

Childers Kim M
Form 4
December 19, 2006

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 *
Childers Kim M

(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)
Exc VP & Chief Credit Officer

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 Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|
| | | | | (A) or (D) Price | | | |
| Common Stock | 12/08/2006 | | D | 142,254 D | 0 | D | |
| Common Stock | 12/08/2006 | | D | 200 D | 0 | I | By Spouse |

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

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SEC 1474 (9-02)

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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) | \$ 12.9 | 12/08/2006 | | D | 4,000 | <u>(2)</u> 02/04/2014 | Common Stock | 4,000 |
| Stock Option (right to buy) | \$ 14.93 | 12/08/2006 | | D | 5,000 | <u>(3)</u> 01/12/2008 | Common Stock | 5,000 |
| Stock Option (right to buy) | \$ 16.36 | 12/08/2006 | | D | 15,182 | <u>(4)</u> 12/28/2015 | Common Stock | 15,182 |
| Stock Option (right to buy) | \$ 16.36 | 12/08/2006 | | D | 4,818 | <u>(5)</u> 12/28/2015 | Common Stock | 4,818 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|--|---------------|-----------|-------------------------------------|-------|
| | Director | 10% Owner | Officer | Other |
| Childers Kim M 3475 PIEDMONT ROAD, NE, SUITE 550 ATLANTA, GA 30305 | | | Exc VP & Chief Credit Officer | |

Signatures

/s/ Kim M.
Childers

12/19/2006

**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 provides for vesting in three years from the grant date, was canceled in the merger in exchange for a cash payment of \$50,400, representing the difference between the exercise price of the option and \$25.50.
- (3) This option, which provides for vesting in three years from the grant date, was canceled in the merger in exchange for a cash payment of \$52,850, representing the difference between the exercise price of the option and \$25.50.
- (4) This option, which provides for vesting in three equal annual increments beginning December 28, 2006, was canceled in the merger in exchange for a cash payment of \$138,763, 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 \$44,036, 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.

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