

FIRST BANCSHARES INC /MO/
Form DEF 14A
September 29, 2008

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the registrant ☐

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))
☐	Definitive proxy statement
☐	Definitive additional materials
☐	Soliciting material pursuant to § 240.14a-12

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):

☐	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: N/A
(2)	Aggregate number of securities to which transactions applies: N/A
(3)	Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11: N/A
(4)	Proposed maximum aggregate value of transaction: N/A
(5)	Total fee paid: N/A
☒	Fee paid previously with preliminary materials: N/A
☒	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:

	N/A
(2)	Form, schedule or registration statement no.:
	N/A
(3)	Filing party:
	N/A
(4)	Date filed:
	N/A

FIRST BANCSHARES, INC.
142 East First Street
Mountain Grove, Missouri 65711

September 29, 2008

Dear Stockholder:

You are cordially invited to attend the annual meeting of stockholders of First Bancshares, Inc., to be held on Thursday, November 6, 2008 at 1:00 p.m., Central Time, at the Days Inn located at 300 East 19th Street, Mountain Grove, Missouri.

The Notice of Annual Meeting of Stockholders and Proxy Statement appearing on the following pages describe the formal business to be transacted at the meeting. During the meeting, we will also report on our operations and respond to appropriate questions from stockholders.

I, along with the other members of the Board of Directors, look forward to greeting you personally at the annual meeting. However, whether or not you plan to attend personally and regardless of the number of shares you own, it is important that your shares be represented. You are urged to promptly sign, date and mail the enclosed proxy in the postage-paid envelope provided for your convenience. This will not prevent you from voting in person but will assure that your vote is counted if you are unable to attend.

Very truly yours,

/s/Daniel P. Katzfey

Daniel P. Katzfey
President and Chief Executive Officer

FIRST BANCSHARES, INC.
142 East First Street
Mountain Grove, Missouri 65711
Telephone: (417) 926-5151

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON THURSDAY, NOVEMBER 6, 2008

Notice is hereby given that the annual meeting of stockholders of First Bancshares, Inc. will be held on Thursday, November 6, 2008 at 1:00 p.m., Central Time, at the Days Inn located at 300 East 19th Street, Mountain Grove, Missouri, for the following purpose:

ProposalThe election of two directors to serve until the 2011 annual meeting of stockholders or until their
1: respective successors are duly elected and qualified.

We will also consider and act upon such other matters as may properly come before the meeting or any adjournments or postponements thereof. As of the date of this notice, we are not aware of any other business to come before the meeting.

The Board of Directors has fixed the close of business on September 19, 2008 as the record date for the annual meeting. This means that stockholders of record at the close of business on that date are entitled to receive notice of, and to vote at, the meeting and any adjournment thereof.

By Order of the Board of Directors

/s/Shannon Peterson

SHANNON PETERSON
Secretary

Mountain Grove, Missouri
September 29, 2008

YOUR VOTE IS IMPORTANT

Whether or not you plan to attend the annual meeting in person, you are requested to complete, date, sign and return the enclosed proxy card in the envelope provided, which requires no postage if mailed in the United States. If you attend the annual meeting, you may vote in person if you wish, even if you have previously returned your proxy card.

PROXY STATEMENT
OF
FIRST BANCSHARES, INC.
142 East First Street
Mountain Grove, Missouri 65711
Telephone: (417) 926-5151

ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON NOVEMBER 6, 2008

The Board of Directors of First Bancshares, Inc. is using this proxy statement to solicit proxies from our stockholders for use at the annual meeting of stockholders. We are first mailing this proxy statement and the enclosed form of proxy to our stockholders on or about September 29, 2008.

The information provided in this proxy statement relates to First Bancshares, Inc. and its wholly-owned subsidiary, First Home Savings Bank. First Bancshares, Inc. may also be referred to as "First Bancshares" and First Home Savings Bank may also be referred to as the "Bank." References to "we," "us" and "our" refer to First Bancshares and, as the context requires, First Home Savings Bank.

INFORMATION ABOUT THE ANNUAL MEETING

Date, Time and Place of Annual Meeting

Our annual meeting of stockholders will be held as follows:

Date: Thursday, November 6, 2008
Time: 1:00 p.m., Central Time
Place: Days Inn, 300 East 19th Street, Mountain Grove, Missouri 65711

Matters to Be Considered at the Annual Meeting

At the meeting, you will be asked to consider and vote upon the following proposal:

Proposal 1: The election of two directors to serve until the 2011 annual meeting of stockholders.

We also will transact any other business that may properly come before the annual meeting. As of the date of this proxy statement, we are not aware of any other business to be presented for consideration at the annual meeting other than the matters described in this proxy statement.

Who is Entitled to Vote?

You may vote at the annual meeting if you were the record owner of shares of our common stock at the close of business on September 19, 2008, which has been set as the record date. At the close of business on the record date, there were 1,550,815 outstanding shares of our common stock, par value of \$.01 per share. You are entitled to one

vote for each share of First Bancshares common stock you own, unless you own more than 10% of First Bancshares's outstanding shares. As provided in our Articles of Incorporation, record holders of common stock who beneficially own in excess of 10% of First Bancshares' outstanding shares are not entitled to any vote in respect of the shares held in excess of the 10% limit.

How Do I Vote at the Annual Meeting?

Proxies are solicited to provide all stockholders of record on the voting record date an opportunity to vote on matters scheduled for the annual meeting and described in these materials. You are a stockholder of record if your shares of First Bancshares's common stock are held in your name. If you are a beneficial owner of First Bancshares common

stock held by a broker, bank or other nominee (i.e., in “street name”), please see the instructions in the following question.

Shares of First Bancshares’s common stock can only be voted if the stockholder is present in person or by proxy at the annual meeting. To ensure your representation at the annual meeting, we recommend you vote by proxy even if you plan to attend the annual meeting. You can always change your vote at the meeting if you are a stockholder of record.

Voting instructions are included on your proxy card. Shares of First Bancshares’s common stock represented by properly executed proxies will be voted by the individuals named on the proxy card in accordance with the stockholder’s instructions. Where properly executed proxies are returned to us with no specific instruction as how to vote at the annual meeting, the persons named in the proxy will vote the shares “FOR” the election of each of our director nominees. If any other matters are properly presented at the annual meeting for action, the persons named in the enclosed proxy and acting thereunder will have the discretion to vote on these matters in accordance with their best judgment. We do not currently expect that any other matters will be properly presented for action at the annual meeting.

You may receive more than one proxy card depending on how your shares are held. For example, you may hold some of your shares individually, some jointly with your spouse and some in trust for your children. In this case, you will receive three separate proxy cards to vote.

What if My Shares Are Held in Street Name?

If you are the beneficial owner of shares held in street name by a broker, your broker, as the record holder of the shares, is required to vote the shares in accordance with your instructions. If you do not give instructions to your broker, your broker may nevertheless vote the shares with respect to discretionary items, but will not be permitted to vote your shares with respect to non-discretionary items, pursuant to current industry practice. In the case of non-discretionary items, shares not voted are treated as “broker non-votes.” The proposal to elect directors described in this Proxy Statement is considered a discretionary item under the rules of The Nasdaq Stock Market LLC (“Nasdaq”).

If your shares are held in street name, you will need proof of ownership to be admitted to the annual meeting. A recent brokerage statement or letter from the record holder of your shares are examples of proof of ownership. If you want to vote your shares of common stock held in street name in person at the annual meeting, you will have to get a written proxy in your name from the broker, bank or other nominee who holds your shares.

How Will My Shares of Common Stock Held in the Employee Stock Ownership Plan Be Voted?

We maintain an employee stock ownership plan (“ESOP”) for the benefit of our employees. If you participate in the ESOP, the proxy card represents a voting instruction to the trustees of the ESOP as to the number of shares in your plan account. If an ESOP participant properly executes the proxy card, the ESOP trustees will vote the participant’s shares in accordance with the participant’s instructions. Unallocated shares of First Bancshares common stock held by the ESOP and allocated shares for which voting instructions are not received will be voted by trustees in the same proportion as shares for which the trustees have received voting instructions.

How Many Shares Must Be Present to Hold the Meeting?

A quorum must be present at the meeting for any business to be conducted. The presence at the meeting, in person or by proxy, of at least a majority of the shares of First Bancshares common stock entitled to vote at the annual meeting as of the record date will constitute a quorum. Proxies received but marked as abstentions or broker non-votes will be included in the calculation of the number of shares considered to be present at the meeting.

What if a Quorum Is Not Present at the Meeting?

If a quorum is not present at the scheduled time of the annual meeting, a majority of the stockholders present or represented by proxy may adjourn the meeting until a quorum is present. The time and place of the adjourned meeting will be announced at the time the adjournment is taken, and no other notice will be given unless the meeting is adjourned for more than 90 days. An adjournment will have no effect on the business that may be conducted at the meeting.

Vote Required for Approval

Directors are elected by a plurality of the votes cast, in person or by proxy, at the annual meeting by holders of First Bancshares common stock. Accordingly, the two nominees for election as directors who receive the highest number of votes actually cast will be elected. Pursuant to our Articles of Incorporation, stockholders are not permitted to cumulate their votes for the election of directors. Votes may be cast for or withheld from each nominee. Instructions to withhold votes for one or more directors will result in that nominee receiving fewer votes but will not count as a vote against the nominee. Our Board of Directors unanimously recommends that you vote "FOR" the election of each of its director nominees.

Voting and Revocation of Proxies

You may vote your shares in person by attending the annual meeting, or by mailing us your completed proxy if you are unable or do not wish to attend. If a proxy card is submitted without instructions, the proxies will be voted "FOR" the director nominees.

You can revoke your proxy at any time before the vote is taken at the annual meeting by filing an instrument of revocation with Shannon Peterson, Secretary, First Bancshares, Inc., 142 East First Street, Mountain Grove, Missouri 65711. You may also revoke your proxy by filing a duly executed proxy bearing a later date, or by appearing at the annual meeting in person, notifying the Secretary, and voting by ballot at the annual meeting. Any stockholder of record attending the annual meeting may vote in person whether or not a proxy has been previously given, but the mere presence (without notifying the Secretary) of a stockholder at the annual meeting will not constitute revocation of a previously given proxy.

If your shares are held in street name and you wish to change your voting instructions after you have returned your voting instruction form to your broker or bank, you must contact your broker or bank.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of September 19, 2008, the voting record date, information regarding share ownership of:

- those persons or entities (or groups of affiliated persons or entities) known by management to beneficially own more than five percent of First Bancshares's common stock other than directors and executive officers;
- each director and director nominee of First Bancshares;
- each executive officer of First Bancshares or First Home Savings Bank named in the Summary Compensation Table appearing under "Executive Compensation" below (known as "named executive officers"); and
- all current directors and executive officers of First Bancshares and First Home Savings Bank as a group.

Persons and groups who beneficially own in excess of five percent of First Bancshares's common stock are required to file with the Securities and Exchange Commission ("SEC"), and provide a copy to us, reports disclosing their ownership pursuant to the Securities Exchange Act of 1934. To our knowledge, based on such filings, no other person or entity, other than those set forth below, beneficially owned more than five percent of the outstanding shares of First

Bancshares's common stock as of the close of business on September 19, 2008.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In accordance with Rule 13d-3 of the Securities Exchange Act of 1934, a person is deemed to be the beneficial owner of any shares of

common stock if he or she has voting and/or investment power with respect to those shares. Therefore, the table below includes shares owned by spouses, other immediate family members in trust, shares held in retirement accounts or funds for the benefit of the named individuals, and other forms of ownership, over which shares the persons named in the table may possess voting and/or investment power. In addition, in computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to outstanding options that are currently exercisable or exercisable within 60 days after September 19, 2008 are included in the number of shares beneficially owned by the person and are deemed outstanding for the purpose of calculating the person's percentage ownership. These shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person.

Name	Number of Shares Beneficially Owned (1)	Percent of Common Stock Outstanding
Beneficial Owners of More Than 5%		
Jeffrey L. Gendell (2) Tontine Financial Partners, L.P. Tontine Management, L.L.C. 55 Railroad Avenue, 3rd Floor Greenwich, Connecticut 06830	108,880	7.02%
Directors		
D. Mitch Ashlock	1,500	0.10
Harold F. Glass	45,649	2.94
Billy E. Hixon	400	0.03
John G. Moody	8,100	0.52
Thomas M. Sutherland (3)	2,755	0.18
Named Executive Officers		
Daniel P. Katzfey (4)	6,000	0.39
Ronald J. Walters	1,000	0.06
All Executive Officers and Directors as a Group (Nine persons)	68,516	4.39

(1) The amounts shown include the following number of shares which the indicated individuals have the right to acquire within 60 days of the close of business on September 19, 2008 through the exercise of stock options granted pursuant to our stock option plan: Mr. Hixon, 400 shares; Mr. Sutherland, 400 shares; Mr. Katzfey, 6,000 shares; and Mr. Walters, 1,000 shares.

(2) Based on information disclosed in a Schedule 13D/A, dated September 10, 2003. According to this filing, Tontine Management, L.L.C., the general partner of Tontine Financial Partners, L.P., has the power to direct the affairs of Tontine Financial Partners, L.P., including decisions respecting the receipt of dividends from, and the disposition of the proceeds from the sale of, the shares. Mr. Gendell is the managing member of Tontine Management, L.L.C., and in that capacity directs its operations. Accordingly, Tontine Management, L.L.C., Tontine Financial Partners, L.P. and Mr. Gendell have shared voting and dispositive power with respect to the shares reported.

(3) Includes 1,355 shares held directly and 1000 shares held in his wife's individual retirement account.

(4) Mr. Katzfey is also a director of First Bancshares.

PROPOSAL 1 - ELECTION OF DIRECTORS

Our Board of Directors consists of six members and is divided into three classes. One-third of the directors are elected annually to serve for a three-year period or until their respective successors are elected and qualified. The Nominating Committee of the Board of Directors selects nominees for election as directors. Both of our nominees currently serve as directors. Each nominee has consented to being named in this Proxy Statement and has agreed to serve if elected. If a nominee is unable to stand for election, the Board of Directors may either reduce the number of directors

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to be elected or select a substitute nominee. If a substitute nominee is selected, the proxy holders will vote your shares for the substitute nominee, unless you have withheld authority. At this time, we are not aware of any reason why a nominee might be unable to serve if elected.

The Board of Directors recommends a vote “FOR” the election of Thomas M. Sutherland and D. Mitch Ashlock.

The following table provides information regarding the nominees for election at the meeting and each director continuing in office. Unless otherwise indicated, the principal occupation listed for each person below has been his occupation for the past five years.

Name	Age (1)	Principal Occupation	Year First Appointed Director (2)	Year Term Expires
BOARD NOMINEES				
Thomas M. Sutherland (3)	57	One of the owners and operators of the Sutherlands Home Improvement Centers group of stores	2004	2011 (4)
D. Mitch Ashlock	51	President and Chief Executive Officer of First Federal of Olathe Bancorp, Inc. and First Federal Savings and Loan Association of Olathe	2006	2011 (4)
DIRECTORS CONTINUING IN OFFICE				
Harold F. Glass	67	Partner of Millington, Glass & Love, a law firm located in Springfield, Missouri	1978	2009
Daniel P. Katzfey	46	President and Chief Executive Officer of First Bancshares and First Home Savings Bank (5)	2007	2009
Billy E. Hixon	61	Retired partner from regional CPA firm of BKD, LLP	2005	2010
John G. Moody	56	Judge of the 44th Missouri Judicial Circuit	1993	2010

(1) At June 30, 2008.

(2) Includes prior service on the Board of Directors of First Home Savings Bank.

(3) Mr. Sutherland serves as Chairman of the Board of Directors of First Bancshares and First Home Savings Bank.

(4) Assuming election at the annual meeting.

(5) Prior to his appointment as President and Chief Executive Officer, Mr. Katzfey served as Executive Vice President and Chief Lending Officer from September 2006 until December 2006. From February 2004 until September 2006, he served as Executive Vice President and Commercial Lender for Village Bank, Springfield, Missouri, and from May 2001 until February 2004, he was the Senior Loan Officer, Loan Review Officer, Compliance Officer,

Internal Auditor, Security Officer and Willard Branch Manager at Sun Security Bank (formerly Citizens Home Bank), Greenfield, Missouri.

In addition to our six directors, R.J. Breidenthal has served as an advisory director since December 2006. Mr. Breidenthal does not own any shares of First Bancshares common stock as of September 19, 2008.

MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS
AND CORPORATE GOVERNANCE MATTERS

Board of Directors

The Boards of Directors of First Bancshares and First Home Savings Bank conduct their business through Board and committee meetings. The Boards of Directors meet monthly and hold additional special meetings as needed. During the fiscal year ended June 30, 2008, the Board of Directors of First Bancshares held eleven meetings and the Board of Directors of First Home Savings Bank held eleven meetings. No director of First Bancshares or First Home Savings Bank attended fewer than 75% of the total meetings of the Boards of Directors and committee meetings on which he served during this period.

Committees and Committee Charters

The Board of Directors of First Bancshares has standing Executive, Audit, Compensation and Nominating Committees, and has adopted written charters for each of these committees except the Executive Committee. Although copies of our Audit, Compensation and Nominating Committee charters are not available on our website, they are attached to our annual meeting proxy statement at least once every three years or when the charter has been materially amended. Stockholders may also obtain copies of these charters from the Corporate Secretary, First Bancshares Inc., P.O. Box 777, Mountain Grove, Missouri 65711.

Executive Committee

The Executive Committee consists of Messrs. Sutherland, Glass and Moody. The Executive Committee meets for the purpose of acting as our long range planning committee and taking any and all actions it deems necessary or appropriate between regular meetings of the Board of Directors. This Committee did not meet during the year ended June 30, 2008.

Audit Committee

The Audit Committee consists of Messrs. Sutherland, Moody and Hixon. This Committee meets for the purpose of reviewing our audit procedures and the report and performance of our independent auditor, and taking such other actions as are deemed necessary or appropriate by the Committee. The Audit Committee has a charter which specifies its obligations and the Committee believes it has fulfilled its responsibilities under the charter. Each member of the Audit Committee is "independent," in accordance with the requirements for companies listed on Nasdaq. The Board of Directors has determined that Billy E. Hixon meets the definition of "audit committee financial expert," as defined by the SEC. This Committee met five times during the year ended June 30, 2008.

Compensation Committee

Messrs. Glass and Ashlock are the members of the Compensation Committee. Each member of the Committee is independent in accordance with the requirements for companies listed on Nasdaq. The Compensation Committee has a charter which specifies its obligations and the Committee believes it has fulfilled its responsibilities under the charter. The Compensation Committee met two times during the fiscal year ended June 30, 2008.

The Compensation Committee's primary purpose is to oversee our compensation policies and their specific application

to our Chief Executive Officer and Chief Financial Officer. The Committee is also responsible for reviewing the goals and objectives of our compensation plans, and administering these plans. The Committee evaluates on an annual basis the performance of our Chief Executive Officer and Chief Financial Officer and makes compensation recommendations to the full Board of Directors. In addition, the Compensation Committee reviews the Chief Executive Officer's evaluation of executive management and compensation recommendations. The Committee is also responsible for reviewing director compensation. The Compensation Committee has the authority to retain compensation consultants to assist in the evaluation of the compensation of the directors, Chief Executive Officer and Chief Financial Officer or other experts deemed necessary by the Committee.

Nominating Committee

The Board of Directors also has a Nominating Committee, currently consisting of Messrs. Moody, Hixon, Ashlock, Glass and Sutherland, for selecting the nominees for election as directors. Each member of the Committee is independent in accordance with the requirements for companies listed on Nasdaq. The Nominating Committee met one time during the year ended June 30, 2008.

Only those nominations made by the Committee or properly presented by stockholders will be voted upon at the annual meeting. In its deliberations for selecting candidates for nominees as director, the Nominating Committee considers the candidate's knowledge of the banking business and involvement in community, business and civic affairs, and also considers whether the candidate would provide for adequate representation of First Home Savings Bank's market area. Any nominee for director made by the Committee must be highly qualified with regard to some or all these attributes. In searching for qualified director candidates to fill vacancies in the Board of Directors, the Committee solicits its current Board of Directors for names of potentially qualified candidates. Additionally, the Committee may request that members of the Board of Directors pursue their own business contacts for the names of potentially qualified candidates. The Committee would then consider the potential pool of director candidates, select the candidate the Committee believes best meets the then-current needs of the Board of Directors, and conduct a thorough investigation of the proposed candidate's background to ensure there is no past history that would cause the candidate not to be qualified to serve as a director of First Bancshares. The Committee will consider director candidates recommended by our stockholders. If a stockholder submits a proposed nominee, the Committee would consider the proposed nominee, along with any other proposed nominees recommended by members of the Board of Directors, in the same manner in which the Committee would evaluate its nominees for director. For a description of the proper procedure for stockholder nominations, see "Stockholder Proposals" in this Proxy Statement.

Corporate Governance

We are committed to establishing and maintaining high standards of corporate governance. The Board of Directors is cognizant of its responsibility to comply with the provisions contained in the Sarbanes-Oxley Act of 2002, the rules and regulations of the SEC adopted thereunder, and Nasdaq rules regarding corporate governance. The Board of Directors and its committees will continue to evaluate and improve our corporate governance principles and policies as necessary and as required.

Director Independence. First Bancshares's common stock is listed on the Nasdaq Global Market. In accordance with Nasdaq requirements, at least a majority of First Bancshares's directors must be independent directors. The Board of Directors has determined that five of its six directors are independent, as defined by Nasdaq. Directors Ashlock, Hixon, Moody, Glass and Sutherland are all independent. Only Daniel P. Katzfey, who is our President and Chief Executive Officer, is not independent.

Code of Ethics. On August 25, 2004, the Board Directors adopted the Officer and Director Code of Ethics. The Code is applicable to each of First Bancshares's directors and officers, including the principal executive officer and senior financial officers, and requires individuals to maintain the highest standards of professional conduct. The Code was included as Exhibit 14 to First Bancshares's Form 10-KSB for the year ended June 30, 2006. A copy of the Code of Ethics is available upon request by contacting the Corporate Secretary, First Bancshares, Inc., P.O. Box 777, Mountain Grove, Missouri 65711.

Stockholder Communication With the Board of Directors. The Board of Directors maintains a process for stockholders to communicate with the Board of Directors. A stockholder may communicate with the Board of Directors or any individual director by mailing a written communication to the Corporate Secretary, First Bancshares, Inc., P.O. Box 777, Mountain Grove, Missouri 65711. The Corporate Secretary will forward such communication to the full Board of Directors or to any individual director or directors to whom the communication is directed unless the communication is unduly hostile, threatening, illegal or similarly inappropriate, in which case the Corporate Secretary

has the authority to discard the communication or take appropriate legal action regarding the communication.

Annual Meeting Attendance by Directors. All directors are requested to attend our annual meetings of stockholders. All directors except Director Ashlock attended the 2007 annual meeting of stockholders.

Related Party Transactions

First Home Savings Bank, like many financial institutions, has followed a policy of granting loans to its officers, directors and employees on the security of their primary residences and also makes consumer loans to these persons. These loans are made in accordance with all applicable federal requirements. At June 30, 2008, loans to directors and executive officers, including immediate family members, totaled \$223,000. These loans (1) were made in the ordinary course of business, (2) were made on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the time for comparable transactions with First Home Savings Bank's other customers and (3) did not involve more than the normal risk of collectibility or present other unfavorable features when made.

Mr. Harold F. Glass, a director of First Bancshares, is a partner with the law firm of Millington, Glass & Love, which serves as legal counsel for First Bancshares, First Home Savings Bank and its subsidiary. In this capacity, Millington, Glass & Love was paid \$55,682 in fees and expense reimbursement during the year ended June 30, 2008. Of these fees and expense reimbursements, Mr. Glass's interest was approximately \$18,560. These services were rendered on terms no less favorable to First Bancshares and First Home Savings Bank than those with unaffiliated third parties.

DIRECTORS' COMPENSATION

Directors' Compensation

The following table shows the compensation paid to our non-employee directors for the year ended June 30, 2008. Compensation paid to Daniel P. Katzfey, our President and Chief Executive Officer is included in the section entitled "Executive Compensation." The directors did not have any stock awards outstanding, nor did they receive any non-equity plan compensation or non-qualified deferred compensation earnings.

Name	Fees Earned or Paid in Cash (\$)	Option Awards (\$)(1)	All Other Compensation (\$)	Total (\$)
D. Mitch Ashlock	10,050	-	-	10,050
Harold F. Glass	8,550	-	7,032 (2)	15,582
Billy E. Hixon	10,425	900	-	11,325
John G. Moody	10,425	-	-	10,425
Thomas M. Sutherland	9,800	900	-	10,700

(1) The amounts shown represent the dollar amount of expense recognized for financial statement reporting purposes in the year ended June 30, 2008 for awards made in prior years and being earned by the director ratably over a five-year period from the date of the award. Amounts are calculated pursuant to the provisions of Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("FAS 123R"). For a discussion of valuation assumptions, see Note 10 of the Notes to Consolidated Financial Statements in First Bancshares's Annual Report on Form 10-K for the year ended June 30, 2008. As of June 30, 2008, the directors other than the President and Chief Executive Officer had an aggregate of 2,000 stock options outstanding.

(2) Consists of medical and dental insurance premiums, and legal fees referenced in the next paragraph.

Members of First Bancshares's Board of Directors do not receive any fees. Members of First Home Savings Bank's Board of Directors currently receive a fee of \$700 per Board of Directors meeting, and Director Glass receives an

additional \$200 per meeting for legal fees. Directors receive a fee of \$250 for attendance at committee meetings except for attendance at loan committee meetings for which they receive a fee of \$125.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table shows information regarding compensation for First Bancshares's named executive officers: Daniel P. Katzfey, the principal executive officer and Ronald J. Walters, the principal financial and accounting officer. First Bancshares had no other executive officers who earned in excess of \$100,000 during the year ended June 30, 2008. The named executive officers did not have any stock awards outstanding, non-equity plan compensation or non-qualified deferred compensation earnings.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Option Awards (\$)(1)	All Other Compensation (\$)(2)	Total (\$)
Daniel P. Katzfey President and Chief Executive Officer	2008	148,447	30,000	42,384	17,670	238,501
	2007	100,223	-	19,760	1,812	121,795
Ronald J. Walters Senior Vice President, Treasurer and CFO	2008	101,976	1,250	7,622	6,313	117,161

- (1) The amounts shown represent the dollar amount of expense recognized for financial statement reporting purposes in the fiscal years ended June 30, 2007 and 2008 for awards made in 2007 and prior years and being earned by the officer ratably over a five-year period from the date of the award. Amounts are calculated pursuant to the provisions FAS 123R. For a discussion of valuation assumptions, see Note 10 of the Notes to Consolidated Financial Statements in First Bancshares's Annual Report on Form 10-K for the year ended June 30, 2008.
- (2) For the year ended June 30, 2008, consists of directors' fees of \$9,925, automobile allowance of \$250, life insurance premiums of \$636 and the employer portion of medical and dental insurance premiums for Mr. Katzfey, and committee fees of \$625, life insurance premiums of \$544 and the employer portion of medical and dental insurance premiums for Mr. Walters.

Employment Agreement. First Home Savings Bank entered into an employment agreement with Mr. Katzfey effective January 1, 2007. The agreement has a term of one year and may be renewed by the Board of Directors for an additional year each year unless First Home Savings Bank gives Mr. Katzfey 60 days prior written notice that the agreement will not be extended. The agreement provides for a base salary which may not be reduced. Mr. Katzfey's current base salary under the agreement is \$151,463 and is subject to annual review by the Board of Directors. Under the agreement, Mr. Katzfey is eligible to participate in retirement and employee benefit programs available to First Home Savings Bank's executive officers. The agreement provides that compensation may be paid in the event of involuntary termination, death or a change in control, as described in "Potential Payments Upon Separation From Employment" below.

Outstanding Equity Awards

The following information with respect to outstanding options as of June 30, 2008 is presented for the named executive officers. Option awards vest ratably over the five-year period from the grant date, with the first 20% vesting one year after the grant date. The named executive officers had no equity incentive plan awards or stock awards

outstanding.

Name	Grant Date	Number of Securities	Number of Securities	Option Exercise Price (\$)	Option Expiration Date
		Underlying Unexercised Options (#) Exercisable	Underlying Unexercised Options (#) Unexercisable		
Daniel P. Katzfey	11/09/06	4,000	6,000	16.10	11/09/16
	03/30/07	4,000	16,000	17.00	03/30/17
Ronald J. Walters	03/30/07	1,000	4,000	17.00	03/30/17

Potential Payments Upon Separation From Employment

We have entered into an employment agreement with Mr. Katzfey that provides for potential payments upon involuntary termination, death and change in control. In addition, our equity plans provide for potential payments under various termination scenarios. The employment agreement and plans are described below, followed by a table which shows the value of potential payments and benefits.

Employment Agreement. In the event of an involuntary termination (other than for cause or after a change of control), First Home Savings Bank must pay to Mr. Katzfey his salary for a period of six months following the termination, at the rate in effect immediately prior to the date of termination, payable in such manner and at such times as the salary would have been payable to Mr. Katzfey if he had continued to be employed by the Bank. An involuntary termination is defined as: (1) the termination of Mr. Katzfey's employment by the Bank without his consent; (2) a material demotion of Mr. Katzfey; or (3) the failure of the Bank's Board of Directors to elect Mr. Katzfey as President and Chief Executive Officer or any action by the Board removing him from that office.

If Mr. Katzfey's employment terminates by reason of his death, First Home Savings Bank will pay to his estate or other designee, an amount equal to two months salary together with any other benefits provided under the Bank's insurance or retirement plan.

In the event of Mr. Katzfey's involuntary termination in connection with, or within 12 months before or after, a change in control of First Bancshares or First Home Savings Bank, the Bank will pay Mr. Katzfey a lump sum in an amount equal to 299% of his "base amount" as defined in Section 280G of the Internal Revenue Code of 1986. The agreement contains a provision that if this payment and the value of benefits received or to be received under the agreement, together with any other amounts and the value of benefits received or to be received by Mr. Katzfey, would cause any amount to be nondeductible by First Home Savings Bank for federal income tax purposes, then the payments and benefits will be reduced to maximize the amounts and value of benefits to be received by Mr. Katzfey without causing any amount to become nondeductible.

Equity Plans. First Bancshares's 2004 Stock Option Plan and 2004 Management Recognition Plan provide for accelerated vesting of awards in the event of a change in control. If a tender offer or exchange offer for First Bancshares's common stock is commenced, or if a change in control occurs, all options granted and not fully exercisable will become exercisable in full upon the happening of that event. With respect to unvested awards of restricted stock, at the election of the participant, the restricted period will lapse and all shares awarded as restricted stock will become fully vested in the participant to whom such shares were awarded. If the participant does not make an election within 60 days following the tender offer, exchange offer or change in control, the shares will continue to vest in accordance with the other provisions of the award.

The 2004 Management Recognition Plan provides that if a participant incurs a termination of service by reason of death, disability or normal retirement after attainment of age 65, the restricted period with respect to the participant's restricted stock will lapse. Mr. Katzfey had no restricted stock awards outstanding as of June 30, 2008.

Potential Payments. The following table shows, as of June 30, 2008, the value of potential payments and benefits Mr. Katzfey could receive following a termination of employment under a variety of scenarios.

Plan	Involuntary Termination (\$)	Death (\$)	Involuntary Termination in Connection with Change in Control (\$)
	75,732	25,244	452,874

E m p l o y m e n t

Agreement

Equity Plans

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AUDIT COMMITTEE MATTERS

Audit Committee Charter

The Audit Committee operates pursuant to a charter approved by our Board of Directors. The Audit Committee reports to the Board of Directors and is responsible for overseeing and monitoring financial accounting and reporting, the system of internal controls established by management and First Bancshares's audit process. The charter sets out the responsibilities, authority and specific duties of the Audit Committee. The charter specifies, among other things, the structure and membership requirements of the Audit Committee, as well as the relationship of the Committee to the independent auditor, the internal audit department and our management.

Audit Committee Report

The Audit Committee has issued the following report with respect to the audited financial statements of First Bancshares for the fiscal year ended June 30, 2008:

- The Audit Committee has reviewed and discussed with management the fiscal 2008 audited financial statements;
- The Audit Committee has discussed with McGladrey & Pullen, LLP, the independent auditor, the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T;
- The Audit Committee has received the written disclosures and letter from the independent auditor required by Independence Standards Board No. 1, Independence Discussions with Audit Committee, as adopted by the Public Company Accounting Oversight Board in Rule 3600T, and has discussed with the independent auditor its independence from First Bancshares; and
- Based on the review and discussions referred to in the three items above, the Audit Committee recommended to the Board of Directors that the fiscal 2008 audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended June 30, 2008.

Submitted by the Audit Committee of First Bancshares's Board of Directors:

Billy E. Hixon
John G. Moody
Thomas M. Sutherland

This report shall not be deemed to be incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, and shall not otherwise be deemed filed under such acts.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors, and persons who beneficially own more than ten percent of any registered class of First Bancshares's common stock, to file reports of ownership and changes in ownership with the SEC and to provide copies of these reports to us. Based solely on our review of the forms we have received and written representations provided to us, we believe that during the fiscal year ended June 30, 2008, all filing requirements applicable to our reporting officers, directors and greater than ten percent beneficial owners were properly and timely complied with.

AUDITOR

McGladrey & Pullen, LLP served as our independent auditor for the fiscal year ended June 30, 2008. The Audit Committee of the Board of Directors has appointed McGladrey & Pullen as the independent auditor for the fiscal year ending June 30, 2009. A representative of McGladrey & Pullen will be present at the annual meeting to respond to stockholders' questions and will have the opportunity to make a statement if he or she so desires.

The following table sets forth the aggregate fees billed, or expected to be billed, to us by McGladrey & Pullen for professional services rendered for the fiscal years ended June 30, 2008 and 2007.

	June 30,		2007
	2008		
Audit Fees	\$ 144,785	\$	133,629
Audit-Related Fees	--		--
Tax Fees	15,705		15,749
All Other Fees	--		--

The Audit Committee will establish general guidelines for the permissible scope and nature of any permitted non-audit services to be provided by the independent auditor in connection with its annual review of its charter. Pre-approval may be granted by action of the full Audit Committee or by delegated authority to one or more members of the Audit Committee. If this authority is delegated, all approved non-audit services will be presented to the Audit Committee at its next meeting. In considering non-audit services, the Audit Committee or its delegate will consider various factors, including but not limited to, whether it would be beneficial to have the service provided by the independent auditors and whether the service could compromise the independence of the independent auditors.

MISCELLANEOUS

The Board of Directors is not aware of any business to come before the annual meeting other than those matters described above in this Proxy Statement. However, if any other matters should properly come before the annual meeting, it is intended that proxies in the accompanying form will be voted in respect thereof in accordance with the judgment of the person or persons voting the proxies.

We will bear the cost of solicitation of proxies, and will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy materials to the beneficial owners of First Bancshares's common stock. In addition to solicitations by mail, our directors, officers and employees may solicit proxies personally or by facsimile or telephone without additional compensation.

A copy of First Bancshares's Annual Report to Stockholders, including financial statements, has been mailed to all stockholders of record as of the close of business on September 19, 2008. Any stockholder who has not received a copy of our Annual Report to Stockholders or would like to obtain a copy of our Annual Report on Form 10-K may do so, free of charge, by writing to Ronald J. Walters, Senior Vice President and Chief Financial Officer, First Bancshares, Inc., 142 East First Street, Mountain Grove, Missouri 65711. Alternatively, this report is available free of charge on First Bancshares's website at www.fhsb.com as soon as reasonably practicable after it is electronically filed with the SEC. The Annual Report to Stockholders and the Annual Report on Form 10-K are not to be treated as a part

of the proxy solicitation material or as having been incorporated herein by reference.

STOCKHOLDER PROPOSALS

Proposals of stockholders intended to be presented at our annual meeting to be held in October 2009 must be received by us no later than May 21, 2009 to be considered for inclusion in the proxy materials and form of proxy relating to the meeting. Any such proposals shall be subject to the requirements of the proxy rules adopted under the Securities Exchange Act of 1934.

Our Bylaws provide that in order for a stockholder to make nominations for the election of directors or proposals for business to be brought before an annual meeting, the stockholder must deliver notice of nominations and/or proposals to the Secretary of First Bancshares not less than 30 nor more than 60 days prior to the date of the annual meeting; provided that if less than 40 days' notice of the annual meeting is given to stockholders, the stockholder's notice must be delivered not later than the close of the tenth day following the day on which notice of the annual meeting was mailed to stockholders. We anticipate that, in order to be timely, stockholder nominations or proposals intended to be made at this year's meeting must be made by September 23, 2008. As specified in our Articles of Incorporation, the notice with respect to nominations for election of directors must set forth certain information regarding each nominee for election as a director, including that person's written consent to being named in the proxy statement as a nominee and to serving as a director, if elected, and certain information regarding the stockholder giving the notice. The notice with respect to business proposals to be brought before the meeting must state the stockholder's name, address and number of shares of First Bancshares common stock held, and briefly discuss the business to be brought before the meeting, the reasons for conducting such business at the meeting and any interest of the stockholder in the proposal.

BY ORDER OF THE BOARD OF DIRECTORS

/s/Shannon Peterson

SHANNON PETERSON
SECRETARY

Mountain Grove, Missouri
September 29, 2008

[X] PLEASE MARK VOTES
AS IN THIS SAMPLE

REVOCABLE PROXY
FIRST BANCSHARES, INC.

ANNUAL MEETING OF STOCKHOLDERS
NOVEMBER 6, 2008

The undersigned hereby appoints John G. Moody and Harold F. Glass as the official Proxy Committee of the Board of Directors with full powers of substitution, as attorneys and proxies for the undersigned, to vote all shares of common stock of First Bancshares, Inc. which the undersigned is entitled to vote at the annual meeting of stockholders, to be held at the Days Inn located at 300 East 19th Street, Mountain Grove, Missouri, on Thursday, November 6, 2008 at 1:00 p.m., Central Time, and at any and all adjournments thereof, as follows:

- | | FOR | WITHHOLD | FOR ALL
EXCEPT |
|---|--------------------------|--------------------------|--------------------------|
| 1. The election as director of the nominees listed below for a three year term (except as marked to the contrary below) | ☐ | ☐ | ☐ |

Thomas M. Sutherland
D. Mitch Ashlock

INSTRUCTION: To withhold authority to vote for the nominee, mark "For All Except" and write the nominee's name on the line below.

Such other business as may properly come before the meeting or any adjournments or postponements thereof.

Please be sure to sign and date this Proxy in the box below.

The Board of Directors recommends a vote "FOR" the director nominees.

	Date
Stockholder sign above	Co-holder (if any) sign above

THIS PROXY WILL BE VOTED AS DIRECTED, BUT IF NO INSTRUCTIONS ARE SPECIFIED, THIS PROXY WILL BE VOTED "FOR" THE DIRECTOR NOMINEES, AS STATED. IF ANY OTHER BUSINESS IS PRESENTED AT SUCH MEETING, THIS PROXY WILL BE VOTED BY THOSE NAMED IN THIS PROXY IN THEIR BEST JUDGMENT. AT THE PRESENT TIME, THE BOARD OF DIRECTORS KNOWS OF NO OTHER BUSINESS TO BE PRESENTED AT THE MEETING.

Detach above card, sign, date and mail in postage paid envelope provided.

FIRST BANCSHARES, INC.

THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS

Should the above-signed be present and elect to vote at the annual meeting or at any adjournment thereof and after notification to the Secretary of First Bancshares, Inc. at the meeting of the stockholder's decision to terminate this proxy, then the power of said attorneys and proxies shall be deemed terminated and of no further force and effect.

The above-signed acknowledges receipt from First Bancshares, Inc. prior to the execution of this proxy of the Notice of Annual Meeting of Stockholders, a Proxy Statement dated September 29, 2008 and the 2008 Annual Report to Stockholders.

Please sign exactly as your name appears on this card. When signing as attorney, executor, administrator, trustee or guardian, please give full title. If shares are held jointly, each holder should sign.

PLEASE ACT PROMPTLY: SIGN, DATE AND MAIL YOUR PROXY CARD TODAY

IF YOUR ADDRESS HAS CHANGED, PLEASE CORRECT THE ADDRESS IN THE SPACE PROVIDED BELOW AND RETURN THIS PORTION WITH THE PROXY IN THE ENVELOPE PROVIDED.

