FIRST BANCSHARES INC /MS/
Form DEF 14A
November 28, 2016

SCHEDULE 14A

(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE

SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨Preliminary Proxy Statement
¨Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
xDefinitive Proxy Statement
¨Definitive Additional Materials
¨Soliciting Material Pursuant to Rule 14a-12

THE FIRST BANCSHARES, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

The First Bancshares, Inc.

Notice of Special Meeting of Shareholders

to be held on December 29, 2016

Dear Fellow Shareholder:

We cordially invite you to attend a Special Meeting (the "Special Meeting") of Shareholders of The First Bancshares, Inc. (the "Company"), the holding company for The First, A National Banking Association. We hope that you can attend the meeting and look forward to seeing you there.

This letter serves as your official notice that the Company will hold the Special Meeting on Thursday, December 29, 2016, at 4:30 p.m. at the Company's main office located at 6480 U.S. Highway 98 West, Hattiesburg, Mississippi 39402. At the Special Meeting, you will be asked to consider and vote on the following matters:

1. **Conversion of Convertible Preferred Stock.** To approve, for purposes of NASDAQ Listing Rule 5635, the Company's issuance of 3,563,380 shares of common stock upon the conversion of an equivalent number of Mandatorily Convertible Non-Cumulative Non-Voting Perpetual Preferred Stock, Series E, as contemplated by the Securities Purchase Agreements described in the accompanying proxy statement.
2. **Adjournment of Special Meeting if Necessary or Appropriate**. To approve the adjournment of the Special Meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the Special Meeting to adopt Proposal 1.

The Board of Directors unanimously recommends that you vote in favor of Proposals 1 and 2.

Pursuant to the Company's bylaws, the only business permitted to be conducted at the Special Meeting are the matters set forth in this letter and notice of the meeting.

Shareholders owning shares of the Company's common stock at the close of business on November 17, 2016, are the only persons entitled to attend and vote at the meeting. A complete list of these shareholders will be available at The First Bancshares, Inc.'s main office prior to and during the meeting.

IMPORTANT NOTICE REGARDING INTERNET AVAILABILITY OF PROXY MATERIALS FOR THE SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON DECEMBER 29, 2016

The Proxy Statement for the special meeting is available at www.edocumentview.com/FBMS

Please use this opportunity to take part in the affairs of your company by voting on the business to come before this meeting. Even if you plan to attend the meeting, the Company encourages you to complete and return the enclosed proxy to us as promptly as possible.

By Order of the Board of Directors,

M. Ray “Hoppy” Cole, Jr.
President and CEO

E. Ricky Gibson
Chairman of the Board

Dated and Mailed on or about November 29, 2016, Hattiesburg, Mississippi

The First Bancshares, Inc.

6480 U.S. Highway 98 West

Hattiesburg, Mississippi 39402

Proxy Statement for the Special Meeting of

Shareholders to be Held on December 29, 2016

INTRODUCTION

Date, Time, and Place of Meeting

A Special Meeting of Shareholders (the "Special Meeting") of The First Bancshares, Inc. (the "Company"),a Mississippi corporation and the holding company for The First, A National Banking Association (the “Bank”) will be held at the main office of the Company located at 6480 U.S. Highway 98 West, Hattiesburg, Mississippi 39402, on Thursday, December 29, 2016, at 4:30 p.m., local time, or any adjournment(s) thereof, for the purpose of considering and voting upon the matters set out in the foregoing Notice of Special Meeting of Shareholders. This Proxy Statement is furnished to the shareholders of the Company in connection with the solicitation by the Board of Directors of proxies to be voted at the Meeting.

The mailing address of the principal executive office of the Company is Post Office Box 15549, Hattiesburg, Mississippi, 39404-5549.

The approximate date on which this Proxy Statement and form of proxy are first being sent or given to shareholders is November 29, 2016.

The matters to be considered and voted upon at the Special Meeting will be:

1. **Conversion of Convertible Preferred Stock.** To approve, for purposes of NASDAQ Listing Rule 5635, the issuance of 3,563,380 shares of common stock upon the conversion of an equivalent number of Mandatorily Convertible Non-Cumulative Non-Voting Perpetual Preferred Stock, Series E, as contemplated by the Securities Purchase Agreements described below.

2. **Adjournment of Special Meeting if Necessary or Appropriate**. To approve the adjournment of the Special Meeting, if necessary or appropriate, to solicit additional proxies from shareholders who have not submitted proxies at the time of the initially convened Special Meeting if there are insufficient votes at the time of the Special Meeting to adopt Proposal 1.

Record Date; Quorum; Voting Rights; Vote Required

The record date for determining holders of outstanding common stock of the Company entitled to notice of and to vote at the Special Meeting is November 17, 2016 (the "Record Date"). Only holders of the Company's common stock of record on the books of the Company at the close of business on the Record Date are entitled to notice of and to vote at the Special Meeting or at any adjournment or postponement thereof. As of the Record Date, there were 5,428,017 shares of the Company's common stock issued and outstanding, each of which is entitled to one vote on all matters. In order for the Special Meeting to be duly convened, a quorum must be present, and a quorum requires that the holders of a majority of the shares of common stock be present in person or by proxy at the meeting Approval of Proposals 1 and 2 requires the affirmative vote of a majority of votes cast at a duly convened meeting. Abstentions and broker non-votes are counted only for purposes of determining whether a quorum is present at the Meeting.

In addition, Mississippi law does not provide dissenters’ or appraisal rights to our stockholders in connection with either of the proposals.

Proxies

Shares of common stock represented by properly executed proxies, unless previously revoked, will be voted at the Special Meeting in accordance with the directions therein. If no direction is specified, such shares will be voted in the discretion of the person named as the proxy holder with respect to any other business that may come before the Special Meeting. A proxy may be revoked by a shareholder at any time prior to its exercise by filing with the Secretary of the Company a written revocation or a duly executed proxy bearing a later date. A proxy shall also be revoked if the shareholder is present and elects to vote in person.

PROPOSAL 1

APPROVAL OF THE ISSUANCE OF SHARES OF COMMON STOCK UPON THE CONVERSION OF THE COMPANY'S SERIES E NONVOTING CONVERTIBLE PREFERRED STOCK INTO COMMON STOCK

Background and Reasons for Requesting Shareholder Approval

On October 12, 2016, the Company entered into Securities Purchase Agreements (each a "Security Purchase Agreement") with a limited number of institutional and other accredited investors (the "Purchasers" and each, a "Purchaser") pursuant to which the Company sold in a private placement (the "Private Placement") 3,563,380 shares of newly authorized Series E Nonvoting Convertible Preferred Stock ("Series E Preferred Stock") at a purchase price of $17.75 per share, for aggregate gross proceeds of $63,249,995. The terms of the Series E Preferred Stock provide for their mandatory conversion into an equivalent number of shares of the Company's common stock upon approval of this proposal. The Company paid $3,162,499.75 in fees to its financial advisors who acted as placement agents in the private placement. The Private Placement transaction was completed on October 14, 2016. The material terms of the Series Preferred Stock are discussed below.

Because our common stock is listed on the NASDAQ Global Select Market, we are subject to NASDAQ Listing Rule 5635(d), which requires shareholder approval prior to the issuance of securities in connection with a transaction, other than a public offering, involving the sale, issuance or potential issuance by a company of common stock (or securities convertible into or exercisable for common stock) equal to 20% or more of the then outstanding shares of common stock or 20% or more of the voting power before the issuance of such additional shares at a price that is less than the greater of book or market value of the stock.

Upon conversion of the Series E Preferred Stock, the Company will issue 3,563,380 shares of common stock, which is 65.6% of the Company's 5,428,017 shares of common stock outstanding on October 11. The closing sales price of the Company's common stock on October 11th, the day the Series E Preferred Stock offering was priced, was $18.29 per share on the NASDAQ Global Market.

The proposed conversion of the Series E Preferred Stock for shares of our common stock is subject to this NASDAQ rule because the shares of common stock issuable upon conversion of the Series E Preferred Stock exceed 20% of both the voting power and number of shares of our common stock outstanding before the issuance, and the negotiated price per share of common stock on an as-converted basis was less than the book value and market value of our common stock at the time of issuance.

The Private Placement of the Series E Preferred Stock was exempt from Securities and Exchange Commission ("SEC") registration pursuant to Section 4(2) of the Securities Act of 1933, as amended, and Rule 506(b) of Regulation D promulgated thereunder.

The proceeds from the Private Placement will be used, in part, to fund the acquisition of Iberville Bank, Plaquemine, Louisiana (the "Iberville Bank Acquisition"). The Iberville Bank Acquisition is NOT part of Proposal 1 and the Company's shareholders are NOT being asked to vote on the Iberville Bank Acquisition. Further, the results of the vote of the shareholders at the Special Meeting will not affect whether the Company completes the Iberville Bank Acquisition. Iberville Bank's principal executive office is located at 23405 Eden Street, Plaquemine, LA 70764 and its phone number is (225) 687-2091. Iberville Bank is a community bank that specializes in deposit and lending services throughout southeast Louisiana.

For a more detailed description of the Iberville Bank Acquisition, please see "Acquisition of Iberville Bank" set forth below. The most material terms of the Iberville Bank Acquisition follow:

Summary of Iberville Bank Acquisition

Parties:	The First Bancshares, Inc. (Buyer) A. Wilbert's Sons Lumber & Shingle Company (Seller)
Structure:	Acquisition of 100% of the stock of Iberville Bank
Consideration:	$31,100,000 in cash
Representations:	The Seller has made certain representations and warranties to Buyer, including: · Organization, Standing and Authority · Subsidiaries · Compliance with laws · Financial statements and condition · Taxes · Employee benefits · Environmental matters · Title to assets and loans · Community Reinvestment Act · Flood-affected loans
Covenants:	The Seller has agreed to certain actions prior to the closing of the Iberville Bank Acquisition, including: o Operating only in the ordinary course o Limited dividends or distributions o No changes to organizational documents o Limited capital expenditures and compensation increases o Prior approval for loans and investment purchases over certain thresholds o No incurrence of debt except in the ordinary course

	o No acquisitions or significant dispositions of assets The parties have agreed to certain additional terms, including:
Additional Agreements:	· Seller will seek shareholder and regulatory approval · Seller will not pursue alternative transactions and may only enter into unsolicited alternative transactions in limited circumstances · Buyer will indemnify directors and officers of Seller to the same extent as Seller currently · Seller will terminate certain employee benefit plans prior to the closing · Buyer will appoint one additional board member to the Bank's board of directors
Conditions:	Each of the parties must satisfy certain obligations in order to consummate the Iberville Bank Acquisition, including: · Conditions to Buyer's Obligations: o All representations, covenants, and additional agreements must be satisfied o No material adverse effect shall have happened o Seller will have delivered a certificate of Iberville Bank's adjusted capital · Conditions to Seller's Obligations: o All representations, covenants, and additional agreements must be satisfied o Buyer will have paid the purchase price to Seller
Termination:	The Iberville Bank Acquisition agreement may be terminated under certain circumstances, including: o If the acquisition is not completed by March 31, 2017 o If the Seller's board of directors changes its recommendation o If either party fails to perform any of its obligations that would give rise to a condition not being satisfied and such failure remains uncured
Miscellaneous:	The Buyer and Seller have agreed to escrow approximately $2.5 million of the purchase price while the parties resolve certain loans that were affected by the 2016 flooding in the Baton Rouge, Louisiana area.

Consequences of Approval of Proposal 1

Shareholder approval of Proposal 1 will have the following consequences:

Conversion of Series E Preferred Stock into Common Stock at the Initial Conversion Price. Each share of Series E Preferred Stock will be automatically converted into one share of common stock on the third business day following shareholder approval.

Elimination of Dividend and Liquidation Preference of Holders of Series E Preferred Stock. All shares of Series E Preferred Stock will be cancelled upon conversion, resulting in the elimination of the dividend rights and liquidation preference existing in favor of the Series E Preferred Stock. For more information regarding such dividend rights and liquidation preferences, see “Series E Preferred Stock Terms and Provisions” in this proxy statement.

Elimination of Separate Voting Rights of Holders of Series E Preferred Stock.. Holders of Series E Preferred Stock have approval rights for certain Company actions, and the conversion of Series E Preferred Stock into common stock will eliminate these separate voting rights. For more information regarding such voting, see "Series E Preferred Stock Terms and Provisions" in this proxy statement.

Market Effects. Despite the existence of certain restrictions on transfer relating to securities law, the issuance of shares of our common stock upon conversion of the Series E Preferred Stock may adversely affect the market price of our common stock. If significant quantities of our common stock issued upon conversion of the Series E Preferred Stock are sold (or if it is perceived by the market that they may be sold) after their registration into the public market, the trading price of our common stock could be materially adversely affected.

Dilution. We will issue, through the conversion of the Series E Preferred Stock, approximately 3,563,380 shares of common stock (in addition to the 5,428,017 shares of common stock currently outstanding). As a result, we expect there to be a dilutive effect on the earnings per share of our common stock. In addition, our existing shareholders will incur substantial dilution to their voting interests and will own a smaller percentage of our outstanding common stock.

Consequences of Failure to Approve Proposal 1

Series E Preferred Stock Will Remain Outstanding. Unless the shareholder approval is received or unless our shareholders approve a similar proposal at a subsequent meeting, the Series E Preferred Stock will remain outstanding in accordance with its terms, and incur the potential following effects.

Continued Dividend Payment and Potential Market Effects. We would expect that the shares of Series E Preferred Stock will remain outstanding for the foreseeable future and, beginning six months from the issuance of the Series E Preferred Stock, or approximately April 14, 2017, and for so long as such shares remain outstanding, we would be required to pay dividends on the Series E Preferred Stock, on a non-cumulative basis, at an annual rate of 6% of the liquidation value of the Series E Preferred Stock, which is $17.75.

Continued Separate Voting Rights of Holders of Series E Preferred Stock. Holders of Series E Preferred Stock have certain separate voting rights, and the holders of our common stock will be unable to take certain actions without approval by the holders of the Series E Preferred Stock. For more information regarding such voting, see "Series E Preferred Stock Terms and Provisions" in this proxy statement.

Additional Shareholder Meetings. Pursuant to the Securities Purchase Agreement, we would be required to call additional shareholder meetings every three months and recommend approval of Proposal 1 at each meeting to the shareholders, if necessary, until such approval is obtained. We will bear the costs of soliciting the approval of our shareholders in connection with these meetings.

Restriction on Payment of Dividends. If shareholder approval is not obtained, the shares of Series E Preferred Stock will remain outstanding and, beginning six months from the issuance of the Series E Preferred Stock, or approximately April 12, 2017, and for so long as such shares remain outstanding, if dividends payable on all outstanding shares of the Series E Preferred Stock have not been declared and paid, or declared and funds set aside therefor, we will not be permitted to declare or pay dividends with respect to, or redeem, purchase, or acquire any of our junior securities, or redeem, purchase or acquire any parity securities, subject to limited exceptions.

Participation in Dividends on Common Stock. So long as any shares of Series E Preferred Stock are outstanding, if we declare any dividends on our common stock or make any other distribution to our common shareholders, the holders of the Series E Preferred Stock will be entitled to participate in such distribution on an as-converted basis.

Liquidation Preference. For as long as the Series E Preferred Stock remains outstanding, it will retain a senior liquidation preference over shares of our common stock in connection with any liquidation of us and, accordingly, no payments will be made to holders of our common stock upon any liquidation of us unless the full liquidation preference on the Series E Preferred Stock is paid.

Pro Forma Financial Information

To assist in your understanding of the impact of the Private Placement relating to Proposal No. 1, we are providing the following pro forma financial information. The following table sets forth our capitalization and regulatory capital ratios on a consolidated basis as of September 30, 2016 on:

(1) an actual basis; and

(2) an adjusted basis to give effect to the issuance of 3,563,380 shares of the Series E Preferred Stock in the offering on a (i) non-converted basis and (ii) converted basis.

The table should be read in conjunction with and is qualified in its entirety by our audited and unaudited financial statements and notes thereto incorporated by reference into this proxy. For more information, see “Incorporation by Reference of Information About the Company, Financial Statements and Related Information” below.

	As of September 30, 2016 (in thousands)		
		As Adjusted for the Offering	
	Actual	If the Preferred Stock IS NOT converted to Common Stock	If the Preferred Stock IS converted to Common Stock
Stockholders' Equity:			
Common Stock - $1.00 par value per share; 20,000,000 shares authorized, 5,454,511 shares issued (including treasury shares held by our Company); 9,017,891 shares issued and outstanding as adjusted for this offering.	$ 5,455	$ 5,455	$ 9,018
Preferred stock, no par value, $1,000 per share liquidation, 10,000,000 shares authorized; 17,123 issued and outstanding	17,123	17,123	17,123
Preferred stock, $1.00 par value, $17.75 per share liquidation, 3,563,380 shares authorized; 3,563,380 issued and outstanding and	-	63,250	-

related surplus			
Capital surplus	44,996	44,996	104,683
Retained earnings	42,543	42,543	42,543
Accumulated other comprehensive income, net	3,005	3,005	3,005
Treasury stock, at cost, 26,494 shares	(464)	(464)	(464)
Total stockholders' equity	$ 112,658	$ 175,908	$ 175,908
Consolidated Capital Ratios:			
Tangible common equity to tangible assets	6.39%	6.08%	10.89%
Tangible equity to tangible assets	7.8%	12.2%	12.2%
Tier 1 leverage	8.5%	13.1%	13.1%
Tier 1 risk based capital ratio	10.5%	16.2%	16.2%
Total risk based capital ratio	11.2%	16.9%	16.9%
Common equity Tier 1 capital ratio	7.8%	7.8%	13.6%

Series E Preferred Stock Terms and Provisions

The following is a summary of the material terms and provisions of the preferences, limitations, voting powers and relative rights of the Series E Preferred Stock as contained in the Certificate of Designation for the Series E Preferred Stock which has been filed with the Secretary of State of the State of Mississippi. Shareholders are urged to carefully read the Certificate of Designation in its entirety. Although we believe this summary covers the material terms and provisions of the Series E Preferred Stock as contained in the Certificate of Designation, it may not contain all of the information that is important to you.

Authorized Shares, Par Value and Liquidation Preference. We have designated 3,563,380 shares as "Mandatorily Convertible Non-Cumulative Non-Voting Perpetual Preferred Stock, Series E," each of which has a $1.00 par value and a liquidation preference of $17.75 per share.

Mandatory Conversion. The Series E Preferred Stock of each holder will convert into shares of common stock on the third business day following the approval by the holders of our common stock of the conversion of the Series E Preferred Stock into common stock as required by the applicable NASDAQ rules. Assuming shareholder approval of Proposal 1 at the Special Meeting, the number of shares of common stock into which each share of Series E Preferred Stock shall be converted will be determined on a one-to-one basis.

Dividends. If shareholder approval is not obtained, the shares of Series E Preferred Stock will remain outstanding and, beginning six months from the issuance of the Series E Preferred Stock, or approximately April 12, 2017, and for so long as such shares remain outstanding, we will be required to pay dividends on the Series E Preferred Stock, on a non-cumulative basis, at an annual rate of 6% of the liquidation value of the Series E Preferred Stock, which is $17.75. Dividends after the six month anniversary of issuance will be payable semi-annually in arrears on June 30 and December 31, beginning on June 30, 2017. If all dividends payable on the Series E Preferred Stock have not been declared and paid for an applicable dividend period, the Company shall not declare or pay any dividends on any stock which ranks junior to the Series E Preferred Stock, or redeem, purchase or acquire any stock which ranks *pari passu* or junior to the Series E Preferred Stock, subject to customary exceptions. If all dividends payable on the Series E Preferred Stock have not been paid in full, any dividend declared on stock which ranks *pari passu* to the Series E Preferred Stock shall be declared and paid pro rata with respect to the Series E Preferred Stock and such *pari passu* stock.

Participation in Dividends on Common Stock. So long as any shares of Series E Preferred Stock are outstanding, if we declare any dividends on our common stock or make any other distribution to our common shareholders, the holders of the Series E Preferred Stock will be entitled to participate in such distribution on an as-converted basis.

Ranking. The Series E Preferred Stock will rank senior to all of the Company's common stock and *pari passu* to the Company's outstanding Series CD Preferred Stock and will rank *pari passu* or senior to all future issuances of the Company's preferred stock and junior to the Company's outstanding Trust Preferred Securities.

Voting Rights. The holders of the Series E Preferred Stock will not have any voting rights other than as required by law, except that the approval of the holders of a majority of the Series E Preferred Stock, voting as a single class, will be required with respect to certain matters, including (A) charter amendments adversely affecting the rights, preferences or privileges of the Series E Preferred Stock, (B) the consummation of a reorganization event in connection with which the Series E Preferred Stock is not converted or otherwise treated as provided in the Certificate of Designation, or (C) the creation of any series of equal or senior equity securities.

Liquidation. In the event the Company voluntarily or involuntarily liquidates, dissolves or winds up, the holders of the Series E Preferred Stock shall be entitled to liquidating distributions equal to $17.75 per share plus any declared and unpaid dividends.

Redemption. The Series E Preferred Stock shall be perpetual unless converted in accordance with the Certificate of Designation. The Series E Preferred Stock will not be redeemable at the option of the Company or any holder of Series E Preferred Stock at any time.

Preemptive Rights. Holders of the Series E Preferred Stock have no preemptive rights.

Fundamental Change. If the Company enters into a transaction constituting a consolidation or merger of the Company or similar transaction or any sale or other transfer of all or substantially all of the consolidated assets of the Company and its subsidiaries, taken as a whole (in each case pursuant to which its common stock will be converted into cash, securities or other property) or for certain reclassifications or exchanges of its common stock, then each share of Series E Preferred Stock will convert, effective on the day on which such share would automatically convert into common stock of the Company, into the securities, cash and other property receivable in the transaction by the holder of the number of shares of common stock into which such share of Series E Preferred Stock would then be convertible, assuming receipt of any applicable regulatory approval.

The Securities Purchase Agreements

The following is a summary of the material terms of the Securities Purchase Agreements.

Purchase and Sale of Stock. Pursuant to the Securities Purchase Agreements, we issued and sold 3,563,380 shares of the Series E Preferred Stock, in the aggregate, to the Purchasers (defined therein).

Representations and Warranties. We made customary representations and warranties to the Purchasers relating to us, our business and our capital stock, including with respect to the shares of Series E Preferred Stock issued to the Purchasers pursuant to the Securities Purchase Agreements. The representations and warranties in the Securities Purchase Agreements were made for purposes of the Securities Purchase Agreements and are subject to qualifications and limitations agreed to by the respective parties in connection with negotiating the terms of the Securities Purchase Agreements, including being qualified by confidential disclosures made for the purposes of allocating contractual risk. In addition, certain representations and warranties were made as of a specific date, may be subject to a contractual standard of materiality different from what might be viewed as material to shareholders, or may have been used for purposes of allocating risk between the respective parties rather than establishing matters as facts. The representations and warranties and other provisions of the Securities Purchase Agreements should not be read alone, but instead should only be read together with the information provided elsewhere in this document and in the documents incorporated by reference into this document, including the periodic and current reports and statements that we file with the SEC.

Agreement to Seek Shareholder Approval. We agreed to call the Special Meeting, as promptly as reasonably practicable but in no event later than December 31, 2016, and to recommend and seek shareholder approval of Proposal 1. In addition, we agreed to prepare and file this proxy statement with the SEC and to cause the proxy statement to be mailed to shareholders within specified timeframes. If such approval is not obtained at the Special Meeting, we have agreed to call additional meetings and recommend approval of Proposal 1 to the shareholders every three (3) months thereafter until such approval is obtained.

Transfer Restrictions. The Series E Preferred Stock issued in the Private Placement constitutes "restricted securities" under federal securities laws and is accordingly subject to significant restrictions on transfer. The Company committed, pursuant to the Registration Rights Agreement into which it also entered with each Purchaser, to register both the Series E Preferred Stock and the Common Stock to be issued upon conversion of the Series E Preferred Stock, for resale under the Securities Act. See "The Registration Rights Agreement."

Other Covenants. We also agreed to a number of customary covenants, including covenants with respect to the reservation and listing on NASDAQ of the common stock to be issued upon conversion of the Series E Preferred Stock.

Indemnity. We have agreed to customary indemnification provisions for the benefit of each Purchaser relating to certain losses suffered by each Purchaser arising from breaches of our representations, warranties and covenants in the Securities Purchase Agreements or relating to certain losses arising from actions, suits or claims relating to the Securities Purchase Agreements or the transactions contemplated thereby.

Expenses. The Purchasers and the Company will be solely responsible for and bear all of their own expenses, including, without limitation, expenses of legal counsel, accountants and other advisors (including financial intermediaries and advisors), incurred at any time in connection with the transactions contemplated by the Securities Purchase Agreements.

The Registration Rights Agreement

On October 12, 2016, we also entered into a Registration Rights Agreement with the Purchasers pursuant to which we agreed to (i) file a registration statement with the SEC within 90 days of October 14, 2016, to register the Common Stock to be issued upon conversion of the Series E Preferred Stock, for resale under the Securities Act; (ii) use commercially reasonable efforts to cause such registration statement to be declared effective within 120 days of October 14, 2016 (or 150 days in the event of an SEC review), subject to specified exceptions; and (iii) continue to take certain steps to maintain effectiveness of the registration statement and facilitate certain other matters.

Failure to meet these deadlines and certain other events may result in the Company's payment to the Purchasers of liquidated damages in the monthly amount of 0.5% of the purchase price. The Company will bear all expenses incident to performing its obligations under the Registration Rights Agreement regardless of whether any securities are sold pursuant to a relevant registration statement, including registration and filing fees, printing expenses, legal fees, and other incidental expenses. The Company is not responsible for any underwriting discounts, broker or similar fees or commissions, or legal fees, of any Purchaser. The Registration Rights Agreement also provides for customary reciprocal indemnification provisions relating to certain losses suffered by either party arising from any untrue or alleged untrue statement of a material fact, or material omission, in any relevant registration statement or prospectus.

Acquisition of Iberville Bank

Background of the Iberville Bank Acquisition

In early June 2016, M. Ray (Hoppy) Cole, Jr., Vice Chairman, President and CEO of FBMS, and other FBMS representatives, including their financial adviser, received information with regard to a potential transaction with Iberville Bank from Iberville Bank's parent company, A. Wilbert's Sons Lumber and Shingle Company ("AWS"). FBMS management, legal advisors and financial analysts reviewed preliminary due diligence information provided by AWS and its legal and financial advisors.

FBMS subsequently submitted a preliminary LOI on June 28, 2016 which reflected a range of prices FBMS may be willing to pay based on the due diligence received to date. The offer was subject to satisfactory completion of FBMS's due diligence and proposed an exclusivity period of 90 days, among other conditions. FBMS also inquired whether consideration in the form of stock for all of the common shares of Iberville Bank would be acceptable. AWS and Iberville Bank consulted with its legal adviser and financial adviser regarding the financial and legal terms of the LOI. AWS informed FBMS that they would only be willing to accept cash as consideration.

Over the next month, FBMS conducted its due diligence review of Iberville Bank. Iberville Bank also conducted a limited due diligence review of FBMS including an on-site visit by Iberville Bank management and its board of directors. Concurrent with the respective due diligence reviews, Iberville Bank and FBMS began negotiations of a definitive acquisition agreement. On July 27, 2016, AWS sent a draft of a stock purchase agreement (the "Agreement") to FBMS's legal counsel.

During the next month, FBMS's management met with representatives of Iberville Bank both on-site and over the telephone and FBMS's legal counsel and the FBMS financial adviser met with the Iberville Bank management team and legal and financial advisors (via telephone) to update the due diligence process and the status of negotiations related to the Agreement. Subsequently, FBMS asked for an extension of the LOI noting that the exclusivity period was set to expire soon. FBMS requested an extension to the LOI with a target announcement date of September 9, 2016. On August 10, 2016 and again on August 18, 2016, FBMS submitted a revised LOI requesting an extension of the exclusivity period and refining the terms of FBMS's proposal. All other terms of the original LOI remained as agreed to in the original LOI executed on June 28, 2016. Iberville Bank's board accepted the terms of the revised LOI on August 26, 2016.

Over the next six weeks, FBMS, AWS, Iberville Bank and their advisers negotiated the terms of the Agreement and reviewed the related disclosure schedules. During this time period, both parties' directors and management had various discussions, including with their counsel and financial advisors, regarding the status of the negotiations, Agreement issues, employee issues, and related matters. During the first week of September, following extensive flooding in the Baton Rouge, Louisiana area, FBMS indicated to Iberville Bank and its representatives that extensive, additional due diligence would be required in regards to potential loans that may have been affected by the flooding. Over the next several weeks, FBMS conducted flood-related due diligence.

The FBMS board met on October 7, 2016 and reviewed and discussed the terms of the proposed Agreement and approved the terms of the Agreement with AWS and Iberville Bank. At a special meeting on October 11, 2016, the AWS board met, along with its financial representative and AWS and Iberville Bank counsel, to review the terms of the proposed Agreement and related agreements. AWS and Iberville Bank's legal counsel then reviewed the most recent draft of the proposed Agreement and related transaction documents.

On October 12, 2016, the Agreement was formally signed by FBMS and AWS. A joint press release was issued, announcing the execution of the Agreement and the terms of the Acquisition on October 14, 2016. The press release also included the announcement of an agreement by FBMS to acquire Gulf Coast Community Bank in an approximately $2.3 million all stock transaction and the private placement of approximately $63.3 million in FBMS capital stock.

Terms of the Iberville Bank Acquisition Agreement

On October 12, 2016, the Company and the Bank entered into a Stock Purchase Agreement (the "Iberville Bank Acquisition Agreement") with A. Wilbert's Sons Lumber and Shingle Company (the "Iberville Bank Parent"), the parent company of Iberville Bank ("Iberville Bank"), under which the Company has agreed to acquire 100% of the common stock of Iberville Bank for a purchase price of $31.1 million in cash (the "Iberville Bank Acquisition").

The Company will pay the Iberville Bank Parent $31.1 million in cash ("purchase price") for 100% of the stock of Iberville Bank; provided however, that $2.5 million of the purchase price will be subject to a mutually acceptable escrow agreement pursuant to which the parties have agreed to escrow such amount to cover potential losses on loans that were affected by recent flooding in certain of the Iberville Bank markets.

The Iberville Bank Acquisition Agreement contains customary representations and warranties by both the Company and the Iberville Bank Parent and each have agreed to customary covenants, including, among others, covenants relating to (1) the conduct of Iberville Bank's businesses during the interim period between the execution of the

Agreement and the completion of the Iberville Bank Acquisition; and (2) cooperation with respect to the filing of regulatory approval applications regarding the Iberville Bank Acquisition.

Completion of the Iberville Bank Acquisition is subject to certain customary conditions, including, among others (1) approval by two-thirds (2/3) of the Iberville Bank Parent shareholders, (2) the accuracy of the representations and warranties of the other party, and (3) performance in all material respects by the other party of its obligations under the Agreement. The Company's shareholders will not vote on the transaction.

The Agreement contains certain termination rights for the Company and Iberville Bank Parent, as the case may be, applicable upon (1) March 31, 2017, if the Iberville Bank Acquisition has not been completed by that date, (2) final, non-appealable denial of required regulatory approvals or an injunction prohibiting the transactions contemplated by the Iberville Bank Acquisition Agreement, or (3) a breach by the other party that is not or cannot be cured within 45 days' notice of such breach if such breach would result in a failure of the conditions to closing set forth in the Iberville Bank Acquisition Agreement.

Under certain circumstances, the Iberville Bank Acquisition Agreement may be terminated in the event that the Iberville Bank Parent Board of Directors approves an alternative transaction. In the event of a termination due to approval of an alternative transaction, the Iberville Bank Parent will be required to pay the Company a termination fee of $1,088,500.

Regulatory Approvals Required for the Iberville Bank Acquisition

The Iberville Bank Acquisition is subject to the prior approval of, or waiver therefrom, of the Office of the Comptroller of the Currency ("OCC") and the Board of Governors of the Federal Reserve System ("Federal Reserve"). On October 19, 2016, the Company filed an application with the OCC seeking its approval of the Iberville Bank Acquisition. The application with the OCC is still pending and the Company expects to receive a decision from the OCC during the fourth quarter of 2016. On November 10, 2016 the Company received a letter from the Federal Reserve acknowledging that the Iberville Bank Acquisition was exempt from the prior approval of the Federal Reserve.

Reasons for the Iberville Bank Acquisition

The Iberville Bank Acquisition will allow the Company to acquire an established franchise with deep ties to the local community and increase the Company's presence in one of the Gulf South's premier markets, ranking it in the top ten in deposit market share in the Baton Rouge, LA MSA. The Company believes the acquisition will allow it to leverage existing local infrastructure in the Baton Rouge, LA MSA while acquiring a low loan-to-deposit ratio and a low-cost deposit base with significant non-interest bearing deposits, which provides significant potential for loan growth. The Company further believes Iberville Bank has excellent credit quality due to their strong existing underwriting standards.

Board of Directors' Recommendation and Required Vote

Approval of Proposal 1 requires the affirmative vote of a majority of the shares of the Company's common stock represented and voting at a duly convened Special Meeting. The directors and executive officers of the Company, owning or controlling the vote with respect to an aggregate of 638,373 voting shares, or approximately 11.76% of the Company's outstanding common stock as of the Record Date, are expected to vote in favor of Proposal 1. The directors who purchased and are also holders of Series E Preferred Stock recognize that they have a personal interest in the approval of Proposal 1 (see "Interests of Certain Persons in the Share Conversion and Other Matters").

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" PROPOSAL 1.

PROPOSAL 2

APPROVAL OF AN ADJOURNMENT OR POSTPONEMENT OF THE MEETING

If we fail to receive a sufficient number of votes to constitute a quorum to hold the Special Meeting or to approve Proposal 1 at the Special Meeting, we may propose to adjourn or postpone the Special Meeting, whether or not a quorum is present, for a period of not more than 45 days, to (i) constitute a quorum for purposes of the Special Meeting or (ii) solicit additional Proxies from shareholders who have not submitted proxies in favor of the approval of Proposal 1, as necessary. The only business that may be transacted at any reconvened meeting is business that could have been transacted at the meeting that was adjourned, for example, Proposal 1, unless further notice of the adjourned meeting has been given in compliance with the requirements for a special meeting that specifies the additional purpose or purposes for which the meeting is called. During the reconvened meeting, votes that have previously been cast either in person or by proxy at the adjourned or postponed meeting will continue to be counted in the manner voted at the adjourned or postponed meeting.

We currently do not intend to propose adjourning or postponing the Special Meeting if there are sufficient votes represented at the Special Meeting to approve Proposal 1.

Board of Directors' Recommendation and Required Vote

Approval of Proposal 2 requires the affirmative vote of a majority of the shares of the Company's common stock represented and voting at the Special Meeting, assuming that a quorum is present.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" PROPOSAL 2.

INTERESTS OF DIRECTORS AND EXECUTIVE OFFICERS

Certain of the Company's directors and executive officers participated in the Private Placement and therefore have an interest in the outcome of the Proposals. The following directors purchased shares of Series E Preferred Stock in the private placement in the following amounts: David W. Bomboy, M.D., 14,085 shares; M. Ray (Hoppy) Cole, Jr., 2,000 Shares; E. Ricky Gibson, 3,775 shares; Charles R. Lightsey, 28,169 shares; Fred A. McMurry, 5,634 shares (1), Ted E. Parker, 9,859 shares; J. Douglas Seidenburg, 11,584 shares and 2,500(2) shares, and Andrew D. Stetelman, 5,634 shares.

(1) Shares held of record by Oak Grove Land Company, Inc. Fred A. McMurry is 33% owner of the company. Fred A. McMurry disclaims beneficial ownership of the shares held by Oak Grove Land Company, Inc. except to the extent of his pecuniary interest therein.

(2) Shares held of record by M.D. Outdoor, LLC. J. Douglas Seidenburg is a 50% owner of the company. J. Douglas Seidenburg disclaims beneficial ownership of the shares held by M.D. Outdoor, LLC, except to the extent of his pecuniary interest therein.

Assuming shareholder approval of Proposal 1 and the resulting issuance of common stock as described above, none of these individuals will have beneficial ownership in excess of five percent (5%) of the outstanding shares of the common stock.

SECURITY OWNERSHIP OF CERTAIN

BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of common stock in the Company owned by the directors, nominees for director, and executive officers, as of October 21, 2016.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Unvested Restricted Stock(2)	Percent of Class(3)
David W. Bomboy, M.D.	106,995	4,000	2.04 %