosed. Only providing some of that information is insufficient to fulfill the duty of providing a fair summary of the substantive work performed by the investment bankers upon whose advice the recommendation of the Board - that shareholders vote their shares in favor of the Sale Agreement - rely.

FIRST CAUSE OF ACTION

CLAIM FOR BREACH OF FIDUCIARY DUTIES OF, *INTER ALIA*, GOOD FAITH, LOYALTY, FAIR DEALING, AND DUE CARE

(Against the Individual Defendants)

38. Plaintiff repeats and realleges all previous allegations as if set forth in full herein.
39. By reason of the foregoing, the Individual Defendants have breached their fiduciary duties of, *inter alia*, good faith, loyalty, fair dealing, and due care to Plaintiff and Cadence's other public stockholders and/or aided and abetted in the breach of those fiduciary duties.
40. As a result, plaintiff and Cadence's other public stockholders have been and will be damaged.

SECOND CAUSE OF ACTION

CLAIM FOR FAILURE TO DISCLOSE

(Against Cadence and the Individual Defendants)

41. Plaintiff repeats and realleges all previous allegations as if set forth in full herein.

42. Under applicable law, the Individual Defendants had an obligation to ensure that Cadence disclosed all material facts in the Proxy Statement in order to enable Cadence's shareholders to cast an informed vote on the Sale Agreement. As alleged in detail above, the Individual Defendants have breached their fiduciary duty by causing Cadence to file a Proxy Statement with materially inadequate disclosures and material omissions.

43. As a result of these failures to disclose, Plaintiff and the Class have been and will be damaged.

THIRD CAUSE OF ACTION

CLAIM FOR AIDING AND ABETTING BREACHES OF FIDUCIARY DUTY

(Against CBC)

44. Plaintiff repeats and realleges all previous allegations as if set forth in full herein.

45. The Individual Defendants owed Plaintiff and Cadence's other public shareholders duties of good faith, loyalty, fair dealing, care and disclosure. As earlier alleged, the Individual Defendants breached these fiduciary duties. CBC has aided and abetted the Individual Defendants in the breaches of their fiduciary duties to Cadence's shareholders by, among other things, (a) obligating the Company to pay a termination fee of \$4.5 million under certain conditions, (b) requiring the Company to agree to a No Solicitation clause, (c) incentivizing Cadence's management to favor a sale to CBC by agreeing to pay the Change in Control Payments (or hire them in the event that the Change in Control Payments are not payable pursuant to federal restrictions) and (d) agreeing to indemnify the Individual Defendants for liability arising as a result of their wrongful conduct as alleged herein. Further, the proposed sale of Cadence to CBC could not take place without the knowing participation of CBC.

46. As a result, Plaintiff and the Class have been and will be damaged.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment as follows:

1. determining that this action is a proper class action and that Plaintiff is a proper class representative under CPLR §§ 901, *et. seq.*
2. declaring that Defendants have breached their fiduciary duties to Cadence and/or aided and/or abetted such breaches;
3. awarding Plaintiff and the Class compensatory and/or rescissory damages as allowed by law;
4. awarding interest, attorney's fees, expert fees and other costs, in an amount to be determined; and
5. granting such other relief as the Court may find just and proper.

Dated: October 28, 2010

Respectfully Submitted,

/s/ Richard B. Brualdi

Richard B. Brualdi

Gaitri Boodhoo

Lauren C. Watson

THE BRUALDI LAW FIRM, P.C.

29 Broadway, Suite 2400

New York, New York 10006

Telephone: (212) 952-0602

Facsimile: (212) 952-0608

Counsel for Plaintiff