

FIRST BANCSHARES INC /MS/  
Form S-4/A  
August 23, 2006

As filed with the Securities and Exchange Commission on August 4, 2006

Registration

**SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**AMENDED FORM S-4  
REGISTRATION STATEMENT UNDER  
THE SECURITIES ACT OF 1933**

**THE FIRST BANCSHARES, INC.**

(Exact name of Registrant as specified in its charter)

**MISSISSIPPI**  
(State or other jurisdiction of  
incorporation or organization)

**6022**  
(Primary Standard Industrial  
Classification Code Number)

**6**  
(I.R.S. Emp

**6480 U.S. HWY. 98 WEST  
HATTIESBURG, MISSISSIPPI 39402  
(601) 268-8998**  
(Address, including zip code, and telephone number, including  
area code, of registrant's principal executive offices)

DONNA T. LOWERY  
6480 U.S. HWY. 98 WEST  
HATTIESBURG, MISSISSIPPI 39402  
(601) 268-8998  
(Name, address, including zip code, and telephone number,  
including area code, of agent for service)

Copies to:

J. ANDREW GIPSON, ESQ.  
WATKINS LUDLAM WINTER & STENNIS, P.A.  
POST OFFICE BOX 427  
633 NORTH STATE STREET  
JACKSON, MISSISSIPPI 39202  
(601) 949-4900

**Approximate Date of Commencement of Proposed Sale of the Securities to the Public:** As soon as practicable after the date of filing of this Registration Statement becomes effective.

If the securities being registered on this Form are being offered in connection with the formation of a new holding company and there is compliance with General Instruction G, please check the following box

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number and the effective registration statement for the same offering.  |  \_\_\_\_\_

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number and the effective registration statement for the same offering.  |  \_\_\_\_\_

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

the following box and list the Securities Act registration statement number of the earlier effect statement for the same offering. | | \_\_\_\_\_

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share(2)	Proposed Maximum Aggregate Offering Price(2)
Common Stock (\$1.00 Par Value)	109,274	\$19.00	\$2,076,200

- (1) The number of First Bancshares common shares to be issued to record holders of First National Bank of Wiggins stock in accordance with the Merger Agreement.
- (2) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(f) (1) and (3), based on the value of First Bancshares common stock agreed upon under the terms of the Merger Agreement.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

PART I

INFORMATION TO BE INCLUDED IN PROSPECTUS/PROXY STATEMENT

FIRST NATIONAL BANK OF WIGGINS  
124 Border Avenue  
Wiggins, Mississippi 39577

August 30, 2006

To Our Shareholders:

You are cordially invited to attend a Special Meeting of Shareholders (the Meeting) of First National Bank of Wiggins ( FNB Wiggins ) to be held at 4:00 p.m. local time, on September 21, 2006 at 124 Border Avenue, Wiggins, Mississippi.

At the Meeting, you will be asked to consider and vote upon a proposal to approve an Agreement and Plan of Merger (the Merger Agreement ), dated as of May 19, 2006, by and among The First Bancshares, Inc. ( First Bancshares ), a Mississippi corporation and registered bank holding company, and its wholly-owned subsidiary, The First, a National Banking Association ( The First ), a banking association organized under the laws of the United States, on the one hand, and FNB Wiggins on the other hand, pursuant to which (a) FNB Wiggins will merge with and into The First (the Merger ), and (b) each outstanding share of FNB Wiggins common stock, \$10.00 par value per share ( FNB Wiggins Common Stock ) will be converted into the right to receive cash and shares of First Bancshares common stock, \$1.00 par value per share ( First Bancshares Common Stock ). Details of the proposal are set forth in the accompanying Proxy Statement/Prospectus, which you should read carefully.

Upon completion of the Merger, FNB Wiggins shareholders will receive in the aggregate cash and common stock of First Bancshares having a combined value of approximately \$4,152,400 ("Merger Consideration"). This approximate value is based upon the terms of the Merger Agreement, which states that FNB Wiggins shareholders will receive approximately \$175.00 in value (in the form of cash and/or First Bancshares Common Stock as described below) for each share of FNB Wiggins Common Stock they own. For purposes of the Merger Consideration, the Merger Agreement states that First Bancshares Common Stock will be valued at \$19.00. Shares of First Bancshares Common Stock traded on the NASDAQ stock market for prices ranging from \$21.09 to \$24.00 between the date of the Merger Agreement and August 18,

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

2006. Therefore, should the shares of First Bancshares Common Stock have a value on the Effective Date of the Merger that equals its trading price on August 18, 2006, the actual value of the consideration received by FNB Wiggins shareholders as a result of the Merger would be approximately \$4,698,619.00. However, no assurance can be given as to the market price of First Bancshares Common Stock on the Effective Date.

Under the terms of the Merger Agreement, FNB Wiggins shareholders will be entitled to receive the Merger Consideration, consisting of \$87.50 per share in cash ( Cash Element ) and 4.605 shares of First Bancshares common stock ( Stock Element ), in exchange for each share of FNB Wiggins stock owned by them, representing approximately 50% cash and 50% stock as consideration for their shares.

As a result of the Merger and subject to certain limitations provided for in the Merger Agreement, shares of FNB Wiggins Common Stock issued and outstanding immediately prior to the Effective Date, other than dissenting shares, shall by virtue of the Bank Merger be converted into and represent the right to receive the Stock Element, the cash payable in lieu of fractional shares, and the Cash Element less a pro rata share of Seven Hundred and Eighty Thousand Dollars (\$780,000) in Consideration Deductions (which represents \$32.873 per share of outstanding FNB Wiggins Common Stock), which are defined as follows: (i) Two Hundred and Eighty Thousand Dollars (\$280,000) which represents a maximum of 50% of the cost of cancellation of FNB Wiggins data processing contract with Brasfield Technology, LLC; (ii) Two Hundred Thousand Dollars (\$200,000) which represents a potential payment under that certain Confidential Term Sheet between FNB Wiggins and Richton Bank & Trust Company dated January 20, 2006 and discussed in further detail below ( Richton Letter of Intent ); and (iii) Three Hundred Thousand Dollars (\$300,000) to account for potential losses related to the Mortgage Loan Purchase and Sale Agreements dated October 31, 2005 and December 16, 2005.

On the Effective Date, First Bancshares shall deposit into an escrow account cash in the amount of the Consideration Deductions (the Escrow Fund ) in accordance with the terms of the escrow agreement which is attached to the Merger Agreement as Exhibit E ( Escrow Agreement ). A distribution to the holders of FNB Wiggins Common Stock (other than holders of dissenting shares) of certain portions of the Escrow Fund remaining after the payment of any Actual Loss (as defined in the Escrow Agreement) shall be made in accordance with the methods stated in the Escrow Agreement and upon the occurrence of each of the following events: (a) the date of the execution of a settlement and release or the entering of a final judgment with regards to any amounts owed by FNB Wiggins to Brasfield Technology, LLC, for termination fees related to the termination of the data processing agreement between FNB Wiggins and Brasfield Technology, LLC; (b) the date of the execution of a settlement and release or the entering of a final judgment with regards to the suit brought by Richton Bank & Trust Company against FNB Wiggins for breach of the Richton Letter of Intent (See Summary Recent Developments ); and (c) December 16, 2006, with regards to any amounts paid according to that certain Mortgage Loan Purchase and Sale Agreements whereby FNB Wiggins sold certain assets with recourse to SNGC, LLC. Notwithstanding the foregoing, on May 19, 2009, or upon the earlier termination of the Escrow Agreement, whichever occurs first, the balance remaining in the Escrow Fund shall be distributed to the holders of FNB Wiggins Common Stock (other than holders of dissenting shares) in accordance with the terms of the Escrow Agreement.

FNB Wiggins shareholders who perfect dissenters rights will be deemed to have elected to receive cash in the amount of the appraised value of such FNB Wiggins shares in accordance with Sections 215 and 215a of Title 12 of the United States Code. FNB Wiggins shareholders considering whether to perfect dissenters rights should read carefully the section of the attached Proxy Statement/Prospectus discussing dissenters rights, as well as the copy of Sections 215 and 215a of Title 12 of the United States Code attached thereto as an Exhibit. Specific steps must be taken to perfect statutory dissenters rights.

**After careful consideration, the Merger Agreement has been unanimously approved by your Board of Directors. The Board believes the Merger is in the best interests of FNB Wiggins and its shareholders and unanimously recommends that you vote for approval of the Merger Agreement. The reasons for such recommendation are set forth in the accompanying Proxy Statement/Prospectus. Furthermore, FNB Wiggins financial advisor, Southard Financial, has issued its opinion to the effect that, as of the date of such opinion and based upon the considerations described therein, the consideration to be received by the holders of FNB Wiggins Common Stock pursuant to the Merger is fair, from a financial point of view, to such shareholders.**

The Merger presents an opportunity for holders of FNB Wiggins Common Stock to join in a combined enterprise with greater financial resources and a more geographically diversified business. As a result of the proposed Merger, you, as a shareholder of First Bancshares, will own common stock in a bank holding company whose shares are actively traded on NASDAQ which provides you with greater liquidity.

We urge you to read the enclosed materials carefully so that you can evaluate the Merger for yourself. The affirmative vote of the holders of two-thirds (2/3) of the outstanding shares of FNB Wiggins Common Stock is required to approve the Merger. Accordingly, the Board is hereby soliciting the necessary approval of FNB Wiggins shareholders in order to effectuate the Merger.

In the material accompanying this letter, you will find a Notice of Special Meeting of Shareholders, a Prospectus/Proxy Statement (the Proxy Statement ) relating to the actions to be taken by FNB Wiggins shareholders at the Meeting, and a form of proxy. The Proxy Statement more fully describes the proposed Merger and includes information about FNB Wiggins, First Bancshares, and The First.

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

All shareholders are invited to attend the Meeting in person. However, in order to ensure that your shares will be represented at the Meeting, your Board of Directors urges that you sign, date and return the enclosed form of proxy promptly in the enclosed self addressed, stamped envelope, whether or not you plan to attend the Meeting. The prompt return of your signed proxy, regardless of the number of shares you hold, will assist FNB Wiggins in reducing the expense of additional proxy solicitation. Your proxy may be revoked at any time prior to the vote at the Meeting by notice to the Secretary of FNB Wiggins or by execution and delivery of a later dated proxy. If you attend the Meeting you may, if you wish, revoke your proxy and vote in person on all matters brought before the Meeting. A returned proxy which has been signed but which does not indicate how the proxy is to be voted (whether on one or more of the proposals) will be voted FOR the proposal for which there is no voting indication.

Very truly yours,  
H. F. Campbell, Chairman of the Board

---

YOUR VOTE IS IMPORTANT  
PLEASE SIGN, DATE AND RETURN YOUR PROXY

**FIRST NATIONAL BANK OF WIGGINS**  
124 Border Avenue  
Wiggins, Mississippi 39577

---

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**  
to be held on September 21, 2006

---

To the Shareholders of First National Bank of Wiggins

Notice is hereby given that a Special Meeting of Shareholders (the Meeting) of First National Bank of Wiggins, a national banking association (FNB Wiggins), will be held at 124 Border Avenue, Wiggins, Mississippi, on September 21, 2006 at 4:00 p.m. local time, for the purpose of considering and voting upon the following matters:

1. To consider and vote upon the approval and adoption of an Agreement and Plan of Merger (the Merger Agreement), dated as of May 19, 2006, by and among The First Bancshares, Inc. (First Bancshares), a Mississippi corporation and registered bank holding company, and its wholly-owned subsidiary, The First, a National Banking Association (The First), a national banking association organized under the laws of the United States, on the one hand, and FNB Wiggins on the other hand, pursuant to which (a) FNB Wiggins will merge with and into The First (the Merger), and (b) each outstanding share of FNB Wiggins common stock, \$10.00 par value per share (FNB Wiggins Common Stock) will be converted into the right to receive cash and shares of First Bancshares common stock, \$1.00 par value per share (First Bancshares Common Stock) in accordance with the terms of the Merger Agreement; and
2. To transact such other business as may properly come before the Meeting.

The foregoing items of business are more fully described in the Proxy Statement/Prospectus accompanying this Notice. Only shareholders of record at the close of business on August 1, 2006 are entitled to notice of, and to vote at, the Meeting and any adjournments thereof. Approval of the Merger Agreement requires the affirmative vote of the holders of two-thirds (2/3) of the outstanding shares of FNB Wiggins Common Stock. A conformed copy of the Merger Agreement is attached to this Proxy Statement/Prospectus as Exhibit A.

**Dissenting shareholders of FNB Wiggins who comply with the procedural requirements of Sections 215 and 215a of Title 12 of the United States Code will be entitled to receive payment of the fair value of their shares of FNB Wiggins Common Stock.**

**THE FNB WIGGINS BOARD OF DIRECTORS RECOMMENDS THAT THE HOLDERS OF FNB WIGGINS COMMON STOCK VOTE FOR APPROVAL OF THE PROPOSED MERGER. YOUR VOTE IS IMPORTANT REGARDLESS OF THE NUMBER OF SHARES THAT YOU OWN. EVEN IF YOU PLAN TO ATTEND THE MEETING, PLEASE DATE AND SIGN THE ENCLOSED FORM OF PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED, POSTAGE-PAID ENVELOPE. YOUR PROXY MAY BE REVOKED AT ANY TIME PRIOR TO THE VOTE AT THE MEETING BY NOTICE TO THE SECRETARY OF FNB WIGGINS OR BY EXECUTION AND DELIVERY OF A LATER DATED PROXY. IF YOU ATTEND THE MEETING, YOU MAY WITHDRAW YOUR PROXY AND VOTE IN PERSON.**

By Order of the Board of Directors  
H. F. Campbell, Chairman

August 30, 2006  
Wiggins, Mississippi

FIRST NATIONAL BANK OF WIGGINS  
124 Border Avenue  
Wiggins, Mississippi 39577

PROXY

**This Proxy is Solicited on Behalf of the Board of Directors.**

The undersigned hereby appoints H.F. Campbell and B. H. Bell, Jr. or any of them, with full power to appoint a substitute, as Proxies, and hereby authorizes them to represent and to vote all the stock of First National Bank of Wiggins held of record by the undersigned on August 1, 2006 meeting of shareholders to be held on September 21, 2006, at 4:00 p.m., local time, and at any other time thereof as follows:

- 1. The proposal to approve an Agreement and Plan of Merger dated as of May 19, 2006, as amended (or the "Agreement") pursuant to which First National Bank of Wiggins will merge with First National Banking Association, whose main office is located in Hattiesburg, Mississippi ( )  
FOR \_\_\_\_ AGAINST \_\_\_\_ ABSTAIN \_\_\_\_
- 2. The proposal to transact any other business which may properly come before the meeting.  
FOR \_\_\_\_ AGAINST \_\_\_\_ ABSTAIN \_\_\_\_

The Board of Directors recommends a vote "FOR" each of the above Proposals. The Proxies are authorized in their discretion upon such other business as may properly come before the Meeting or any adjournment thereof.

**THIS PROXY WILL BE VOTED AS DIRECTED, BUT IF NO INSTRUCTIONS ARE SPECIFIED, THIS PROXY WILL BE VOTED AS DIRECTED FOR THE ABOVE PROPOSALS. IF ANY OTHER BUSINESS IS PRESENTED AT SUCH MEETING, THIS PROXY WILL BE VOTED BY THE PROXY IN THEIR DISCRETION.**

Please sign exactly as your name appears on certificate(s) representing shares to be voted by you. If you are signing as attorney, executor, administrator, trustee, or guardian, please give your full name and address. If you are a corporation, please sign in full corporate name by the president or other authorized officer. If you are a partnership, please sign in full partnership name by an authorized person. If shares are held as joint tenants, all should sign.

Dated \_\_\_\_\_, 2006

-----  
SIGNATURE OF SHAREHOLDER

-----  
SIGNATURE OF SHAREHOLDER

PLEASE PROMPTLY COMPLETE, DATE, SIGN AND MAIL THIS PROXY IN THE ENCLOSED ENVELOPE

PROSPECTUS / PROXY STATEMENT

**THE FIRST BANCSHARES, INC.**  
-----  
109,274 Shares of  
Common Stock, \$1.00 par value

**FIRST NATIONAL BANK OF WIGGINS**  
-----  
Special Meeting of  
Shareholders to be held

September 21, 2006

This Proxy Statement/Prospectus is being furnished to holders of the common stock of First National Bank of Wiggins, a national banking association ( FNB Wiggins ), in connection with the solicitation of proxies by the Board of Directors of FNB Wiggins for use at its Special Meeting of Shareholders (the Meeting ) to be held on September 21, 2006. This Proxy Statement/Prospectus and accompanying proxy cards were first mailed to shareholders of FNB Wiggins on or about August 30, 2006.

At the Meeting, the holders of FNB Wiggins common stock, \$10.00 par value per share ( FNB Wiggins Common Stock ), will be asked to approve the Agreement and Plan of Merger (the Merger Agreement ), dated as of May 19, 2006, by and among The First Bancshares, Inc., a Mississippi corporation and registered bank holding company ( First Bancshares ), and its wholly-owned subsidiary, The First, a National Banking Association, a national banking association organized under the laws of the United States ( The First ), on the one hand, and FNB Wiggins on the other hand, pursuant to which FNB Wiggins will merge with and into The First (the Merger ). Upon consummation of the Merger, each outstanding share of FNB Wiggins Common Stock, other than shares held by FNB Wiggins shareholders who perfect dissenters rights, will be converted into the right to receive cash and shares of First Bancshares common stock, \$1.00 par value per share ( First Bancshares Common Stock ), as well as cash in lieu of any fractional shares, all in accordance with the terms of the Merger Agreement.

Upon completion of the Merger, FNB Wiggins shareholders will receive in the aggregate cash and stock of First Bancshares having a combined value of approximately \$4,152,400 ("Merger Consideration"). This approximate value is based upon the terms of the Merger Agreement, which states that FNB Wiggins shareholders will receive approximately \$175.00 in value (in the form of cash and/or First Bancshares Common Stock as described below) for each share of FNB Wiggins Common Stock they own. For purposes of the Merger Consideration, the Merger Agreement states that First Bancshares Common Stock will be valued at \$19.00. Shares of First Bancshares Common Stock traded on the NASDAQ stock market for prices ranging from \$21.09 to \$24.00 between the date of the Merger Agreement and August 18, 2006. Therefore, should the shares of First Bancshares Common Stock have a value on the Effective Date of the Merger that equals its trading price on August 18, 2006, the actual value of the consideration received by FNB Wiggins shareholders as a result of the Merger would be \$4,698,619.00. However, no assurance can be given as to the market price of First Bancshares Common Stock on the Effective Date.

Under the terms of the Merger Agreement, FNB Wiggins shareholders will be entitled to receive the Merger Consideration, which will consist of \$87.50 per share in cash ( Cash Element ) and 4.605 shares of First Bancshares Common Stock ( Stock Element ), in exchange for each share of FNB Wiggins Common Stock owned by them, representing approximately 50% cash and 50% stock as consideration for their shares.

As a result of the Bank Merger and subject to certain limitations provided for the Merger Agreement, shares of FNB Wiggins Common Stock issued and outstanding immediately prior to the Effective Date, other than dissenting shares, shall by virtue of the Bank Merger be converted into and represent the right to receive the Stock Element, the cash payable in lieu of fractional shares, and the Cash Element less a pro rata share of Seven Hundred and Eighty Thousand Dollars (\$780,000) in Consideration Deductions (which represents \$32.873 per share of outstanding FNB Wiggins Common Stock), which are defined as follows: (i) Two Hundred and Eighty Thousand Dollars (\$280,000) which represents a maximum of 50% of the cost of cancellation of FNB Wiggins data processing contract with Brasfield Technology, LLC; (ii) Two Hundred Thousand Dollars (\$200,000) which represents a potential payment under that certain Confidential Term Sheet between FNB Wiggins and Richton Bank & Trust Company dated January 20, 2006 and discussed in further detail below ( Richton Letter of Intent ); and (iii) Three Hundred Thousand Dollars (\$300,000) to account for potential losses related to the Mortgage Loan Purchase and Sale Agreements dated October 31, 2005 and December 16, 2005.

On the Effective Date, First Bancshares shall deposit into an escrow account cash in the amount of the Consideration Deductions (the Escrow Fund ) in accordance with the terms of the Escrow Agreement which is attached to the Merger Agreement as Exhibit E ( Escrow Agreement ). A distribution to the holders of FNB Wiggins Common Stock (other than holders of dissenting shares) of certain portions of the Escrow Fund remaining after the payment of any Actual Loss (as defined in the Escrow Agreement) shall be made in accordance with the methods stated in the Escrow Agreement and upon the occurrence of each of the following events: (a) the date of the execution of a settlement and release or the entering of a final judgment with regards to any amounts owed by FNB Wiggins to Brasfield Technology, LLC, for termination fees related to the termination of the data processing agreement between FNB Wiggins and Brasfield Technology, LLC; (b) the date of the execution of a settlement and release or the entering of a final judgment with regards to the suit brought by Richton Bank & Trust Company against FNB Wiggins for breach of the Richton Letter of Intent (See Summary Recent Developments ); and (3) December 16, 2006, with regards to any amounts paid according to that certain Mortgage Loan Purchase and Sale Agreements whereby FNB Wiggins sold certain assets with recourse to SNGC, LLC. Notwithstanding the foregoing, on May 19, 2009, or upon the earlier termination of the Escrow Agreement, whichever occurs first, the balance remaining in the Escrow Fund shall be distributed to the holders of FNB Wiggins Common Stock (other than holders of dissenting shares) in accordance with the terms of the Escrow Agreement.

First Bancshares Common Stock is traded on the NASDAQ stock market under the symbol FBMS. However, FNB Wiggins Common Stock is not listed, traded or quoted on any securities exchange or in the over-the-counter market, and no dealer makes a market in the FNB Wiggins Common Stock, although isolated transactions between individuals occur from time to time. Management of FNB Wiggins believes that transactions involving FNB Wiggins Common Stock have occurred in the following price ranges:

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

2001	\$225	-	\$250
2002	\$250	-	\$300
2003	\$ 50	-	\$200
2004	\$ 50	-	\$175
2005	No sales to FNB Wiggins' management's knowledge		
2006	No sales to FNB Wiggins' management's knowledge		

The holders of FNB Wiggins Common Stock are entitled to receive dividends when and if declared by FNB Wiggins Board out of funds that are legally available therefor. As noted below, FNB Wiggins may not declare or pay a dividend without prior approval of the Office of the Comptroller of the Currency ( OCC ).

As of the record date of August 1, 2006, there were 23,728 shares of FNB Wiggins Common Stock issued and outstanding, held by approximately 126 shareholders.

Page 12 of this Proxy Statement/Prospectus contains a table that illustrates the number of shares of First Bancshares Common Stock to be received based on the value of \$19.00 for each share of First Bancshares Common Stock as stated in the Merger Agreement. For a more complete description of the Merger Agreement and the terms of the Merger, see The Merger. A conformed copy of the Merger Agreement is attached to this Proxy Statement/Prospectus as Exhibit A. For a more complete description of dissenters' rights, see Dissenters' Rights and Exhibit C.

First Bancshares has filed a Registration Statement on Form S-4 with the Securities and Exchange Commission (the Commission ), pursuant to the Securities Act of 1933, as amended (the Securities Act ), covering up to 109,274 shares of First Bancshares Common Stock to be issued in connection with the Merger. This document constitutes a Proxy Statement of FNB Wiggins in connection with the Meeting and a Prospectus of First Bancshares with respect to the shares of First Bancshares Common Stock to be issued upon consummation of the Merger. Each of First Bancshares and FNB Wiggins has furnished all information included herein with respect to it and its consolidated subsidiaries.

---

No person is authorized to give any information or to make any representation concerning the Merger not contained in this Proxy Statement/Prospectus and, if given or made, such information or representation should not be relied upon as having been authorized. This Proxy Statement/Prospectus does not constitute an offer to sell, or a solicitation of an offer to purchase, the securities offered by this Proxy Statement/Prospectus, or the solicitation of a proxy, in any jurisdiction, to or from any person to whom it is unlawful to make such offer or solicitation of an offer or proxy solicitation in such jurisdiction. Neither the delivery of this Proxy Statement/Prospectus nor any distribution of the securities made under this Proxy Statement/Prospectus shall, under any circumstances, create any implication that there has been no change in the information set forth herein since the date of this Proxy Statement/Prospectus.

This Proxy Statement/Prospectus does not cover any resales of First Bancshares Common Stock to be received by FNB Wiggins' shareholders upon consummation of the Merger, and no person is authorized to make use of this Proxy Statement/Prospectus in connection with any such resale.

---

**THE SECURITIES TO BE ISSUED PURSUANT TO THIS PROXY STATEMENT/PROSPECTUS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROXY STATEMENT/PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THE SECURITIES OFFERED HEREBY ARE NOT SAVINGS ACCOUNTS OR BANK DEPOSITS, ARE NOT OBLIGATIONS OF OR GUARANTEED BY ANY BANKING OR NONBANKING AFFILIATE OF THE FIRST, AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY.**

*Do not send in your stock certificates now. After the Merger is completed, First Bancshares will send you written instructions on how to exchange your stock for First Bancshares Common Stock and cash.*

---

Subject to completion the date of this Proxy Statement/Prospectus is August 30, 2006.

### AVAILABLE INFORMATION

First Bancshares is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act ), and in accordance therewith, files periodic reports, proxy statements and other information with the Commission. Such reports, proxy statements and

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

other information filed by First Bancshares are available to the public at the web site and EDGAR database maintained by the Commission at <http://www.sec.gov>. The documents filed by First Bancshares are also available at the Commission's Public Reference Room, which provides access to EDGAR (for documents submitted electronically) and Thomson Research (for imaged paper filings) terminals. The public library of Commission information is provided through the Commission's Public Reference Room between the hours of 9:00 a.m. - 4:00 p.m., except federal holidays and official closings, at 100 F Street, NE, Room 1580, Washington, D.C. 20549.

First Bancshares has filed with the Commission a Registration Statement on Form S-4 (the "Registration Statement") under the Securities Act with respect to the common stock offered by this Proxy Statement/Prospectus. This Proxy Statement/Prospectus does not contain all the information set forth in the Registration Statement, certain portions of which have been omitted pursuant to the Rules and Regulations of the Commission, and to which portions reference is hereby made for further information with respect to First Bancshares and the securities offered hereby.

**As indicated below, this Proxy Statement/Prospectus incorporates by reference certain information with respect to First Bancshares, which is not presented herein or delivered herewith. Copies of any such information or documents, other than exhibits to such documents which are not specifically incorporated by reference herein, are available without charge, upon the written or oral request of any person, including any beneficial owner, to whom this Proxy Statement/Prospectus is delivered. In order to ensure timely delivery of such documents, any request should be made by September 15, 2006, and such requests should be directed to First Bancshares' principal executive offices at 6480 U.S. Hwy 98 W (39402), P. O. Box 15549 (39404-5549), Hattiesburg, Mississippi, Attention: Donna T. Lowery, Chief Financial Officer, telephone number (601) 268-8998. First Bancshares will send the requested documents by first-class mail within one business day of the receipt of the request.**

### INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed by First Bancshares with the Securities and Exchange Commission ("SEC") are hereby incorporated by reference:

- (1) First Bancshares' Annual Report on Form 10-KSB for the fiscal year ended December 31, 2005;
- (2) First Bancshares' Quarterly Report on Form 10-QSB for the quarter ended March 31, 2006;
- (3) First Bancshares' Current Reports on Form 8-K filed on May 22, 2006, May 25, 2006, and July 11, 2006; and
- (4) The description of capital stock contained under the heading "Description of Capital Stock" in the Registration Statement on Form SB-2/A, Registration Number 333-61081, filed by First Bancshares with the SEC on September 14, 1998 relating to the description of First Bancshares Common Stock.

All documents filed by First Bancshares pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date hereof and prior to the date of the Meeting are hereby incorporated by reference into this Proxy Statement/Prospectus and shall be deemed a part hereof from the date of filing of such documents.

Any statement contained in a document incorporated by reference shall be deemed to be modified or superseded for purposes hereof to the extent that a statement contained herein (or in any other subsequently filed document which also is incorporated by reference herein) modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed to constitute a part hereof except as so modified or superseded.

The public may read and copy any materials filed by First Bancshares with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers such as First Bancshares that file electronically with the SEC at [www.sec.gov](http://www.sec.gov). Information regarding First Bancshares is also available on its Internet website at [www.thefirstbank.com](http://www.thefirstbank.com).

### TABLE OF CONTENTS

QUESTIONS AND ANSWERS.....	
SUMMARY.....	
Purpose of the Meeting.....	
Date, Time and Place of the Meeting; Record Date .....	
Vote Required .....	
The Parties.....	
Recommendation of the Boards of Directors; Reasons for the Merger.....	
Opinion of Financial Advisor.....	
Risk Factors.....	
Regulatory Approvals .....	



Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

Other Conditions to Consummation of the Merger.....  
Exchange of FNB Wiggins' Certificates; No Fractional Shares .....  
Effective Date .....  
Interests of Certain Persons in the Merger .....  
Termination.....  
Certain Federal Income Tax Consequences .....  
Dissenters' Rights .....  
Resales of First Bancshares Common Stock.....  
Recent Market Prices.....  
Recent Developments.....  
Selected Financial Data.....  
FNB Wiggins Selected Financial Data .....  
First Bancshares and Subsidiaries - Selected Financial Data.....  
Comparative Per Share Information.....  
INTRODUCTION.....  
General .....  
Record Date; Voting Rights; Proxies .....  
THE MERGER.....  
General.....  
Structure and Terms of the Merger.....  
Background of and Reasons for the Merger - FNB Wiggins.....  
Reasons for the Merger - First Bancshares and The First.....  
Opinion of Financial Advisor.....  
Effective Date .....  
Regulatory Approvals.....  
Other Conditions to the Merger.....  
Interests of Certain Persons in the Merger.....  
Exchange of FNB Wiggins' Certificates .....  
Amendment; Waiver; Termination.....  
Conduct of Business Pending the Merger.....  
Resales of First Bancshares Common Stock.....  
Expenses and Fees .....  
Certain Federal Income Tax Consequences.....  
DISSENTERS' RIGHTS.....  
Filing Vote Against or Dissent from the Merger and Filing of Dissenters' Request.....  
Appraisal.....  
Notices.....  
COMPARATIVE RIGHTS OF SHAREHOLDERS.....  
Voting Rights; Cumulative Voting.....  
Limitations on Directors' and Officers' Liability.....  
Supermajority Voting Requirements; Business Combinations or Control Share Acquisition.....  
Removal of Directors.....  
Board of Directors.....  
Vacancies in the Board of Directors.....

---

Amendment of the Articles of Incorporation or Bylaws.....  
Special Meetings of Shareholders.....  
Shareholder Proposals and Nominations.....  
Authorized Capital.....  
Indemnification.....  
INFORMATION CONCERNING FNB WIGGINS.....  
Business.....  
Competition.....  
Dividend on Common Stock.....  
Liability and Asset Management.....  
Employees.....  
Properties.....

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

Legal Proceedings.....	
Supervision and Regulation.....	
FNB WIGGINS' MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.....	
SECURITY OWNERSHIP OF PRINCIPAL SHAREHOLDERS AND MANAGEMENT.....	
LEGAL OPINION.....	
EXPERTS .....	
OTHER MATTERS.....	
Exhibit A - Agreement and Plan of Merger	
Exhibit B - Fairness Opinion of Southard Financial	
Exhibit C - Dissenters' Rights under National Bank Act - 12 USCA §§ 215 and 215a	
Exhibit D - Audited Consolidated Financial Statements of The First Bancshares, Inc., and Subsidiary Periods Ended December 31, 2004 and December 31, 2005; Unaudited Consolidated Financial Statements of The First Bancshares, Inc., and Subsidiary for the Interim Period Ended June 30, 2006	
Exhibit E - Audited Consolidated Financial Statements of First National Bank of Wiggins for the Period Ended December 31, 2003 and December 31, 2004; Unaudited Consolidated Financial Statements of First National Bank of Wiggins for the Period Ended December 31, 2005 and the Interim Period Ended June 30, 2006	
Exhibit F - The First Bancshares, Inc., Pro Forma Financial Statements	

-ii-

---

### QUESTIONS AND ANSWERS

*This section highlights selected information from this document. It does not contain all of the information that is important to you. You should carefully read this entire document and the documents to which we refer in order to fully understand the merger and to obtain a more complete description of the legal aspects of the Merger. This section also includes certain page references that direct you to more complete descriptions of the topics discussed.*

**Q(1): Why is FNB Wiggins merging with The First?**

A: FNB Wiggins's Board has approved the Merger with The First based upon: (1) its assessment of the financial condition and prospects of FNB Wiggins in particular; (2) the provisions of the Merger Order, which is discussed in further detail in the following sections of this Prospectus Supplement; and (3) the competitive and regulatory environment for financial institutions. First, A National Banking Association, is a nationally chartered bank which operates offices in Mississippi. Its parent company, First Bancshares, whose common stock is traded on the New York Stock Exchange under the symbol FBMS, is a Mississippi corporation that is also registered as a company. The Merger will enable FNB Wiggins shareholders to hold stock in First Bancshares, a more diversified entity whose shares are more widely held and more actively traded. The Merger will also enable us to better serve our customers with more products and services. To review the details of the Merger and reasons for the Merger see page 19.

In recommending approval of the Merger, we also considered the opinion of our financial advisor, Southard Financial that as of the date of its opinion, the exchange ratio was fair from the point of view to FNB Wiggins's shareholders. We have attached this opinion as Exhibit B to this Prospectus Supplement. You should read it carefully.

A copy of the Merger Agreement is attached to this document as Appendix A. We encourage you to read the Merger Agreement. It is the legal document that governs the Merger.

**Q(2): As a FNB Wiggins shareholder, what will I receive in the Merger?**

A: You will have the right to receive \$87.50 per share in cash ("Cash Element") and 4.605 shares of First Bancshares Common Stock ("Stock Element"), in exchange for each share of FNB Wiggins Common Stock you own, representing approximately 50% cash and 50% stock as consideration for your shares. If you own fractional shares, fractional shares will be issued, but you will be compensated with cash for the proportional value of your fractional share.

Example: If you own 100 shares of FNB Wiggins Common Stock upon completion of the Merger, you will receive \$8,750 in cash and 460.5 shares of First Bancshares Common Stock.

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

the right to receive a check for \$8,750.00, as well as the equivalent of 460.5 shares of Bancshares Common Stock. Since no fractional shares are to be issued, you will receive stock and \$9.50 representing the value of the fractional .5 share.

**Q(3): What are the key attributes of the First Bancshares Common Stock?**

A: First Bancshares Common Stock has the voting, dividend, and liquidation rights usually a common stock. To review a more detailed description of the First Bancshares Common Stock comparison to FNB Wiggins Common Stock see "Comparative Rights of Shareholders" on page

**Q(4): May a FNB Wiggins shareholder elect to receive more cash or First Bancshares Common Stock?**

A: No. All FNB Wiggins shareholders will receive approximately 50% cash and 50% stock for

-1-

---

**Q(5): What happens as the market price of First Bancshares Common Stock fluctuates?**

A: The exchange ratio is based upon a formula that is not determined by the market price of Bancshares Common Stock and is not expected to change. The market value of First Bancshares Common Stock will fluctuate before and after the Merger. First Bancshares cannot predict the price will trade at any particular point in time.

**Q(6): When do you expect the merger to be completed?**

A: We hope to complete the Merger on or before September 30, 2006, following the approval of shareholders.

**Q(7): What are the tax consequences of the Merger to me?**

A: We expect that for U.S. federal income tax purposes, your receipt of First Bancshares Common Stock in exchange for your shares of FNB Wiggins Common Stock in the Merger generally will not cause you to recognize any gain or loss. You will, however, have to recognize gain in connection with the Merger if you received or if you exercise dissenters' appraisal rights under the National Bank Act.

We provide a more detailed review of the U.S. federal income tax consequences of the Merger in Exhibit B of this document.

**Q(8): As a FNB Wiggins shareholder, do I have to accept the First Bancshares Common Stock and consideration of \$87.50 per share in exchange for my shares if the Merger is approved?**

A: If you follow the procedures prescribed by the National Bank Act, you may dissent from the Merger and have the fair value of your stock determined according to those procedures. If you follow the dissent procedures, you will not receive First Bancshares Common Stock. The fair value of your shares of Common Stock, determined in the manner prescribed by the National Bank Act, will be paid to you.

For a more complete description of these dissenters' rights, see page 33 of this document as well as Exhibit C, which provides the text of the National Bank Act that governs dissenters' rights.

**Q(9): What do I need to do now?**

A: Just indicate on your proxy card how you want to vote, and sign and mail the proxy card in the enclosed return envelope as soon as possible so that your shares may be represented at the Meeting. If you sign and send in your proxy but don't indicate how you want to vote, your proxy will vote in favor of the Merger. If you don't return your proxy card or you abstain, the effect will be to vote against the Merger.

The Meeting will take place on September 21, 2006. You are invited to the meeting to vote in person rather than signing and mailing your proxy card. If you do sign your proxy card,

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

back your proxy until and including the date of the meeting and either change your vote at the meeting and vote in person. We provide more detailed instructions about voting on page 11.

**The Board of Directors of FNB Wiggins unanimously recommends voting in favor of the proposal.**

**Q(10): Should I send in my stock certificates now?**

A: No. No one should send their stock certificates in now. After the Merger is completed, Bancshares will send you written instructions on how to exchange your FNB Wiggins Common Stock for Bancshares Common Stock.

-2-

---

**Q(11): Who can help answer my questions?**

A: If you have more questions about the Merger you should contact Benny Bell or Buddy Lewis at the National Bank of Wiggins, 124 Border Avenue, Wiggins, Mississippi 39577, Telephone (601) 768-1234.

-3-

---

## SUMMARY

The following is a brief summary of certain information contained elsewhere in this Proxy Statement/Prospectus and the documents incorporated herein by reference. This summary is necessarily incomplete and is subject to and qualified in its entirety by reference to the more detailed information and financial statements contained elsewhere in this Proxy Statement/Prospectus, including the Exhibits and the documents incorporated in this Proxy Statement/Prospectus by reference. Certain capitalized terms used in this summary are defined elsewhere in this Proxy Statement/Prospectus.

### Purpose of the Meeting

The purpose of the Meeting (as defined below) is to consider and vote upon a proposal to approve an Agreement and Plan of Merger, dated May 19, 2006 (the Merger Agreement), by and among The First Bancshares, Inc., a Mississippi corporation and registered bank holding company (First Bancshares), and its wholly-owned subsidiary, The First, a National Banking Association, a national banking association organized under the laws of the United States (The First), on the one hand, and First National Bank of Wiggins, a national banking association organized under the laws of the United States (FNB Wiggins), on the other hand, pursuant to which, among other things, (a) FNB Wiggins will be merged with and into The First (the Merger), and (b) on the effective date of the Merger (the Effective Date), each outstanding share of FNB Wiggins common stock, \$10.00 par value per share (FNB Wiggins Common Stock), will be converted into the right to receive cash and common stock, \$1.00 par value per share, of First Bancshares (First Bancshares Common Stock) as determined pursuant to the Merger Agreement.

Upon completion of the Merger, FNB Wiggins shareholders will receive in the aggregate cash and shares of First Bancshares Common Stock having a combined value of approximately \$4,152,400 ("Merger Consideration"). This approximate value is based upon the terms of the Merger Agreement, which states that FNB Wiggins shareholders will receive approximately \$175.00 in value (in the form of cash and/or First Bancshares Common Stock as described below) for each share of FNB Wiggins Common Stock they own. For purposes of the Merger Consideration, the Merger Agreement states that First Bancshares Common Stock will be valued at \$19.00. Shares of First Bancshares Common Stock traded on the NASDAQ stock market for prices ranging from \$21.09 to \$24.00 between the date of the Merger Agreement and August 18, 2006. Therefore, should the shares of First Bancshares Common Stock have a value on the Effective Date of the Merger that equals its trading price on August 18, 2006, the actual value of the consideration received by FNB Wiggins shareholders as a result of the Merger would be \$4,698,619.00. However, no assurance can be given as to the market price of First Bancshares Common Stock on the Effective Date.

Under the terms of the Merger Agreement, FNB Wiggins shareholders will be entitled to receive the Merger Consideration, consisting of \$87.50 per share in cash (Cash Element) and 4.605 shares of First Bancshares Common Stock (Stock Element), in exchange for each share of FNB Wiggins Common Stock owned by them, representing approximately 50% cash and 50% stock as consideration for their shares.

As a result of the Bank Merger and subject to certain limitations provided for in the Merger Agreement, shares of FNB Wiggins Common Stock issued and outstanding immediately prior to the Effective Date, other than dissenting shares, shall by virtue of the Bank Merger be converted into and represent the right to receive the Stock Element, the cash payable in lieu of fractional shares, and the Cash Element less a pro rata share of Seven Hundred and Eighty Thousand Dollars (\$780,000) in Consideration Deductions (which represents \$32.873 per share of outstanding

FNB Wiggins Common Stock), which are defined as follows: (i) Two Hundred and Eighty Thousand Dollars (\$280,000) which represents a maximum of 50% of the cost of cancellation of FNB Wiggins' data processing contract with Brasfield Technology, LLC; (ii) Two Hundred Thousand Dollars (\$200,000) which represents a potential payment under that certain Confidential Term Sheet between FNB Wiggins and Richton Bank & Trust Company dated January 20, 2006 and discussed in further detail below ( Richton Letter of Intent ); and (iii) Three Hundred Thousand Dollars (\$300,000) to account for potential losses related to the Mortgage Loan Purchase and Sale Agreements dated October 31, 2005 and December 16, 2005.

-4-

---

On the Effective Date, First Bancshares shall deposit into an escrow account cash in the amount of the Consideration Deductions (the Escrow Fund ) in accordance with the terms of the Escrow Agreement which is attached to the Merger Agreement as Exhibit E ( Escrow Agreement ). A distribution to the holders of FNB Wiggins Common Stock (other than holders of dissenting shares) of certain portions of the Escrow Fund remaining after the payment of any Actual Loss (as defined in the Escrow Agreement) shall be made in accordance with the methods stated in the Escrow Agreement and upon the occurrence of each of the following events: (a) the date of the execution of a settlement and release or the entering of a final judgment with regards to any amounts owed by FNB Wiggins to Brasfield Technology, LLC, for termination fees related to the termination of the data processing agreement between FNB Wiggins and Brasfield Technology, LLC; (b) the date of the execution of a settlement and release or the entering of a final judgment with regards to the suit brought by Richton Bank & Trust Company against FNB Wiggins for breach of the Richton Letter of Intent (See Summary Recent Developments ); and (3) December 16, 2006, with regards to any amounts paid according to that certain Mortgage Loan Purchase and Sale Agreements whereby FNB Wiggins sold certain assets with recourse to SNGC, LLC. Notwithstanding the foregoing, on May 19, 2009, or upon the earlier termination of the Escrow Agreement, whichever occurs first, the balance remaining in the Escrow Fund shall be distributed to the holders of FNB Wiggins Common Stock (other than holders of dissenting shares) in accordance with the terms of the Escrow Agreement.

As a result of the Merger, the business and properties of FNB Wiggins will become the business and properties of First Bancshares, and holders of FNB Wiggins Common Stock will become shareholders of First Bancshares, except for any such holders who perfect dissenters' rights. Page 12 of this Proxy Statement/Prospectus contains a table that illustrates the number of shares of First Bancshares Common Stock to be received based on the value of \$19.00 for each share of First Bancshares Common Stock as stated in the Merger Agreement.

### **Date, Time and Place of the Meeting; Record Date**

A Special Meeting of Shareholders (the Meeting ) of FNB Wiggins will be held on September 21, 2006, at 4:00 p.m. at 124 Border Avenue, Wiggins, Mississippi. The Board of Directors of FNB Wiggins has fixed the close of business on August 1, 2006, as the record date (the Record Date ) for determining holders of outstanding shares of FNB Wiggins Common Stock entitled to notice of and to vote at the Meeting. Only holders of FNB Wiggins Common Stock of record on the books of FNB Wiggins at the close of business on the Record Date are entitled to vote at the Meeting or at any adjournment thereof. As of the Record Date, there were 23,728 shares of FNB Wiggins Common Stock issued and outstanding, each of which is entitled to one vote. See Introduction General and Introduction Record Date; Voting Rights; Proxies.

### **Vote Required**

Holders of two-thirds (2/3) of the outstanding shares of FNB Wiggins Common Stock must approve the Merger Agreement. As of the Record Date, the executive officers and directors of FNB Wiggins as a group had the power to vote approximately 11,220 shares of FNB Wiggins Common Stock, representing approximately 47% of the outstanding shares.

### **The Parties**

**First Bancshares.** First Bancshares is a bank holding company headquartered at 6480 U.S. Highway 98 West, Hattiesburg, Mississippi 39402, telephone number (601) 268-8998. Its principal subsidiary is The First, a National Banking Association. The First serves the cities of Bay St. Louis, Hattiesburg, Laurel, Pascagoula, Picayune, Purvis, and the surrounding areas of Forrest, Hancock, Jackson, Jones, Lamar, and Pearl River Counties in Mississippi. First Bancshares, through its subsidiary, strives to provide its customers with the breadth of products and services comparable to those offered by large regional banks, while maintaining the quick response and personal service of a locally owned and managed bank.

As of June 30, 2006, First Bancshares had total assets of \$329.2 million; total deposits of \$268.6 million, total loans of \$238.0 million, and shareholders' equity of \$19.5 million.

-5-

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

**The First.** The First is a national banking association headquartered at 6480 U.S. Highway 98 West, Hattiesburg, Mississippi 39402, telephone number (601) 268-8998. The First also has branch offices located at: (1) 835 Hwy 90, Suite 4 in Bay St. Louis, Hancock County, Mississippi; (2) 631 Hwy 589 in Purvis, Lamar County, Mississippi; (3) 2702 Lincoln Road in Hattiesburg, Forrest County, Mississippi; (4) 3318 Hardy Street in Hattiesburg, Forrest County, Mississippi; (5) Hwy 15 North in Laurel, Jones County, Mississippi; (6) 1506-B Hwy 43 South in Picayune, Pearl River County, Mississippi; and (7) 1126 Jackson Avenue, Suite 101 in Pascagoula, Jackson County, Mississippi. The First provides a full complement of consumer and commercial banking services in south Mississippi.

**FNB Wiggins.** FNB Wiggins is a national banking association headquartered at 124 Border Avenue, Wiggins, Mississippi, telephone number (601) 928-5241. FNB Wiggins provides various consumer and commercial banking services to Wiggins and Stone County, Mississippi.

### **Recommendation of the Boards of Directors; Reasons for the Merger**

THE BOARD OF DIRECTORS OF FNB WIGGINS (THE FNB WIGGINS BOARD ) BELIEVES THE MERGER IS FAIR TO AND IN THE BEST INTERESTS OF FNB WIGGINS AND ITS SHAREHOLDERS AND RECOMMENDS THAT HOLDERS OF FNB WIGGINS COMMON STOCK VOTE **FOR** APPROVAL OF THE MERGER AGREEMENT. See The Merger Background of and Reasons for the Merger FNB Wiggins. For information on the interests of certain officers and directors of FNB Wiggins in the Merger, see The Merger Interests of Certain Persons in the Merger.

In recommending approval of the Merger Agreement to the holders of FNB Wiggins Common Stock, the FNB Wiggins Board considered, among other factors, the terms of the Consent Order with the Office of the Comptroller of the Currency ( OCC ), the enhanced opportunities for operating efficiencies and growth, the additional products which would be available to customers of FNB Wiggins, and the additional liquidity First Bancshares Common Stock would provide for FNB Wiggins shareholders. See The Merger Background of and Reasons for the Merger FNB Wiggins.

In addition, the FNB Wiggins Board has received the opinion of Southard Financial ( Southard ) that the consideration payable under the Merger Agreement is fair from a financial point of view to the holders of FNB Wiggins Common Stock. The opinion of Southard is attached as Exhibit B and should be read in its entirety. See The Merger Opinion of Financial Advisor.

The Board of Directors of The First has approved the Merger Agreement because it believes that the Merger will enhance The First's earnings capacity by enabling it to deliver products and provide services to a larger geographic customer base, and that the combination of The First and FNB Wiggins can take advantage of increased overall efficiencies and economies of scale. See The Merger Reasons for the Merger First Bancshares.

### **Opinion of Financial Advisor**

Southard, FNB Wiggins financial advisor, has rendered its opinion that the Merger Consideration to be received by the holders of FNB Wiggins Common Stock pursuant to the Merger Agreement, when taken as a whole, is fair to FNB Wiggins and its shareholders from a financial point of view. The opinion of Southard is attached hereto as Exhibit B and should be read in its entirety with respect to the assumptions made therein and other matters considered. See The Merger Opinion of Financial Advisor for further information regarding, among other things, the selection of Southard and its compensation arrangement in connection with the Merger Agreement.

### **Risk Factors**

Making or continuing an investment in securities, including First Bancshares Common Stock, involves certain risks that you should carefully consider. The risks and uncertainties described below are not the only risks that may have a material adverse effect on First Bancshares. Additional risks and uncertainties also could adversely affect First Bancshares business and results of operations. If any of the following risks actually occur, First Bancshares business, financial condition or results of operations could be affected, the market price for your securities could decline, and you could lose all or a part of your investment. Further, to the extent that any of the information contained in this Proxy Statement/Prospectus constitutes forward-looking statements, the risk factors set forth below also are cautionary statements identifying important factors that could cause First Bancshares actual results to differ materially from those expressed in any forward-looking statements made by or on behalf of First Bancshares.

-6-

---

### ***First Bancshares may be vulnerable to certain sectors of the economy.***

A portion of First Bancshares loan portfolio is secured by real estate. If the economy deteriorated and depressed real estate values beyond a certain point, that collateral value of the portfolio and the revenue stream from those loans could come under stress and possibly require

additional loan loss accruals. First Bancshares' ability to dispose of foreclosed real estate at prices above the respective carrying values could also be impinged, causing additional losses.

***General economic conditions in the areas where First Bancshares' operations or loans are concentrated may adversely affect our customers' ability to meet their obligations.***

A sudden or severe downturn in the economy in the geographic markets served by First Bancshares in the state of Mississippi may affect the ability of First Bancshares' customers to meet loan payments obligations on a timely basis. The local economic conditions in these areas have a significant impact on First Bancshares' commercial, real estate, and construction loans, the ability of borrowers to repay these loans and the value of the collateral securing such loans. Changes resulting in adverse economic conditions of First Bancshares' market areas could negatively impact the financial results of First Bancshares' banking operations and its profitability. Additionally, adverse economic changes may cause customers to withdraw deposit balances, thereby causing a strain on First Bancshares' liquidity.

***First Bancshares is subject to a risk of rapid and significant changes in market interest rates.***

First Bancshares' assets and liabilities are primarily monetary in nature, and as a result First Bancshares is subject to significant risks tied to changes in interest rates. First Bancshares' ability to operate profitably is largely dependent upon net interest income. Unexpected movement in interest rates markedly changing the slope of the current yield curve could cause First Bancshares' net interest margins to decrease, subsequently decreasing net interest income. In addition, such changes could adversely affect the valuation of First Bancshares' assets and liabilities.

At present First Bancshares' one-year interest rate sensitivity position is slightly asset sensitive, but a gradual increase in interest rates during the next twelve months should not have a significant impact on net interest income during that period. However, as with most financial institutions, First Bancshares' results of operations are affected by changes in interest rates and First Bancshares' ability to manage this risk. The difference between interest rates charged on interest-earning assets and interest rates paid on interest-bearing liabilities may be affected by changes in market interest rates, changes in relationships between interest rate indices, and/or changes in the relationships between long-term and short-term market interest rates. A change in this difference might result in an increase in interest expense relative to interest income, or a decrease in First Bancshares' interest rate spread.

***Certain changes in interest rates, inflation, or the financial markets could affect demand for First Bancshares products and First Bancshares' ability to deliver products efficiently.***

Loan originations, and potentially loan revenues, could be adversely impacted by sharply rising interest rates. Conversely, sharply falling rates could increase prepayments within First Bancshares' securities portfolio lowering interest earnings from those investments. An unanticipated increase in inflation could cause First Bancshares' operating costs related to salaries & benefits, technology, & supplies to increase at a faster pace than revenues.

The fair market value of First Bancshares' securities portfolio and the investment income from these securities also fluctuate depending on general economic and market conditions. In addition, actual net investment income and/or cash flows from investments that carry prepayment risk, such as mortgage-backed and other asset-backed securities, may differ from those anticipated at the time of investment as a result of interest rate fluctuations.

-7-

---

***Changes in the policies of monetary authorities and other government action could adversely affect First Bancshares' profitability.***

The results of operations of First Bancshares are affected by credit policies of monetary authorities, particularly the Federal Reserve Board. The instruments of monetary policy employed by the Federal Reserve Board include open market operations in U.S. government securities, changes in the discount rate or the federal funds rate on bank borrowings and changes in reserve requirements against bank deposits. In view of changing conditions in the national economy and in the money markets, particularly in light of the continuing threat of terrorist attacks and the current military operations in the Middle East, we cannot predict possible future changes in interest rates, deposit levels, loan demand or First Bancshares' business and earnings. Furthermore, the actions of the United States government and other governments in responding to such terrorist attacks or the military operations in the Middle East may result in currency fluctuations, exchange controls, market disruption and other adverse effects.

***Natural disasters could affect First Bancshares' ability to operate***

First Bancshares' market areas are susceptible to natural disasters such as hurricanes. Natural disasters can disrupt First Bancshares' operations, result in damage to properties and negatively affect the local economies in which First Bancshares operates. First Bancshares cannot predict whether or to what extent damage caused by future hurricanes will affect First Bancshares' operations or the economies in First Bancshares' market areas, but such weather events could cause a decline in loan originations, a decline in the value or destruction of properties securing the loans and an increase in the risk of delinquencies, foreclosures or loan losses.

***Greater loan losses than expected may adversely affect First Bancshares' earnings.***

First Bancshares as lender is exposed to the risk that its customers will be unable to repay their loans in accordance with their terms and that any collateral securing the payment of their loans may not be sufficient to assure repayment. Credit losses are inherent in the business of making loans and could have a material adverse effect on First Bancshares' operating results. First Bancshares' credit risk with respect to its real estate and construction loan portfolio will relate principally to the creditworthiness of corporations and the value of the real estate serving as security for the repayment of loans. First Bancshares' credit risk with respect to its commercial and consumer loan portfolio will relate principally to the general creditworthiness of businesses and individuals within First Bancshares' local markets.

First Bancshares makes various assumptions and judgments about the collectibility of its loan portfolio and provide an allowance for estimated loan losses based on a number of factors. First Bancshares believes that its current allowance for loan losses is adequate. However, if First Bancshares' assumptions or judgments prove to be incorrect, the allowance for loan losses may not be sufficient to cover actual loan losses. First Bancshares may have to increase its allowance in the future in response to the request of one of its primary banking regulators, to adjust for changing conditions and assumptions, or as a result of any deterioration in the quality of First Bancshares' loan portfolio. The actual amount of future provisions for loan losses cannot be determined at this time and may vary from the amounts of past provisions.

***First Bancshares may need to rely on the financial markets to provide needed capital***

First Bancshares' Common Stock is listed and traded on the NASDAQ stock market. Although First Bancshares anticipates that its capital resources will be adequate for the foreseeable future to meet its capital requirements, at times First Bancshares may depend on the liquidity of the NASDAQ stock market to raise equity capital. If the market should fail to operate, or if conditions in the capital markets are adverse, First Bancshares may be constrained in raising capital. First Bancshares maintains a consistent analyst following; therefore, downgrades in First Bancshares' prospects by an analyst(s) may cause First Bancshares' Common Stock price to fall and significantly limit First Bancshares' ability to access the markets for additional capital requirements. Should these risks materialize, First Bancshares' ability to further expand its operations through internal growth may be limited.

-8-

---

***First Bancshares is subject to regulation by various Federal and State entities***

First Bancshares is subject to the regulations of the Securities and Exchange Commission ( SEC ), the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the OCC. New regulations issued by these agencies may adversely affect First Bancshares' ability to carry on its business activities. First Bancshares is subject to various Federal and state laws and certain changes in these laws and regulations may adversely affect First Bancshares' operations.

First Bancshares is also subject to the accounting rules and regulations of the SEC and the Financial Accounting Standards Board. Changes in accounting rules could adversely affect the reported financial statements or results of operations of First Bancshares and may also require extraordinary efforts or additional costs to implement. Any of these laws or regulations may be modified or changed from time to time, and First Bancshares cannot be assured that such modifications or changes will not adversely affect First Bancshares.

***First Bancshares engages in acquisitions of other businesses from time to time.***

On occasion, First Bancshares will engage in acquisitions of other businesses. Acquisitions may result in customer and employee turnover, thus increasing the cost of operating the new businesses. The acquired companies may also have legal contingencies, beyond those that First Bancshares is aware of, that could result in unexpected costs.

***First Bancshares is subject to industry competition which may have an impact upon its success.***

The profitability of First Bancshares depends on its ability to compete successfully. First Bancshares operates in a highly competitive financial services environment. Certain competitors are larger and may have more resources than First Bancshares does. First Bancshares faces competition in its regional market areas from other commercial banks, savings and loan associations, credit unions, internet banks, finance companies, mutual funds, insurance companies, brokerage and investment banking firms, and other financial intermediaries that offer similar



services. Some of First Bancshares' nonbank competitors are not subject to the same extensive regulations that govern First Bancshares or the Bank and may have greater flexibility in competing for business.

Another competitive factor is that the financial services market, including banking services, is undergoing rapid changes with frequent introductions of new technology-driven products and services. First Bancshares' future success may depend, in part, on its ability to use technology competitively to provide products and services that provide convenience to customers and create additional efficiencies in First Bancshares' operations.

***Future issuances of additional securities could result in dilution of shareholders' ownership.***

First Bancshares may determine from time to time to issue additional securities to raise additional capital, support growth, or to make acquisitions. Further, First Bancshares may issue stock options or other stock grants to retain and motivate First Bancshares' employees. Such issuances of Company securities will dilute the ownership interests of First Bancshares' shareholders.

***Anti-takeover laws and certain agreements and charter provisions may adversely affect share value.***

Certain provisions of state and federal law and First Bancshares' articles of incorporation may make it more difficult for someone to acquire control of First Bancshares. Under federal law, subject to certain exemptions, a person, entity, or group must notify the federal banking agencies before acquiring 10% or more of the outstanding voting stock of a bank holding company, including First Bancshares' shares. Banking agencies review the acquisition to determine if it will result in a change of control. The banking agencies have 60 days to act on the notice, and take into account several factors, including the resources of the acquirer and the antitrust effects of the acquisition. There also are Mississippi statutory provisions and provisions in First Bancshares' articles of incorporation that may be used to delay or block a takeover attempt. As a result, these statutory provisions and provisions in First Bancshares' articles of incorporation could result in First Bancshares being less attractive to a potential acquirer.

-9-

---

***Securities issued by First Bancshares, including First Bancshares' Common Stock, are not FDIC insured.***

Securities issued by First Bancshares, including First Bancshares' Common Stock, are not savings or deposit accounts or other obligations of any bank and are not insured by the FDIC, the Deposit Insurance Fund, or any other governmental agency or instrumentality, or any private insurer, and are subject to investment risk, including the possible loss of principal.

**Regulatory Approvals**

It is a condition to the consummation of the Merger that all required regulatory approvals be obtained. The only required regulatory approval is the approval of the OCC. See *The Merger* Regulatory Approvals.

**Other Conditions to Consummation of the Merger**

In addition to regulatory approvals and the approval of the Merger Agreement by the requisite vote of the holders of FNB Wiggins Common Stock, which conditions may not be waived, the respective obligations of each party under the Merger Agreement are subject, among other conditions, to: (1) the receipt of an opinion of Watkins Ludlam Winter & Stennis, P.A., that the transactions contemplated by the Merger Agreement will be treated for federal income tax purposes as a tax-free reorganization under Section 368 of the Internal Revenue Code of 1986, as amended (the Code), with respect to the Stock Element provided to the holders of FNB Wiggins Common Stock as part of the Merger Consideration, which condition may not be waived; and (2) the absence of a material adverse change in the financial condition, results of operations or business of the other party's consolidated group which condition may be waived. See *The Merger* Other Conditions to the Merger and *The Merger* Certain Federal Income Tax Consequences for additional information concerning the conditions to consummation of the Merger.

**Exchange of FNB Wiggins' Certificates; No Fractional Shares**

As soon as practicable after the Effective Date, The First (the Exchange Agent) will mail to each holder of record of FNB Wiggins Common Stock, a letter of transmittal and instructions for use in effecting the surrender of the certificates which, immediately prior to the Effective Date, represented issued and outstanding shares of FNB Wiggins Common Stock in exchange for cash and certificates representing First Bancshares Common Stock. See *The Merger* Exchange of FNB Wiggins Certificates. Cash will also be paid in lieu of any fractional shares of First Bancshares Common Stock. See *The Merger* Structure and Terms of the Merger. **Certificates representing FNB Wiggins Common Stock**

should not be surrendered until the letter of transmittal is received.

## Effective Date

If the Merger Agreement is approved by the requisite vote of the holders of FNB Wiggins Common Stock, the Merger is approved by all required regulatory agencies, and the other conditions to the Merger are satisfied or waived (where permissible), the Merger will become effective at the date agreed to by FNB Wiggins and The First (the Effective Date) which will be explicitly stated in the Certificate of Merger filed with the OCC. It is expected that the Effective Date will occur on or before September 30, 2006; however, there can be no assurance that the conditions to the Merger will be satisfied or waived so that the Merger can be consummated. See The Merger Effective Date and The Merger Other Conditions to the Merger.

## Interests of Certain Persons in the Merger

Certain members of FNB Wiggins management and Board of Directors have interests in the Merger in addition to their interests as shareholders of FNB Wiggins generally. Those interests include, among others, provisions in the Merger Agreement that: (1) allow FNB Wiggins to purchase Tail Insurance which will provide post Closing coverage for errors and omissions similar to that provided by the directors and officers errors and omissions insurance policy presently carried by FNB Wiggins; (2) require The First to reimburse any person that is defined as an insured under the current directors and officers errors and omissions insurance policy and insured under the Tail Insurance policy for any expenditures classified as retention or deductible amounts under the policy that are incurred by the insured as a result of any errors or omissions covered by the Tail Insurance; and (3) grant to some of them the eligibility to participate in certain employee benefit plans of The First. The executive officers and directors of FNB Wiggins will also receive cash and shares of First Bancshares Common Stock in the Merger with an aggregate value of \$2,221,275.00, based on the price of \$19.00 for each share of First Bancshares Common Stock. See The Merger Interests of Certain Persons in the Merger and Security Ownership of Principal Shareholders and Management.

-10-

---

## Termination

Among other reasons, the Merger Agreement may be terminated at any time prior to the Effective Date (i) in the event the Merger Agreement is not approved by the OCC or shareholders of FNB Wiggins at the Meeting, (ii) if either party commits a material breach of any covenant, agreement, warranty, or representation in the Merger Agreement that is not or cannot be cured within sixty (60) days after the breaching party receives written notice of such breach, (iii) if the number of shares of FNB Wiggins Common Stock, the holders of which perfect dissenters rights, is in such numbers as would disqualify the transaction as a nontaxable reorganization under and in accordance with Sections 368(a)(1)(A) and 368(a)(2)(D) of the Code, or (iv) if the Closing has not occurred by 5:00 p.m. local time on September 30, 2006. The Merger Agreement may also be terminated by mutual consent. See The Merger Amendment; Waiver; Termination.

## Certain Federal Income Tax Consequences

Consummation of the Merger is conditioned upon receipt by each of the parties to the Merger Agreement of an opinion of Watkins Ludlam Winter & Stennis, P.A. that the Merger will be treated, for federal income tax purposes, as a tax-free reorganization, with the result that no gain or loss will be recognized by FNB Wiggins or by holders of FNB Wiggins Common Stock who exchange their FNB Wiggins Common Stock for First Bancshares Common Stock pursuant to the Merger, except with respect to cash received. FNB Wiggins shareholders who exercise dissenters rights and receive all cash for their shares will have gain or loss for federal income tax purposes. FNB Wiggins shareholders are urged to consult their own tax advisors as to the specific tax consequences to them of the Merger. See The Merger Certain Federal Income Tax Consequences.

## Dissenters' Rights

Under the National Bank Act, holders of FNB Wiggins Common Stock who vote against the Merger and who deliver to FNB Wiggins the required written demand and who otherwise comply with the requirements of the National Bank Act will be entitled to receive the value of their shares in cash as determined under the provisions of the National Bank Act. **Such right will be lost, however, if the procedural requirements of the National Bank Act are not fully and precisely satisfied.** See Dissenters Rights and Exhibit C hereto.

## Resales of First Bancshares Common Stock

The shares of First Bancshares Common Stock to be issued to the holders of FNB Wiggins Common Stock pursuant to the Merger Agreement have been registered under the Securities Act pursuant to a Registration Statement on Form S-4, of which this Proxy Statement/Prospectus is a

part, thereby allowing such shares to be freely transferred without restriction by persons who will not be affiliates of First Bancshares or who were not affiliates of FNB Wiggins within the meaning of Rule 145 under the Securities Act. In general, affiliates of FNB Wiggins include its executive officers and directors and any person who controls, is controlled by or is under common control with FNB Wiggins. For the purposes of Rule 145, any shareholder who owns ten percent (10%) or more of the voting stock of a company is presumptively deemed to have control. However, the amount of voting stock owned by a shareholder is not the only factor considered when deciding who has control over a company, and a person may or may not be deemed to have control regardless of how much voting stock they own if other factors apply. Holders of FNB Wiggins Common Stock who are affiliates of FNB Wiggins will not be able to resell the First Bancshares Common Stock received by them in the Merger unless the First Bancshares Common Stock is registered for resale under the Securities Act, is sold in compliance with Rule 145 under the Securities Act or is sold in compliance with another exemption from the registration requirements of the Securities Act. See The Merger Resales of First Bancshares Common Stock.

-11-

## Recent Market Prices

The following table compares the values stated in the Merger Agreement for each share of the First Bancshares Common Stock with the values stated in the Merger Agreement for each share of FNB Wiggins Common Stock. Shares of First Bancshares Common Stock were trading for \$21.09 on the NASDAQ stock market on the date of the Merger Agreement, and said shares have traded on that same exchange for prices ranging from \$21.09 to \$24.00 between the date of the Merger Agreement and August 18, 2006. However, no assurance can be given as to the market price of First Bancshares Common Stock on the Effective Date. FNB Wiggins Common Stock is not listed, traded, or quoted on any securities exchange or in the over-the-counter market, and no dealer makes a market in the FNB Wiggins Common Stock, although isolated transactions between individuals occur from time to time. To FNB Wiggins' management's knowledge, the most recent transactions with respect to FNB Wiggins Common Stock were conducted in December of 2004 at approximately \$175 per share.

First Bancshares Common Stock	FNB Wiggins Common Stock
\$19.00	\$175.00

## Recent Developments

On May 24, 2006, Centon Bancorp, Inc., a Mississippi corporation and registered bank holding company located in Richton Mississippi ( Centon ), along with its wholly-owned subsidiary, Richton Bank & Trust Company, a Mississippi banking corporation whose main office is located in Richton, Mississippi ( RB&T ), filed suit against FNB Wiggins in the Circuit Court of Stone County for the following causes of action: (1) the breach of a Confidential Term Sheet executed by RB&T and FNB Wiggins whereby both expressed an intent for RB&T to purchase and assume certain assets and liabilities of FNB Wiggins pursuant to a definitive agreement that was contemplated by the Confidential Term Sheet but was never completed; (2) the breach of an implied covenant of good faith and fair dealing with regards to its failure to abide by the Confidential Term Sheet; and (3) the tortious breach of the Confidential Term Sheet due to its alleged and willful disregard of its contractual obligations to RB&T. RB&T also claimed the right to recover the following damages as a result of the alleged causes of action: (1) \$200,000 of liquidated damages as specified in the Confidential Term Sheet; (2) punitive damages for the tortious breach of the Confidential Term Sheet; (3) attorneys fees in an amount to be determined at trial; and (4) such other relief as the Court deems proper.

On June 16, 2006, FNB Wiggins, through its attorneys Tadd and Jack Parsons, filed an answer to RB&T's complaint, asserting the following defenses: (1) that Centon and RB&T have failed to state a claim for which relief can be granted; (2) that FNB Wiggins did not violate the Confidential Term Sheet; (3) that the punitive damage request violates the Fourteenth Amendment of the United States Constitution; and (4) that the request for attorney's fees should be dismissed. FNB Wiggins asked for the lawsuit to be dismissed and also made a motion to join Holloway & Associates, consultants to Centon and RB&T, to the lawsuit as a third party defendant. The FNB Wiggins Board believes the suit is without merit; however, this should not be construed as a guaranty that FNB Wiggins will not be assigned fault by the court.

For more information on the Confidential Term Sheet that is the subject of the suit, see The Merger Background of the Merger.

## Selected Financial Data

The following selected financial data for First Bancshares and FNB Wiggins have been derived from the consolidated financial statements of First Bancshares and FNB Wiggins. The information set forth below should be read in conjunction with the consolidated financial statements of First Bancshares and FNB Wiggins incorporated by reference or included elsewhere herein, and FNB Wiggins Management's Discussion and Analysis of Financial Condition and Results of Operations, included elsewhere herein.

**FNB Wiggins -Selected Financial Data**

(In Thousands Except Per Share Amounts and Ratios)

	Six Months Ended June 30, (unaudited)		Year Ended December 31		
	2006	2005	(Unaudited) 2005	2004	2003
<b>Statements of earnings</b>					
Interest income	1,410	1,166	2,548	2,487	2,971
Interest expense	518	532	1,061	1,206	1,440
Net interest income	892	634	1,487	1,281	1,531
Provision for possible loan losses	400	102	118	287	88
Net interest income after provision for possible loan losses	492	532	1,369	994	1,443
Other operating income	139	187	300	540	521
Other operating expense	993	909	1,912	2,137	2,043
Income before income taxes and cumulative effect of accounting change	(362)	(190)	(243)	(603)	(79)
Income tax expense	0	0	0	8	0
Income before cumulative effect of accounting change	(362)	(190)	(243)	(611)	(79)
Cumulative effect of accounting change	0	0	0	0	0
Net income	(362)	(190)	(243)	(611)	(79)
<b>Net income per common share</b>	<b>(15.26)*</b>	<b>(8.00)</b>	<b>(10.24)</b>	<b>(26.05)</b>	<b>(3.66)</b>

**FNB Wiggins - Additional Selected Financial Data (Unaudited)**

	Six Months Ended June 30, (unaudited)		Year Ended December 31		
	2006	2005	2005	2004	2003
<b>Weighted average shares outstanding</b>	<b>23,728</b>	<b>23,728</b>	<b>23,728</b>	<b>23,453</b>	<b>21,589</b>
<b>Statements of condition - averages</b>					
Total assets	47,599	45,327	50,193	49,335	50,667
Earning assets	43,705	41,443	45,315	45,003	47,484
Securities	21,529	14,103	15,996	17,332	16,312
Loans	19,513	26,246	23,630	26,820	29,756
Deposits	45,130	42,328	45,203	44,479	42,770

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

FHLB advances	0	0	0	0	0
Total stockholders' equity	3,214	3,560	3,588	4,091	4,138
<b>Selected ratios</b>					
Return on average assets	(1.52)	(.84)	(.48)	(1.24)	(.16)
Return on average equity	(22.53)	(10.67)	(6.7)	(14.9)	(1.9)
Net interest margin - tax equivalent	4.08	3.06	3.28	2.85	3.22
Loans to deposits	43.89	61.1	43.9	60.4	63.7
Allowance for possible loan losses to loans	3.73	4.17	1.48	3.71	4.48
Net charge-offs to average loans	.03	.05	3.32	2.30	.94
Dividend payout	0	0	0	0	0
Average equity to average assets	6.75	7.85	7.2	8.3	8.2
Leverage ratio	6.57	7.32	6.5	7.1	8.2

\* This calculation includes a recent increase in the Provision for Possible Loan Losses requested Bancshares following their due diligence review of the FNB Wiggins loan portfolio. Excluding such net loss per share would have been \$3.37 per share. For more information on the recent increase for Possible Loan Losses, see "INFORMATION CONCERNING FNB WIGGINS - Supervision and Regulation - Reserves."

-13-

**First Bancshares and Subsidiaries - Selected Financial Data**

(In Thousands Except Per Share Amounts and Ratios)

	Six Months Ended			Year Ended December 31		
	2006	2005	2005	2004	2003	2002
	June 30, (unaudited)					
<b>Statements of earnings</b>						
Interest income	10,392	7,020	15,692	11,014	10,486	9,839
Interest expense	3,816	2,347	5,542	3,199	3,177	3,703
Net interest income	6,576	4,673	10,150	7,815	7,309	6,136
Provision for possible loan losses	294	437	921	672	468	369
Net interest income after provision for possible loan losses	6,282	4,236	9,229	7,143	6,841	5,767
Other operating income	1,123	892	1,682	1,963	1,772	1,690
Other operating expense	4,969	3,837	8,138	7,228	7,134	6,180
Income before income taxes	2,436	1,291	2,773	1,878	1,479	1,277
Income tax expense	688	432	864	635	472	413
Net income	1,748	859	1,909	1,243	1,007	864
<b>Net income per share</b>						
Primary	.74	.37	.81	.54	.43	.37
Fully diluted	.69	.35	.77	.52	.42	.36
<b>Cash dividends per share</b>	.16	.10	.10	.075	.05	.05

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

**Weighted average shares outstanding**

Primary	2,377,802	2,356,746	2,358,308	2,331,970	2,338,102	2,330,330
Fully diluted	2,536,381	2,473,480	2,488,890	2,406,682	2,414,484	2,407,220

**Statements of condition - averages**

Total assets	316,485	239,343	252,913	186,440	161,039	147,204
Earning assets	291,826	219,682	231,565	168,474	143,345	131,697
Securities available for sale	57,275	26,618	30,971	24,725	25,121	23,162
Investment securities	57,288	26,632	30,985	24,740	25,141	23,190
Loans, net of unearned income	222,790	187,069	189,187	140,052	112,468	103,069
Deposits	262,605	188,869	199,389	139,264	119,910	115,679
Long-term debt	32,254	31,596	34,759	30,292	24,740	16,007
Total stockholders' equity	18,568	16,780	17,278	16,203	15,698	14,802

**Selected ratios**

Return on average assets	1.10	.72	.75	.67	.63	.59
Return on average equity	18.82	10.24	11.0	7.7	6.4	5.8
Net interest margin - tax equivalent	4.51	4.25	4.38	4.64	5.10	4.66
*Efficiency ratio	64.54	68.95	68.78	73.92	78.56	78.97
Loans to deposits	87.5	98.8	81.4	102.9	93.4	85.1
Allowance for possible loan losses to loans, net of unearned income	1.12	1.03	1.18	1.01	1.01	1.14
Net charge-offs (recoveries) to average loans, net of unearned income	.03	.06	.11	.13	.47	.20
Dividend payout	10.81	13.51	12.3	14.2	11.6	13.5
Average equity to average assets	5.87	7.01	6.8	8.7	9.7	10.1
Leverage ratio	8.45	9.8	8.0	10.8	12.7	12.5
Tier 1 risk-based	10.87	12.21	12.0	13.7	16.2	15.6
Total risk-based	13.69	13.27	12.4	14.6	18.6	19.5

\*Excludes the effects of amortization of goodwill and core deposit intangibles.

-14-

**Comparative Per Share Information**

The following table sets forth certain historical comparative information and certain pro forma and equivalent pro forma information with respect to income per share, book value per share and cash dividends per share for the First Bancshares Common Stock and the FNB Wiggins Common Stock. The information that follows should be read in conjunction with the audited historical financial statements and notes thereto of First Bancshares incorporated by reference herein and the audited historical financial statements and notes thereto of FNB Wiggins included in this Proxy Statement/Prospectus. The comparative pro forma and equivalent pro forma data have been included herein for comparative purposes only and do not purport to be indicative of the results of operations or financial condition that actually would have resulted had the Merger occurred at the beginning of the period or the results of operations or financial condition that may be obtained in the future.

Per Common Share	Historical		Pro F
	First Bancshares	FNB Wiggins	First Bancshares and FNB Wiggins Pro Forma Combined
<b>Net Income (b)</b>			
For the six months ended June 30, 2006	.74	(15.26)	.56

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

For the year ended	.81	(10.24)	.68
December 31,			
2005			
2004	.54	(26.05)	.26
2003	.43	(3.66)	.38
<b>Cash Dividends (c)</b>			
For the six months ended	.16	0	.16
June 30, 2006			
For the year ended	.10	0	.10
December 31,			
2005			
2004	.075	0	.075
2003	.05	0	.05
<b>Book Value (d)</b>			
As of June 30, 2006	8.18	125.21	8.50
As of December 31, 2005	7.70	144.51	8.09
As of December 31, 2004	7.08	157.91	7.36
As of December 31, 2003	6.64	186.90	7.16

- 
- (a) FNB Wiggins pro forma equivalent amounts are computed by multiplying the pro forma common share amounts by 4.4%.
- (b) Net income per common share is based on weighted average common shares outstanding.
- (c) Pro forma cash dividends represent historical cash dividends of First Bancshares.
- (d) Book value per common share is based on total period-end shareholders' equity.

-15-

### INTRODUCTION General

This Proxy Statement/Prospectus is being furnished to holders of FNB Wiggins Common Stock in connection with the solicitation by the FNB Wiggins Board of proxies for use at the Meeting to be held at 4:00 p.m. local time, on September 21, 2006 at 124 Border Avenue, Wiggins, Mississippi, and at any adjournment thereof.

At the Meeting, shareholders will consider and vote upon a proposal to approve the Merger Agreement, by and among First Bancshares, The First, and FNB Wiggins pursuant to which FNB Wiggins will merge with and into The First and each share of FNB Wiggins Common Stock issued and outstanding immediately prior to the Effective Date of the Merger (except Dissenting Shares, as hereinafter defined) will be converted into the right to receive and be exchangeable for cash and shares of First Bancshares Common Stock pursuant to the Merger Agreement. As a result of the Merger, the holders of FNB Wiggins Common Stock (other than holders of Dissenting Shares) will become shareholders of First Bancshares.

This Proxy Statement/Prospectus constitutes a Proxy Statement of FNB Wiggins with respect to the Meeting and a Prospectus of First Bancshares with respect to the shares of First Bancshares Common Stock to be issued in connection with the Merger. The information in this Proxy Statement/Prospectus concerning First Bancshares and its subsidiaries and FNB Wiggins has been furnished by each of such entities, respectively.

The principal executive offices of First Bancshares and The First are located at 6480 Highway 98 West, Hattiesburg, Mississippi 39402, and their telephone number is (601) 268-8998. The principal executive office of FNB Wiggins is located at 124 Border Avenue, Wiggins, Mississippi, and its telephone number is (601) 928-5241.

This Proxy Statement/Prospectus is first being mailed to holders of FNB Wiggins Common Stock on or about August 30, 2006.

### Record Date; Voting Rights; Proxies

The FNB Wiggins Board has fixed the close of business on August 1, 2006 as the Record Date for determining holders of outstanding shares of FNB Wiggins Common Stock entitled to notice of and to vote at the Meeting. Only holders of FNB Wiggins Common Stock of record on the

books of FNB Wiggins at the close of business on the Record Date are entitled to vote at the Meeting or at any adjournment thereof. As of the Record Date, there were 23,728 shares of FNB Wiggins Common Stock issued and outstanding, each of which is entitled to one vote. The approval of the Merger Agreement by shareholders, in person or by proxy, holding two-thirds (2/3) of the total voting power of FNB Wiggins is necessary for the Merger to become effective. Shares of FNB Wiggins Common Stock represented by properly executed proxies will be voted in accordance with the instructions indicated on the proxies or, if no instructions are indicated, will be voted FOR the proposal to approve the Merger Agreement and in the discretion of the proxy holders as to any other matter which may properly come before the Meeting or any adjournment thereof, except that, with respect to shares voting against approval of the Merger Agreement, this discretionary authority will not be used to vote for adjournment of the Meeting in order to permit further solicitation of proxies. A shareholder who has given a proxy may revoke it at any time before it is voted by (a) filing with the Secretary of FNB Wiggins (i) a notice in writing revoking it, or (ii) a duly executed proxy bearing a later date, or (b) voting in person at the Meeting.

Approval of the Merger Agreement requires the approval of the holders of two-thirds (2/3) of the outstanding shares of FNB Wiggins Common Stock. An abstention by a shareholder present at the Meeting in person or by proxy, a failure to return a properly executed proxy, or a broker submitting a proxy without exercising discretionary authority with respect to approval of the Merger Agreement will have the same effect as a vote against the Merger Agreement. As of the Record Date, the executive officers and directors of FNB Wiggins as a group had the power to vote approximately 11,220 shares of FNB Wiggins Common Stock, representing approximately 47% of the outstanding shares, all of which are expected to be voted in favor of approval of the Merger Agreement.

First Bancshares shareholders are not required to approve the Merger Agreement or the issuance of shares of First Bancshares Common Stock. However, The Board of Directors of First Bancshares is required to approve the issuance of shares of First Bancshares Common Stock. Additionally, the Merger Agreement must be approved by the Board of Directors of The First and by First Bancshares as sole shareholder of The First.

-16-

---

FNB Wiggins will bear the costs of soliciting proxies from its shareholders. In addition to the use of the mail, proxies may be solicited by the directors, officers and employees of FNB Wiggins in person, or by telephone, telecopier or telegram. Such directors, officers and employees will not be additionally compensated for such solicitation but may be reimbursed for out-of-pocket expenses incurred in connection therewith. Arrangements will also be made with custodians, nominees and fiduciaries for the forwarding of solicitation material to the beneficial owners of FNB Wiggins Common Stock held of record by such persons, and FNB Wiggins may reimburse such custodians, nominees and fiduciaries for reasonable out-of-pocket expenses incurred in connection therewith.

## THE MERGER

### General

The Merger Agreement provides that, subject to the satisfaction or waiver (where permissible) of certain conditions, including, among other things, the receipt of all necessary regulatory approvals, the expiration of all related waiting periods and the approval of the holders of FNB Wiggins Common Stock, FNB Wiggins will be merged with and into The First. As a result of the Merger, the separate corporate existence of FNB Wiggins will cease and the holders of FNB Wiggins Common Stock (other than shares owned by shareholders who, pursuant to the National Bank Act, perfect any right to receive the fair value of such shares ( "Dissenting Shares" )) will become shareholders of First Bancshares. The date on which the Merger will be consummated is herein referred to as the Effective Date. See The Merger Effective Date.

The description of the Merger Agreement included in this Proxy Statement/Prospectus is qualified in its entirety by reference to the Merger Agreement, which is incorporated herein by reference and a copy of which is attached hereto as Exhibit A.

### Structure and Terms of the Merger

Upon consummation of the Merger, FNB Wiggins will be merged with and into The First and the FNB Wiggins Common Stock issued and outstanding at the Effective Date (other than holders of Dissenting Shares) will be converted into the right to receive and be exchangeable for cash and shares of First Bancshares Common Stock in the amount of the Merger Consideration.

Upon completion of the Merger, FNB Wiggins shareholders will receive in the aggregate cash and shares of First Bancshares Common Stock having a combined value of approximately \$4,152,400 ("Merger Consideration"). This approximate value is based upon the terms of the Merger Agreement, which states that FNB Wiggins shareholders will receive approximately \$175.00 in value (in the form of cash and/or First Bancshares Common Stock as described below) for each share of FNB Wiggins Common Stock they own. For purposes of the Merger Consideration, the Merger Agreement states that First Bancshares Common Stock will be valued at \$19.00. Shares of First Bancshares Common



## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

Stock traded on the NASDAQ stock market for prices ranging from \$21.09 to \$24.00 between the date of the Merger Agreement and August 18, 2006. Therefore, should the shares of First Bancshares Common Stock have a value on the Effective Date of the Merger that equals its trading price on August 18, 2006, the actual value of the consideration received by FNB Wiggins shareholders as a result of the Merger would be \$4,698,619.00. However, no assurance can be given as to the market price of First Bancshares Common Stock on the Effective Date.

Under the terms of the Merger Agreement, FNB Wiggins shareholders will be entitled to receive the Merger Consideration, consisting of \$87.50 per share in cash ( Cash Element ) and 4.605 shares of First Bancshares Common Stock ( Stock Element ), in exchange for each share of FNB Wiggins Common Stock owned by them, representing approximately 50% cash and 50% stock as consideration for their shares.

-17-

As a result of the Merger and subject to certain limitations provided for the Merger Agreement, shares of FNB Wiggins Common Stock issued and outstanding immediately prior to the Effective Date, other than Dissenting Shares, shall by virtue of the Merger be converted into and represent the right to receive the Stock Element, the cash payable in lieu of fractional shares, and the Cash Element less a pro rata share of Seven Hundred and Eighty Thousand Dollars (\$780,000) in Consideration Deductions (which represents \$32.873 per share of outstanding FNB Wiggins Common Stock), which are defined as follows: (i) Two Hundred and Eighty Thousand Dollars (\$280,000) which represents a maximum of 50% of the cost of cancellation of FNB Wiggins data processing contract with Brasfield Technology, LLC; (ii) Two Hundred Thousand Dollars (\$200,000) which represents a potential payment under that certain Confidential Term Sheet between FNB Wiggins and Richton Bank & Trust Company dated January 20, 2006 and discussed in further detail below ( Richton Letter of Intent ); and (iii) Three Hundred Thousand Dollars (\$300,000) to account for potential losses related to the Mortgage Loan Purchase and Sale Agreements dated October 31, 2005 and December 16, 2005.

On the Effective Date, First Bancshares shall deposit into an escrow account cash in the amount of the Consideration Deductions (the Escrow Fund ) in accordance with the terms of the escrow agreement which is attached to the Merger Agreement as Exhibit E ( Escrow Agreement ). A distribution to the holders of FNB Wiggins Common Stock (other than holders of dissenting shares) of certain portions of the Escrow Fund remaining after the payment of any Actual Loss (as defined in the Escrow Agreement) shall be made in accordance with the methods stated in the Escrow Agreement and upon the occurrence of each of the following events: (a) the date of the execution of a settlement and release or the entering of a final judgment with regards to any amounts owed by FNB Wiggins to Brasfield Technology, LLC, for termination fees related to the termination of the data processing agreement between FNB Wiggins and Brasfield Technology, LLC; (b) the date of the execution of a settlement and release or the entering of a final judgment with regards to the suit brought by Richton Bank & Trust Company against FNB Wiggins for breach of the Richton Letter of Intent (See Summary Recent Developments ); and (c) December 16, 2006, with regards to any amounts paid according to that certain Mortgage Loan Purchase and Sale Agreements whereby FNB Wiggins sold certain assets with recourse to SNGC, LLC. Notwithstanding the foregoing, on May 19, 2009, or upon the earlier termination of the Escrow Agreement, whichever occurs first, the balance remaining in the Escrow Fund shall be distributed to the holders of FNB Wiggins Common Stock (other than holders of dissenting shares) in accordance with the terms of the Escrow Agreement.

The Merger Consideration is illustrated by the table below, which shows the price assigned to shares of First Bancshares Common Stock by the Merger Agreement, the per share amounts for the two elements of the Merger Consideration, the total number of shares of First Bancshares Common Stock issuable in the Merger, the aggregate value of the Stock Element of the Merger Consideration based on the price for each share of First Bancshares Common Stock stated in the Merger Agreement, and the aggregate value of the Cash Element of the Merger Consideration paid to the holders of FNB Wiggins Common Stock as a result of the Merger. The table assumes that, immediately before the Effective Date, a total of 23,728 shares of FNB Wiggins Common Stock are outstanding.

Merger Agreement Price of First Bancshares Common Stock	Merger Consideration -----		Total Number of Shares of First Bancshares Common Stock Issuable	Aggregate Value of Stock Element of Merger Consideration	Aggreg Elem Co
	Cash Element Per Share	Stock Element Per Share			
\$19.00	\$87.50*	4.605**	109,274	\$2,076,200**	\$

\* These Amounts include all of the \$780,000.00 (\$32.873 per share) of cash deposited into the Escrow Fund as a result of the Merger Agreement, some of which is likely to not be distributed to the FNB Wiggins Shareholders upon the termination of the Escrow Agreement.

\*\* These Amounts are based on the value assigned to each share of First Bancshares Common Stock by the Merger Agreement, which is \$19.00.

If prior to the Effective Date the outstanding shares of First Bancshares Common Stock shall be increased, decreased, changed into or exchanged for a different number or class of shares by reason of any reclassification, recapitalization, stock split or reverse stock split, split-up or if a stock

dividend thereon shall be declared with a record date within such period, or by reason of a combination or exchange of shares in a transaction in which First Bancshares is effectively acquired, or other like changes in First Bancshares' capitalization shall have occurred, then the Merger Consideration shall be adjusted accordingly.

-18-

---

The Merger Consideration was determined by a process of arm's length negotiations involving the managements of FNB Wiggins, The First, and First Bancshares and their respective advisors. The number of shares of First Bancshares Common Stock which will be issued upon consummation of the Merger (109,274 shares) will constitute approximately 4.40% of the shares of First Bancshares Common Stock outstanding immediately after the Effective Date. These calculations do not make any adjustment for fractional shares or Dissenting Shares and are based upon the number of shares of FNB Wiggins Common Stock and First Bancshares Common Stock outstanding on the Record Date.

No fractional shares of First Bancshares Common Stock will be issued in the Merger. Any FNB Wiggins shareholder otherwise entitled to receive a fractional share of First Bancshares Common Stock will be paid a cash amount in lieu of any such fractional share determined by multiplying (i) the Merger Agreement Price of First Bancshares Common Stock (\$19.00), by (ii) the fraction of a share of First Bancshares Common Stock to which such holder would otherwise be entitled.

## **Background of Business and Reasons for the Merger - FNB Wiggins**

### **Background of the Merger.**

FNB Wiggins is a national banking association organized in 1973 under the National Bank Act. The principal executive offices of FNB Wiggins are located at 124 Border Avenue, Wiggins, Mississippi 39577. FNB Wiggins has no subsidiaries.

The principal market for FNB Wiggins is Stone County, Mississippi. FNB Wiggins has historically drawn the bulk of its customers from this area. Stone County has seven (7) offices of four commercial banks and one credit union. FNB Wiggins offers traditional depository services including checking accounts, certificates of deposit, and savings accounts.

FNB Wiggins, as a national bank, is a member of the Federal Reserve System. Its deposit accounts are insured by the Deposit Insurance Fund of the Federal Deposit Insurance Corporation ( FDIC ) up to the maximum legal limits of the FDIC, and it is subject to regulation, supervision and regular examination by the OCC. The regulations of these various agencies govern most aspects of FNB Wiggins' business, including required reserves against deposits, loans, investments, mergers and acquisitions, borrowing, distributions and location and number of branch offices. The laws and regulations governing FNB Wiggins generally have been promulgated to protect depositors and the deposit insurance funds, and not for the purpose of protecting shareholders. As a result of an examination that commenced on December 2, 2002, FNB Wiggins, through its Board of Directors, executed a Stipulation and Consent to the Issuance of a Consent Order dated July 9, 2003. The terms of the Consent Order, which is a public document available on the website of the OCC at [www.occ.treas.gov](http://www.occ.treas.gov), may be summarized as follows:

Article I. The FNB Wiggins Board is to establish a compliance committee for monitoring and coordinating FNB Wiggins' adherence to the provisions of the Consent Order. The committee is to consist of not less than three directors, a majority of whom shall not be employees of FNB Wiggins. This committee is to meet at least monthly and provide written monthly reports to the FNB Wiggins Board of Directors and the OCC.

Article II. The FNB Wiggins Board is required to adopt and implement a written strategic plan covering the ensuing three years. The plan shall establish objectives for FNB Wiggins' overall risk profile, earnings performance, growth, balance sheet mix, off balance sheet activities, liability structure, capital adequacy, reduction in value of nonperforming assets, product line development and market segments that FNB Wiggins intends to promote or develop, along with strategies for achieving those objectives. Upon adoption, the plan must be approved by the OCC, and FNB Wiggins shall not deviate significantly from the plan without a written determination of supervisory non-objection from the OCC.

Article III. FNB Wiggins is to achieve and maintain Tier 1 regulatory capital equal to at least 12% of risk weighted assets and Tier 1 regulatory capital equal to 8% of total adjusted assets. In conjunction with achieving and maintaining such capital levels, the FNB Wiggins Board is to develop, implement and insure adherence to a 3-year capital plan detailing specific plans for the maintenance of capital and projections for growth and capital requirements, together with the sources of additional capital. This capital plan shall be submitted to the OCC for approval. If the OCC determines that FNB Wiggins has failed to submit an acceptable capital plan or implement an approved capital plan within stated time limits, FNB Wiggins shall develop a capital contingency plan detailing the FNB Wiggins Board's proposal to sell, merge, or liquidate FNB Wiggins, which must be immediately implemented after its approval by the OCC.

-19-

---

Article IV. The FNB Wiggins Board is to adopt a plan to identify and employ a new senior lending officer to be approved by the OCC.

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

Article V. The FNB Wiggins Board is to develop, implement and insure the adherence of FNB Wiggins to a written program to improve its loan portfolio management and to insure compliance with FNB Wiggins loan policy. In addition, FNB Wiggins is to develop a system to provide for early problem loan identification and management.

Article VI. The FNB Wiggins Board is required to secure an independent and ongoing loan review system to review at least quarterly all loans in FNB Wiggins loan and lease portfolio to assure timely identification and categorization of problem credits. The FNB Wiggins Board is also required to evaluate the loan and lease review report and ensure immediate, adequate, and remedial action is taken upon all finding noted in the report.

Article VII. The FNB Wiggins Board is to review the adequacy of FNB Wiggins reserve for loan and lease losses and shall establish a program for maintenance of the reserve in conformity with regulations of the OCC.

Article VIII. FNB Wiggins is to take immediate and continuing actions to protect its interests in problem assets identified in the Report of Examination, and the FNB Wiggins Board is to adopt, implement, and adhere to a written program to eliminate the basis of criticism of assets criticized in the Report of Examination or any other review.

Article IX. The FNB Wiggins Board is to secure current and satisfactory credit information on all loans lacking such information and to insure that proper collateral documentation is obtained and maintained on all loans.

Article X. The FNB Wiggins Board is to adopt and insure compliance with an independent internal audit program sufficient to detect irregularities in FNB Wiggins operations and internal control systems and to determine the level of compliance with applicable laws, rules and regulations as well as the policies and procedures of FNB Wiggins.

Article XI. The FNB Wiggins Board is to adopt, implement and insure adherence to a written liquidity, asset, and liability management policy. The FNB Wiggins Board is also required to review the liquidity of FNB Wiggins on a monthly basis, and ensure that FNB its asset and liability management committee meets and makes reports to the FNB Wiggins Board at least quarterly.

Article XII. The FNB Wiggins Board is to take all necessary steps to insure correction of any violation of law, rule or regulation cited in the Report of Examination.

Article XIII. The FNB Wiggins Board is required to develop Information Technology Systems ( ITS ) policies and operations procedures in conformity with regulations of the Federal Financial Institutions Examination Council and 12 C.F.R. Part 30, Appendix B, together with an effective and independent internal ITS audit program. The FNB Wiggins Board shall also immediately take all steps necessary to correct each ITS deficiency cited in the Report of Examination.

Article XIV. The FNB Wiggins Board is to develop a written program of policies and procedures, to be approved by the OCC, which will insure compliance with the Bank Secrecy Act and the regulations promulgated thereunder, and will include a comprehensive training program.

Article XV. The FNB Wiggins Board will insure that FNB Wiggins has a capable experienced compliance officer vested with sufficient authority to monitor and insure its compliance with all applicable laws, rules and regulations. This officer shall report directly to the FNB Wiggins Board and shall be independent of management.

-20-

---

Article XVI. The FNB Wiggins Board shall adopt, implement and thereafter insure adherence to a written consumer compliance program designed to insure that FNB Wiggins is operating in compliance with all applicable consumer protection laws, rules and regulations.

FNB Wiggins submitted its capital and strategic plan to the OCC on February 24, 2005. On May 7, 2005, FNB Wiggins received a letter from the OCC determining that its capital plan was not sufficient, and ordering it to sell, merge, or liquidate FNB Wiggins. On July 20, 2005, the FNB Wiggins Board voted to sell, merge, or liquidate FNB Wiggins in accordance with the Consent Order.

### *Capital Adequacy Guidelines Applicable to FNB Wiggins under the Consent Order*

Under the terms of the Consent Order, FNB Wiggins is required to maintain certain capital requirements specific to FNB Wiggins which supersede the regular minimum requirements discussed above. Under Article III of the Consent Order, FNB Wiggins is to achieve and maintain Tier 1 regulatory capital equal to at least 12% of risk weighted assets and Tier 1 regulatory capital equal to 8% of total adjusted assets. In conjunction with achieving and maintaining such capital levels, the FNB Wiggins Board has been required to develop, implement and insure adherence to a 3-year capital plan detailing specific plans for the maintenance of capital and projections for growth and capital requirements,

together with the sources of additional capital. This capital plan was previously submitted to the OCC for approval. In February, 2005 FNB Wiggins received a letter from the OCC determining that its capital and strategic plan was not sufficient, and ordering FNB Wiggins to sell, merge, or liquidate FNB Wiggins.

### *Potential Sale Transactions*

The Bank has been directed by the OCC to seek a potential purchaser of FNB Wiggins as a result of FNB Wiggins' inability to secure OCC approval for the capital and strategic plan pursuant to the Consent Order discussed above. At the present time, FNB Wiggins is not in compliance with Articles II and III requiring OCC approval of a strategic plan and budget. Beginning in June, 2004, FNB Wiggins pursued several potential sale transactions, none of which were fruitful.

In October, 2004 FNB Wiggins submitted a revised strategic and capital plan as requested by the OCC. The revised plan contemplated a strategy to raise capital through a stock offering, and failing that, the plan contemplated the sale, merger, or liquidation of FNB Wiggins. FNB Wiggins began working toward raising additional capital pursuant to a Regulation D offering in December, 2004.

From June, 2004, through February, 2005 FNB Wiggins held discussions with four (4) potential buyers of FNB Wiggins. None of these discussions resulted in offers considered by the FNB Wiggins Board to be fair to FNB Wiggins or its shareholders. In carrying out its fiduciary duties, FNB Wiggins' Board determined that FNB Wiggins and its shareholders would be better served by raising additional capital, and that additional capital could be raised. As noted above, in February, 2005, the OCC, by letter, directed FNB Wiggins to implement the plan to sell, merge, or liquidate FNB Wiggins. Concurrently with receipt of such letter, the only potential buyer who had actually made an offer withdrew its preliminary offer of \$150.00 per share. Therefore, the FNB Wiggins Board was not afforded the opportunity to seriously pursue this offer at the time.

From February through May, 2005, FNB Wiggins attempted to work with the OCC to craft a new strategic and capital plan that would satisfy the OCC's concerns. However, on June 7, 2005, the OCC issued a letter to the FNB Wiggins Board determining that FNB Wiggins was in willful violation of the Consent Order by allegedly failing to implement and adhere to FNB Wiggins' capital contingency plan.

As a result of OCC's June 7, 2005, letter and subsequent statements made by the OCC, and despite having spent substantial time, efforts, and other Bank resources on the stock offering, FNB Wiggins' Board voted on June 28, 2005, to abandon efforts at raising capital and remaining independent and to sell, merge, or liquidate FNB Wiggins. In pursuit of such sale, between June 28, 2005, and late August, 2005, FNB Wiggins solicited a number of bids from potential purchasers in accordance with a timetable mutually agreed to by OCC and the FNB Wiggins Board. After August, 2005, progress to implement the sell, merge, or liquidate directive was practically delayed as a result of the impact of Hurricane Katrina, which directly affected FNB Wiggins' operations, service area, and customers.

-21-

---

On January 6, 2006, Richton Bank & Trust Company, a Mississippi banking corporation having its main office in Richton, Mississippi (RB&T), delivered a Confidential Term Sheet (Richton Letter of Intent) to FNB Wiggins which contained an offer to acquire substantially all of the assets and liabilities of FNB Wiggins through a deposit assumption and asset purchase arrangement. According to the Richton Letter of Intent, the offered acquisition price was \$4,000,000, and the assets purchased would have included all assets reflected on the books of FNB Wiggins as of the date of the acquisitions, with the exception of deferred income tax assets, income tax refunds due FNB Wiggins, certain equipment and software related to data processing operations, and intangible assets on the books of FNB Wiggins. RB&T also agreed to assume all current deposit liabilities, including interest thereon, and any other liabilities selected at the sole discretion of RB&T. Such liabilities would include any liability associated with an asset purchased, but would expressly exclude the existing data processing contract and associated contracts, if any, between FNB Wiggins and Brasfield Technology, LLC, even though RB&T agreed to pay up to fifty percent (50%) of the first \$100,000 of termination fee penalties assessed as a result of FNB Wiggins' termination of the Brasfield Technology, LLC, contract.

FNB Wiggins executed the Richton Letter of Intent on January 20, 2006. However, during March, 2006, the negotiations for a definitive agreement between FNB Wiggins and RB&T stalled, and, on March 17, 2006, FNB Wiggins terminated the Richton Letter of Intent and thereby discontinued those negotiations. That decision of the FNB Wiggins Board of Directors was primarily based on the fact that the structure of the transaction left the shareholders of FNB Wiggins with many liabilities and various assets, including the FNB Wiggins' national bank charter, which were going to be difficult to liquidate after the disposal of all desirable assets and liabilities to RB&T. Additionally, the lack of clarity obtained during the course of negotiations with RB&T with regards to exactly which assets would be purchased and which liabilities would be assumed made it difficult for the FNB Wiggins Board to ascertain the ultimate value that would be received by shareholders of FNB Wiggins as a result of the proposed deposit assumption and asset purchase agreement. The inability to agree on the terms of a definitive agreement with RB&T caused FNB Wiggins to terminate the Richton Letter of Intent. Shortly thereafter, FNB Wiggins began negotiating with The First, and it executed a letter of intent with The First on March 20, 2006 (The First Letter of Intent).

On May 18, 2006, at a special meeting the FNB Wiggins Board met to consider the proposed Merger Agreement, which was largely based upon the terms of The First Letter of Intent. After discussing the Merger Agreement, the Consent Order, the circumstances surrounding the termination of the Richton Letter of Intent, and various other factors relating to the proposed Merger with legal counsel, the FNB Wiggins Board unanimously approved the Merger Agreement.

### Reasons for the Merger.

In reaching its determination that the Merger and Merger Agreement are fair to, and in the best interests of, FNB Wiggins and its shareholders, the FNB Wiggins Board consulted with its legal and financial advisors, as well as with FNB Wiggins' management, and considered a number of factors, including, without limitation, the following:

(a) the FNB Wiggins Board's review, based in part on the presentation by FNB Wiggins' management regarding its due diligence of First Bancshares and The First, of the business, operations, earnings and financial condition of First Bancshares and The First on both a historical and prospective basis, the enhanced opportunities for operating efficiencies (particularly in terms of integration of operations, data processing and support functions, although the FNB Wiggins Board did not quantify such anticipated operating efficiencies) that could result from the Merger, the enhanced opportunities for growth that the Merger would make possible and the respective contributions the parties would bring to a combined institution;

-22-

(b) the FNB Wiggins Board's belief, based upon an analysis of the anticipated financial effects of the Merger, that upon consummation of the Merger, First Bancshares and its banking subsidiary would continue to be well capitalized institutions, the financial positions of which would be in excess of all applicable regulatory capital requirements;

(c) the fact that the value assigned under the terms of the Merger Agreement to the shares of First Bancshares Common Stock which will be received by holders of FNB Wiggins Common Stock is \$19.00, while the actual trading price of shares of First Bancshares Common Stock on the NASDAQ stock market on the date of the Merger Agreement was \$23.20;

(d) the FNB Wiggins Board's belief that, in light of the reasons discussed above, First Bancshares and The First were the most attractive choice as a long-term affiliation partner of FNB Wiggins;

(e) the expectation that the Merger will generally be a tax-free transaction of FNB Wiggins and its shareholders to the extent such shareholders receive shares of First Bancshares Common Stock. See "The Merger - Certain Federal Income Tax Consequences;"

(f) the current and prospective economic and regulatory environment and competitive constraints facing FNB Wiggins and the banking and financial institutions in FNB Wiggins' market area;

(g) the fact that inquiries of 5 other financial institutions regarding a potential business combination did not result in a more favorable proposal than the First Bancshares proposal;

(h) the recent business combinations involving financial institutions, either announced or completed, during the past year in the United States, the State of Mississippi and contiguous states and the effect of such combinations on competitive conditions in FNB Wiggins' market area; and

(i) the terms of the Consent Order and, based on historical efforts of FNB Wiggins since the issuance of the Consent Order, the reasonable likelihood that FNB Wiggins would not reach a more favorable solution to resolve the sell, merge, or liquidate requirements under the Consent Order.

The FNB Wiggins Board considered as potentially negative the fact that FNB Wiggins would no longer be an independent community-based bank owned primarily by local residents, and the fact that certain officers were required to execute retention and non-compete agreements.

The FNB Wiggins Board did not assign any specific or relative weight to the foregoing factors in their considerations. It should be noted that there is no guarantee that any of the positive results listed above will be achieved.

**BASED ON THE FOREGOING, THE FNB WIGGINS BOARD APPROVED THE MERGER AGREEMENT AND UNANIMOUSLY RECOMMENDS THAT THE HOLDERS OF FIRST NATIONAL BANK OF WIGGINS COMMON STOCK VOTE "FOR" APPROVAL OF THE MERGER AGREEMENT.**

## Reasons for the Merger - First Bancshares and The First

The Boards of Directors of First Bancshares and The First believe that by expanding the customer base of The First into the FNB Wiggins service territory, the Merger should enhance the earnings capacity of First Bancshares and The First by enabling The First to deliver products and provide services to that enlarged customer base, and by permitting cost savings through consolidation of operations. In addition, the Boards of Directors of First Bancshares and The First believe that the combination of The First and FNB Wiggins will allow The First and FNB Wiggins to increase overall efficiency and take advantage of economies of scale in several areas. In evaluating the Merger, the Boards of Directors of The First and First Bancshares considered a variety of factors, including the respective results of operations, financial condition and prospects of First Bancshares, The First, and FNB Wiggins; the compatibility and complementary nature of the respective businesses and managerial philosophies of First Bancshares, The First, and FNB Wiggins; and the relative prices paid in recent acquisitions of financial institutions.

-23-

---

## Opinion of Financial Advisor

The FNB Wiggins Board originally retained Southard in March 2006 to serve as its financial advisor in the negotiations with Richton Bank & Trust Company. However, after those negotiations ceased and a letter of intent was received from First Bancshares, the engagement with Southard was continued by verbally substituting First Bancshares for RB&T. Southard subsequently rendered a written fairness opinion, dated July 31, 2006, that the consideration to be paid to FNB Wiggins shareholders by First Bancshares in the Merger is fair from a financial point of view. The fairness opinion, which is included in Exhibit B, should be read in its entirety by FNB Wiggins shareholders.

Southard, as part of its valuation services practice, is regularly engaged to value the securities of banks, issue fairness opinions and assist in other aspects of structuring mergers among financial institutions. FNB Wiggins retained Southard on the basis of its reputation and its experience in evaluating mergers among financial institutions and in representing the institutions in merger transactions. No limitations were imposed by the FNB Wiggins Board with respect to the investigations made or the procedures followed by Southard in rendering its fairness opinion. FNB Wiggins has agreed to pay Southard a fee of \$12,000 for serving as financial advisor and rendering its opinion. FNB Wiggins has agreed to indemnify Southard and its partners, employees, consultants, agents and representatives against certain liabilities, including liabilities under the federal securities laws.

As part of its investigation, Southard reviewed: (1) the Merger Agreement; (2) regulatory financial statements of FNB Wiggins for the periods ended December 31, 2000-05, and March 31, 2006; (3) projected financial statements of FNB Wiggins for 2006; (4) internal financial statements of FNB Wiggins for the period ended June 30, 2006 and certain internal financial information through July 12, 2006; (5) Annual Report, including audited financial statements, of First Bancshares for the years ended December 31, 2003-05; (6) regulatory financial statements of The First for the periods ended December 31, 2001-05, and March 31, 2006; (7) regulatory financial statements of First Bancshares for the periods ended December 31, 2003-05; (8) SEC Form 10-KSB of First Bancshares for the year ended December 31, 2005; (9) SEC Form 10-QSB of First Bancshares for the quarter ended March 31, 2006 and draft summary for the quarter ended June 30, 2006; (10) 2006 Budget of The First; (11) public market pricing data of publicly traded bank holding companies which Southard deemed comparable to First Bancshares; (12) transaction data involving other banks which have been acquired; and (13) public data regarding First Bancshares agreement to merge FNB Wiggins with and into The First.

As part of its engagement, representatives of Southard visited with the management of FNB Wiggins in Wiggins, Mississippi and the management of First Bancshares and The First in Hattiesburg, Mississippi. Factors considered in rendering the opinion included: (1) terms of the Merger Agreement; (2) the arms length process by which the Merger Agreement was negotiated; (3) an analysis of the proposed Merger presented to the Board of Directors; (4) an analysis of the estimated pro forma changes in book value per share, earnings per share, and dividends per share from the perspective of the shareholders of FNB Wiggins; (5) a review of First Bancshares historical financial performance, historical stock pricing, the liquidity of its shares and pricing in relation to other publicly traded bank holding companies; (6) a review of FNB Wiggins historical financial performance and projected financial performance; and (7) tax consequences of the Merger for shareholders of FNB Wiggins.

In connection with rendering its opinion, Southard performed a variety of financial analyses, which are summarized below. Southard believes that its analyses must be considered as a whole and that selection of portions of such analyses and the factors considered therein, without considering all factors and analyses, could create an incomplete view of the analyses and the process underlying Southard's opinion. Also, Southard relied upon management forecasts in rendering its opinion. Southard did not represent or warrant that the actual performance would reflect that which was projected. Southard did not compile nor audit FNB Wiggins or First Bancshares financial statements, nor did Southard independently verify the information reviewed. Southard relied upon such information as being complete and accurate in all material respects. Southard did not make an independent valuation of the loan portfolio, adequacy of the loan loss reserve or other assets or liabilities of either institution. Southard's opinion does not constitute a recommendation to any shareholder as to how the shareholder should vote on the proposed Merger; nor did Southard express any opinion as to the prices at which any security of FNB Wiggins or First Bancshares might trade in the

future.

-24-

**Transaction Summary.** Southard noted that, under the terms of the Merger Agreement, FNB Wiggins' shareholders would receive \$2,076,200 in cash plus 109,274 shares of First Bancshares Common Stock at the stated price of \$19.00 per share. Southard also noted that the total consideration received by FNB Wiggins' shareholders under the terms of the Merger Agreement would be \$4,152,400 less any amount of the Consideration Deductions that is not delivered to the FNB Wiggins' shareholders pursuant to the terms of the Escrow Agreement, which represents approximately 140% of FNB Wiggins' reported common equity as of June 30, 2006 (\$2,971,404). The price to trailing twelve-month earnings is not meaningful, as trailing 12-month earnings were negative (\$415,000) as of June 30, 2006. FNB Wiggins' projected earnings for 2006 were \$188,292; however, earnings in the first half of the year were substantially below projections (loss of \$362,178 versus projected profit of \$26,404).

On the date that Southard rendered its oral opinion to the FNB Wiggins Board, First Bancshares was trading in the vicinity of \$21.60 per share. If the Merger were consummated on that date, the total consideration would be about \$4,436,518, or \$186.97 per share of FNB Wiggins common stock. In such event, the price/book value of the transaction would be approximately 149%.

**Market Transaction Analysis.** Southard reviewed the prices paid for various banks that have been acquired based upon certain available public information as compiled by SNL Securities. Southard noted that most banking transactions are measured in terms of the price/earnings ( P/E ), price/book ( P/B ), and price/assets ( P/A ) ratios. The bank acquisition data was divided into the following groups: (1) aggregate national acquisition data; (2) banks based in the Southeast; (3) banks based in Mississippi; (4) banks with assets under \$100 million; and (5) banks with an equity-to-asset ratio of 6%-8%.

For each group, average and median P/E, P/B, and P/A ratios were calculated for the combined period of calendar year 2005 and the year-to-date period ended July 12, 2006. The average P/B and P/A ratios were then multiplied times FNB Wiggins' respective book value, tangible book value, and assets to develop an overall indicated range for FNB Wiggins. The P/E ratio could not be used due to the losses incurred by FNB Wiggins over the 2005-06 period.

Southard concluded that the P/B and P/A multiples of the market transactions were well above those implied by the Merger. However, this disparity is normally observed in market transactions where the target bank has incurred losses. Further, the implied P/E for FNB Wiggins based upon budgeted earnings is within the observed range. Finally, a review of prior market transactions where the target bank was unprofitable indicated that the pricing of the Merger falls within a reasonable range.

**Pro Forma Analysis of Per Share Data.** Southard analyzed the changes in pro forma dividends per share, earnings per share, and book value per share from the perspective of FNB Wiggins' shareholders. Southard did not represent or warrant that the actual pro forma data reflected in the Proxy Statement/Prospectus mailed to FNB Wiggins' shareholders would reflect that which was developed in its analysis. Southard noted that the proposed terms of the Merger would result in a substantial increase in earnings, book value, and dividends per share for shareholders of FNB Wiggins.

**Discounted Cash Flow Analysis.** A discounted cash flow ("DCF") analysis would normally be prepared to develop an estimate of value shareholders of FNB Wiggins might realize assuming a sale was delayed five years. Indications of value derived using the DCF method reflect interim cash flows (dividends) and a terminal cash flow (the value of FNB Wiggins at the end of the projection period), both discounted to the present at an appropriate required rate of return.

However, FNB Wiggins is currently unprofitable, and FNB Wiggins' management indicated that it did not anticipate paying any dividends in the foreseeable future; thus, no interim cash flows were assumed. Further, it is not prudent to estimate a terminal value since earnings cannot be projected with confidence. Also, it was noted that by delaying a sale in an effort to realize more value that shareholders of FNB Wiggins would run the risk of losing value if market and/or economic conditions changed, if management's projected performance was not achieved, or other such events occurred. Further, FNB Wiggins is under an order from the OCC to sell.

-25-

**Analysis of Liquidity.** FNB Wiggins Common Stock is not listed on an exchange, and there is not an organized trading market for the stock. Thus, the ability to sell FNB Wiggins Common Stock is very limited. Alternatively, First Bancshares Common Stock is listed and traded on the NASDAQ stock market under the symbol FBMS. Therefore, although trading volume of First Bancshares Common Stock is light, the proposed Merger would provide some liquidity for smaller minority shareholders of FNB Wiggins over time. Southard noted that shareholders of FNB Wiggins will collectively own about 4.4% of First Bancshares Common Stock, assuming 109,274 shares of First Bancshares Common Stock are issued to the shareholders of FNB Wiggins.

**Review of First Bancshares.** Using public and other available information, Southard compared the historical financial performance and current market pricing of First Bancshares with publicly traded bank holding companies throughout the U.S., in the South Central U.S., and in Mississippi. Comparisons were also made with institutions having fundamental ratios similar to those of First Bancshares. None of the companies considered in the comparison analysis are identical to First Bancshares. Southard noted that, in general, First Bancshares could be characterized as slightly less profitable than the comparable group medians, but assets and earnings are growing rapidly. Further, based on the current trading range of its stock, First Bancshares has a lower P/E and a higher P/B than the median statistics.

**Other Factors.** Other factors considered by Southard in rendering its opinion included the possibility that shareholders of FNB Wiggins may benefit from a merger with The First given the ongoing industry consolidation. Southard made no representation or warranty, however, that such an event would occur, or if it did occur, that it would occur on favorable terms. Southard also noted the offers and overtures made by other institutions as noted elsewhere in this Proxy Statement/Prospectus. However, the offer made by First Bancshares was superior to any other offers being discussed with other institutions.

## Effective Date

The Merger will be consummated and become effective at the time the Certificate of Merger is filed with the OCC, or as of such later date or time to which First Bancshares, The First and FNB Wiggins agree, which may be specified in the Certificate of Merger. It is expected that the Effective Date will occur on or before September 30, 2006; however, there can be no assurance that the conditions to the Merger will be satisfied or waived so that the Merger can be consummated. See The Merger Regulatory Approvals and The Merger Other Conditions to the Merger.

## Regulatory Approvals

It is a condition to the consummation of the Merger that all required regulatory approvals be obtained. The Merger is subject to prior approval by the OCC under the National Bank Act.

The National Bank Act requires the OCC, when approving a transaction such as the Merger, to take into consideration the financial and managerial resources (including the competence, experience and integrity of the officers, directors and principal shareholders) and future prospects of the existing and proposed institutions and the convenience and needs of the communities to be served. In considering financial resources and future prospects, the OCC will, among other things, evaluate the adequacy of the capital levels of the parties to a proposed transaction.

The National Bank Act prohibits the OCC from approving a merger if it would result in a monopoly or be in furtherance of any combination or conspiracy to monopolize or to attempt to monopolize the business of banking in any part of the United States, or if its effect in any section of the country would be substantially to lessen competition or to tend to create a monopoly, or if it would in any other manner result in a restraint of trade, unless the OCC finds that the anti-competitive effects of a merger are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the communities to be served. In addition, under the Community Reinvestment Act of 1977, as amended, the OCC must take into account the record of performance of the existing institutions in meeting the credit needs of the entire community, including low and moderate-income neighborhoods, served by such institutions.

Applicable U. S. federal law provides for the publication of notice and public comment on applications or notices filed with the OCC and authorizes such agency to permit interested parties to intervene in the proceedings. If an interested party is permitted to intervene, such intervention could delay the regulatory approvals required for consummation of the Merger.

-26-

---

The Merger generally may not be consummated until thirty (30) days (which may be shortened to fifteen (15) days with the consent of the U. S. Department of Justice) following the date of all applicable United States federal regulatory approvals, during which time the U. S. Department of Justice may challenge the Merger on antitrust grounds. The commencement of an antitrust action by the U. S. Department of Justice would stay the effectiveness of the regulatory agency's approval unless a court specifically ordered otherwise.

It is anticipated that OCC approval will be obtained in August, 2006. No other regulatory approvals are required for consummation of the Merger.

## Other Conditions to the Merger

The respective obligations of each party to the Merger Agreement are subject to the following conditions, which may not be waived: (i) approval of the Merger Agreement by the requisite vote of the holders of FNB Wiggins Common Stock, (ii) approval of the Merger by the OCC, (iii) the declared effectiveness of the Registration Statement filed with the SEC, the absence of any stop order with regards to the issuance of First



Bancshares stock, and the receipt of all required state securities and blue sky permits or approvals, (iv) the absence of any order, decree or injunction of a court or agency of competent jurisdiction enjoining or prohibiting consummation of the Merger, and (v) receipt of an opinion of Watkins Ludlam Winter & Stennis, P.A. substantially to the effect that the transactions contemplated by the Merger Agreement will be treated for federal income tax purposes as a tax-free reorganization under Section 368 of the Code.

The obligations of FNB Wiggins under the Merger Agreement are also subject to the following conditions, which may be waived: (i) the representations and warranties of First Bancshares contained in the Merger Agreement shall be true and correct in all material respects as of the date of the Merger Agreement and as of the Closing as though made at and as of the Closing (except as otherwise contemplated by the Merger Agreement), (ii) First Bancshares shall have performed in all material respects all obligations and complied with all covenants required by it under the Merger Agreement prior to the Closing and First Bancshares shall deliver at Closing appropriate certificates setting forth such, (iii) there shall not have occurred any material adverse change from the date of the Merger Agreement to the Closing Date in the financial condition, results of operations or business of First Bancshares and its subsidiaries taken as a whole, and (iv) the receipt of customary legal opinions from counsel to First Bancshares.

The obligations of First Bancshares under the Merger Agreement are also subject to the following conditions, which may be waived: (i) the representations and warranties of FNB Wiggins contained in the Merger Agreement shall be true and correct in all material respects as of the date of the Merger Agreement and as of the Closing as though made at and as of the Closing (except as otherwise contemplated by the Merger Agreement), (ii) FNB Wiggins shall have performed in all material respects all obligations and complied with all covenants required by it under the Merger Agreement prior to the Closing and FNB Wiggins shall deliver at Closing appropriate certificates setting forth such, (iii) there shall not have occurred any material adverse change in the financial condition, results of operations or business of FNB Wiggins (iv) the receipt of customary legal opinions from counsel to FNB Wiggins, (v) any obligations of FNB Wiggins under any employment, incentive or severance agreement with FNB Wiggins employees requiring payments in the event of exercise or sale of FNB Wiggins shall have been fully and completely resolved, canceled and rendered invalid, void and unenforceable and certain officers of FNB Wiggins as determined by First Bancshares shall have executed retention and noncompete agreements between The First and such employee, and (vi) each employee with whom FNB Wiggins has an employment agreement shall have executed and delivered to First Bancshares an amendment to their respective employment agreements or other written arrangements with FNB Wiggins terminating such agreements at the Effective Date.

### Interests of Certain Persons in the Merger

**Tail Insurance.** The Merger Agreement provides that First Bancshares shall permit FNB Wiggins and its directors and officers to purchase insurance (commonly referred to as Tail Insurance ) which will provide post Effective Date coverage for errors and omissions similar to that provided by the directors and officers errors and omissions insurance presently carried by FNB Wiggins. Additionally, The First agrees to reimburse any person that is (1) defined as an insured under the current FNB Wiggins directors and officers errors and omissions insurance, and (2) insured under the Tail Insurance for any expenditures classified as retention or deductible amounts under the policy which are incurred by the insured as a result of any errors or omissions covered by the Tail Insurance.

-27-

---

**Employee Benefits.** The Merger Agreement provides that, after the Effective Date of the Merger, First Bancshares and The First will, subject to compliance with applicable legal and regulatory requirements, use their best efforts to retain FNB Wiggins officers and employees. The First will make reasonable efforts to maintain duties and compensation levels for retained personnel commensurate with the employees experience and qualifications, and in accordance with First Bancshares and The First s salary administration program. With regard to any retained employee, First Bancshares and The First shall be free of any obligation to honor any past agreement of FNB Wiggins to such person. With respect to FNB Wiggins group health and life benefit plan as it relates to its employees, The First shall have the option of either: (a) continuing such plan on and after the Effective Date of the Merger; or (b) discontinuing such plan upon the Effective Date and thereafter, all retained employees will be eligible to participate in The First s group health and life benefit plan based on the provisions in the plan. The ninety (90) day employment period will be waived for eligible retained employees in accordance with The First s plan. The First will waive pre-existing medical conditions for health insurance purposes as to all retained personnel, but only if and to the extent such pre-existing medical conditions were waived under similar plans of Bank as of the date hereof. FNB Wiggins also currently maintains a 401(k) Plan which will remain operative and in effect through the Effective Date of the Merger (the Plan ). At the sole option of The First, the Plan will, as of the Effective Date of the Bank Merger, either (a) be merged with an existing retirement plan of The First, or (b) be terminated and distributed to the participants in accordance with the terms of the Plan after the normal and customary contributions for periods prior to the Effective Date of the Merger have been made consistent with past practices. All retained employees will be eligible to enter The First s 401(k) Plan upon meeting the eligibility requirements set forth in such plan. All retained employees will be granted full credit for all prior service with FNB Wiggins for all purposes, including determining eligibility, under The First s 401(k) Plan. Additionally, all retained employees will be eligible to enter The First s Employee Stock Ownership Plan once that plan becomes effective (which is expected to occur subsequent to the Effective Date) and upon meeting the eligibility requirements thereof. However, any retained employees will not be granted credit for prior service with FNB Wiggins for any purpose, including determining eligibility, under The First s Employee Stock Ownership Plan. Other FNB Wiggins benefit plans will continue through the Effective Date of the Merger. Thereafter, all retained employees will be eligible to participate in all employee benefit plans of The First not discussed above, based on the provisions set forth in the plans.

## Exchange of FNB Wiggins' Certificates

On the Effective Date, each holder of FNB Wiggins Common Stock will cease to have any rights as a shareholder of FNB Wiggins and his or her sole rights will pertain to the right to receive shares of First Bancshares Common Stock and cash to which such holder's shares of FNB Wiggins Common Stock shall have been converted pursuant to the Merger, except for any such shareholder who exercises statutory dissenters rights.

As soon as practicable after the Effective Date, the Exchange Agent will mail to each holder of record of FNB Wiggins Common Stock a letter of transmittal and instructions for effecting the surrender of the stock certificates which, immediately prior to the Effective Date, represented outstanding shares of FNB Wiggins Common Stock in exchange for cash and certificates representing shares of First Bancshares Common Stock. **Shareholders of FNB Wiggins are requested not to surrender their FNB Wiggins certificates for exchange until such letter of transmittal and instructions are received.** Upon surrender of a certificate for exchange and cancellation to the Exchange Agent, together with such letter of transmittal, duly executed, such certificate shall forthwith be cancelled and the holder of such certificate shall be entitled to receive in exchange therefore the following: (a) a certificate representing that number of whole shares of First Bancshares Common Stock, as defined below, to which such holder of FNB Wiggins Common Stock shall have become entitled pursuant to the provisions of the Merger Agreement; and (b) a check representing (i) the amount of cash, as defined below, to which such holder of FNB Wiggins Common Stock shall have become entitled pursuant to the provisions of the Merger Agreement, and (ii) the amount of cash paid to the FNB Wiggins shareholder in lieu of fractional shares, if any.

-28-

---

First Bancshares will not pay former shareholders of FNB Wiggins who become holders of First Bancshares Common Stock pursuant to the Merger any dividends or other distributions that may have become payable to holders of record of First Bancshares Common Stock following the Effective Date until they have surrendered their certificates evidencing ownership of shares of FNB Wiggins Common Stock along with a properly completed letter of transmittal.

Shareholders of FNB Wiggins who cannot locate their certificates are urged to promptly contact Patty Fiveash, Vice President of FNB Wiggins at 124 Border Avenue, Wiggins, Mississippi, telephone number (601) 928-5241. A new certificate will be issued to replace the lost certificate(s) only upon execution by the shareholder of an affidavit certifying that his or her certificate(s) cannot be located and an agreement to indemnify FNB Wiggins and First Bancshares and their transfer agents and registrars against any claim that may be made against FNB Wiggins or First Bancshares by the owner of the certificate(s) alleged to have been lost or destroyed. FNB Wiggins or First Bancshares may also require the shareholder to post a bond in such sum as is sufficient to support the shareholder's agreement to indemnify FNB Wiggins and First Bancshares.

## Amendment; Waiver; Termination

The Merger Agreement may be amended at any time before or after its approval by the shareholders of FNB Wiggins by written agreement of FNB Wiggins, First Bancshares, and The First, except that no amendment may be made after FNB Wiggins' shareholder approval that changes the consideration to be received by FNB Wiggins' shareholders or that by law would require further shareholder approval unless such further shareholder approval is obtained.

The Merger Agreement provides that either party may (i) extend the time for performance of any of the obligations or other acts of the other parties, (ii) waive any inaccuracies in the representations and warranties contained in the Merger Agreement or in any document delivered pursuant to the Merger Agreement, or (iii) waive compliance with any of the agreements or conditions contained in the Merger Agreement other than the satisfaction of all requirements prescribed by law for consummation of the Merger.

The Merger Agreement may be terminated at any time prior to the Effective Date (i) by mutual written consent of the parties, properly authorized by their respective Boards of Directors; (ii) by the Boards of Directors of First Bancshares or FNB Wiggins, in writing, if the Bank Merger shall have not become effective on or before 5:00 p.m. local time on September 30, 2006, unless the absence of such occurrence shall be due to the failure of the party seeking to terminate the Merger Agreement to perform each of its obligations under the Merger Agreement required to be performed by it on or prior to the Effective Date; (iii) by either party to the Merger Agreement, in the event of a breach by the other party (A) of any covenant or agreement contained therein or (B) of any representation or warranty therein, if (1) the facts constituting such breach reflect a material and adverse change in the financial condition, results of operations, business, or prospects taken as a whole, of the breaching party, which in either case cannot be or is not cured within sixty (60) days after written notice of such breach is given to the party committing such breach, or (2) in the event of a breach of a warranty or covenant, such breach results in a material increase in the cost of the non-breaching party's performance of this Agreement; (iv) by either party to the Merger Agreement, at any time after any bank regulatory authority or United States Department of Justice has denied any application for any approval or clearance required to be obtained as a condition to the consummation of the Bank Merger and the time period for all appeals or requests for reconsideration thereof has run; (v) by either party to the Merger Agreement, if the Merger is not approved by the required vote of shareholders of FNB Wiggins; or (vi) by First Bancshares and The First if holders of outstanding FNB Wiggins Common Stock exercise statutory rights of dissent and appraisal pursuant to 12 U.S.C. §§ 215 and

215a, in such numbers as would disqualify the transaction as a nontaxable reorganization under and in accordance with Sections 368(a)(1)(A) and 368(a)(2)(D) of the Code.

-29-

## Conduct of Business Pending the Merger

The Merger Agreement provides that FNB Wiggins will operate its business solely in the ordinary course consistent with prudent business practices and in compliance with all applicable laws, regulations and rules. Without the prior consent of First Bancshares, which shall not be unreasonably withheld, delayed or conditioned, FNB Wiggins shall not: (i) amend or otherwise change its Articles of Association or Bylaws, as each such document is in effect on the date of the Merger Agreement (except to the extent required in order to effect the Merger as contemplated herein); (ii) issue or sell, or authorize for issuance or sale, any shares of FNB Wiggins Common Stock or any additional shares of any class of capital stock of FNB Wiggins; (iii) issue, grant, or enter into any subscription, option, warrant, right, convertible security, or other agreement or commitment of any character obligating FNB Wiggins to issue securities; (iv) declare, set aside, make, or pay any dividend or other distribution with respect to its capital stock; (v) redeem, purchase, or otherwise acquire, directly or indirectly, any of its capital stock respectively; (vi) authorize any capital expenditure(s) which, individually or in the aggregate, exceeds \$10,000; (vii) extend any new, or renew any existing, loan, credit, lease, or other type of financing which individually exceeds \$100,000 or does not meet The First's loan policy requirements except in connection with the workout of loans; provided, however, that The First shall have the right to review on a monthly basis new and existing extensions of credit which individually exceed \$25,000 and all extensions of credit which are past due ninety (90) days or more and still accruing interest or on nonaccrual status; (viii) except in the ordinary course of business, sell, pledge, dispose of, or encumber, or agree to sell, pledge, dispose of, or encumber, any material assets of FNB Wiggins; (ix) excluding normal and customary banking transactions, incur any indebtedness for borrowed money, issue any debt securities, or enter into or modify any contract, agreement, commitment, or arrangement with respect thereto; (x) establish or add any automated teller machines, branches or other banking offices; (xi) take any action that would materially and adversely affect the ability of any party hereto to obtain the regulatory and shareholder approvals necessary for consummation of the transactions contemplated thereby or that would materially and adversely affect FNB Wiggins' ability to perform its covenants and agreements thereunder; (xii) acquire (by merger, consolidation, lease or other acquisition of stock, ownership interests or assets) any corporation, partnership, or other business organization or division thereof, or enter into any contract, agreement, commitment, or arrangement with respect to any of the foregoing, other than in connection with a foreclosure or collection of a debt previously contracted for in good faith; (xiii) enter into, extend, or renew any lease for office or other space; (xiv) except as required by law, enter into, adopt or amend any bonus, profit sharing, compensation, stock option, pension, retirement, deferred compensation, employment, or other employee benefit plan, agreement, trust, fund, or arrangement for the benefit or welfare of any officer, employee or representative of FNB Wiggins; (xv) grant any increase in compensation or benefits to any director, officer, or employee or representative of FNB Wiggins except in the ordinary course of business consistent with past practice; (xvi) other than such amendments and Change of Control Payments (as defined in the Merger Agreement), enter into, amend, or terminate any employment agreement, relationship or responsibilities with any director, officer, or key employee or representative of FNB Wiggins, or enter into, amend, or terminate any employment agreement with any other person otherwise than in the ordinary course of business, or take any action with respect to the grant or payment of any severance, change in control or termination pay except as expressly consented to in writing by Bancshares; (xvii) take any action or omit to take any action which would cause any of FNB Wiggins' representations or warranties in the Merger Agreement to be untrue or misleading in any material respect or any covenant of FNB Wiggins under the Merger Agreement incapable of being performed; or (xviii) agree, in writing or otherwise, to do any of the foregoing.

In addition, FNB Wiggins has agreed that it shall not authorize nor knowingly permit any of its officers, directors, employees, representatives, agents or other persons controlled by FNB Wiggins to directly or indirectly, encourage or solicit or, hold any discussions or negotiations with, or provide any information to, any persons, entity or group concerning any merger, consolidation, sale of substantial assets, sale of shares of capital stock or similar transactions including, without limitation, a tender offer, involving, directly or indirectly, FNB Wiggins (a Third Party Acquisition Proposal) except as contemplated by the Merger Agreement. FNB Wiggins shall promptly communicate to Bancshares the identity and terms of any Third Party Acquisition Proposal which it may receive. As a condition of and as an inducement to First Bancshares and The First entering into the Merger Agreement, FNB Wiggins has covenanted, acknowledged, and agreed that it shall be a specific, absolute, and unconditionally binding condition precedent to FNB Wiggins entering into a letter of intent, agreement in principle, or definitive agreement (whether or not considered binding, non-binding, conditional or unconditional) with any third party with respect to a Third Party Acquisition Proposal, or supporting or indicating an intent to support a Third Party Acquisition Proposal (other than the Merger Agreement and the transactions contemplated hereby), regardless of whether FNB Wiggins has otherwise complied with the non-solicitation provisions of the Merger Agreement, that FNB Wiggins or such third party to the Third Party Acquisition Proposal shall have paid to First Bancshares, as liquidated damages, the sum of One Hundred Seventy-five Thousand Dollars (\$175,000), which sum represents the (i) direct costs and expenses (including, but not limited to, fees and expenses incurred by First Bancshares' financial or other consultants, printing costs, investment bankers, accountants, and counsel) incurred by or on behalf of First Bancshares in negotiating and undertaking to carry out the transactions contemplated by the Merger Agreement; (ii) indirect costs and expenses of First Bancshares in connection with the transactions contemplated by the Merger Agreement, including First Bancshares' management time devoted to negotiation and preparation for the transactions contemplated by the Merger Agreement; and (iii) First Bancshares' loss as a result of the transactions contemplated by the Merger Agreement not being consummated. Notwithstanding anything to the contrary in the non-solicitation provisions of the Merger Agreement, in the event such Third Party Acquisition Proposal should be the result of a hostile takeover of FNB Wiggins, any sums due First Bancshares under the non-solicitation

provisions of the Merger Agreement shall be paid only at the closing of the transactions set forth in such Third Party Acquisition Proposal. First Bancshares has acknowledged that under no circumstances shall any officer or director of FNB Wiggins (unless such officer or director shall have an interest in a potential acquiring party in any Third Party Acquisition Proposal) be held personally liable to First Bancshares or FNB Wiggins for any amount of the foregoing payment. On payment of such amount to First Bancshares, then neither First Bancshares nor The First shall have any cause of action or claim (either in law or equity) whatsoever against FNB Wiggins, or any officer or director of FNB Wiggins, with respect to or in connection with such Third Party Acquisition Proposal or the Merger Agreement, so long as FNB Wiggins, or such person, shall not have intentionally violated the non-solicitation provisions of the Merger Agreement. The requirements, conditions, and obligations imposed by the non-solicitation provisions of the Merger Agreement shall continue in full force and effect from the date of the Merger Agreement until the earlier of (i) the Effective Date, (ii) the date on which the Merger Agreement shall have been terminated mutually by the parties; or (iii) twelve (12) months from the date the Merger Agreement shall have been terminated as a result of a breach by FNB Wiggins, unless the failure to consummate the transactions contemplated by the Merger Agreement by 5:00 p.m. local time on September 30, 2006 results from or is related to pending or threatened litigation arising out of or in connection with the Merger or a Third Party Acquisition Proposal, in which case the date shall be extended to that date which is thirty (30) days after the final termination of such litigation or threatened litigation.

-30-

---

## Resales of First Bancshares Common Stock

The shares of First Bancshares Common Stock to be issued to the holders of FNB Wiggins Common Stock pursuant to the Merger Agreement have been registered under the Securities Act pursuant to a Registration Statement on Form S-4, of which this Proxy Statement/Prospectus is a part, thereby allowing such shares to be freely transferred without restriction by persons who will not be affiliates of First Bancshares or who were not affiliates of FNB Wiggins within the meaning of Rule 145 under the Securities Act. In general, affiliates of FNB Wiggins include its executive officers and directors and any person who controls, is controlled by or is under common control with FNB Wiggins. For the purposes of Rule 145, any shareholder who owns ten percent (10%) or more of the voting stock of a company is presumptively deemed to have control. However, the amount of voting stock owned by a shareholder is not the only factor considered when deciding who has control over a company, and a person may or may not be deemed to have control regardless of how much voting stock they own if other factors apply. Holders of FNB Wiggins Common Stock who are affiliates of FNB Wiggins will not be able to resell the First Bancshares Common Stock received by them in the Merger unless the First Bancshares Common Stock is registered for resale under the Securities Act, is sold in compliance with Rule 145 under the Securities Act, or is sold in compliance with another exemption from the registration requirements of the Securities Act.

Pursuant to Rule 145 under the Securities Act, the sale of First Bancshares Common Stock held by former affiliates of FNB Wiggins will be subject to certain restrictions. Such persons may sell First Bancshares Common Stock under Rule 145 only if (i) First Bancshares has filed all reports required to be filed by it under Section 13 or 15(d) of the Exchange Act during the preceding twelve months, (ii) such First Bancshares Common Stock is sold in a broker's transaction, which is defined in Rule 144 under the Securities Act as a sale in which (a) the seller does not solicit or arrange for orders to buy the securities, (b) the seller does not make any payment other than to the broker, (c) the broker does no more than execute the order and receive a normal commission, and (d) the broker does not solicit customer orders to buy the securities, and (iii) such sale and all other sales made by such person within the preceding three months do not exceed the greater of (a) 1% of the outstanding shares of First Bancshares Common Stock or (b) the average weekly trading volume of First Bancshares Common Stock on the New York Stock Exchange during the four-week period preceding the sale. Any affiliate of FNB Wiggins who is not an affiliate of First Bancshares after the Merger may sell First Bancshares Common Stock without restriction one year after the Effective Date; provided that First Bancshares has filed all reports required to be filed by it under Section 13 or 15(d) of the Exchange Act during the preceding twelve months.

-31-

---

FNB Wiggins has agreed to use its best efforts to cause each of its directors and executive officers and each person who is deemed to be an affiliate under the Securities Act to enter into an agreement not to sell shares of First Bancshares Common Stock received by him or her in violation of the Securities Act or the rules and regulations of the Commission thereunder.

## Expenses and Fees

Except for the breach of the non-solicitation provisions discussed above by FNB Wiggins, in which case FNB Wiggins shall be liable to First Bancshares in an amount equal to said economic damages in addition to First Bancshares' and the First's out of pocket expenses incurred in connection with the transactions contemplated by the Merger Agreement, including but not limited to its reasonable attorney fees and accountant fees and in addition to any payments otherwise due to Bancshares pursuant to the non-solicitation provisions, each party to the Merger Agreement has agreed to pay all costs, fees and expenses which it has incurred in connection with or incidental to the matters contained in the Merger Agreement, including without limitation any fees and disbursements to its accountants and counsel. First Bancshares has agreed to prepare the applications, regulatory filings and Registration Statement necessary to obtain approval of the Merger and the issuance of the First Bancshares Common Stock. FNB Wiggins has agreed to be responsible for the cost of its accountants and legal counsel and will bear all costs related to conducting its stockholders' meetings and obtaining stockholders' approval of the Merger.

## Certain Federal Income Tax Consequences

The following discussion of the principal federal income tax consequences of the Merger is based on provisions of the Code, the regulations thereunder, judicial authority, and administrative rulings and practice as of the date hereof, any of which is subject to change. Consummation of the Merger is conditioned on the receipt by First Bancshares, The First, and FNB Wiggins of an opinion of Watkins Ludlam Winter & Stennis, P.A., counsel to First Bancshares and The First, to the effect that the Merger will be treated, for federal income tax purposes, as a tax-free reorganization under Section 368(a) of the Code.

Shareholders of FNB Wiggins will not recognize any gain or loss upon the exchange of their FNB Wiggins Common Stock to the extent that they receive First Bancshares Common Stock in return. The aggregate tax basis of First Bancshares Common Stock received by such a holder in exchange for FNB Wiggins Common Stock will equal such holder's tax basis in the FNB Wiggins Common Stock surrendered less any cash received by such a holder as a result of the transaction. If such shares of FNB Wiggins Common Stock are held as capital assets at the Effective Date, the holding period of the First Bancshares Common Stock received will include the holding period of the FNB Wiggins Common Stock surrendered therefor. Shareholders of FNB Wiggins should consult their tax advisors as to the determination of their tax basis and holding period in any one share of First Bancshares Common Stock, as several methods of determination may be available.

As discussed above, a portion of each share of FNB Wiggins Common Stock will be exchanged by holders for the Cash Element. Any shareholder of FNB Wiggins who receives cash pursuant to the Merger will recognize a gain or loss equal to the difference between the amount of cash received for that portion of the FNB Wiggins Common Stock and the basis of that portion of the FNB Wiggins Common Stock. Any such gain or loss recognized on such redemption will typically be treated as capital gain or loss if the FNB Wiggins Common Stock was held as a capital asset.

To avoid the expense and inconvenience to First Bancshares of issuing fractional shares, no fractional shares of First Bancshares Common Stock will be issued pursuant to the Merger. Any shareholder of FNB Wiggins who receives cash pursuant to the Merger in lieu of a fractional share interest will generally recognize capital gain or loss on such a deemed redemption of the fractional share in an amount determined by the difference between the amount of cash received for such fractional share and the shareholder's tax basis in the fractional share.

Shareholders of FNB Wiggins who perfect dissenters' rights and receive cash in exchange for their FNB Wiggins Common Stock will be treated, under Code Sections 302(a) and 302(b)(3), as receiving such payment in complete redemption of the FNB Wiggins Common Stock subject to the proceeding, provided that such shareholder does not actually or constructively own (under Code Section 318) any FNB Wiggins Common Stock after the redemption. Such deemed redemption may also be subject to Section 302(a) of the Code if such deemed redemption is substantially disproportionate with respect to the FNB Wiggins shareholder who exercises dissenters' rights, or is not essentially equivalent to a dividend, with the result that a shareholder who exercises dissenters' rights will recognize gain or loss equal to the difference between the amount realized and such shareholder's tax basis in the FNB Wiggins Common Stock subject to the proceeding. Any such gain or loss recognized on such redemption will be treated as capital gain or loss if the FNB Wiggins Common Stock with respect to which dissenters' rights were exercised was held as a capital asset. Each FNB Wiggins shareholder who contemplates exercising dissenters' rights should consult a tax advisor as to the possibility that all or a portion of the payment received pursuant to the dissenters' rights proceeding will be treated as dividend income.

-32-

---

Unless an exemption applies under the applicable law and regulations, the Exchange Agent will be required to withhold federal and/or state income taxes from any cash payments to which a shareholder or other payee is entitled pursuant to the Merger unless the shareholder or other payee provides its taxpayer identification number (social security number or employer identification number) and certifies that such number is correct. Each shareholder and, if applicable, each other payee should complete and sign the substitute Form W-9 included as part of the letter of transmittal so as to provide the information and certification necessary to avoid backup withholding, unless an applicable exemption exists and is established in a manner satisfactory to First Bancshares and the Exchange Agent.

**THE FOREGOING IS A SUMMARY OF THE MATERIAL FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER WITHOUT REGARD TO THE PARTICULAR FACTS AND CIRCUMSTANCES OF EACH FNB WIGGINS SHAREHOLDER. SHAREHOLDERS OF FNB WIGGINS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE SPECIFIC TAX CONSEQUENCES TO THEM OF THE MERGER, INCLUDING THE APPLICABILITY AND EFFECT OF FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX LAWS.**

## DISSENTERS' RIGHTS

The following summary of applicable provisions of federal law governing the rights of FNB Wiggins' shareholders is qualified in its entirety by reference to Exhibit C. Any shareholder of FNB Wiggins entitled to vote on the Merger Agreement has the right to receive payment of the fair value of his shares of FNB Wiggins Common Stock upon compliance with 12 U.S.C. &sect;&sect; 215 and 215a.

## Filing Vote Against or Dissent from the Merger and Filing of Dissenter's Request

An FNB Wiggins shareholder may not dissent as to less than all of the shares that he beneficially owns. A nominee or fiduciary may not dissent on behalf of any beneficial owner as to less than all of the shares of such beneficial owner held of record by such nominee or fiduciary. A beneficial owner asserting dissenters' rights to shares held on his behalf must submit to FNB Wiggins the written consent of the record shareholder of FNB Wiggins to the dissent not later than the time the beneficial shareholder asserts dissenters' rights. Any FNB Wiggins shareholder intending to enforce this right must vote against the Merger Agreement or must file written notice of his or her dissent from the Merger Agreement with the presiding officer of the Meeting either before the Meeting or at the Meeting. Such dissenting shareholder shall then be entitled to receive the value of the share so held by him or her when the Merger shall be approved by the OCC upon written request made to The First (Dissenter's Request) at any time before thirty (30) days after the date of consummation of the Bank Merger, accompanied by the surrender of his or her stock certificates. The Dissenter's Request must state that the FNB Wiggins shareholder intends to demand payment for his or her shares of FNB Wiggins Common Stock. A vote against approval of the Merger Agreement will not, in and of itself, constitute a Dissenter's Request satisfying the requirements of 12 U.S.C. &sect;&sect; 215 and 215a. A failure to vote will not constitute a waiver of appraisal rights as long as the requirements of 12 U.S.C. &sect;&sect; 215 and 215a are complied with. **However, any FNB Wiggins shareholder who executes a proxy card and who desires to pursue his appraisal rights must mark the proxy card Against the proposal relating to the Merger because if the proxy card is left blank, it will be voted For the proposal relating to the Merger.**

-33-

---

## Appraisal

The value of the shares of any dissenting shareholder shall be ascertained, as of the Effective Date of the Merger, by an appraisal made by a committee of three (3) persons, composed of (1) one person selected by the vote of the holders of the majority of the FNB Wiggins Common Stock, the owners of which are entitled to payment in cash in accordance with dissenters' rights; (2) one person selected by the directors of The First; and (3) one person selected by the two so selected. The valuation agreed upon by any two of the three appraisers shall govern. If the value so fixed shall not be satisfactory to any dissenting shareholder who has requested payment, that shareholder may, within five (5) days after being notified of the appraised value of his or her shares, appeal to the OCC, who shall cause a reappraisal to be made which shall be final and binding as to the value of the shares of the appellant. If, within ninety (90) days from the date of consummation of the Merger, for any reason one or more of the appraisers is not selected as provided above, or the appraisers fail to determine the value of such shares, the OCC shall, upon written request of any interested party, cause an appraisal to be made which shall be final and binding on all parties. The expenses of the OCC in making the reappraisal or the appraisal, as the case may be, shall be paid by The First. The value of the shares ascertained shall be promptly paid to the dissenting shareholders by The First. The shares of stock of First Bancshares which would have been delivered to such dissenting shareholders had they not requested payment shall be sold by First Bancshares at an advertised public auction, and First Bancshares shall have the right to purchase any of such shares at such public auction, if it is the highest bidder therefor, for the purpose of reselling such shares within thirty (30) days thereafter to such person or persons and at such price not less than par as its board of directors by resolution may determine. If the shares are sold at public auction at a price greater than the amount paid to the dissenting shareholders, the excess in such sale price shall be paid to such dissenting shareholders.

**The foregoing is a summary of all applicable provisions of the National Bank Act which shareholders must comply with to exercise their dissenters' rights. This summary is not intended to be a complete statement of such provisions, and is qualified in its entirety by reference to such sections, which are included as Exhibit C hereof.**

## Notices

Prior to the Effective Date, dissenting shareholders of FNB Wiggins should send any communications regarding their rights to Patty Fiveash, Vice President, FNB Wiggins, 124 Border Avenue, Wiggins, Mississippi, 39577. On or after the Effective Date, dissenting FNB Wiggins shareholders should send any communications regarding their rights to Chandra B. Kidd, Corporate Secretary, First Bancshares, Inc., 6480 U.S. Hwy 98 West, Hattiesburg, Mississippi 39402. All such communications should be signed by or on behalf of the dissenting FNB Wiggins shareholder in the form in which his or her shares are registered on the books of FNB Wiggins. First Bancshares and The First have the right to terminate the Merger Agreement if the number of shares of FNB Wiggins Common Stock as to which holders thereof are legally entitled to assert Dissenters' Rights equals a number that would disqualify the transaction as a nontaxable reorganization under and in accordance with Sections 368(a)(1)(A) and 368(a)(2)(D) of the Code. See The Merger Amendment; Waiver; Termination.

**ANY FNB WIGGINS SHAREHOLDER WHO DESIRES TO EXERCISE DISSENTERS' RIGHTS SHOULD CAREFULLY REVIEW THE NATIONAL BANK ACT AND IS URGED TO CONSULT SUCH SHAREHOLDER'S LEGAL ADVISOR BEFORE EXERCISING OR ATTEMPTING TO EXERCISE SUCH RIGHTS.**

## COMPARATIVE RIGHTS OF SHAREHOLDERS

FNB Wiggins is a national bank organized under the laws of the United States and First Bancshares is a business corporation incorporated in the State of Mississippi. If the Merger is consummated, holders of FNB Wiggins Common Stock, whose rights as shareholders are currently governed by federal law and by the FNB Wiggins Articles of Association and Bylaws, will, upon consummation of the Merger, become shareholders of First Bancshares and their rights as such will be governed by Mississippi law and by First Bancshares' Articles of Incorporation (the First Bancshares Articles) and Bylaws.

-34-

---

Certain significant differences between the rights of holders of FNB Wiggins Common Stock and holders of First Bancshares Common Stock are set forth below. This summary is not intended to be relied upon as an exhaustive list or a detailed description of the provisions discussed and is qualified in its entirety by the National Bank Act and the Mississippi Business Corporation Act (MBCA) and by the Articles of Association and Bylaws of FNB Wiggins and the Articles of Incorporation and Bylaws of First Bancshares, respectively, to which holders of FNB Wiggins Common Stock are referred.

### Voting Rights; Cumulative Voting

**FNB Wiggins.** Generally, each outstanding share of FNB Wiggins' common stock is entitled to one vote on each matter submitted to a vote. However, FNB Wiggins' Bylaws and the National Bank Act provide that in the election of directors, each shareholder entitled to vote has the right to vote in person or by proxy the number of shares owned by him for as many persons as there are directors to be elected for whose election he has a right to vote, or to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his shares shall equal, or by distributing such votes on the same principle among any number of candidates. Holders of FNB Wiggins Common Stock do not have cumulative voting rights in the election of directors.

**First Bancshares.** Pursuant to the MBCA and First Bancshares' Bylaws, each outstanding share of First Bancshares stock is entitled to one vote on each matter submitted to a vote. Holders of First Bancshares Common Stock do not have cumulative voting rights. Article 2.6 of the First Bancshares Bylaws provides that unless otherwise required by the MBCA or the Articles, all classes or series of First Bancshares shares entitled to vote generally on a matter shall for that purpose be considered a single voting group.

### Limitations on Directors' and Officers' Liability

**FNB Wiggins.** FNB Wiggins' Articles of Association and Bylaws provide for indemnification or reimbursement of its directors and executive officers by FNB Wiggins, for reasonable expenses actually incurred in connection with any action, suit, or proceeding to which he or they are made a party by reason of being or having been a director, officer, or employee of FNB Wiggins, subject to certain exceptions.

**First Bancshares.** Article 7 of First Bancshares' Articles of Incorporation provide that no director of First Bancshares shall be personally liable to the Corporation or its shareholders for monetary damages for breach of fiduciary duty as a director, except for any appropriation in violation of fiduciary duties of any business opportunity; for acts or omissions not in good faith or involving intentional misconduct or a knowing violation of law, under Section 79-4-8.33 of the MBCA, or for any transaction from which the director derived an improper personal benefit. Article 8 of First Bancshares' Bylaws provide for indemnification of Directors and Officers as discussed below under the caption Indemnification.

### Supermajority Voting Requirements; Business Combinations or Control Share Acquisition

**FNB Wiggins.** FNB Wiggins' Articles of Association and Bylaws are silent as to supermajority voting requirements. However, 12 U.S.C. §§ 215 and 215a and require for any Merger of FNB Wiggins with another institution to be ratified and confirmed by the affirmative vote of its shareholders owning at least two-thirds (2/3) of its capital stock outstanding.

**First Bancshares.** The MBCA states that in the absence of a greater requirement in the articles of incorporation, a sale, lease, exchange, or other disposition of all, or substantially all, a corporation's property requires approval by a majority of the shares entitled to vote on the transaction. The First Bancshares Articles of Incorporation do not provide for a greater than majority vote on such a transaction.

The First Bancshares Articles of Incorporation do include a Control Share Acquisition provision requiring any person who plans to acquire a control block of stock (generally defined as 10%) to obtain approval by the majority vote of disinterested shareholders or the affirmative vote of 75% of eligible members of the Board of Directors in order to vote the control shares. If a control share is made without first obtaining this approval, all stock beneficially owned by the acquiring person in excess of 10% will be considered excess stock and will not be entitled to vote.

---

Any person who proposes to make or has made a control share acquisition may deliver a statement to First Bancshares describing the person's background and the control share acquisition and requesting a special meeting of shareholders of First Bancshares to decide whether to grant voting rights to the shares acquired in the control share acquisition. The acquiring person must pay the expenses of this meeting. If no request is made, the voting rights to be accorded the shares acquired in the control share acquisition shall be presented to the next special or annual meeting of the shareholders. If the acquiring person does not deliver his or her statement to First Bancshares, it may elect to repurchase the acquiring person's shares at fair market value. Control shares acquired in a control share acquisition are not subject to redemption after an acquiring person's statement has been filed unless the shares are not accorded full voting rights by the shareholders.

### **Removal of Directors**

**FNB Wiggins.** FNB Wiggins' Articles of Association and Bylaws are silent as to removal of directors.

**First Bancshares.** Article 11 of First Bancshares' Articles of Incorporation provide that no director of First Bancshares may be removed except by the shareholders for cause; provided that directors elected by a particular voting group may be removed only by the shareholders in that voting group for cause. Article 3.3 of First Bancshares Bylaws provide further that removal action may only be taken at a shareholders' meeting for which notice of the removal action has been given. A removed director's successor may be elected at the same meeting to serve the unexpired term.

### **Board of Directors**

**FNB Wiggins.** All members of the FNB Wiggins Board are elected annually.

**First Bancshares.** Under Article 10 of the First Bancshares Articles of Incorporation, the Board of Directors of First Bancshares is divided into three classes—Class I, Class II, and Class III as nearly equal in numbers of directors as possible. Article 3.2 of the Bylaws establishes a minimum of 9 directors, and a maximum of 25 directors. At present there are 6 Class I directors, 6 Class III directors, and 5 Class II directors. The terms of the Class III directors will expire at the 2007 Annual Shareholders' Meeting. The terms of the Class I directors will expire at the 2008 Annual Shareholders' Meeting. The terms of the Class II directors will expire at the 2009 Annual Shareholders' Meeting.

### **Vacancies in the Board of Directors**

**FNB Wiggins.** Under FNB Wiggins' Articles of Association and Bylaws, any vacancy may be filled by action of the FNB Wiggins Board.

**First Bancshares.** Under First Bancshares' Bylaws, any vacancy, may be filled for the unexpired term by the affirmative vote of a majority of the remaining directors, provided that, if the vacant office was held by a director elected by a particular voting group, only the shares of that voting group or the remaining directors elected by that voting group shall be entitled to fill the vacancy; and further provided that, if the vacant office was held by a director elected by a particular voting group, the other remaining directors or director (elected by another voting group or groups) may fill the vacancy during an interim period before the shareholders of the vacated director's voting group act to fill the vacancy.

### **Amendment of the Articles of Incorporation or Bylaws**

**FNB Wiggins.** Amendments of the FNB Wiggins Articles of Association require the vote of the holders of a majority of the outstanding shares of FNB Wiggins Common Stock. The FNB Wiggins Bylaws may be altered, amended or repealed and new bylaws may be adopted at any regular meeting of the FNB Wiggins Board by a majority vote of the whole number of directors.



**First Bancshares.** Under the MBCA, the board of directors has the power to amend or repeal the bylaws of a Mississippi corporation such as First Bancshares, unless such power is expressly reserved for the shareholders. Article 10 of First Bancshares Bylaws provide that the Bylaws may be amended, altered, or repealed by the Board of Directors, except with regard to the provisions establishing the number of directors and process for removal of directors, which may only be amended by the affirmative vote of holders of outstanding shares entitled to more than 80% of the votes entitled to be cast on the alteration, amendment, or repeal.

-36-

---

Amendments to the Articles of Incorporation that result in dissenters' rights require the affirmative vote of a majority of the outstanding shares entitled to vote on the amendment. Otherwise, the Articles of Incorporation may be amended by a majority vote of the shares present at a meeting where a quorum is present.

### **Special Meetings of Shareholders**

**FNB Wiggins.** FNB Wiggins' Bylaws authorize the FNB Wiggins Board or any three or more shareholders who hold at least 25% of the issued and outstanding shares of FNB Wiggins Common Stock to call a special meeting of shareholders. Such a call shall state the purpose or purposes of the proposed special meeting.

**First Bancshares.** Under First Bancshares' Bylaws, special meetings of the shareholders, for any purpose or purposes, may be called by the Chairman of the Board, the Chief Executive Officer, or the Board of Directors, or within 75 days of a written request of shareholders holding in the aggregate 10% or more of the total voting power entitled to vote on an issue. Such a request must state the purpose or purposes of the proposed special meeting.

### **Shareholder Proposals and Nominations**

**FNB Wiggins.** The FNB Wiggins Bylaws do not contain any provisions regarding shareholder proposals and nominations.

**First Bancshares.** First Bancshares' Bylaws provide procedures that must be followed to properly nominate candidates for election as directors. At least 60 days prior to the Annual Meeting, or 10 days after notice of the Annual Meeting is provided to shareholders, notice must be given to the Secretary of First Bancshares if a shareholder intends to nominate an individual for election to the Board of Directors or propose any shareholder action. These Bylaw provisions also require information to be supplied about both the shareholder making such nomination or proposal and the person nominated.

### **Authorized Capital**

**FNB Wiggins.** The authorized capital stock of FNB Wiggins consists of 50,000 Shares, \$10 Par Value Common Stock.

**First Bancshares.** First Bancshares has 10,000,000 shares of authorized Common Stock, \$1.00 par value, and authority to issue up to 10,000,000 shares of Preferred Stock, \$1.00 par value, with such preferences, limitations, and relative rights as determined by the Board of Directors. No shares of preferred stock are currently issued and outstanding.

### **Indemnification**

**FNB Wiggins.** FNB Wiggins' Articles of Association and Bylaws provide for indemnification or reimbursement of its directors and executive officers by FNB Wiggins, for reasonable expenses actually incurred in connection with any action, suit, or proceeding to which they are made a party by reason of being or having been a director, officer, or

employee of FNB Wiggins, subject to certain exceptions. The exceptions are that no person shall be so indemnified or reimbursed in relation to any matter in such action, suit, or proceeding: 1) as to which he shall finally be adjudged to have been guilty of or liable for gross negligence, willful misconduct, or criminal acts in the performance of his duties to FNB Wiggins; or 2) which has been made the subject of a compromise settlement except with the approval of a court of competent jurisdiction, or the holders of record of a majority of the outstanding shares of FNB Wiggins, or the Board of Directors acting by vote of directors not parties to the same or substantially the same action, suit, or proceeding, constituting a majority of the whole number of directors. These rights are not exclusive of other rights FNB Wiggins is entitled to as a matter of law.

-37-

---

**First Bancshares.** Section 79-4-8.50 through 79-4-8.59 of the MBCA provide First Bancshares with broad powers and authority to indemnify its directors and officers and to purchase and maintain insurance for such purposes and mandate the indemnification of First Bancshares directors under certain circumstances. First Bancshares Articles of Incorporation also provide it with the power and authority, to the fullest extent legally permissible under the MBCA, to indemnify its directors and officers, persons serving at the request of the First Bancshares or for its benefit as directors or officers of another corporation, and persons serving as First Bancshares representatives or agents in certain circumstances. Pursuant to such authority and the provisions of First Bancshares Articles of Incorporation, First Bancshares intends to purchase insurance against certain liabilities that may be incurred by it and its officers and directors.

The Articles of Incorporation of First Bancshares contain a provision which, subject to certain exceptions described below, eliminates the liability of a director or officer to it or its shareholders for monetary damages for any breach of duty as a director or officer. This provision does not eliminate such liability to the extent the director or officer engaged in willful misconduct or a knowing violation of criminal law or of any federal or state securities law, including, without limitation, laws proscribing insider trading or manipulation of the market for any security.

Under its Bylaws, First Bancshares must indemnify any person who becomes subject to a lawsuit or proceeding by reason of service as a director of First Bancshares or The First or any other corporation which the person served as a director at the request of First Bancshares. Except as noted in the next paragraph, directors are entitled to be indemnified against judgments, penalties, fines, settlements, and reasonable expenses actually incurred by the director in connection with the proceeding. Directors are also entitled to have First Bancshares advance any such expenses prior to final disposition of the proceeding, upon delivery of (1) a written affirmation by the director of his good faith belief that the standard of conduct necessary for indemnification has been met, and (2) a written undertaking to repay the amounts advanced if it is ultimately determined that the standard of conduct has not been met.

Under the Bylaws, indemnification will be disallowed if it is established that the director appropriated, in violation of his duties, any business opportunity of First Bancshares, engaged in acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, approved dividends or other distributions in violation of the MBCA, or engaged in any transaction in which the director derived an improper personal benefit. In addition to the Bylaws of First Bancshares, the MBCA requires that a corporation indemnify a director who was wholly successful, on the merits or otherwise, in the defense of any proceeding to which he or she was a party because he is or was a director of the corporation against reasonable expenses incurred by him or her in connection with the proceeding. The MBCA also provides that, upon application of a director, a court may order indemnification if it determines that the director is entitled to such indemnification under the applicable standard of the MBCA.

The Board of Directors of First Bancshares also has the authority to extend to officers, employees, and agents the same indemnification rights held by directors, subject to all of the accompanying conditions and obligations. The Board of Directors has extended or intends to extend indemnification rights to all of its executive officers.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers, and controlling persons of First Bancshares pursuant to the Articles of Incorporation or Bylaws, or otherwise, First Bancshares has been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

### INFORMATION CONCERNING FNB WIGGINS

FNB Wiggins is a national banking association organized in 1973 under the National Bank Act. The principal executive offices of FNB Wiggins are located at 124 Border Avenue, Wiggins, Mississippi 39577.

---

## Business

FNB Wiggins was established in 1973 as a federally chartered national banking association under the name of First National Bank of Wiggins. It has no subsidiaries.

## Competition

The principal market for FNB Wiggins is Stone County, Mississippi. It has historically drawn the bulk of its customers from this area.

Stone County has seven (7) offices of four commercial banks and one credit union. FNB Wiggins offers traditional depository services including checking accounts, certificates of deposit, and savings accounts.

FNB Wiggins is subject to intense competition in all aspects of its activities. As a lender, FNB Wiggins competes not only with other banks, but also with savings and loan associations, mortgage companies, credit unions, finance companies, insurance companies and brokerage companies. FNB Wiggins must compete for savings and time deposits with other banks, savings and loan associations, credit unions, money market and mutual funds, and issuers of commercial paper, securities and various forms of fixed and variable income investments. The primary competitive factors in the marketplace for deposits and loans are interest rates paid and interest rates charged, along with related services.

FNB Wiggins has historically operated as a community oriented bank and management believes that there has been a market niche for FNB Wiggins in the services offered by a community financial institution, particularly in the area of originating and servicing mortgage loans.

FNB Wiggins compares favorably with competing financial institutions in terms of prices, interest rates, and hours of operation. The range of services is, of necessity, more narrow than other larger financial institutions. FNB Wiggins' operating strategies have been and will continue to be developed to respond to the economic conditions prevailing in its market area.

## Dividends on Common Stock

As discussed elsewhere in this Prospectus/Proxy Statement, until FNB Wiggins has fully complied with the OCC's Consent Order and its earnings and capital levels support such activities, FNB Wiggins may not declare or pay dividends on its common stock.

## Liability and Asset Management

Liabilities of FNB Wiggins are represented almost entirely by customers' deposit balances including demand deposits and interest bearing accounts. In managing its liabilities, FNB Wiggins has attempted to attract customers who, assuming rates are competitive, would be inclined to maintain an ongoing relationship with FNB Wiggins, and in the case of maturing savings certificates, would tend to renew or reinvest their deposits with FNB Wiggins.

Assets of FNB Wiggins consist primarily of loans and investment securities. In order to maintain a high degree of liquidity and minimize fluctuations in the interest margin (the difference between interest income and interest expense), management endeavors to maintain loans and investment securities which are generally similar to the maturity distribution of FNB Wiggins' deposit liabilities.

Since the majority of FNB Wiggins' deposits have a maturity of six months or less, FNB Wiggins invests the majority of its investable funds (funds not put into loans) in readily marketable assets, such as Federal Funds and short-to-intermediate term issues of the United States government and its agencies. Interest rates on many loans are negotiated on a variable rate basis, especially when the loan maturity is in excess of one year. By pricing loans on a variable rate structure or selling on the secondary market long term fixed rate mortgages, and by maintaining loan maturities and investments of a relatively short term, FNB Wiggins attempts to maintain a relatively consistent interest rate margin.

---

## Employees

FNB Wiggins employs sixteen (16) full-time equivalent employees and seven (7) part-time employees.

## Properties

FNB Wiggins owns its main office. FNB Wiggins Operations Center, adjacent to the Main Office, is also owned by FNB Wiggins. Management considers the properties to be adequate for the needs of FNB Wiggins.

## Legal Proceedings

FNB Wiggins, in the usual and ordinary conduct of its business, becomes involved from time to time in litigation, both as plaintiff and as defendant. FNB Wiggins is currently a defendant in a lawsuit filed by Centon Bancorp, Inc., and Richton Bank & Trust Company in the Circuit Court of Stone County, Mississippi, on May 24, 2006, as discussed earlier in this Proxy Statement/Prospectus (See Summary Recent Developments ). None of the legal proceedings to which FNB Wiggins is now a party is deemed to be likely to have any material effect upon it or its operations

## Supervision and Regulation *General*

FNB Wiggins, as a national bank, is a member of the Federal Reserve System. Its deposit accounts are insured by the Deposit Insurance Fund of the Federal Deposit Insurance Corporation ( FDIC ) up to the maximum legal limits of the FDIC, and it is subject to regulation, supervision and regular examination by the OCC and the FDIC. The regulations of these various agencies govern most aspects of FNB Wiggins business, including required reserves against deposits, loans, investments, mergers and acquisitions, borrowing, distributions and location and number of branch offices. The laws and regulations governing FNB Wiggins generally have been promulgated to protect depositors and the deposit insurance funds, and not for the purpose of protecting shareholders.

### *Interest Rate Risk*

Banking is a business which depends on interest rate differentials. In general, the differences between the interest paid by a bank on its deposits and its other borrowings and the interest received by a bank on loans extended to its customers and securities held in its investment portfolio constitute the major portion of FNB Wiggins earnings. However, due to recent deregulation of the industry, the banking business is becoming increasingly dependent on the generation of fees and service charges.

The earnings and growth of FNB Wiggins are subject to the influence of economic conditions generally, both domestic and foreign, and also to the monetary and fiscal policies of the United States and its agencies, particularly the Federal Reserve Board, which regulates the supply of money through various means including open market dealings in United States government securities. The nature and timing of changes in such policies and their impact on FNB Wiggins cannot be predicted.

### *Capital Adequacy Guidelines*

FNB Wiggins is generally subject to capital adequacy guidelines adopted by the various federal banking regulatory agencies for use in their examination and regulation of banks. **While the General Capital Adequacy Guidelines discussed below are applicable to all banks, FNB Wiggins is presently subject to more stringent and specific capital requirements contained in the OCC's Consent Order dated July 9, 2003.** See Business of the Bank Governmental Supervision and Regulation Consent Order.

-40-

---

### *General Capital Adequacy Guidelines*

Banks generally are expected to meet certain capital guidelines which employ two measures of capital: (1) a Leverage Capital Ratio (comparing capital to total balance sheet assets), and (2) a Risk Based Capital Ratio (comparing capital to risk weighted assets and off balance sheet activity). **While the General Capital Adequacy Guidelines discussed herein are applicable to all banks, FNB Wiggins is presently subject to more stringent and specific capital requirements contained in the OCC's Consent Order dated July 9, 2003, and discussed under Capital Adequacy Guidelines Applicable to FNB Wiggins under the Consent Order below.**

The federal banking regulators, including the OCC, have adopted leverage capital guidelines under which the most highly-rated banks under the Uniform Interagency Bank Rating System are expected to maintain a minimum Leverage Capital Ratio (core capital (Tier 1) to total adjusted assets) of 3.0%. All other banks are required to meet a minimum Leverage Capital Ratio of at least 4% to 5%. As of December 31, 2003, and December 31, 2004, FNB Wiggins Leverage Capital Ratio was 8.0% and 7.1% respectively, in each case above the regulatory minimum requirement, but in 2004 slightly below the amount of capital required by the Consent Order. As of December 31, 2005, FNB Wiggins Leverage Capital Ratio was 6.45%, again above the regulatory minimum requirement, but slightly below the amount of capital required by the Consent Order.

The federal banking regulators have also adopted risk based capital adequacy guidelines which are used to determine the adequacy of capital based on the risk inherent in various classes of assets and off-balance sheet items. Under these guidelines, banks are expected to meet a minimum ratio of core capital (Tier 1) to risk weighted assets of 4.0% and a minimum ratio of total qualifying capital (the sum of core capital (Tier 1) and supplementary capital (Tier 2)) to risk weighted assets of 8%.

Tier 1 Capital generally consists of the sum of common stockholders' equity plus a certain portion of perpetual preferred stock, less intangible assets. Tier 2 Capital consists primarily of the excess of any perpetual preferred stock which is not included in Tier 1 Capital, mandatory convertible securities, subordinated debt and general reserves for loan losses.

The risk-weighted asset base is determined by adjusting the assets of the bank under the risk-based capital guidelines to take into account different risk characteristics. Assets are assigned to one of four risk categories: these are 0%, 20%, 50% and 100%. Off-balance sheet items (for example, standby letters of credit) also are adjusted to take into account certain risk characteristics through a two-step process. First, the amount of the off-balance sheet item is multiplied by a credit conversion factor of either 0%, 20%, 50% or 100%. Then, the result is assigned to one of the four risk categories. A bank's risk-weighted assets equal the sum of the aggregate dollar values of assets and off-balance sheet items in each risk category, after multiplied by the weight assigned to that category.

### *Capital Adequacy Guidelines Applicable to FNB Wiggins under the Consent Order*

Under the terms of the Consent Order, FNB Wiggins is required to maintain certain capital requirements specific to FNB Wiggins which supersede the regular minimum requirements discussed above. Under Article III of the Consent Order, FNB Wiggins is to achieve and maintain Tier 1 regulatory capital equal to at least 12% of risk weighted assets and Tier 1 regulatory capital equal to 8% of total adjusted assets. In conjunction with achieving and maintaining such capital levels, the FNB Wiggins Board was required to develop, implement and insure adherence to a 3-year capital plan detailing specific plans for the maintenance of capital and projections for growth and capital requirements, together with the sources of additional capital, which had to be submitted to the OCC for approval. However, the failure of the FNB Wiggins Board to develop an OCC approved capital plan was its motivation for deciding to merge with another institution.

As of December 31, 2003, the Tier 1 Leverage capital ratio of FNB Wiggins was 8.2%; the Tier 1 Risk-Weighted Capital ratio of FNB Wiggins was 12.2% and the Total Risk-Based capital ratio of FNB Wiggins was 13.5%, in each case above the regulatory minimum requirement, and slightly above the requirements of the Order. As of December 31, 2004, the Tier 1 Leverage capital ratio of FNB Wiggins was 7.1%; the Tier 1 Risk-Weighted Capital ratio of FNB Wiggins was 11.7% and Total Risk-Based capital ratio of FNB Wiggins was 13.0%, slightly below the requirements of the Order. As of December 31, 2005, the Tier 1 Leverage capital ratio of FNB Wiggins was 6.45%; the Tier 1 Risk-Weighted Capital ratio of FNB Wiggins was 12.18% and Total Risk-Based capital ratio of FNB Wiggins was 13.36%, **slightly below the requirements of the Order. At present, FNB Wiggins is not compliant with the capital requirements of the Consent Order applicable to FNB Wiggins.**

-41-

---

### *Loan Loss Reserves*

FNB Wiggins is required by the FDIC and the OCC to maintain an adequate reserve for loan and lease losses. Management of FNB Wiggins is responsible for devising a monitoring system which adequately assesses the losses each period and maintains an adequate reserve. This reserve is funded by charges to FNB Wiggins' income. The charges adversely impact income irrespective of actual losses.

During the due diligence review of FNB Wiggins, The First determined that an additional \$400,000 was needed in the allowance for loan losses of FNB Wiggins. This determination was reached after reviewing approximately 50% of the loan portfolio, applying the more conservative loan classification standards of The First to those loans reviewed, and extrapolating the results to the remainder of the loan population. The review revealed that an additional allowance of approximately \$400,000 was needed. This additional provision was primarily related to: (1) loans that would be downgraded under the loan classification standards of The First but were previously rated as pass by FNB Wiggins; (2) loans with capitalized interest; (3) charge-offs that would have been taken under the loan classification standards of The First; and (4) loans with insufficient documentation to justify their current classification. As a result, The First requested that an additional provision for loan losses of \$400,000 be recorded by FNB Wiggins and reflected in its June 30, 2006, call report, which was filed with the FDIC. FNB Wiggins complied with this request, and the additional provision is reflected within the June 30, 2006, financial information that is part of this Prospectus/Proxy Statement. However, the recording of this additional provision does not mean that the prior loan loss allocation used by FNB Wiggins according to its methodology was insufficient. It reflects a difference in the loan classification standards of The First and FNB Wiggins. Additionally, the additional provision will have no effect on the Merger Consideration received by holders of FNB Wiggins Common Stock under the terms of the Merger Agreement.

For more information on loan loss reserves for the periods ended December 31, 2003, December 31, 2004, and December 31, 2005, see FNB WIGGINS' MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Allowance for Loan Losses for the respective periods below.

### *Enforcement Authority*

Federal banking law grants substantial enforcement powers to federal banking regulators. This enforcement authority includes, among other things, the ability to assess civil money penalties, to issue cease-and-desist or removal orders and to initiate injunctive actions against banking organizations and institution-affiliated parties. In general, these enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. Other actions or inactions may provide the basis for enforcement action, including misleading regulatory authorities or the untimely filing of reports.

### *Additional Regulation*

FNB Wiggins is subject to Federal Reserve regulations which, among other things, require it to maintain reserves against transaction accounts (primarily checking accounts), money market deposit accounts and nonpersonal time deposits. Because reserves generally must be maintained in cash or in noninterest-bearing accounts, the effect of the reserve requirements is to increase the cost of funds for FNB Wiggins.

In addition to the specific laws affecting banks and the regulations promulgated by the OCC, FNB Wiggins will also be subject to general state laws (including, for example, usury laws which govern interest rates and other finance charges collectible by FNB Wiggins on loans) except to the extent any such laws may be preempted by federal law.

-42-

---

### *Future Deregulation*

FNB Wiggins is subject to laws and regulations which impose specific requirements or restrictions on and provide for general regulatory oversight with respect to virtually all aspects of operations. The operations of FNB Wiggins may be affected by legislative changes and changes in the policies of various regulatory authorities. FNB Wiggins is unable to predict the nature or the extent of the effect on its business and earnings that fiscal or monetary policies, economic control, or new federal or state legislation may have in the future.

### *Consent Order*

As a result of an examination of FNB Wiggins by the OCC that commenced on December 2, 2002, FNB Wiggins, through its Board of Directors, executed a Stipulation and Consent to the Issuance of a Consent Order dated July 9, 2003. The terms of the Consent Order, which is a public document available on the website of the OCC at [www.occ.treas.gov](http://www.occ.treas.gov), is on page 8.

The Bank remains in noncompliance with the Consent Order. As noted, FNB Wiggins is obligated by the Consent Order to achieve and maintain certain minimum regulatory capital ratios. **At present, FNB Wiggins is not compliant with the capital requirements of the Consent Order and has been ordered to sell, merge, or liquidate FNB Wiggins.** The previous capital plan of FNB Wiggins calling for increase of capital by sale of the stock offered hereby was not approved by the OCC. Failure of the Bank to comply with the requirements of the Consent Order has resulted in an Order by the OCC to sell or liquidate FNB Wiggins.

## **FNB WIGGINS'**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION**

### **AND RESULTS OF OPERATIONS**

The following discussion and analysis of the financial condition and results of operations of FNB Wiggins should be read in conjunction with the consolidated financial statements, accompanying footnotes and other supplemental financial information appearing elsewhere in this Proxy Statement/Prospectus.

### **Forward Looking Statements**

This Proxy Statement/Prospectus prepared by FNB Wiggins, as well as other filings, reports and press releases made or issued by FNB Wiggins, and oral statements made by executive officers of FNB Wiggins, may include forward-looking statements relating to such matters as (a) assumptions concerning future economic and business conditions and their effect on the economy in general and on the markets in which FNB Wiggins does business, and (b) expectations for increased revenues and earnings for FNB Wiggins through improved operations, attraction of new deposit and loan customers and the introduction of new products and services. Such forward-looking statements are based on assumptions

rather than historical or current facts and, therefore, are inherently uncertain and subject to risk.

### Results of operations, 2005 compared to 2004

The Bank reported a net loss of \$242,631 for the year ended December 31, 2005 compared to net loss of \$611,025 for the year ended December 31, 2004.

Interest income was \$2,547,684 for the year ended December 31, 2005, up from \$2,487,104 for the year ended December 31, 2004. Interest expense was \$1,060,558 for the year ended December 31, 2005, compared to \$1,205,691 for the previous year.

Non-interest income for the year ended December 31, 2005 decreased to \$299,749 from \$540,023 for the prior year ended December 31, 2004. Non-interest expense decreased to \$1,910,989 from \$2,136,836 for December 31, 2005 and 2004, respectively.

-43-

Salaries decreased to \$638,588 for the year ended December 31, 2005, compared to \$724,796 for the prior year.

FNB Wiggins provision for loan losses charged to operations was decreased to \$118,419 for the year ended December 31, 2005, down from \$287,187 for the year ended December 31, 2004.

For the year ended December 31, 2005, FNB Wiggins incurred no income tax expense as compared to \$8,438 for the year ended December 31, 2004.

**Changes in Financial Position and Liquidity** - For the year ended December 31, 2005, total assets increased to \$51,039,282 from \$47,435,468 at December 31, 2004.

**Allowance for Loan Losses** - FNB Wiggins maintains its allowance for loan losses at a level that is considered sufficient to absorb potential losses in the loan portfolio. The estimate of the loan loss allowance and provision for loan losses is determined by management after considering the following factors: (1) analytical review of the loan loss experience in relations to outstanding loans; (2) internal review of problem loans and overall portfolio quality; (3) examinations of the loan portfolio conducted by state and federal supervisory authorities; (4) management's judgment with respect to current and expected economic conditions and their impact on the loan portfolio and borrower's ability to pay; and (5) the relationship of the reserve for possible loan losses to outstanding loans.

FNB Wiggins continues to make significant efforts to strengthen the loan portfolio through sound lending practices and careful monitoring of existing loans. The allowance for loan losses decreased to \$308,876 at December 31, 2005 compared to \$975,122 at December 31, 2004. Management regularly reviews the level of the allowance for possible loan losses and believes it is adequate to absorb estimated probable loan losses at December 31, 2005. The following is a summary of activity in the allowance for loan losses for each of the past two years:

	2005	2004
Beginning Balance	\$975,122	\$1,306,123
Charge-offs	(894,018)	(780,855) (1)
Recoveries	109,353	162,667 (2)
Net recoveries (charge-offs)	(784,665)	(618,188)
Provision for loan losses	118,419	287,187
Ending Balance	\$308,876	\$975,122

Pursuant to the Consent Order discussed above, FNB Wiggins is required to develop, implement and insure Bank adherence to a written program to improve FNB Wiggins loan portfolio management and to insure compliance with its loan policy. In addition, FNB Wiggins is to develop a system to provide for early problem loan identification and management. The FNB Wiggins Board is also required to secure an independent and ongoing loan review system to review at least quarterly all loans in FNB Wiggins loan and lease portfolio to assure timely identification and categorization of problem credits, and to review the adequacy of the FNB Wiggins reserve for loan and lease losses and shall establish a program for maintenance of the reserve in conformity with regulations of the OCC.

-----  
 (1) This includes charge-offs for commercial, real estate, and consumer loans, as well as approximate charge-offs of other types of loans including agricultural finance loans, obligations of states and subdivisions, and other loans.

(2) This includes approximately \$10,000 in recoveries for other loans including agricultural finance of states and political subdivisions, and other loans.

-44-

---

During the year ended December 31, 2005, FNB Wiggins decreased its provision for loan losses charged to operations to \$118,419 from \$287,187 during the prior year. The allowance for loan losses decreased during the year ended December 31, 2005 to \$308,876 from \$975,122 for the prior year.

**Results of operations, 2004 compared to 2003**

The Bank reported a net loss of \$611,025 for the year ended December 31, 2004 compared to net loss of \$79,153 for the year ended December 31, 2003. The increased loss can be attributed largely to loan losses experienced during 2004.

Interest income was \$2,487,104 for the year ended December 31, 2004, down from \$2,970,816 for the year ended December 31, 2003. Interest expense was \$1,205,691 for the year ended December 31, 2004, compared to \$1,439,893 for the previous year.

Non-interest income for the year ended December 31, 2004 increased to \$540,023, up from \$520,901 for the prior year ended December 31, 2003. Non-interest expense increased to \$2,136,836 from \$2,043,043 for December 31, 2004 and 2003, respectively.

Salaries were reduced to \$724,796 for the year ended December 31, 2004, compared to \$737,867 for the prior year.

FNB Wiggins provision for loan losses charged to operations was increased substantially to \$287,187 for the year ended December 31, 2004, up from \$87,934 for the year ended December 31, 2003. This increase was due primarily to the FNB Wiggins continued recognition and charge-off of doubtful loans, the process discussed in more detail below under Allowance for Loan Losses.

For the year ended December 31, 2004, FNB Wiggins incurred income tax expense in the amount of \$8,438, compared to no such expense during 2003.

**Changes in Financial Position and Liquidity** - For the year ended December 31, 2004, total assets decreased to \$47,435,468 from \$50,334,566 at December 31, 2003.

**Allowance for Loan Losses** - FNB Wiggins maintains its allowance for loan losses at a level that is considered sufficient to absorb potential losses in the loan portfolio. The estimate of the loan loss allowance and provision for loan losses is determined by management after considering the following factors: (1) analytical review of the loan loss experience in relations to outstanding loans; (2) internal review of problem loans and overall portfolio quality; (3) examinations of the loan portfolio conducted by state and federal supervisory authorities; (4) management's judgment with respect to current and expected economic conditions and their impact on the loan portfolio and borrower's ability to pay; and (5) the relationship of the reserve for possible loan losses to outstanding loans.

FNB Wiggins continues to make significant efforts to strengthen the loan portfolio through sound lending practices and careful monitoring of existing loans. The allowance for loan losses decreased to \$975,122 at December 31, 2004 compared to \$1,306,123 at December 31, 2003. Management regularly reviews the level of the allowance for possible loan losses and believes it is adequate to absorb estimated probable loan losses at December 31, 2004. The following is a summary of activity in the allowance for loan losses for each of the past two years:

2004	2003
-----	



## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

Beginning Balance	\$1,306,123	\$1,497,498
Charge-offs	(\$780,855)	(474,388) (3)
Recoveries	162,667	195,079 (4)
Net recoveries (charge-offs)	(618,188)	(279,309)
Provision for loan losses	287,187	87,934
Ending Balance	975,122	\$1,306,123

(3) This includes charge-offs for commercial, real estate, and consumer loans, as well as approximate charge-offs of other types of loans including agricultural finance loans, obligations of states and subdivisions, and other loans.

(4) This includes approximately \$10,000 in recoveries for other loans including agricultural finance loans of states and political subdivisions, and other loans.

-45-

Pursuant to the Consent Order discussed above, FNB Wiggins is required to develop, implement and insure Bank adherence to a written program to improve FNB Wiggins' loan portfolio management and to insure compliance with its loan policy. In addition, FNB Wiggins is to develop a system to provide for early problem loan identification and management. The FNB Wiggins Board is also required to secure an independent and ongoing loan review system to review at least quarterly all loans in FNB Wiggins' loan and lease portfolio to assure timely identification and categorization of problem credits, and to review the adequacy of the FNB Wiggins' reserve for loan and lease losses and shall establish a program for maintenance of the reserve in conformity with regulations of the OCC.

During the year ended December 31, 2004, FNB Wiggins increased its provision for loan losses charged to operations to \$287,187 from \$87,934 during the prior year. Despite the FNB Wiggins' increase in its provision for loan losses, its allowance for loan losses decreased during the year ended December 31, 2004 to \$975,122 from \$1,306,123 for the prior year. This overall decrease in allowance for loan losses was attributed to substantially more charge-offs during 2004 than in the prior year as a result of the FNB Wiggins' implementation of higher scrutiny in its loan quality review procedures.

### Interest Rate Risk

FNB Wiggins is subject to liquidity and interest rate risks related to the composition of its interest bearing assets and liabilities.

### Capital Adequacy

Under the terms of the Consent Order, FNB Wiggins is required to maintain certain capital requirements specific to FNB Wiggins which supercede the capital adequacy guidelines generally applicable to all banks and discussed above under the subheading *General Capital Adequacy Guidelines*. Under Article III of the Consent Order, FNB Wiggins is to achieve and maintain Tier 1 regulatory capital equal to at least 12% of risk weighted assets and Tier 1 regulatory capital equal to 8% of total adjusted assets. In conjunction with achieving and maintaining such capital levels, the FNB Wiggins Board is to develop, implement and insure adherence to a 3-year capital plan detailing specific plans for the maintenance of capital and projections for growth and capital requirements, together with the sources of additional capital. This capital plan shall be submitted to the OCC for approval.

As of December 31, 2003, the Tier 1 Leverage capital ratio of FNB Wiggins was 8.2%; the Tier 1 Risk-Weighted Capital ratio of FNB Wiggins was 12.2% and the Total Risk-Based capital ratio of FNB Wiggins was 13.5%, in each case above the regulatory minimum requirement, and slightly above the requirements of the Consent Order. As of December 31, 2004, the Tier 1 Leverage capital ratio of FNB Wiggins was 7.1%; the Tier 1 Risk-Weighted Capital ratio of FNB Wiggins was 11.7% and Total Risk-Based capital ratio of FNB Wiggins was 13.0%, slightly below the requirements of the Consent Order. As of December 31, 2005, the Tier 1 Leverage capital ratio of FNB Wiggins was 6.45%; the Tier 1 Risk-Weighted Capital ratio of FNB Wiggins was 12.18% and Total Risk-Based capital ratio of FNB Wiggins was 13.36%, **slightly below the requirements of the Consent Order. At present, FNB Wiggins is not compliant with the capital requirements of the Consent Order**

applicable to FNB Wiggins.

-46-

## Regulatory Matters

See discussion under "Consent Order" at "Business of the Bank - Supervision and Regulation" above.

The conditions imposed on FNB Wiggins by the Consent Order and by ongoing capital adequacy and other regulatory requirements effectively restrict its ability to increase its assets and deposit base, expand its operations, make acquisitions or pay dividends until FNB Wiggins has fully complied with the Order and its earnings and capital levels support such activities. Although management does not expect FNB Wiggins to experience future operating losses at the levels incurred in prior years, there can be no assurance that continued losses and further depletion of the FNB Wiggins' capital will not occur. Any future losses could significantly impact FNB Wiggins' ability to continue to meet its capital requirements. If FNB Wiggins does not meet its capital requirements or otherwise fully comply with the Consent Order, FNB Wiggins could be subject to further restrictions or enforcement actions by regulatory authorities.

## SECURITY OWNERSHIP OF PRINCIPAL SHAREHOLDERS AND MANAGEMENT

### Stock Ownership of Management

The following table sets forth certain information as of December 31, 2005, with respect to the beneficial ownership of the FNB Wiggins' shares owned by its Directors and Executive Officers individually and in the aggregate. Except as otherwise indicated, each director and executive officer has sole voting and investment power with respect to the shares shown on the table.

Title of Class	Name	# of Shares Beneficially Owned	Percent of Class (1)
Common	Robert Regan, Jr.	3,046	12.84%
Common	John M. White	2,332	9.83%
Common	H. F. Campbell	4,078	17.19%
Common	Gerald Price	965	4.07%
Common	Durwood Stephens	674	2.84%
Common	Benoyd H. Bell, Jr.	125	0.53%
Directors and Executive Officers as a Group		11,220	47.29%

-----  
(1) Calculated based on 23,728 shares outstanding on December 31, 2005.

Effective as of December 31, 2003, directors and other insiders of FNB Wiggins purchased 3,728 shares of bank common stock for an aggregate purchase price of \$745,600 (\$200 per share). This was done in order that the additional capital resulting from the sale of these shares could be reflected in the financial statements of FNB Wiggins as of Year End 2003.

-47-

### Stock Ownership of Principal Shareholders

The following table sets forth those persons or entities who, as of December 31, 2005, owned of record or beneficially, directly or indirectly, 5% or more of the outstanding common stock of FNB Wiggins.

Title of Class	Name	# of Shares Beneficially Owned	Percent of Class (1)
----------------------	------	--------------------------------------	----------------------------

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

Common	Robert Regan, Jr.	3,046	12.84%
Common	Dana R. Parsons and Parsons Family	3,014	12.70%
Common	John M. White	2,332	9.83%
Common	H. F. Campbell	4,078	17.19%
Common	Earl Danzey Estate	1,473	6.21%

-----  
(1) Calculated based on 23,728 shares outstanding on December 31, 2005. Each of these individuals purchased additional shares at year-end 2003 as noted above.

### LEGAL OPINION

Watkins Ludlam Winter & Stennis, P.A., of Jackson, Mississippi will render its opinion that the shares of First Bancshares Common Stock to be issued in connection with the Bank Merger have been duly authorized and, if and when issued pursuant to the terms of the Merger Agreement, will be validly issued, fully paid and non-assessable.

### EXPERTS

The balance sheets of FNB Wiggins as of December 31, 2004, and December 31, 2003, and the consolidated statements of the operations, stockholders' equity, and cash flows of FNB Wiggins for the years then ended have been included in this Proxy Statement/Prospectus in reliance on the report of independent auditors T. E. Lott & Company, given on the authority of that firm as an expert in accounting and auditing.

The consolidated balance sheets of First Bancshares as of December 31, 2005 and December 31, 2004, and the consolidated statements of operations, stockholders' equity, and cash flows of First Bancshares for the same time periods have been included in this Proxy Statement/Prospectus and in the Registration Statement in reliance on the report of independent registered public accounting firm T.E. Lott & Company, given on the authority of that firm as an expert in accounting and auditing.

### OTHER MATTERS

As of the date of this Proxy Statement/Prospectus, the FNB Wiggins Board knows of no matters which will be presented for consideration at the Meeting other than as set forth in the notice of such Meeting attached to this Proxy Statement/Prospectus. However, if any other matters shall come before the Meeting or any adjournment thereof and be voted upon, the enclosed proxy shall be deemed to confer discretionary authority to the individuals named as proxies therein to vote the shares represented by such proxy as to any such matters, except that, with respect to shares voting against approval of the Merger Agreement, this discretionary authority will not be used to vote for adjournment of the meeting in order to permit further solicitation of proxies.

-48-

---

EXHIBIT A

AGREEMENT AND PLAN OF MERGER

By And Among

THE FIRST BANCSHARES, INC.  
Hattiesburg, Mississippi

THE FIRST, A NATIONAL BANKING ASSOCIATION

Hattiesburg, Mississippi

And

FIRST NATIONAL BANK OF WIGGINS

Wiggins, Mississippi

Dated as of May 19, 2006

---

ARTICLE 1.	DEFINITIONS.....
1.1	"Agreement".....
1.2	"Acquisition Related Expenses".....
1.3	"Bancshares".....
1.4	"Bank".....
1.5	"Business Day".....
1.6	"Change of Control Payments".....
1.7	"Closing".....
1.8	"Effective Date".....
1.9	"FNB Wiggins".....
1.10	"FRB".....
1.11	"OCC".....
1.12	"Party".....
1.13	"Person".....
ARTICLE 2.	THE MERGER AND RELATED MATTERS.....
2.1	Bank Merger.....
2.2	Effect of Bank Merger.....
ARTICLE 3.	CONVERSION OF STOCK.....
3.1	Conversion of FNB Wiggins Stock.....
a.	Bancshares Common Stock.....
b.	Merger Consideration.....
c.	Treasury Shares.....
3.2	Exchange of Certificates Representing FNB Wiggins Common Stock.....
a.	Exchange Fund.....
b.	Transmittal Letter.....
c.	No Dividends on FNB Wiggins Certificates not Exchanged.....
d.	No Transfers after Closing.....
e.	No Fractional Shares Issued.....
f.	Failure to Surrender FNB Wiggins Certificates.....
g.	Escheat.....
h.	Lost Certificates.....
3.3	Adjustment of Exchange Ratio.....
ARTICLE 4.	ACCOUNTING AND TAX MATTERS.....
4.1	Affiliates.....
4.2	Tax Representations.....
ARTICLE 5.	FNB WIGGINS' COVENANTS AND AGREEMENTS.....
5.1	Operation of Business.....
5.2	Preservation of Business.....
5.3	Insurance.....
5.4	Stockholders' Meeting.....
5.5	Property Transfers.....
5.6	FNB Wiggins Financial and Other Reports.....
5.7	Due Diligence.....
5.8	No Solicitation.....

Exhibit A-1

---

ARTICLE 6.	REPRESENTATIONS AND WARRANTIES OF FNB WIGGINS.....
6.1	Organization and Authority.....
6.2	Authorization.....
6.3	Capital Structure of FNB Wiggins.....
6.4	Ownership of Other Entities.....
6.5	FNB Wiggins Financial Statements and Other Reports.....
6.6	No Material Adverse Change.....
6.7	Tax Liability.....
6.8	Tax Returns: Payment of Taxes.....
6.9	Litigation and Proceedings.....
6.10	Brokers' or Finders' Fees.....
6.11	Contingent Liabilities.....
6.12	Title to Assets; Adequate Insurance Coverage.....
6.13	Liabilities.....
6.14	Loans.....
6.15	Allowance for Loan Losses.....
6.16	Investments.....
6.17	Information for Registration and Proxy Statement.....
6.18	Commitments and Contracts.....
6.19	Employee Plans.....
6.20	Plan Liability.....
6.21	Vote Required.....
6.22	Continuity of Interest.....
6.23	Continuity of Business Enterprise.....
6.24	Environmental Matters.....
6.25	Accuracy of Information.....
6.26	Compliance with Laws and Contracts.....
6.27	Stock Ownership.....
ARTICLE 7.	BANCSHARES' REPRESENTATIONS AND WARRANTIES.....
7.1.	Organization and Authority.....
7.2	Shares Fully Paid and Non Assessable.....
7.3	Authorization.....
7.4	No Violation.....
7.5	No Material Adverse Change.....
7.6	Loans.....
7.7	Litigation.....
7.8	Contingent Liabilities.....
7.9	Allowances for Possible Loan Losses.....
7.10	Benefit Plans.....
7.11	Financial Statements.....
7.12	Disclosure.....
7.13	Title to Assets; Adequate Insurance Coverage.....
7.14	Tax Liability.....
7.15	Tax Returns: Payment of Taxes.....

Exhibit A-2

---

ARTICLE 8.	BANCSHARES' COVENANTS AND AGREEMENTS.....
8.1	Conduct of Business.....
8.2	Due Diligence.....
8.3	Registration Statement.....
8.4	Continuity of Business Enterprise.....
8.5	Indemnification; Insurance.....
ARTICLE 9.	CONDITIONS TO CLOSING.....

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

9.1 Conditions to Each Party's Obligations to Effect the Bank Merger.....  
a. Stockholder Approval.....  
b. Regulatory Approvals.....  
c. Registration Statement.....  
d. No Restraining Action.....  
e. Tax Opinion.....  
9.2 Conditions to Obligations of FNB Wiggins to Effect the Bank Merger.....  
a. Representations and Warranties.....  
b. Performance of Obligations.....  
c. No Material Adverse Change.....  
d. Legal Opinion.....  
9.3 Conditions to Obligations of Bancshares to Effect the Bank Merger.....  
a. Representations and Warranties.....  
b. Performance of Obligations.....  
c. No Material Adverse Change.....  
d. Legal Opinion.....  
e. Resolution of Change in Control Payments; Execution of Retention Agree.....  
f. Termination of Employment Agreements.....

ARTICLE 10 CLOSING.....  
10.1 Closing.....  
10.2 Deliveries at Closing.....

ARTICLE 11. EMPLOYMENT MATTERS.....  
11.1 Employees.....  
11.2 Retirement Plan.....  
11.3 Other Benefit Plans.....  
11.4 Notices.....

ARTICLE 12. REMEDIES.....  
12.1 Parties' Joint Remedies.....  
12.2 Joint Remedies for Unintentional Breach.....  
12.3 FNB Wiggins' Remedies.....  
12.4 Bancshares' Remedies.....  
12.5 Attorney Fees.....

ARTICLE 13. TERMINATION.....  
13.1 Termination.....  
a. Mutual Consent.....  
b. Expiration of Time.....  
c. Breach of Representation, Warranty or Covenant.....  
d. Regulatory Approval.....  
e. Shareholder Approval.....  
f. Dissenters.....

ARTICLE 14. APPRAISAL RIGHTS.....

Exhibit A-3

---

ARTICLE 15. MISCELLANEOUS.....  
15.1 Entire Agreement.....  
15.2 Appointment of Representative.....  
15.3 Survival of Representations, Warranties and Agreements.....  
15.4 Headings.....  
15.5 Counterparts.....  
15.6 Governing Law.....  
15.7 Successors: No Third Party Beneficiaries.....  
15.8 Modification; Assignment.....  
15.9 Notice.....  
15.10 Waiver.....

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

15.11	Costs, Fees and Expenses.....
15.12	Press Releases.....
15.13	Severability.....
15.14	Mutual Covenant of Best Efforts and Good Faith.....

### EXHIBITS:

Exhibit A	Bank Merger Agreement
Exhibit B	Form of Affiliate Agreement
Exhibit C	Statement of Representations
Exhibit D	Form of Joinder of Shareholders
Exhibit E	Escrow Agreement

### SCHEDULES:

Schedule 3.1(b)	FNB Wiggins' Loan Package
Schedule 5.1(p)	FNB Wiggins' Change of Control Payments
Schedule 6.9	FNB Wiggins' Litigation and Proceedings
Schedule 6.11	FNB Wiggins' Contingent Liabilities
Schedule 6.12	FNB Wiggins' Title to Assets; Adequate Insurance Coverage
Schedule 6.18(a)	FNB Wiggins' Employment Contracts
Schedule 6.18(b)	FNB Wiggins' Arrangements with Officers, Directors, Employees, and Consultants
Schedule 6.24	FNB Wiggins' Environmental Matters
Schedule 7.6	Bancshares' Loans Subject to Counterclaims
Schedule 7.7	Bancshares' Litigation
Schedule 7.8	Bancshares' Contingent Liabilities
Schedule 7.13	Bancshares' Title to Assets; Adequate Insurance Coverage
Schedule 11.1	Officers and Employees of FNB Wiggins Not Retained

## Exhibit A-4

---

### AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (the "Agreement"), dated as of the 19th day of May, and between FIRST NATIONAL BANK OF WIGGINS, Wiggins, Mississippi, a national banking association or "Seller"), THE FIRST, A NATIONAL BANKING ASSOCIATION, Hattiesburg, Mississippi ("Bank BANCSHARES, INC., Hattiesburg, Mississippi, a Mississippi corporation and registered bank ("Bancshares").

The Boards of Directors of FNB Wiggins, Bank and Bancshares have duly approved this Agreement and authorized the execution hereof by their respective Presidents. FNB Wiggins has directed that this Agreement be submitted to a vote of its shareholders, in accordance with 12 U.S.C. §§ 215 and 215a and the Bank's Charter Agreement.

In consideration of their mutual promises and obligations, the Parties hereto have entered into this Agreement for the merger of FNB Wiggins with and into Bank with Bank as the survivor and presuccessor, on the conditions of such merger and the mode of carrying it into effect, which shall be as follows:

#### ARTICLE 1. DEFINITIONS

Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meaning to be equally applicable to both the singular and plural forms of the terms defined):

1.1 "Acquisition Related Expenses" means with respect to FNB Wiggins, those costs and expenses of FNB Wiggins directly related to the transactions contemplated by this Agreement, including without limitation attorneys and accounting fees and expenses, regulatory filing fees and costs related to mailing notices to shareholders for purposes of seeking shareholder approval of the transactions contemplated hereby.

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

1.2 "Agreement" means this Agreement and Plan of Merger by and between FNB Wiggins together with any amendments thereto. References to Articles, Sections, Schedules and the Articles, Sections, Schedules and the like of this Agreement unless otherwise indicated.

1.3 "Bancshares" means The First Bancshares, Inc., a corporation duly chartered under and pursuant to the laws of the State of Mississippi; maintaining its principal place of Highway 98 W., P. O. Box 15549, in Hattiesburg, Lamar County, Mississippi; which, as outstanding shares of Bank, is a bank holding company within the meaning of the Bank Holding Co as amended.

1.4 "Bank" means The First, A National Banking Association, organized and existing laws of the United States, maintaining its principal place of business at 6480 Highway 98 W, P Hattiesburg, Lamar County, Mississippi.

### Exhibit A-5

---

1.5 "Business Day" means a day on which Bank is open for business and which is legal bank holiday.

1.6 "Change of Control Payments" means the aggregate amount of cash consideration director or employee of FNB Wiggins, contingent upon consummation of the Bank Merger in ac employment, retention, stock bonus or other similar agreement between FNB Wiggins and such off employee.

1.7 "Closing" means the closing of the transactions contemplated herein which will on a date that is mutually agreed to by the Parties ("Closing Date") that is within thirty (3 the later of the date of receipt of all applicable regulatory approvals relating to the transact herein, the expiration of all applicable statutory and regulatory waiting periods rela satisfaction of conditions to Closing set forth in Article 9, the date the Registratio "Registration Statement") filed with the Securities and Exchange Commission ("SEC") is declared later date as may be agreed to by the Parties. At the Closing the Parties shall each deliver evidence of the satisfaction of the conditions to Closing of the Bank Merger (as defined in S as may reasonably be required (including material required to be delivered under this Agreement).

1.8 "Effective Date" means the date the Bank Merger shall become effective which time specified in a Certificate of Combination or other written record issued by the OCC. consummation of the Closing, or on such other later date as the Parties hereto may agree, Agreement (as defined in Section 2.1 hereof), along with all other documentation that is requir to the OCC prior to its issuance of the Certificate of Combination, shall be certified, execu and delivered to the OCC for filing pursuant to and in accordance with the provisions of the and the rules and regulations of the OCC.

1.9 "FNB Wiggins" means First National Bank of Wiggins, a national banking existing under and pursuant to the laws of the United States, maintaining its principal place Border Avenue, P.O. Box 307 in Wiggins, Stone County, Mississippi.

1.10 "FRB" means that agency of the United States of America which acts in the c central bank known as the Federal Reserve System represented by actions of its Board of regulatory authority over bank holding companies (including Bancshares), or any success governmental agency performing the function of exercising such regulatory authority.

1.11 "OCC" means the Office of the Comptroller of the Currency, a federal agency ha over FNB Wiggins and Bank, or any successor governmental agency exercising such regulatory author

1.12 "Party" means Bancshares, Bank or FNB Wiggins, as applicable in the context mean Bancshares, Bank and FNB Wiggins.

### Exhibit A-6



1.13 "Person" means any individual, corporation, partnership, joint venture, company, trust, unincorporated organization or government or any agency or political subdivision

ARTICLE 2.

THE MERGER AND RELATED MATTERS

2.1 Bank Merger. On the Effective Date, FNB Wiggins shall be merged with and into the Association of Bank, pursuant to the provisions of this Agreement, the provisions of which are provided in 12 U.S.C. §§ 215 and 215a (the "Bank Merger"), and the Bank Merger Agreement in the form of Exhibit A hereto (the "Bank Merger Agreement"). For federal income tax purposes, the Bank Merger shall qualify as a non-taxable reorganization under and in accordance with Sections 368(a)(2)(D) of the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable Service ("IRS") regulations. The Parties expect that the Bank Merger will further certain objectives, including, and without limitation, the expansion of Bank's operations as a financial

Notwithstanding the foregoing and Section 2.2 below, Bancshares may, in its sole discretion, consummate the transaction whereby Bancshares will acquire 100% of the outstanding capital stock of FNB Wiggins as a subsidiary distinct from Bank; provided, however, that the Merger Consideration (as defined in Section 3.2) shall remain the same, the acquisition shall qualify as a non-taxable reorganization under and in accordance with Sections 368(a)(1)(A) and 368(a)(2)(D) of the Code and the applicable IRS regulations, and such acquisition shall not materially impair or delay the consummation of the Bank Merger or require resubmission of the Bank Merger to shareholders or to regulatory authorities for approval.

2.2 Effect of Bank Merger. Upon consummation of the Bank Merger as of the Effective Date, the corporate existence of FNB Wiggins shall cease and Bank shall continue as the surviving bank. As the surviving bank, Bank shall, by virtue of the Bank Merger, remain unchanged. On the Effective Date, all assets and property of every kind and character, real, personal and mixed, tangible and intangible, actions, rights, and credits then owned by FNB Wiggins, or which would inure to it, shall immediately vest in Bank, of law and without any conveyance or transfer or without any further action or deed, be vested in Bank as the property of Bank, which shall have, hold, and enjoy the same in its own right as fully and to the same were possessed, held, and enjoyed by FNB Wiggins prior to the Bank Merger; and Bank shall be and shall be a continuation of the original entities and all of the rights and obligations of FNB Wiggins shall remain unimpaired, and Bank, on the Effective Date shall succeed to all such rights, obligations, and liabilities connected therewith.

Exhibit A-7

---

ARTICLE 3.

CONVERSION OF STOCK

3.1 Conversion of FNB Wiggins Stock.

a. Bancshares Common Stock. On the Effective Date, each share of Bancshares Common Stock ("Bancshares Common Stock"), issued and outstanding immediately prior to the Effective Date shall be converted into and shall represent one share of Bancshares Common Stock.

b. Merger Consideration. The aggregate consideration to holders of outstanding FNB Wiggins Common Stock ("FNB Wiggins Common Stock") shall be Four Million One Hundred Fifty-two Thousand Four Hundred (\$4,152,400) (the "Merger Consideration"). The Merger Consideration represents Seventy-Five Dollars (\$175.00) per share of outstanding FNB Wiggins Common Stock. The Merger Consideration shall be comprised of fifty percent (50%) cash or \$87.50 per share of FNB Wiggins Common Stock (the "Cash Element"), and fifty percent (50%) Bancshares Common Stock valued at \$87.50 per share (the "Stock Element"). As a result of the Bank Merger and subject to the limitations provided for in Section 3.3 of this Agreement, shares of FNB Wiggins Common Stock issued and outstanding prior to the Effective Date, other than dissenting shares, shall by virtue of this Agreement be converted into and represent the right to receive the Stock Element, the cash portion of the Merger Consideration, and fractional shares as set forth in Section 3.2(e), and the Cash Element less Seven

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

Thousand Dollars (\$780,000) in Consideration Deductions (which represents \$32.8 outstanding FNB Wiggins Common Stock), which are defined as follows: (i) Two Hundred Thousand Dollars (\$280,000) which represents a maximum of 50% of the cost of certain FNB Wiggins' data processing contract with Brasfield Technology, LLC; (ii) Two Hundred Thousand Dollars (\$200,000) which represents a potential payment under that certain Confidential Term Sheet Agreement between FNB Wiggins and Richton Bank & Trust Company dated January 20, 2006 ("Prior Letter of Intent"); and (iii) Three Hundred Thousand Dollars (\$300,000) to account for potential losses related to the Purchase and Sale Agreements dated October 31, 2005 and December 16, 2005, copies of which are attached hereto as Schedule 3.1(b). At the Effective Date, Bancshares shall deposit into an escrow account in the amount of the Consideration Deductions (the "Escrow Fund") in accordance with the Escrow Agreement attached hereto as Exhibit E. Upon termination of the Escrow Agreement in accordance with the terms thereof, the balance remaining in the Escrow Fund shall be distributed to the holders of FNB Wiggins Common Stock (other than holders of dissenting shares) in accordance with the Escrow Agreement.

As a result of the Bank Merger and without any action on the part of the holder thereof, all outstanding FNB Wiggins Common Stock shall cease to be outstanding and shall be canceled and retired. No new FNB Wiggins Common Stock shall exist, and each holder of a certificate (a "Certificate") representing any shares of FNB Wiggins Common Stock shall thereafter cease to have any rights with respect to such shares of FNB Wiggins Common Stock, except, as applicable, the right to receive, without interest, Bancshares Common Stock in accordance with Section 3.1(b) and cash for fractional shares of Bancshares Common Stock in accordance with Section 3.2(e) upon the surrender of such Certificate.

### Exhibit A-8

---

c. Treasury Shares. Each share of FNB Wiggins Common Stock issued and held by FNB Wiggins, in whole or in part, at the Effective Date shall, by virtue of the Bank Merger, cease to be outstanding and shall be canceled and retired without payment of any consideration therefor.

#### 3.2 Exchange of Certificates Representing FNB Wiggins Common Stock.

a. Exchange Fund. As of the Effective Date, Bancshares shall deposit, or shall cause to be deposited, in a trust account with the Bank, as exchange agent (the "Exchange Agent"), for the benefit of the holders of shares of FNB Wiggins Common Stock for exchange in accordance with this Article 3, certificates representing shares of FNB Wiggins Common Stock and cash (such certificates for shares of Bancshares Common Stock shall hereinafter be referred to as the "Exchange Fund") to be issued pursuant to Section 3.1(b) in exchange for shares of FNB Wiggins Common Stock to this Section 3.2 in exchange for outstanding shares of FNB Wiggins Common Stock.

b. Transmittal Letter. Promptly after the Effective Date, Bancshares shall cause to be sent by first class mail to each holder of record of a Certificate or Certificates (other than those representing shares of FNB Wiggins Common Stock with respect to which the holder thereof has perfected dissenters' appraisal rights under Sections 215 and 215a and has not subsequently lost, withdrawn or forfeited such rights): a transmittal letter which shall specify that delivery shall be effected, and risk of loss of the Certificates shall pass, only upon delivery of the Certificates to the Exchange Agent in the form and have such other provisions as Bancshares may reasonably specify; and (ii) a check for the amount of cash to be used for use in effecting the surrender of the Certificates in exchange for certificates representing shares of Bancshares Common Stock and cash, and cash in lieu of fractional shares. Upon the delivery of a Certificate for cancellation to the Exchange Agent together with such letter of transmittal, the Certificate shall be executed and completed in accordance with the instructions thereto, the holder of such Certificate shall be entitled to receive in exchange therefor the appropriate Merger Consideration for the shares involved, consisting of (A) a certificate representing that number of shares of Bancshares Common Stock, if applicable, and/or (B) a check representing the amount of cash payable in lieu of fractional shares, if any, which such holder has the right to receive in exchange for the Certificate surrendered pursuant to Section 3.1(b), after giving effect to any required tax, and the Certificate so surrendered shall forthwith be canceled. No interest shall be paid on the value of any Bancshares Common Stock or cash payable to holders of FNB Wiggins Common Stock in the event of a transfer of ownership of FNB Wiggins Common Stock which is not recorded on the transfer records of FNB Wiggins, a certificate representing the proper number of shares of FNB Wiggins Common Stock, together with a check for the cash component of the Merger Consideration for the shares involved, may be paid in lieu of fractional shares, may be issued to such a transferee if

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

representing such FNB Wiggins Common Stock is presented to the Exchange Agent, all documents required to evidence and effect such transfer and to evidence that any transfer taxes have been paid.

### Exhibit A-9

---

c. No Dividends on FNB Wiggins Certificates not Exchanged. Notwithstanding Agreement, no dividends on Bancshares Common Stock shall be paid with respect to Wiggins Common Stock exchangeable into Bancshares Common Stock and represented by a such Certificate is surrendered for exchange as provided herein. Subject to the effect of laws, following surrender of any such Certificate, there shall be paid to the holder of such certificates representing whole shares of Bancshares Common Stock issued in exchange for such interest, (i) at the time of such surrender, the amount of dividends or other distributions payable with respect to such whole shares of Bancshares Common Stock and not paid, less the amount of any withholding taxes which may be payable thereon, and (ii) at the appropriate payment date, the amount of dividends or other distributions payable with respect to such whole shares of Bancshares Common Stock less the amount of any withholding taxes payable with respect to such whole shares of Bancshares Common Stock less the amount of any withholding taxes which may be required thereon.

d. No Transfers after Closing. On or after the Effective Date, there shall be no transfer books of FNB Wiggins of the shares of FNB Wiggins Common Stock. If, after the Effective Date, Certificates are presented to Bancshares, they shall be canceled and exchanged for shares of Bancshares Common Stock and cash, as appropriate, and cash in lieu of fractional shares, if any, deliverable in respect thereof pursuant to this Agreement in accordance with the provisions set forth in this Article 3. Certificates surrendered for exchange by any person who is an "affiliate" of FNB Wiggins for purposes of Rule 145(c) under the Securities Act of 1933 (the "Securities Act"), shall not be exchanged until Bancshares has received a written assignment from such person as provided in Section 4.1.

e. No Fractional Shares Issued. No fractional shares of Bancshares Common Stock shall be issued hereto. In lieu of the issuance of any fractional share of Bancshares Common Stock, pursuant to Section 3.1(b), cash adjustments will be paid to holders in respect of any fractional shares of Bancshares Common Stock that would otherwise be issuable, and the amount of such cash adjustments shall be equal to such fractional proportion of the Bancshares Common Stock Value.

f. Failure to Surrender FNB Wiggins Certificates. Any portion of the Exchangeable Common Stock (including any investments thereof and any shares of Bancshares Common Stock) that remains unexchanged in the hands of former stockholders of FNB Wiggins one year after the Effective Date shall be deemed to have been surrendered to Bancshares. Any former stockholders of FNB Wiggins who have not theretofore complied with Article 3 shall thereafter look only to Bancshares for payment in respect of their unexchanged interest event without any interest thereon. In the event that any such holder fails to surrender a Certificate or the documents and information contemplated by the letter of instructions on or before the fifth (5th) anniversary of the Effective Date, Bancshares shall have no obligation to deliver the amount to which any such holder would have been entitled under the provisions of this Agreement and any such holder shall not be entitled to receive from Bancshares any amount in substitution and exchange for each share canceled and unexchanged in accordance with this Agreement.

### Exhibit A-10

---

g. Escheat. None of Bancshares, the Exchange Agent or any other person shall be deemed a holder of shares of FNB Wiggins Common Stock for any amount properly delivered to the holder of such shares pursuant to applicable abandoned property, escheat or similar laws.

h. Lost Certificates. In the event any Certificate shall have been lost, destroyed, or otherwise rendered invalid, the making of an affidavit of that fact by the person claiming such Certificate to be lost, destroyed and, if required by Bancshares, the posting by such person of a bond in

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

amount as Bancshares may direct as indemnity against any claim that may be made in respect to such Certificate, the Exchange Agent will issue in exchange for such destroyed Certificate the shares of Bancshares Common Stock and/or cash, as appropriate in lieu of fractional shares, and unpaid dividends and distributions on shares of Bancshares as provided in Section 3.2(c), deliverable in respect thereof pursuant to this Agreement.

3.3 Adjustment of Exchange Ratio. In the event that, subsequent to the date of this Agreement, the Effective Date, FNB Wiggins or Bancshares changes the number of shares of FNB Wiggins Bancshares Common Stock, respectively, issued and outstanding as a result of a stock split, reverse stock dividend, recapitalization or other similar transaction, the FNB Wiggins Exchange Ratio shall be appropriately adjusted.

### ARTICLE 4. ACCOUNTING AND TAX MATTERS

4.1 Affiliates. FNB Wiggins and Bancshares shall cooperate and use their best efforts to cause each of their persons who may be deemed to be "affiliates" of FNB Wiggins within the meaning of Rule 145(d) (as applicable) under the Securities Act. FNB Wiggins shall use its best efforts to cause each person to deliver to Bancshares, not later than thirty (30) days after the date of this Agreement, a certificate in substantially the form set forth in Exhibit B attached hereto. Bancshares shall be required to add appropriate legends on the certificates evidencing shares of Bancshares Common Stock to be issued pursuant to this Agreement by such affiliates and to issue appropriate stop transfer instructions to the transfer agent of the Bancshares Common Stock.

4.2 Tax Representations. Each Party hereto represents and warrants that the statements made in it in the Statement of Representations attached hereto on Exhibit C and made a part hereof, and the information as of the date hereof and will be true and correct on the Effective Date, except to the extent corrected in Exhibit C.

## Exhibit A-11

---

### ARTICLE 5. FNB WIGGINS' COVENANTS AND AGREEMENTS

5.1 Operation of Business. Between the date hereof and the Effective Date, or until the expiration of this Agreement, FNB Wiggins covenants and agrees that it will operate its business solely in the manner that is consistent with prudent business practices and in compliance with all applicable laws, regulations and orders, without the prior written consent of Bancshares, which shall not be unreasonably withheld or delayed, unless so conditioned, FNB Wiggins will not:

- a. Amend or otherwise change its Articles of Association or Bylaws, as amended from time to time (except to the extent required in order to effect the Bank Merger contemplated herein);
- b. Issue or sell, or authorize for issuance or sale, any shares of FNB Wiggins, or any additional shares of any class of capital stock of FNB Wiggins;
- c. Issue, grant, or enter into any subscription, option, warrant, right, or any other agreement or commitment of any character obligating FNB Wiggins to issue securities;
- d. Declare, set aside, make, or pay any dividend or other distribution with respect to any class of capital stock of FNB Wiggins;
- e. Redeem, purchase, or otherwise acquire, directly or indirectly, any of its securities;
- f. Authorize any capital expenditure(s) which, individually or in the aggregate, exceeds \$100,000 or does not meet Bank's loan policy requirements except in connection with the workout of loans; provided, however, Bank shall have the right to review and approve or disapprove new and existing extensions of credit which individually exceed \$25,000 and all extensions of credit which in the aggregate exceed \$250,000;
- g. Extend any new, or renew any existing, loan, credit, lease, or other arrangement which, individually exceeds \$100,000 or does not meet Bank's loan policy requirements except in connection with the workout of loans; provided, however, Bank shall have the right to review and approve or disapprove new and existing extensions of credit which individually exceed \$25,000 and all extensions of credit which in the aggregate exceed \$250,000;

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

which are past due ninety (90) days or more and still accruing interest or on nonaccru

h. Except in the ordinary course of business, sell, pledge, dispose of, pledge, dispose of, or encumber, any material assets of FNB Wiggins;

### Exhibit A-12

---

i. Excluding normal and customary banking transactions, incur any indebtedness, issue any debt securities, or enter into or modify any contract, agreement, commitment, or arrangement with respect thereto;

j. Establish or add any automated teller machines, branches or other banking facilities;

k. Take any action that would materially and adversely affect the ability of FNB Wiggins to obtain regulatory and shareholder approvals necessary for consummation of the transaction contemplated hereby or that would materially and adversely affect FNB Wiggins' ability to perform its obligations under the agreements hereunder;

l. Acquire (by merger, consolidation, lease or other acquisition of stock, or otherwise) any corporation, partnership, or other business organization or division thereof, or enter into any contract, agreement, commitment, or arrangement with respect to any of the foregoing, if such acquisition, connection with a foreclosure or collection of a debt previously contracted for in good faith,

m. Enter into, extend, or renew any lease for office or other space;

n. Except as required by law, enter into, adopt or amend any bonus, profit sharing, stock option, pension, retirement, deferred compensation, employment, or other employment agreement, trust, fund, or arrangement for the benefit or welfare of any officer, director, or representative of FNB Wiggins;

o. Grant any increase in compensation or benefits to any director, officer, or employee of FNB Wiggins except in the ordinary course of business consistent with past practice;

p. Other than such amendments and Change of Control Payments as shown on Schedule 13E-3, amend, or terminate any employment agreement, relationship or responsibilities of any officer, director, or key employee or representative of FNB Wiggins, or enter into, amend, or terminate any employment agreement with any other person otherwise than in the ordinary course of business, or any action with respect to the grant or payment of any severance, change in control or other arrangement, except as expressly consented to in writing by Bancshares;

q. Take any action or omit to take any action which would cause any of the representations and warranties herein to be untrue or misleading in any material respect or any covenant or obligation under this Agreement incapable of being performed; or

r. Agree, in writing or otherwise, to do any of the foregoing.

5.2 Preservation of Business. Between the date hereof and the Effective Date, FNB Wiggins shall make efforts to preserve its existing business and to keep its business organization intact, including its relationships with its employees and customers and others having business relations with it.

### Exhibit A-13

---

5.3 Insurance. Pending the Closing, FNB Wiggins shall cause the real property owned by FNB Wiggins to be insured reasonably against all insurable risks under policies with reasonable deductibles and co-insurance with any co-insurance provision.

5.4 Stockholders' Meeting. FNB Wiggins will (i) take all steps necessary to call, convene, and hold a meeting of its stockholders as soon as practicable after the date hereof for the

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

its stockholders' approval of this Agreement and the transactions contemplated hereby, a purposes as may be necessary or desirable, and (ii) cooperate and consult with Bancshares w foregoing matters. The notice for said stockholders' meeting (and accompanying proxy materi FNB Wiggins stockholders' proxies in favor of this Agreement, unless it is determined that suc would or could be construed as a breach of fiduciary duty on the part of the directors of F determination to be evidenced by an opinion of counsel experienced in such matters as to such b duty, and if such recommendation is not made, then the notice and proxy materials shall contain and state the reason therefore. Any and all such notices shall be given in accordance with all regulations, and rules and, without limitation, inform FNB Wiggins stockholders with respect to rights. FNB Wiggins agrees to use its best efforts to have each director voting in favor execute and deliver to Bancshares within ten (10) days after the date hereof a Joinder substantially in the form attached hereto as Exhibit D.

5.5 Property Transfers. From time to time, as and when requested by Bancshares and t by Mississippi law, the officers and directors of FNB Wiggins last in office shall execute and other instruments and shall take or cause to be taken such further or other actions as sha order to vest or perfect in or to confirm of record or otherwise to Bancshares and/or Ba possession of, all the property, interests, assets, rights, privileges, immunities, powers, authorities of FNB Wiggins, and otherwise to carry out the purposes of this Agreement.

5.6 FNB Wiggins Financial and Other Reports. FNB Wiggins shall make available to Ba statements and other reports and documents:

a. FNB Wiggins' Consolidated Balance Sheets as of December 31, 2004 (audit Income and Changes in Stockholders' Equity and Consolidated Statement of Cash Flows December 31, 2004 (audited); and Consolidated Balance Sheets, Statements of Incom Stockholders' Equity for the year ended December 31, 2005, and the quarter ende (unaudited) ("FNB Wiggins Financial Statements");

b. All correspondence with the FDIC, the OCC, and the IRS from January 1, (except as may be restricted by legal limitations); and

### Exhibit A-14

---

c. Such additional financial or other information as may be required for t Registration Statement in connection with the consummation of the Bank Merger (su limitations).

5.7 Due Diligence. In order to afford Bancshares access to such information as i necessary to perform any due diligence review with respect to the assets of FNB Wiggins to result of the Bank Merger, FNB Wiggins shall, upon reasonable notice, afford Bancshares employees, counsel, accountants, and other authorized representatives access, during norma throughout the period prior to the Effective Date, to all of its properties, books, contracts, files, litigation files and records (including, but not limited to, the minutes of the Board o Wiggins and all committees thereof), and it shall, upon reasonable notice and to the extent applicable law, furnish promptly to Bancshares such information as Bancshares may reasonably such review.

5.8 No Solicitation.

a. Prior to the Effective Date, FNB Wiggins shall not authorize nor knowin directors, employees, representatives, agents or other persons controlled by FNB W or indirectly, encourage or solicit or, hold any discussions or negotiations wit information to, any persons, entity or group concerning any merger, consolidation, s assets, sale of shares of capital stock or similar transactions including without lim offer, involving, directly or indirectly, FNB Wiggins (a "Third Party Acquisition Pr contemplated by this Agreement. FNB Wiggins shall promptly communicate to Bancshare terms of any Third Party Acquisition Proposal which it may receive.

b. As a condition of and as an inducement to Bancshares' and Bank's ente

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

Wiggins covenants, acknowledges, and agrees that it shall be a specific, absolute, a binding condition precedent to FNB Wiggins' entering into a letter of intent, agree or definitive agreement (whether or not considered binding, non-binding, conditional with any third party with respect to a Third Party Acquisition Proposal, or support an intent to support a Third Party Acquisition Proposal (other than this A transactions contemplated hereby), regardless of whether FNB Wiggins has otherwise provisions of Section 5.8(a) hereof, that FNB Wiggins or such third party to Acquisition Proposal shall have paid to Bancshares, as liquidated damages, the Seventy-five Thousand Dollars (\$175,000), which sum represents the (i) direct (including, but not limited to, fees and expenses incurred by Bancshares' fi consultants, printing costs, investment bankers, accountants, and counsel) incurred Bancshares in negotiating and undertaking to carry out the transactions cont Agreement; (ii) indirect costs and expenses of Bancshares in connection with contemplated by this Agreement, including Bancshares' management time devoted to preparation for the transactions contemplated by this Agreement; and (iii) Banc result of the transactions contemplated by this Agreement not being consummated anything to the contrary in this Section 5.8(b), in the event such Third Party Acq should be the result of a hostile takeover of FNB Wiggins, any sums due Bancshares paid only at the closing of the transactions set forth in such Third Party Acqu Bancshares acknowledges that under no circumstances shall any officer or director (unless such officer or director shall have an interest in a potential acquiring Party Acquisition Proposal) be held personally liable to Bancshares or FNB Wiggins the foregoing payment. On payment of such amount to Bancshares, then neither Ba shall have any cause of action or claim (either in law or equity) whatsoever against any officer or director of FNB Wiggins, with respect to or in connection with Acquisition Proposal or this Agreement, so long as FNB Wiggins or such person, intentionally violated the provisions of Section 5.8(a).

### Exhibit A-15

---

c. The requirements, conditions, and obligations imposed by Section 5.8(b) effect from the date of this Agreement until the earlier of (i) the Effective Date, which this Agreement shall have been terminated mutually by the Parties pursuant to hereof; or (iii) twelve (12) months from the date this Agreement shall have been result of a breach by FNB Wiggins, unless the failure to consummate the transactions this Agreement by 5:00 p.m. local time on September 30, 2006 results from or is rel threatened litigation arising out of or in connection with the Bank Merger Acquisition Proposal, in which case the date shall be extended to that date which i after the final termination of such litigation or threatened litigation provid purposes of this subparagraph (c)(iii), a Third Party Acquisition Proposal shall not or public placement of capital stock of FNB Wiggins which does not result in a requiring prior notice to the OCC within the meaning of 12 U.S.C. §1817(j).

#### ARTICLE 6. REPRESENTATIONS AND WARRANTIES OF FNB WIGGINS

FNB Wiggins is subject to a Consent Order dated July 9, 2003 with the OCC (the "Consent of which has been provided to Bancshares. The representations and warranties of FNB Wiggins a the provisions and limitations set forth in the Consent Order. FNB Wiggins represents and warr as follows:

6.1 Organization and Authority. FNB Wiggins is a national banking association existing and in good standing under the laws of the United States of America and FNB Wiggins power and authority to own, lease and operate its properties and assets and to carry on its bus being conducted.

6.2 Authorization. The execution, delivery and performance of this Agreement consummation of the transactions contemplated hereby have been duly authorized by the Board of Wiggins, subject to regulatory approval. No other corporate proceedings on the part of FNB Wig to authorize consummation of this Agreement, except for the approval of the transaction

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

stockholders, and the performance by FNB Wiggins of the terms hereof. This Agreement is a obligation of FNB Wiggins enforceable against FNB Wiggins in accordance with its terms, except by applicable bankruptcy, insolvency, reorganization or moratorium or other similar laws aff rights generally, and except that the availability of equitable remedies is within the appropriate court, and except that it is subject to approval by its stockholders and appl agencies.

### Exhibit A-16

---

Neither the execution, delivery or performance of this Agreement by FNB Wiggins, nor t the transactions contemplated hereby, nor compliance by FNB Wiggins with any of the provisions in any material respect violate, conflict with, or result in a breach of any provision of default (or an event which, with notice or lapse of time or both, would constitute a default) the termination of, or accelerate the performance required by, or result in a right of acceleration, or the creation of any lien, security interest, charge or encumbrance upon any of assets of FNB Wiggins under any terms, conditions or provisions of (i) FNB Wiggins' Char Association or Bylaws, or (ii) any material note, bond, mortgage, indenture, deed of trust, agreement or other instrument or obligation to which FNB Wiggins is a party or by which FNB Wig or to which FNB Wiggins or the properties or assets of it may be subject, except for any br Letter of Intent with Richton Bank & Trust Company referred to in Section 3.1(b), or (b) viola respect any judgment, ruling, order, writ, injunction, decree, statute, rule or regulation Wiggins or any of its properties or assets.

6.3 Capital Structure of FNB Wiggins. As of the date hereof, the authorized ca consists solely of fifty-thousand (50,000) shares of common stock, \$10.00 par value. As o 23,728 shares of FNB Wiggins Common Stock are issued and outstanding. The outstanding sha Common Stock are validly issued and outstanding, fully paid and nonassessable. There are no out conversion rights, warrant, calls, rights, commitments or agreements to issue any form of stock of FNB Wiggins. There are no outstanding obligations or commitments to purchase, redeem or oth outstanding shares of FNB Wiggins Common Stock.

6.4 Ownership of Other Entities. FNB Wiggins does not own, directly or indire more of the outstanding capital stock or other voting securities of any corporation, bank, or oth

6.5 FNB Wiggins Financial Statements and Other Reports. FNB Wiggins Financial S (a) have been, and will be, prepared in accordance with generally accepted accounting pri consistently applied, (b) have been and will (as the case may be) present fairly the consol operations and financial position of FNB Wiggins for the periods and at the times indicated, and will (as the case may be) be true and correct in all material respects for the periods indicated.

6.6 No Material Adverse Change. Since December 31, 2005, there has been no character (whether actual, or to the knowledge of FNB Wiggins, threatened or contemplated) t reasonably be anticipated to have, or that, if concluded or sustained adversely to FNB Wiggins be anticipated to have, a material adverse effect on the financial condition, results of operat prospects of FNB Wiggins, excluding changes in laws or regulations that affect banking institutio

### Exhibit A-17

---

6.7 Tax Liability. The amounts set up as liabilities for taxes in the FNB Wiggins sufficient for the payment of all respective taxes (including, without limitation, federal, foreign excise, franchise, property, payroll, income, capital stock, and sales and use t accordance with GAAP and unpaid at the respective dates thereof.

6.8 Tax Returns: Payment of Taxes. All federal, state, local, and foreign tax re limitation, estimated tax returns, withholding tax returns with respect to employees, and FICA ("Tax Returns") required to be filed by or on behalf of FNB Wiggins have been timely filed extensions have been timely filed and granted and have not expired for periods ending on or be



## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

2005, and all returns filed are complete and accurate to the best information and belief of managements and all taxes shown on filed returns have been paid. Additionally, any Tax Return as of the date of this Agreement by or on behalf of FNB Wiggins for periods ending on or before 2005, for which extension requests have been timely filed and granted shall be prepared by an agent by FNB Wiggins' and approved by Bancshares, which such approval shall not be unreasonably withheld with the appropriate taxing authority prior to Closing. As of the date hereof, there is no audit deficiency or refund litigation or matter in controversy with respect to any taxes that would be a determination materially adverse to FNB Wiggins except as reserved against in the FNB Wiggins Financial Statements. All taxes, interest, additions and penalties due with respect to completed and set aside or concluded litigation have been paid, and FNB Wiggins' reserves for bad debts at December 31, 2005 with the IRS were not greater than the maximum amounts permitted under the provisions of Section 165.

6.9 Litigation and Proceedings. Except as set forth on Schedule 6.9 hereto, no litigation or controversy before any court or governmental agency is pending against FNB Wiggins that in the opinion of management is likely to have a material adverse effect on the business, results of operations or financial condition of FNB Wiggins taken as a whole, and, to the best of its knowledge, no such litigation or controversy has been threatened or is contemplated.

6.10 Brokers' or Finders' Fees. No agent, broker, investment banker, investment manager or other person acting on behalf of FNB Wiggins or under their authority is entitled to any commission or finder's fee from any of the Parties hereto in connection with any of the transactions contemplated by this Agreement.

6.11 Contingent Liabilities. Except as disclosed on Schedule 6.11 hereto or as specified in the FNB Wiggins Financial Statements and except in the case of unfunded loan commitments made in the ordinary course of business consistent with past practices, as of December 31, 2005, FNB Wiggins does not have any contingent liability (contingent or otherwise) that was material, or that when combined with all similar contingent liabilities would have been material, to FNB Wiggins and there does not exist a set of circumstances from transactions effected or events occurring prior to, on, or after December 31, 2005, that, if omitted to be taken during such period that, to the knowledge of FNB Wiggins, could reasonably be expected to result in any such material obligation or liability.

### Exhibit A-18

---

6.12 Title to Assets; Adequate Insurance Coverage.

Except as described on Schedule 6.12:

a. As of December 31, 2005, FNB Wiggins had, and except with respect to the matters set forth in Schedule 6.12, good and marketable title to all real property and good and merchantable title to all other material property reflected in the FNB Wiggins Financial Statements, free and clear of all mortgages, liens, restrictions, security interests, charges and encumbrances of any nature except for those encumbrances which secure indebtedness which is properly reflected in the FNB Wiggins Financial Statements or which secure deposits of public funds as required by law; (ii) liens on real property but not yet payable; (iii) liens arising as a matter of law in the ordinary course of business with respect to obligations incurred after December 31, 2005, provided that the obligations are not delinquent or are being contested in good faith; (iv) such imperfect encumbrances, if any, as do not materially detract from the value or materially interfere with the present use of any of such properties or assets or the potential sale of any such owned assets; and (v) capital leases and leases, if any, to third parties for financing purposes without consideration. FNB Wiggins owns, or has valid leasehold interests in, all material assets, tangible or intangible, used in the conduct of its business. Any real property or material assets held under lease by FNB Wiggins are held under valid, subsisting leases with such exceptions as are not material and do not interfere with the use or enjoyment to be made by Bancshares in such lease of such property.

b. With respect to each lease of any real property or a material amount of personal property in which FNB Wiggins is a party, except for financing leases in which FNB Wiggins is lessor, (i) all such leases shall be in full force and effect in accordance with its terms; (ii) all rents and other monetary

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

have been due and payable thereunder have been paid; (iii) there exists no occurrence, condition or act which with the giving of notice, the lapse of time or any further event, occurrence, condition or act would become a default under such lease. The Bank Merger will not constitute a default or a cause for termination or modification of

c. FNB Wiggins has no legal obligation, absolute or contingent, to any other party to dispose of any substantial part of its assets or to sell or dispose of any of its assets in the ordinary course of business consistent with past practices.

### Exhibit A-19

---

d. To the knowledge and belief of its management, the policies of fire and theft insurance maintained with respect to the assets or business of FNB Wiggins provides adequate protection against loss and the fidelity bonds in effect as to which FNB Wiggins is named conform with applicable standards of the American Bankers Association.

6.13 Liabilities. To the best of FNB Wiggins' and its officers' knowledge, all liabilities were, and will be created, for good, valuable and adequate consideration in accordance with applicable standards and in substantial compliance with all laws, regulations and rules and the accounts and the ownership of accounts are and will be genuine, true, valid and enforceable in accordance with applicable terms. FNB Wiggins has not agreed to any modification or extension of accounts or account terms and has not made any agreements regarding such accounts except as disclosed in writing on the books and records of FNB Wiggins; and FNB Wiggins has no knowledge of any claim of ownership to any account other than the written ownership records of FNB Wiggins for each account, and FNB Wiggins has no knowledge of any improper or wrongful withdrawal or payment of any such account.

6.14 Loans. To the best knowledge and belief of its management, each loan reflected on the balance sheet of FNB Wiggins in the FNB Wiggins Financial Statements, as of December 31, 2005, or acquired since then, represents a legal, valid, and binding obligation of the obligor named therein, enforceable in accordance with applicable law. No loan is subject to any asserted defense, offset or counterclaim known to FNB Wiggins, except as set forth in writing to Bancshares on or prior to the date hereof.

6.15 Allowance for Loan Losses. The allowances for possible loan losses shown on the balance sheets of FNB Wiggins as of December 31, 2005 are adequate in all material respects under the requirements of GAAP to provide for possible losses, net of recoveries, relating to loans previously charged to the allowance outstanding (including accrued interest receivable) as of December 31, 2005, and each such allowance was established in accordance with GAAP.

6.16 Investments. Except for investments classified as held to maturity as prescribed by the Financial Accounting Standards Board Statement Number 115, and pledges to secure public or trust deposits, all investments reflected in the FNB Wiggins Financial Statements under the heading "Investment Securities" are investments made by FNB Wiggins since December 31, 2005, and none of the assets reflected in the FNB Wiggins Financial Statements under the heading "Cash and Due From Banks," is subject to any restrictions, contractual or statutory, that materially impairs the ability of FNB Wiggins freely to dispose of such assets at any time. With respect to all repurchase agreements to which FNB Wiggins is a party, FNB Wiggins has not perfected first lien or security interest in the government securities or other collateral subject to such repurchase agreement which equals or exceeds the amount of debt secured by such collateral under

### Exhibit A-20

---

6.17 Information for Registration and Proxy Statement. None of the information submitted to the SEC by FNB Wiggins for inclusion in (a) the Registration Statement to be filed by Bancshares with the SEC, (b) the Notice of Meeting and Proxy Statement to be mailed by FNB Wiggins to their stockholders in connection with the meeting referred to in Section 5.4 hereof (the "Proxy Statement"); or (c) any other documents filed with the SEC or any regulatory agency in connection with the transactions contemplated hereby will, at the time the Registration Statement is filed with the SEC or at the time it becomes effective, be supplemented (i) at the time the Proxy Statement is mailed to holders of FNB Wiggins Common Stock, as may be determined at the time of FNB Wiggins Stockholders' Meeting, and (iii) at the time of filing of such other documents

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

contain any untrue statement of a material fact or omit to state a material fact required to be stated in order to make the statements therein, in light of the circumstances under which they were made. All documents, financial statements, or other information or materials which FNB Wiggins shall furnish with any regulatory agency in connection with the Bank Merger will comply with GAAP.

6.18 Commitments and Contracts. FNB Wiggins is not a party or subject to any contract (written or oral, express or implied):

a. except as listed on Schedule 6.18(a) attached hereto and with a complete copy of any employment contract (including any obligations with respect to severance or other liabilities or fringe benefits) with any present or former officer, director, employee or consultant (other than those which are terminable at will by FNB Wiggins);

b. except as listed on Schedule 6.18(b) attached hereto and with a complete copy of any plan or contract providing for any bonus, pension, option, deferred compensation, profit sharing or similar arrangement with respect to any present or former officer, director, employee or consultant; or

c. any contract not made in the ordinary course of business containing covenants which restrict FNB Wiggins to compete in any line of business or with any person or which involves a restriction on the geographical area in which, or method by which, FNB Wiggins may carry on its business (other than as may be required by law or applicable regulatory authorities).

6.19 Employee Plans. To the best of FNB Wiggins' knowledge and belief, it, and all its subsidiaries, as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended, do not cover one or more employees employed by FNB Wiggins:

a. any contract or arrangement which is in compliance with all laws, regulations, reporting and licensing requirements applicable to its business or to such plan or any of its employees (because of such employee or consultant on behalf of it), the breach or violation of which could have a material and adverse effect on its business; and

b. except Consent Order, it has received no notification from any agency or governmental authority or local government or the staff thereof asserting that any such entity is not in compliance with the statutes, regulations or ordinances that such governmental authority enforces, and which could revoke any license, franchise, permit or governmental authorization, and is subject to any such governmental authority with respect to its assets or business.

### Exhibit A-21

---

6.20 Plan Liability. Except for liabilities to the Pension Benefit Guaranty Corporation under Section 4007 of ERISA, all of which have been fully paid, and except for liabilities to the IRS under Section 401 of the Code, all of which have been fully paid, FNB Wiggins does not have any liability to the Pension Benefit Guaranty Corporation or to the IRS with respect to any pension plan qualified under Section 401 of the Code.

6.21 Vote Required. The affirmative vote of the holders of at least two-thirds of the outstanding Common Stock is necessary to approve this Agreement, the Bank Merger and related transactions contemplated hereby.

6.22 Continuity of Interest. Subsequent to initiation of merger discussions with FNB Wiggins, no FNB Wiggins stockholder has had a portion of such stockholder's FNB Wiggins interest in FNB Wiggins, or received a distribution with respect to its FNB Wiggins interest, and no corporation or partnership of FNB Wiggins within the meaning of Treasury Regulation § 1.368-1(e)(3)(i)(B) has acquired any stock of FNB Wiggins from such FNB Wiggins stockholder, where such disposition or acquisition would reduce the aggregate value of FNB Wiggins Bancshares Common Stock to be received by all such FNB Wiggins stockholders (with such value determined as of the Bank Merger date) to an amount less than 45% of the value of the FNB Wiggins Common Stock as of the Bank Merger date. Such stockholders immediately before any of such distribution, disposition or acquisition. Such additional representations regarding continuity of stockholder interest under Sections 368(a)(2)(D) of the Code.

6.23 Continuity of Business Enterprise. FNB Wiggins operates at least one significant business enterprise.

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

line, namely, financial services, and owns at least a significant portion of its historic business, the meaning of Treasury Regulation Section 1.368-1(d).

6.24 Environmental Matters. Except as set forth on Schedule 6.24, neither FNB Wiggins' knowledge of FNB Wiggins and its officers, any previous owner or operator of any properties (including any properties owned or subsequently resold), leased, or occupied by FNB Wiggins in its business ("FNB Wiggins Properties") used, generated, treated, stored, or disposed of waste, toxic substance, or similar materials on, under, or about FNB Wiggins Properties except as required by all applicable federal, state, and local laws, rules and regulations pertaining to air and hazardous waste, waste disposal, air omissions, and other environmental matters ("Environmental Matters"). FNB Wiggins has not received any notice of noncompliance with Environmental Laws, applicable regulations of any governmental authorities relating to waste generated by any such party or other party that any such party is liable or responsible for the remediation, removal, or clean up of any such waste on FNB Wiggins Properties.

6.25 Accuracy of Information. To the best of FNB Wiggins' and its officers' knowledge, information furnished by FNB Wiggins to Bancshares relating to its assets, liabilities, and this Agreement, FNB Wiggins has not omitted to disclose any information which is or would be material to this Agreement.

### Exhibit A-22

---

6.26 Compliance with Laws and Contracts. Except for the Consent Order, to the best of FNB Wiggins' and its officers' knowledge, FNB Wiggins is not in violation of any laws, regulations, or agreements with any party and has not failed to file any material reports required by any governmental or other regulatory authority in violation of which or failure to file is reasonably likely to have a materially adverse effect on FNB Wiggins' ability to consummate this Agreement.

6.27 Stock Ownership. To the best of FNB Wiggins' and its officers' knowledge and after a reasonable investigation, no known dispute exists as to the title and/or ownership interest in any shares of Bancshares Common Stock.

## ARTICLE 7. BANCSHARES' REPRESENTATIONS AND WARRANTIES

Bancshares represents and warrants to FNB Wiggins as follows: for the purposes of this Agreement, in Section 7.1 and where the context requires otherwise, any reference to Bancshares in this Agreement shall be deemed to include Bancshares and Bank and any reference to material, material adverse effect shall refer to the financial condition, operations or other aspects of Bancshares and Bank, including Bank taken as a whole.

7.1 Organization and Authority. Bancshares is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Mississippi, it is a duly registered bank holding company under the Bank Holding Company Act of 1956, as amended, and it has the corporate power and authority to own and assets and to carry on its business as it is now being conducted. Bank is a national bank duly organized, validly existing and in good standing under the laws of the United States of America, and it has the corporate power and authority to own, lease and operate its properties and assets and to carry on its business as it is now being conducted.

7.2 Shares Fully Paid and Non Assessable. The outstanding shares of capital stock of Bancshares issued and outstanding, fully paid and nonassessable and all outstanding shares of Bank are owned indirectly by Bancshares free and clear of all liens, claims, and encumbrances. The shares of Bancshares stock to be issued in connection with the Bank Merger pursuant to this Agreement have been duly issued and, when issued in accordance with the terms of this Agreement, will be validly issued, fully paid, and nonassessable.

7.3 Authorization. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by the Board of Directors of Bancshares, subject to regulatory approval. No other corporate proceedings on the part of Bancshares are necessary to authorize consummation of this Agreement, except for the approval of the transaction by Bancshares as the sole stockholder of Bank, and the performance by Bancshares of the terms hereof. This Agreement constitutes a valid and binding obligation of Bancshares enforceable against Bancshares in accordance with the law of the State of Mississippi.

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

may be limited by applicable bankruptcy, insolvency, reorganization or moratorium or other similar laws affecting the rights of creditors generally and except that the availability of equitable remedies is within the power of the court and except that it is subject to approval of applicable regulatory agencies.

### Exhibit A-23

---

7.4 No Violation. Neither the execution, delivery or performance of this Agreement, nor the consummation of the transactions contemplated hereby, nor compliance by Bancshares with any of the provisions hereof, will (a) in any material respect violate, conflict with, or result in a breach of any law or regulation that constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in the termination of, or accelerate the performance required by, or result in a right of acceleration, or the creation of any lien, security interest, charge or encumbrance upon any of the assets of Bancshares under any terms, conditions or provisions of (i) Bancshares' Charter, Articles of Incorporation, or Bylaws or other charter documents of Bancshares, or (ii) any material note, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which Bancshares is a party or by which Bancshares may be bound, or to which Bancshares or the properties or assets of Bancshares are subject, or (b) violate in any material respect any judgment, ruling, order, writ, injunction, rule or regulation applicable to Bancshares or any of its properties or assets.

7.5 No Material Adverse Change. Since December 31, 2005, there has been no change of a material character (whether actual, or to the knowledge of Bancshares, threatened or contemplated) that could reasonably be anticipated to have, or that, if concluded or sustained adversely to Bancshares would have, a material adverse effect on the financial condition, results of operations, or business prospects of Bancshares excluding changes in laws or regulations that affect banking institutions.

7.6 Loans. To the best knowledge and belief of its management, and management of its subsidiaries, there is no liability as an asset of Bancshares in the unaudited consolidated balance sheet contained in Bancshares' financial statements for the period ended December 31, 2005, or acquired since that date, is the legal, enforceable obligation of the obligor named therein, enforceable in accordance with its terms, and no loan or obligation is asserted defense, offset, or counterclaim known to Bancshares, except as disclosed on Schedule 7.6.

7.7 Litigation. Except as disclosed on Schedule 7.7 hereto, no litigation, proceeding, or action in any court or governmental agency is pending that in the opinion of its management is likely to have a material and adverse effect on the business, results of operations or financial condition of Bancshares or its subsidiaries taken as a whole, and, to the best of its knowledge, no such litigation, proceeding, or action has been threatened or is contemplated.

7.8 Contingent Liabilities. Except as disclosed on Schedule 7.8 hereto or otherwise, there are no contingent liabilities of Bancshares that have been filed with the SEC or the OCC ("Bancshares Reports"), and except as disclosed in Bancshares' subsidiaries for unfunded loan commitments made in the ordinary course of business in the past practices, as of December 31, 2005, neither Bancshares nor any of its subsidiaries had any liability (contingent or otherwise) that was material, or that when combined with all similar contingent liabilities would have been material, to Bancshares and its subsidiaries taken as a whole. There do not exist a set of circumstances resulting from transactions effected or events occurring prior to December 31, 2005, or from any action omitted to be taken during such period that, to the knowledge of Bancshares, could reasonably be expected to result in any such material obligation or liability.

### Exhibit A-24

---

7.9 Allowances for Possible Loan Losses. The allowances for possible loan losses of Bancshares contained in the Bancshares Reports as of December 31, 2005, were or will be, a reasonable and adequate in all material respects under the requirements of GAAP to provide for possible loan losses and recoveries relating to loans previously charged off, on loans outstanding (including accrued interest) as of the respective date of such balance sheet and such allowance has been or will have been determined in accordance with GAAP. To the knowledge of Bancshares' management, Bancshares is not likely to materially increase the provision for loan losses between the date hereof and the Effective Date.

7.10 Benefit Plans. To the knowledge and belief of Bancshares' senior management

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

subsidiaries and all "employee benefit plans," as defined in Section 3(3) of ERISA, that employees employed by Bancshares or any of its subsidiaries:

a. are in compliance with all laws, regulations, reporting and licensing requirements to its business or to such plan or any of its employees (because such employee's actions of it), the breach or violation of which could have a material and adverse effect on such business.

b. has received no notification from any agency or department of federal, state or local government or any staff thereof asserting that any such entity is not in compliance with any laws, regulations or ordinances that such governmental authority enforces, or threatens to revoke, license, franchise or permit or governmental authorization, and is subject to no agreement or understanding with any such governmental authorities with respect to its assets or business.

7.11 Financial Statements. Complete copies of Bancshares' most recent Annual Report and Financial Statements are available to FNB Wiggins. The Bancshares financial statements have been audited by T. E. Lott & Company, Inc. (in the case of the Bancshares audited financial statements), in accordance with generally accepted accounting standards, have been prepared in accordance with GAAP and, except as disclosed therein, are consistent with prior periods, and present fairly the financial position of Bancshares and its subsidiaries at such dates and the results of operations and cash flows for the periods covered. Bancshares unaudited interim financial statements reflect all adjustments (consisting only of adjustments) that are necessary for a fair statement of the results for the interim periods (collectively, the "Bancshares Financial Statements").

7.12 Disclosure. No representations or warranties by Bancshares or Bank in this Schedule are contained in the schedules or exhibits or in any certificates to be delivered pursuant to this Schedule that contains or will contain any untrue statement of material fact or omits or will omit to state any material fact necessary, in light of the circumstances under which it was made, in order to make the statements therein not misleading.

### Exhibit A-25

---

7.13 Title to Assets; Adequate Insurance Coverage. Except as described on Schedule A:

a. As of December 31, 2005, Bancshares had, and except with respect to the above, no claims, liens, mortgages, or other encumbrances, in consideration in the ordinary course of business since such date, now has, good and marketable title to all real property and good and merchantable title to all other material properties reflected in the Bancshares Financial Statements, free and clear of all mortgages, liens, restrictions, security interests, charges and encumbrances of any nature except for those encumbrances which secure indebtedness which is properly reflected in the Bancshares Financial Statements or which secure deposits of public funds as required by law; (ii) liens on real property but not yet payable; (iii) liens arising as a matter of law in the ordinary course of business with respect to obligations incurred after December 31, 2005, provided that the obligations are not delinquent or are being contested in good faith; (iv) such imperfect encumbrances, if any, as do not materially detract from the value or materially interfere with the present use of any of such properties or assets or the potential sale of any such owned assets; and (v) capital leases and leases, if any, to third parties for full consideration. Bancshares owns, or has valid leasehold interests in, all material assets, tangible or intangible, used in the conduct of its business. Any real property or other material assets held under lease by Bancshares are held under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made or proposed to be made by Bancshares in such lease of such property.

b. With respect to each lease of any real property or a material amount of personal property in which Bancshares is a party, except for financing leases in which Bancshares is lessor, (i) the lease is in full force and effect in accordance with its terms; (ii) all rents and other monetary obligations have been due and payable thereunder have been paid; (iii) there exists no event of default, occurrence, condition or act which with the giving of notice, the lapse of time or the occurrence of any further event, occurrence, condition or act would become a default under such lease; and (iv) the Bank Merger will not constitute a default or a cause for termination or modification of such lease.

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

c. Bancshares has no legal obligation, absolute or contingent, to any other party to dispose of any substantial part of its assets or to sell or dispose of any of its assets in the ordinary course of business consistent with past practices.

d. To the knowledge and belief of its management, the policies of fire and theft insurance maintained with respect to the assets or business of Bancshares provides coverage against loss and the fidelity bonds in effect as to which Bancshares is named conform to applicable standards of the American Bankers Association.

### Exhibit A-26

---

7.14 Tax Liability. The amounts set up as liabilities for taxes in the consolidated Financial Statements are sufficient for the payment of all respective taxes (including, without limitation, federal, state, local, and foreign excise, franchise, property, payroll, income, capital stock, and sales taxes) in accordance with GAAP and unpaid at the respective dates hereof.

7.15 Tax Returns: Payment of Taxes. All federal, state, local, and foreign tax returns, including estimated tax returns, withholding tax returns with respect to employees, and FICA returns required to be filed by or on behalf of Bancshares and Bank have been timely filed or requests for extensions have been timely filed and granted and have not expired for periods ending on or before December 31 of each year. All returns filed are complete and accurate to the best information and belief of their respective preparers and all taxes shown on filed returns have been paid. As of the date hereof, there is no action, suit, deficiency or refund litigation or matter in controversy with respect to any taxes that would result in a determination materially adverse to Bancshares or Bank except as reserved against in the Bank's Financial Statements. All taxes, interest, additions and penalties due with respect to completed and set aside or concluded litigation have been paid, and Bancshares' and Bank's reserves for bad debts at the end of each year as filed with the IRS, were not greater than the maximum amounts permitted under the provisions of the Code.

#### ARTICLE 8.

#### BANCSHARES' COVENANTS AND AGREEMENTS

Bancshares covenants and agrees as follows:

8.1 Conduct of Business. Bancshares agrees to operate its business solely in the United States and with prudent business practices and in compliance with all applicable laws, regulations, and orders, and herein shall be construed as limiting or restricting Bancshares in its assets, liability, or capital structure, and as limiting any action of Bancshares or its affiliates, nor shall anything in this Agreement be construed as limiting the future number and amount of outstanding shares of Bancshares Common Stock pending the completion of this transaction.

8.2 Due Diligence. In order to afford FNB Wiggins access to such information necessary to perform its due diligence review with respect to Bancshares and its assets in connection with the Bank Merger, Bancshares shall, (a) upon reasonable notice, afford FNB Wiggins and its officers, directors, counsel, accountants and other authorized representatives, during normal business hours three business days prior to the Effective Date and to the extent consistent with applicable law, access to its premises, books and records, and to furnish FNB Wiggins and such representatives with such financial and other information of any kind respecting its business and properties as FNB Wiggins shall reasonably request to perform such review, and (b) promptly advise FNB Wiggins of the occurrence or the Effective Date of any event or condition of any character (whether actual or to the knowledge of Bancshares, threatened or contemplated) that has had or can reasonably be anticipated to have, or that is likely to be sustained adversely to Bancshares, would reasonably be anticipated to have, a material adverse effect on the financial condition, results of operations, business or prospects of its consolidated group as a

### Exhibit A-27

---

8.3 Registration Statement.

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

a. Bancshares will prepare and file on Form S-4 a registration statement (including the Proxy Statement) complying with all the requirements of the Securities Act thereunto, for the purpose, among other things, of registering the Bancshares Common Stock issued to the holders of FNB Wiggins Common Stock pursuant to the Bank Merger (as defined in the "Statement"). Bancshares shall use its best efforts to cause the Registration Statement to be effective as soon as practicable, to qualify the Bancshares Common Stock under the applicable state securities laws of such jurisdictions as may be required, and to keep the Registration Statement qualified and in effect for so long as is necessary to consummate the Bank Merger contemplated hereby.

b. FNB Wiggins shall cooperate in preparing the Registration Statement and promptly furnish all such data and information relating to it as Bancshares may reasonably request for the purpose of including such data and information in the Registration Statement.

c. Bancshares will indemnify and hold harmless FNB Wiggins and each of its directors, officers, and other persons, if any, who control FNB Wiggins within the meaning of the Securities Act, against any losses, claims, damages, liabilities or judgments, joint or several, to which any of them may become subject under the Securities Act or any state securities laws or otherwise, insofar as such losses, claims, damages, liabilities, or judgments (or any part thereof) arise out of or are based upon an untrue statement or alleged untrue statement of fact contained in the Registration Statement, or in any amendment or supplement to the Registration Statement, or in any state application for qualification, permit, exemption or registration as a broker/dealer, or in any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission therein of a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each such person for any legal or other expenses incurred by such person in connection with investigating or defending any such claim, provided, however, that Bancshares shall not be liable, in any such case, to the extent that any loss, claim, damage, liability, or judgment (or action in respect thereof) arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission contained in the Registration Statement, or any such amendment or supplement thereto, or in any such application, or in any amendment or supplement thereto, in reliance upon and in conformity with the information furnished in writing to Bancshares by FNB Wiggins.

8.4 Continuity of Business Enterprise. It is the present intention of Bancshares to continue the significant historic business line of FNB Wiggins, namely, financial services, and to use at least a substantial portion of FNB Wiggins' historic business assets in a business within the meaning of Treasury Regulation 1.368-1(d).

### Exhibit A-28

---

8.5 Tail Insurance. Notwithstanding the provisions of Section 5.1, FNB Wiggins and its officers shall be permitted, at their option, to purchase insurance (commonly referred to as "tail insurance") which will provide post Closing coverage for errors and omissions similar to that provided by the existing FNB Wiggins officers' errors and omissions insurance policy number 1620929 presently carried by FNB Wiggins. FNB Wiggins Bank agrees to reimburse any person that is defined as an insured under policy number 1620929 for the Tail Insurance for any expenditures classified as retention or deductible amounts under the policy incurred by the insured as a result of any errors or omissions covered by the Tail Insurance.

### ARTICLE 9. CONDITIONS TO CLOSING

The obligations of FNB Wiggins and Bancshares under this Agreement, except as otherwise provided, shall be subject to the satisfaction or waiver of the following conditions on or prior to the Closing.

9.1 Conditions to Each Party's Obligations to Effect the Bank Merger. The respective obligations of each Party to effect the Bank Merger shall be subject to the following conditions:

a. Stockholder Approval. The Bank Merger shall have been approved by the affirmative vote of the holders of the outstanding shares of FNB Wiggins Common Stock at FNB Wiggins' Stockholders' Meeting held on or before the date of the Bank Merger, with Bancshares as the sole stockholder of Bank.



## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

b. Regulatory Approvals. The transactions contemplated by this Agreement necessary governing regulatory authorities, without any condition or requirement that or FNB Wiggins deem burdensome, or which otherwise would have a material adverse effect on the operations, properties, assets or financial condition of Bancshares, Bank or FNB as of the Effective Date, all conditions required to be satisfied shall have been satisfied and all periods relating to such approvals shall have expired.

c. Registration Statement. The Registration Statement shall have been declared effective and not subject to a stop order or any threatened stop order, and all state securities and blue sky law approvals required to consummate the transactions contemplated by this Agreement shall have been received.

d. No Restraining Action. No action or proceeding shall have been instituted by any governmental body to restrain or prohibit the transactions contemplated by the Bank Merger Agreement or this Agreement or instituted or threatened to be instituted to obtain damages or compensation in connection with the execution of such agreements or the consummation of the transactions contemplated hereby or thereby; and no governmental agency shall have given notice to any party in effect that consummation of the transactions contemplated by the Bank Merger Agreement would constitute a violation of any law or that it intends to commence an action to restrain consummation of the Bank Merger.

### Exhibit A-29

---

e. Tax Opinion. Bancshares and FNB Wiggins shall have received an opinion of Stennis, P.A. substantially to the effect that the transactions contemplated by this Agreement shall be treated for federal income tax purposes as a tax-free reorganization under Section 368.

9.2 Conditions to Obligations of FNB Wiggins to Effect the Bank Merger. The obligations of FNB Wiggins to effect the Bank Merger shall be subject to the following additional conditions:

a. Representations and Warranties. The representations and warranties made in the Bank Merger Agreement shall be true and correct in all material respects (except to the extent such representations or warranty is qualified by materiality, in which case such representation or warranty shall be correct) as of the date of this Agreement and as of the Closing as though made at and as of that date, except as otherwise contemplated by this Agreement or consented to in writing by FNB Wiggins.

b. Performance of Obligations. Bancshares shall have performed in all material respects and complied with all covenants required by it under this Agreement prior to the Closing. Bancshares shall deliver at Closing appropriate certificates setting forth such.

c. No Material Adverse Change. There shall not have occurred any material adverse change in the financial condition, results of operations or assets of Bancshares and its subsidiaries taken as a whole.

d. Legal Opinion. An opinion of Watkins Ludlam & Stennis, P.A., special counsel to FNB Wiggins delivered to FNB Wiggins dated the Closing Date and in form and substance reasonably satisfactory to FNB Wiggins and its counsel to the effect that:

i. Bancshares is a corporation duly incorporated, validly existing under the laws of the State of Mississippi, a bank holding company duly registered under the Bank Holding Company Act of 1956, as amended, and it has the corporate authority to acquire and operate businesses and properties and to carry on its business as presently conducted;

ii. Bank is a national banking association duly organized, validly existing under the laws of the United States of America and Bank has the corporate power to acquire, lease and operate its properties and assets and to carry on its business as presently conducted;

### Exhibit A-30

iii. Bancshares and Bank had and have the corporate authority to make, execute and deliver, and has been duly authorized and approved by all necessary corporate action of Bank, and it has been duly executed and delivered and is as of the Closing Date a binding obligation subject, however, to bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights generally and to the availability of equitable remedies in general;

iv. All required regulatory approvals have been obtained;

v. To such counsel's knowledge after inquiry, but without independent investigation or proceeding pending or threatened against Bancshares or Bank in or consummation of this Agreement by Bancshares and Bank, and consummation of any other contract, agreement, Charter, Articles of Incorporation, Articles of Association, or Bylaw of Bancshares and Bank; and

vi. All shares of Bancshares Common Stock to be issued pursuant to the Bank Merger Agreement, and, when issued pursuant to the Bank Merger Agreement, will be validly issued, fully paid and non-assessable, registered pursuant to the Securities Act, a time of their delivery, free and clear of all liens, charges, security interests, pledges and other encumbrances and any preemptive or similar rights.

9.3 Conditions to Obligations of Bancshares to Effect the Bank Merger. The obligations to effect the Bank Merger shall be subject to the following additional conditions:

a. Representations and Warranties. The representations and warranties made in this Agreement shall be true and correct in all material respects (except to the extent such representation or warranty is qualified by materiality, in which case such representation or warranty shall be true and correct) as of the date of this Agreement and as of the Closing as though made at the Closing, except as otherwise contemplated by this Agreement or consented to in writing.

b. Performance of Obligations. FNB Wiggins shall have performed in all material respects and complied with all covenants required by it under this Agreement prior to the Closing. FNB Wiggins shall deliver at Closing appropriate certificates setting forth such.

c. No Material Adverse Change. There shall not have occurred any material adverse change in the financial condition, results of operations, or assets of FNB Wiggins and its subsidiaries, if any, taken as a whole.

d. Legal Opinion. An Opinion of Brunini, Grantham, Grower, & Hewes, PLLC, shall be delivered to Bancshares dated the Closing Date, and in form and substance satisfactory to Bancshares to the effect that:

## Exhibit A-31

---

i. FNB Wiggins is a national banking association duly organized and validly existing under the laws of the United States, and has corporate authority to own, operate, and conduct its businesses and properties and to carry on its business as presently conducted.

ii. FNB Wiggins had and has corporate authority to make, execute and deliver, and has been duly authorized and approved by all necessary corporate action of FNB Wiggins, and it has been duly executed and delivered and is as of the Closing Date its valid and binding obligation subject, however, to bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights generally and to the availability of equitable remedies in general.

iii. To such counsel's knowledge after inquiry, but without independent investigation or proceeding pending or threatened against FNB Wiggins relating to the consummation of this Agreement by FNB Wiggins and consummation of any other contract, agreement, Charter, Articles of Association, or Bylaw of FNB Wiggins.

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

Prior Letter of Intent described in Section 3.1(b) above; and

iv. FNB Wiggins has complied with all laws and regulations relating to dissent

e. Resolution of Change in Control Payments; Execution of Retention Agree  
Wiggins under any employment, incentive or Change of Control Payments with FNB W  
requiring payments in the event of exercise or sale of FNB Wiggins shall have  
completely resolved, canceled and rendered invalid, void and unenforceable an  
accounting entries made in accordance with Section 3.1(b). Certain officers o  
determined by Bancshares shall have executed retention and noncompete agree  
employee to be effective at consummation.

f. Termination of Employment Agreements. Each employee with whom FNB Wigg  
shall have executed and delivered to Bancshares, and not withdrawn, rescinded or o  
the validity or enforceability of, or threatened any such action, an amendment to  
employment agreements or other written arrangements with FNB Wiggins, terminating  
the Effective Date.

### ARTICLE 10. CLOSING

10.1 Closing. The Closing shall be held at the office of Bancshares or such other place as B  
FNB Wiggins shall mutually designate.

## Exhibit A-32

---

10.2 Deliveries at Closing. At the Closing, all documents and instruments shall b  
executed and delivered by all the Parties hereto, and possession of all liabilities and  
transferred and delivered accordingly. The Parties shall execute any and all documents reason  
them or their legal counsel for the purpose of effectuating the transaction contemplated,  
limited to a listing of dissenting stockholders, if any, including name, address, and number of s

### ARTICLE 11. EMPLOYMENT MATTERS

11.1 Employees. Except as disclosed on Schedule 11.1 hereto, Bancshares and  
efforts to retain FNB Wiggins' officers and employees. Bank will make reasonable efforts to m  
compensation levels for retained personnel commensurate with the employees' experience and quali  
accordance with Bancshares' and Bank's salary administration program. With regard to any r  
Bancshares and Bank shall be free of any obligation to honor any past agreement of FNB Wiggins to

With respect to FNB Wiggins' group health and life benefit plan as it relates to its  
shall have the option of either: (a) continuing such plan on and after the Effective Date of th  
(b) discontinuing such plan upon the Effective Date and thereafter, all retained employees w  
participate in Bank's group health and life benefit plan based on the provisions in the plan  
day employment period will be waived for eligible retained employees in accordance with Bank'  
waive pre-existing medical conditions for health insurance purposes as to all retained personnel  
to the extent such pre-existing medical conditions were waived under similar plans of Bank as of

11.2 Retirement Plan. FNB Wiggins currently maintains a 401(k) Plan which will  
effect through the Effective Date of the Bank Merger (the "Plan"). At the sole option of Bank,  
of the Effective Date of the Bank Merger, either (a) be merged with an existing retirement pl  
be terminated and distributed to the participants in accordance with the terms of the Plan af  
customary contributions for periods prior to the Effective Date of the Bank Merger have been ma  
past practices. FNB Wiggins agrees to cooperate with Bank in its implementation of either  
Plan or terminating it as referenced above, which cooperation includes, but is not limited  
action that must take place prior to the Effective Date.

All retained employees will be eligible to enter the Bank's 401(k) Plan upon meetin  
requirements set forth in such plan. All retained employees will be granted full credit for

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

with FNB Wiggins for all purposes, including determining eligibility, under the Bank's Employee Stock Ownership Plan. Additionally, all retained employees will be eligible to enter the Bank's Employee Stock Ownership Plan when the plan becomes effective (which is expected to occur subsequent to the Effective Date) and meet the eligibility requirements thereof. However, any retained employees will not be granted credit for service with FNB Wiggins for any purpose, including determining eligibility, under the Bank's Employee Stock Ownership Plan.

### Exhibit A-33

---

11.3 Other Benefit Plans. Other FNB Wiggins benefit plans will continue through the Bank Merger. Thereafter, all retained employees will be eligible to participate in all Bank benefit plans not set forth in Sections 11.1 and 11.2 hereof, based on the provisions set forth in the plan documents.

11.4 Notices. FNB Wiggins shall be responsible for notifying its employees of the effect of the Merger on them and for complying with any applicable laws regarding such notices.

#### ARTICLE 12. REMEDIES

For purposes of this Agreement, any reference to Bancshares in this Article 12 shall include Bancshares and Bank.

12.1 Parties' Joint Remedies. In the event regulatory authorities impose requirements that materially alter this Agreement and which are not otherwise burdensome or objectionable to the Parties, the Parties agree to amend this Agreement to conform to such regulatory requirements, and specific provisions shall be available as a remedy for this purpose.

12.2 Joint Remedies for Unintentional Breach. Notwithstanding any remedy in Section 12.1, in the event this Agreement is terminated pursuant to Section 13.1(c) hereof as a result of an uncured breach of a warranty, representation, covenant or agreement, then the sole remedy shall be that this Agreement shall be null and void, other than the provisions of Section 5.8.

12.3 FNB Wiggins' Remedies. In the event Bancshares breaches this Agreement, Section 12.2 hereof, then FNB Wiggins shall give Bancshares notice of the breach, and Bancshares shall have a reasonable amount of time to cure the breach, and Bancshares shall be liable for such economic damages as the direct result of any uncured breach, but Bancshares shall not be liable for consequential damages. If Bancshares breaches a warranty, representation, covenant or agreement that does not materially affect the entire transaction, then the amount of the damages shall be mutually agreed upon by the Parties; if they cannot agree as to the damage, then by an arbitrator mutually agreeable to them. If the damage determined shall be conclusively binding on both Parties and shall be treated as an adjustment to Merger Consideration.

12.4 Bancshares' Remedies. In the event FNB Wiggins breaches this Agreement, Section 12.2 hereof, then Bancshares shall give FNB Wiggins notice of the breach, and FNB Wiggins shall have a reasonable amount of time to cure the breach, and FNB Wiggins shall be liable for such economic damages as the direct result of any uncured breach, but FNB Wiggins shall not be liable for consequential damages; provided, however, in the event FNB Wiggins breaches Section 5.8, then FNB Wiggins shall be liable to Bancshares in an amount equal to said economic damages in addition to Bancshares' and Bancshares' expenses incurred in connection with the transactions contemplated hereby, including but not limited to reasonable attorney fees and accountant fees and in addition to any payments otherwise due to Bancshares pursuant to Section 5.8(b). If FNB Wiggins breaches a warranty, representation, covenant or agreement that does not materially affect the entire transaction, then the amount of the damages shall be mutually agreed upon by the Parties, and if they cannot agree as to the damage, then by an arbitrator mutually agreeable to them. If the damage determined shall be conclusively binding on both Parties and shall be treated as an adjustment to Merger Consideration.

### Exhibit A-34

---

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

12.5 Attorney Fees. Each Party shall bear its own attorney fees except in accordance with the terms of this Agreement.

### ARTICLE 13.

#### TERMINATION

13.1 Termination. This Agreement may be terminated, either before or after approval by the Board of Directors of FNB Wiggins as follows:

a. Mutual Consent. At any time on or prior to the Effective Date, by the affirmative vote of the majority of the members of each of the Board of Directors of the Parties hereto;

b. Expiration of Time. By the Board of Directors of Bancshares in writing to FNB Wiggins in writing, if the Bank Merger shall have not become effective on or before the local time on September 30, 2006, unless the absence of such occurrence shall be due to the failure of the Party seeking to terminate this Agreement to perform each of its obligations under this Agreement required to be performed by it on or prior to the Effective Date;

c. Breach of Representation, Warranty or Covenant. By either Party hereto, or the other Party (i) of any covenant or agreement contained herein or (ii) of any warranty herein, if (A) the facts constituting such breach reflect a material and adverse change in the financial condition, results of operations, business, or prospects taken into account by the breaching Party, which in either case cannot be or is not cured within sixty (60) days after notice of such breach is given to the Party committing such breach, or (B) in the event of a breach of a warranty or covenant, such breach results in a material increase in the cost of performance of this Agreement by the Party's performance of this Agreement.

d. Regulatory Approval. By either Party hereto, at any time after any bank merger has been approved by the United States Department of Justice has denied any application for any approval or clearance required to be obtained as a condition to the consummation of the Bank Merger and the time period for which such requests for reconsideration thereof has run.

## Exhibit A-35

---

e. Shareholder Approval. By either Party hereto, if the Bank Merger is not approved by the affirmative vote of a majority of the shareholders of FNB Wiggins.

f. Dissenters. By Bancshares, if holders of outstanding FNB Wiggins Common Stock who dissent and appraisal pursuant to 12 U.S.C. § 215a, in such numbers as would constitute a majority of the outstanding shares of FNB Wiggins Common Stock in such transaction as a nontaxable reorganization under and in accordance with Sections 368(a)(2)(D) of the Code.

### ARTICLE 14.

#### APPRAISAL RIGHTS

Notwithstanding any other provision of this Agreement to the contrary, dissenting shareholders of FNB Wiggins who comply with the procedural requirements of 12 U.S.C. § 215a will be entitled to receive the fair cash value of their shares as provided therein.

### ARTICLE 15.

#### MISCELLANEOUS

15.1 Entire Agreement. This Agreement embodies the entire understanding of the Parties with respect to the subject matter herein and supersedes all prior understandings or agreements, oral or written, in connection with this Agreement hereto.

15.2 Appointment of Representative. Each of the shareholders of FNB Wiggins who is a shareholder on the Effective Date (except any shareholders who exercise their right to dissent according to 12 U.S.C. § 215a) shall, by virtue of the Bank Merger and without any further action on the part of such shareholder, be deemed to have appointed H. F. Campbell or, in the event of his death, inability or unwillingness to act, any person named in the Schedule of Appointees attached as Exhibit A-36 to this Agreement as the representative of such shareholder for all purposes of this Agreement.

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

Bell, Jr., as such shareholder's agent and attorney-in-fact ("Representative") with respect to all actions and decisions required or permitted to be made under the Escrow Agreement, and agrees to take any actions or decisions taken by the Representative with respect thereto. The Representative shall have the authority to act on behalf of each stockholder of FNB Wiggins described above, to take any action on behalf of, execute any and all instructions on behalf of, and to execute or waive any and all instructions of stockholders under the Escrow Agreement. The Representative shall have no liability to any stockholder of FNB Wiggins described above for any action taken or omitted to be taken on behalf of such stockholder under the Escrow Agreement. The appointment of the Representative shall be irrevocable and is coupled with an interest, except that a successor to the Representative may be appointed by a written instrument signed by a majority in interest of such shareholders or their legal representatives, in form and substance satisfactory to Bancshares and delivered to Bancshares. The Representative shall use reasonable care to keep the former stockholders of FNB Wiggins described above informed of any material events occurring which may affect such stockholder's right to receive any portion of the Escrow Fund.

15.3 Survival of Representations, Warranties and Agreements. None of the representations and warranties herein shall survive the Effective Date, or the earlier termination of this Agreement pursuant to the provisions hereof, other than Section 5.8.

### Exhibit A-36

---

15.4 Headings. The headings and subheadings in this Agreement, except the terms in Article 1 and elsewhere in this Agreement, are inserted for convenience only and shall not affect the interpretation of this Agreement or any provision hereof.

15.5 Counterparts. This Agreement may be executed in any number of duplicate copies, each of which shall be deemed an original and all of which when combined shall be deemed to be one original document.

15.6 Governing Law. This Agreement and the rights and obligations hereunder shall be governed by the laws of the State of Mississippi without regard to its conflicts of laws principles.

15.7 Successors: No Third Party Beneficiaries. All terms and conditions of this Agreement shall apply to the successors and assigns of the Parties. Except as otherwise specifically provided in this Agreement, nothing expressed or referred to in this Agreement is intended or shall be construed to give any person other than the Parties any legal or equitable right, remedy or claim under or in respect of this Agreement or the provisions contained herein, it being the intention of the Parties hereto that this Agreement and the statements of responsibilities hereunder, and all other conditions and provisions hereof are intended to be for the exclusive benefit of the Parties and for the benefit of no other person.

15.8 Modification; Assignment. No amendment or other modification of any part of this Agreement shall be effective except pursuant to a written agreement subscribed by the duly authorized representatives of both Parties hereto. This Agreement may not be assigned without the express written consent of both Parties.

15.9 Notice. Any notice, request, demand, consent, approval or other communication shall be effective when received and shall be given in writing, and delivered in person against receipt by certified mail, postage prepaid or courier service at its address set forth below. The Parties shall address as it shall hereafter furnish in writing to the others. All such notices and other communications shall be deemed given on the date received by the addressee or its agent.

FNB Wiggins

First National Bank of Wiggins  
124 Border Avenue  
P.O. Box 307  
Wiggins, Mississippi 39577-0307  
Attn: Benny Bell, President & CEO  
(Fax: 601-928-8300)

Copy to:

Granville Tate, Jr.

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

Brunini, Grantham, Grower & Hewes, PLLC  
248 E. Capitol, Suite 1400  
Jackson, Mississippi 39201  
(Fax: 601-960-6902)

### Exhibit A-37

---

#### Bancshares

The First Bancshares, Inc.  
6480 U.S. Hwy 98 W.  
Post Office Box 15549  
Hattiesburg, Mississippi 39404-5549  
Attn: David E. Johnson, Chairman and CEO  
(Fax: 601-296-9207)

#### Copy to:

Craig N. Landrum  
Watkins Ludlam Winter & Stennis, P.A.  
P. O. Box 427  
Jackson, Mississippi 39205-0427  
or  
633 North State Street  
Jackson, Mississippi 39202  
(Fax: 601-949-4804)

15.10 Waiver. The Parties may waive their respective rights, powers or privileges provided that such waiver shall be in writing; and further provided that no failure or delay by a Party to exercise any right, power or privilege under this Agreement will operate as a waiver of any single or partial exercise of any right, power or privilege under this Agreement precluding further exercise thereof or the exercise of any other right, power or privilege by the Parties under this Agreement, nor will any such waiver operate or be construed as a future waiver of such right, power or privilege under this Agreement.

15.11 Costs, Fees and Expenses. Except as provided in Article 11 herein, each Party shall be responsible for the costs, fees and expenses which it has incurred in connection with or incidental to the matters contemplated by this Agreement, including without limitation any fees and disbursements to its accountants and counsel and will be responsible for preparing the applications, regulatory filings and Registration Statements to obtain approval of the Bank Merger and the issuance of the Bancshares Common Stock. FNB Wiggins shall be responsible for the cost of its accountants and legal counsel and will bear all costs related to the stockholders' meetings and obtaining stockholders' approval of the Bank Merger.

15.12 Press Releases. FNB Wiggins and Bancshares shall consult with each other prior to the issuance of any press release related to this Agreement or the transactions contemplated hereby, and the form and substance of other public disclosures related thereto, provided, however, that the provisions contained herein shall prohibit Bancshares, following notification to FNB Wiggins, from making any such disclosure which its counsel deems necessary to conform with requirements of law or the rules of the National Securities Dealers Automated Quotation System.

### Exhibit A-38

---

15.13 Severability. If any provision of this Agreement is invalid or unenforceable in any jurisdiction, it is possible, all of the remaining provisions of this Agreement shall remain in full force and effect and shall be binding upon the Parties hereto.

15.14 Mutual Covenant of Best Efforts and Good Faith. The Parties mutually covenate

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

that they will use their best efforts to consummate the transactions herein contemplated and  
and deal with each other in good faith as to this Agreement and all matters arising from or relat

Exhibit A-39

---

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be execu  
authorized representatives as of the date first above written.

FIRST NATIONAL BANK OF WIGGINS

By: /s/ B. H. Bell, Jr.  
-----

Name: B. H. Bell, Jr.  
Title: Chief Executive Officer and President

Attest:

Name: /s/ Patricia B. Fiveash  
-----

(Seal)

THE FIRST BANCSHARES, INC.

By: /s/ Dee Dee Lowery  
-----

Name: Dee Dee Lowery  
Title: CFO & EVP

Attest:

Name: /s/ Chandra B. Kidd  
-----

(Seal)

THE FIRST, A NATIONAL BANKING ASSOCIATION

By: /s/ Dee Dee Lowery  
-----

Name: Dee Dee Lowery  
Title: CFO & EVP

Attest:

Name: /s/ Chandra B. Kidd  
-----

(Seal)

Exhibit A-40

---

EXHIBIT A



# Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

## BANK MERGER AGREEMENT

This Bank Merger Agreement is made and entered into as of the \_\_\_\_ day of May, 2006, A National Banking Association, Hattiesburg, Mississippi ("The First"), and First National Wiggins, Mississippi, a national banking association ("FNB Wiggins") (the "Bank Merger Agreement")

WITNESSETH:

WHEREAS, The First and FNB Wiggins (collectively, the "Constituent Banks") and their of Directors deem it advisable that FNB Wiggins be merged with and into The First with The Fir (the "Bank Merger") pursuant to the provisions of 12 U.S.C. §§ 215 and 215a and upon the terms hereinafter set forth and in the Agreement (as hereinafter defined); and;

WHEREAS, the Constituent Banks have entered into an Agreement and Plan of Merger da hereof (the "Agreement") (the defined terms in which are used herein as defined therein) set representations, warranties, covenants, and conditions relating to the Bank Merger;

NOW THEREFORE, the Constituent Banks hereby make, adopt and approve this Bank Merger prescribe the terms and conditions of the Bank Merger and the mode of carrying the Bank Merger follows:

### ARTICLE ONE

#### THE BANK MERGER

Upon the terms and subject to the conditions hereinafter set forth, and in the Effective Date (as defined in Article Two hereof) FNB Wiggins shall be merged with and into consummation of the Bank Merger the separate corporate existence of FNB Wiggins shall cease and continue as the surviving bank. The name of The First, as the surviving bank, shall by virtue remain unchanged. On the Effective Date all of the assets and property of every kind and personal and mixed, tangible and intangible, choses in action, rights, and credits then owned which would inure to it, shall immediately by operation of law and without any conveyance or to any further action or deed, be vested in and become the property of The First, which shall have the same in its own right as fully and to the same extent as the same were possessed, held, a Wiggins prior to the Bank Merger; and The First shall be deemed to be and shall be a continuation entities and all of the rights and obligations of FNB Wiggins shall remain unimpaired, and Effective Date of the Bank Merger shall succeed to all such rights, obligations, duties and liabilities therewith.

## Exhibit A-41

---

### ARTICLE TWO

#### EFFECTIVE DATE AND TIME

The Bank Merger shall be effective no earlier than the date and time specified or Office of the Comptroller of the Currency ("OCC") in a Certificate of Combination or other writing by the OCC (the "Effective Date").

### ARTICLE THREE

#### CONVERSION AND CANCELLATION OF SHARES

a. On the Effective Date, each share of Bancshares common stock, \$1.00 par value ("Common Stock"), issued and outstanding immediately prior to the Effective Date shall remain outstanding and represent one share of Bancshares Common Stock.

b. The aggregate consideration to holders of outstanding FNB Wiggins common stock ("FNB Wiggins Common Stock") shall be Four Million One Hundred Fifty-two Thousand Four Hundred Dollars ("Merger Consideration"). The Merger Consideration represents One Hundred and Seventy-Five Dollars

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

share of outstanding FNB Wiggins Common Stock. The Merger Consideration shall be comprised (50%) cash or \$87.50 per share of FNB Wiggins Common Stock (the "Cash Element"), and five Bancshares Common Stock valued at \$19 per share or 4.605 shares of Bancshares Common Stock for Wiggins Common Stock (the "Stock Element"). As a result of the Bank Merger and subject to provided for in Sections 3.1 through 3.3 of the Agreement, shares of FNB Wiggins Common outstanding immediately prior to the Effective Date, other than dissenting shares, shall by Merger be converted into and represent the right to receive the Stock Element, the cash fractional shares as set forth in Section (d), and the Cash Element less Seven Hundred and Dollars (\$780,000) in Consideration Deductions (which represents \$32.873 per share of outstanding Common Stock), which are defined as follows: (i) Two Hundred and Eighty Thousand Dollars represents a maximum of 50% of the cost of cancellation of FNB Wiggins' data processing contract Technology, LLC; (ii) Two Hundred Thousand Dollars (\$200,000) which represents a potential certain Confidential Term Sheet between FNB Wiggins and Richton Bank & Trust Company dated ("Prior Letter of Intent"); and (iii) Three Hundred Thousand Dollars (\$300,000) to account for related to the Mortgage Loan Purchase and Sale Agreements dated October 31, 2005 and December of which are attached as Schedule 3.1(b) to the Agreement. At the Effective Date, Bancshares an escrow account cash in the amount of the Consideration Deductions (the "Escrow Fund") in accordance with the terms thereof, the balance remaining in the Escrow Fund shall be distributed of FNB Wiggins Common Stock (other than holders of dissenting shares) in accordance with the Agreement.

### Exhibit A-42

---

As a result of the Bank Merger and without any action on the part of the holder thereof FNB Wiggins Common Stock shall cease to be outstanding and shall be canceled and retired to exist, and each holder of a certificate (a "Certificate") representing any shares of FNB Wiggins shall thereafter cease to have any rights with respect to such shares of FNB Wiggins Common Stock applicable, the right to receive, without interest, Bancshares Common Stock and cash in accordance with Section (b) and cash for fractional shares of Bancshares Common Stock, if any, in accordance with upon the surrender of such Certificate.....

c. Each share of FNB Wiggins Common Stock issued and held in FNB Wiggins' Common Stock Effective Date shall, by virtue of the Bank Merger, cease to be outstanding and shall be canceled without payment of any consideration therefor.

d. No fractional shares of Bancshares Common Stock representing such fractional shares of the holders of FNB Wiggins Common Stock. Instead, a shareholder otherwise entitled to receive such shares shall be entitled to a cash payment (without interest) as provided in the Agreement.

#### ARTICLE FOUR

##### EFFECTS OF BANK MERGER

The Bank Merger shall have the effects set forth in 12 U.S.C. §§ 215 and 215a. Upon the effective date of the office of FNB Wiggins immediately before the Bank Merger becomes effective shall become The First.

#### ARTICLE FIVE

##### FILING OF ARTICLES OF MERGER

If this Bank Merger Agreement is approved by the shareholders of FNB Wiggins and the fact of such approval shall be so certified by the Secretary or Assistant Secretary of the Company, the appropriate documents shall be delivered to the OCC for filing and recordation in the manner

#### ARTICLE SIX

##### MISCELLANEOUS

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

The obligations of the Constituent Banks to effect the Bank Merger shall be subject to the terms and conditions of the Agreement. At any time prior to the Effective Date, this Bank Merger shall be terminated (a) by the mutual agreement of the Boards of Directors of the Constituent Banks, and (b) by the terms and provisions of the Agreement.

Exhibit A-43

IN WITNESS WHEREOF, this Bank Merger Agreement is signed by a majority of the Directors of the Constituent Banks as of the day first above written.

THE FIRST, A NATIONAL BANKING ASSOCIATION  
By a Majority of its Board of Directors

/s/ David W. Bomboy

-----  
David W. Bomboy

/s/ M. Ray Cole

-----  
M. Ray Cole, Jr.

/s/ E. Ricky Gibson

-----  
E. Ricky Gibson

/s/ David E. Johnson

-----  
David E. Johnson

-----  
Peeler G. Lacey, M.D.

/s/ Charles Lightsey

-----  
Charles Lightsey

/s/ Fred McMurry

-----  
Fred McMurry

/s/ Gregory H. Mitchell

-----  
Gregory H. Mitchell

/s/ Trent A. Mulloy

-----  
Trent A. Mulloy

/s/ Ted Parker

-----  
Ted Parker

/s/ Gerald C. Patch

-----  
Gerald C. Patch

-----  
Dennis Pierce

FIRST NATIONAL BANK OF WIGGINS  
By a Majority of its Board of Directors

/s/ B. H. Bell, Jr.

-----  
B. H. Bell, Jr.

/s/ H. F. Campbell

-----  
H. F. Campbell

/s/ E. E. Danzey

-----  
E. E. Danzey

/s/ G. L. Price

-----  
G. L. Price

/s/ R. P. Regan, Jr.

-----  
R. P. Regan, Jr.

/s/ Durwood Stephens

-----  
Durwood Stephens

/s/ J. M. White

-----  
J. M. White

-----  
(constituting of a majority of its Board of Directors)

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

/s/ J. Douglas Seidenburg

-----  
J. Douglas Seidenburg

Exhibit A-44

---

/s/ Ralph T. Simmons

-----  
Ralph T. Simmons

/s/ A. L. Smith

-----  
A. L. Smith

/s/ Andrew D. Stetelman

-----  
Andrew D. Stetelman  
(constituting of a majority of its Directors)

(Seal)

(Seal)

Exhibit A-45

---

EXHIBIT "B"

FORM OF AFFILIATE AGREEMENT

(Date)

THE FIRST BANCSHARES, INC.  
Post Office Box 15549  
Hattiesburg, MS 39404-5549

Gentlemen:

I, the undersigned director, executive officer or significant stockholder of First Wiggins, Wiggins, Mississippi, a national banking association ("FNB Wiggins"), acknowledge and agree that, as an affiliate of FNB Wiggins, Rule 145 promulgated under the Securities Act of 1933, as amended, restricts my ability to sell, pledge, transfer or otherwise dispose of the shares of The First Wiggins ("Bancshares") common stock ("Bancshares Common Stock") to be issued to me in connection with the Plan of Merger ("Agreement") between Bancshares, its subsidiary The First, A National Banking Association, FNB Wiggins, unless the requirements of Rule 145(d) are satisfied or the sale, transfer or otherwise in compliance with the Act.

On the basis of the foregoing, and in consideration of the delivery to me of the Bancshares Common Stock into which my FNB Wiggins common stock will be converted, I agree that:

1. I will not sell, transfer, pledge, alienate, encumber or otherwise dispose of the Bancshares Common Stock in violation of the Act or rules of regulations promulgated thereunder.
2. I have no plan or intention to sell, transfer or otherwise dispose of the Bancshares Common Stock securities to be received pursuant to the Agreement that would reduce FNB Wiggins stockholders' ownership of the Bancshares Common Stock.

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

Bancshares Common Stock to a number of shares having a value, as of the Effective Date (as of the Merger Agreement) of the Bank Merger (as defined in the Agreement), of less than 50% of the value of the formerly outstanding FNB Wiggins common stock as of the same date.

3. I expressly agree to the placement of a restrictive legend on any and all shares of Bancshares Common Stock to be received pursuant to the Bank Merger, to the effect that such shares received in a transaction to which Rule 145 applies, as follows:

"The shares represented by this certificate have been issued or transferred to the registered holder as a result of a transaction to which Rule 145 under the Securities Act of 1933, as amended (the "Act"), applies. The shares represented by this certificate may not be sold, transferred, pledged or assigned, and the issuer shall not be required to give effect to any attempted sale, transfer or assignment, except in accordance with the requirements of the Act and the other conditions specified in that certain Affiliate Agreement dated as of \_\_\_\_\_, 2006 between the issuer and the shareholder, a copy of which Affiliate Agreement will be furnished, without charge, by The First Bancshares, Inc., to the holder of this certificate upon written request therefor."

### Exhibit A-46

---

4. I agree to be bound by the terms of this letter until the expiration of the term set forth in Rule 145(d)(2) or (3), whichever may apply.

### Exhibit A-47

---

#### EXHIBIT "C"

##### STATEMENT OF REPRESENTATIONS

Reference to the "Code" are to the Internal Revenue Code of 1986, as amended.

The following representations are being made by FNB Wiggins in connection with the Bank Merger:

1. The value of the Bancshares Common Stock and other consideration (collective "Consideration") received by each FNB Wiggins shareholder in the Bank Merger is approximately equal to the value of the FNB Wiggins Common Stock surrendered in the exchange.
2. Subsequent to initiation of merger discussions between Bancshares and FNB Wiggins, no FNB Wiggins shareholder has had a portion of such shareholder's FNB Wiggins interest redeemed by Bancshares, and no FNB Wiggins shareholder has received a distribution with respect to its FNB Wiggins interest, and no FNB Wiggins shareholder has acquired any stock of Bancshares within the meaning of Treasury Reg. § 1.368-1(e)(3)(i)(B) by such FNB Wiggins shareholder, where such disposition or acquisition would reduce the value of the Bancshares stock to be received by all such FNB Wiggins shareholders (with such value as of the merger date) to an amount less than 45% of the value of the FNB Wiggins stock owned by such shareholders immediately before any of such distribution, disposition or acquisition.
3. The liabilities of FNB Wiggins assumed by Bank and the liabilities, if any, to which the assets of FNB Wiggins are subject, were incurred by FNB Wiggins in the ordinary course of business.
4. FNB Wiggins and the shareholders of FNB Wiggins will pay their respective expenses, if any, incurred in connection with the Bank Merger (subject to representation 12 below).
5. There is no intercorporate indebtedness existing between Bancshares or Bank and FNB Wiggins.

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

issued, acquired, or will be settled at a discount.

6. FNB Wiggins is not an investment company as defined in Code Section 368(a)(2)(F)(iii) and
7. FNB Wiggins is not under the jurisdiction of a court in a Title 11 or similar case with section 368(a)(3)(A) of the Code.
8. The value of the assets of FNB Wiggins transferred to Bank will equal or exceed liabilities assumed by Bank, plus the amount of the liabilities, if any, to which the assets are subject.
9. None of the compensation received by any shareholder-employee of FNB Wiggins pursuant to a consulting or similar arrangement is or will be separate consideration for, or allocable to, shares of FNB Wiggins Common Stock; none of the shares of Bancshares Common Stock owned by any shareholder-employee of FNB Wiggins pursuant to the Bank Merger will be separate consideration allocable to, any employment agreement; and the compensation paid to any shareholder-employee of FNB Wiggins pursuant to any employment, consulting or similar arrangement is or will be actually rendered and will be commensurate with amounts paid to third parties bargaining for similar services.

### Exhibit A-48

---

The following representations are being made by Bancshares in connection with the Bank Merger:

1. The value of the Bancshares Common Stock portion of the Merger Consideration paid by the Bank Merger will, on the Effective Date, constitute at least forty-five percent (45%) of the value of the Merger Consideration paid by Bancshares in the Bank Merger.
2. Bancshares has no plan or intention to reacquire any of the Bancshares Common Stock owned by the Bank Merger.
3. Bancshares has no plan or intention to sell or otherwise dispose of any of the assets acquired in the Bank Merger, except for dispositions made in the ordinary course of business or transfers described in section 368(a)(2)(C) of the Code.
4. Following the Bank Merger, Bancshares will continue the historic business of FNB Wiggins and a significant portion of FNB Wiggins' historic business assets in a business.
5. Bancshares, FNB Wiggins and the stockholders of FNB Wiggins will pay their respective expenses incurred in connection with the Bank Merger (subject to representation 8 below).
6. There is no intercorporate indebtedness existing between Bancshares and FNB Wiggins or between FNB Wiggins and Bancshares that was issued, acquired, or will be settled at a discount.
7. Bancshares is not an investment company as defined in Code section 368(a)(2)(F)(iii) and
8. Bancshares will pay or assume only those expenses of FNB Wiggins that are solely and directly attributable to the Bank Merger in accordance with the guidelines established in Rev. Rul. 73-54, 1973-1 CB 230.

### Exhibit A-49

---

#### EXHIBIT "D"

#### FORM OF JOINDER OF SHAREHOLDERS

The undersigned shareholder of First National Bank of Wiggins ("FNB Wiggins"), in consideration of the benefits to be derived by FNB Wiggins and its stockholders pursuant to an Agreement and Plan of Merger dated August 19, 2006 (the "Agreement") by and between FNB Wiggins, The First Bancshares, Inc. ("Bancshares") and

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

First, A National Banking Association ("The First") (the defined terms in which are used therein) and the expenses to be incurred by Bancshares in connection therewith, hereby agrees w follows:

1. Such shareholder, acting solely in such shareholder's capacity as such, agr to vote or cause to be voted all shares of FNB Wiggins Common Stock as to which such shareholder at any meeting or meetings (including any and all adjournments thereof) before which the Agreem agreement may come for consideration by FNB Wiggins shareholders, in favor of the approval of the Bank Merger Agreement, and against any similar agreement, unless Bancshares then is in br any material respect with respect to any covenant, representation or warranty as to it containe to an extent that would permit FNB Wiggins to terminate the Agreement pursuant to Section 13.1. Such shareholder further agrees not to transfer any of the shares of FNB Wiggins Common Sto shareholder has dispositive power or grant any proxy thereto (except any such proxy approved by the earlier of the Effective Date or the date that the Agreement has been terminated pursuant t except (i) for transfers by operation of law, and (ii) for transfers in connection with whi shall agree in writing with Bancshares to be bound by this Joinder as fully as the undersigne any transfer by operation of law, the provisions of this Joinder of Shareholders are intende and to inure to the benefit of such transferee, and such transferee shall be bound thereby.

2. The provisions of this Joinder shall be enforceable through an action by Banc at law or a suit for specific performance or other appropriate extraordinary relief, the sign acknowledging that remedies at law for breach or default under this Joinder might be or become in

All provisions hereof shall survive the Effective Date of the Bank Merger.

This Joinder is executed by the undersigned on \_\_\_\_\_, 2006.

Signature(s) of Shareholder(s)

\_\_\_\_\_  
\_\_\_\_\_

Exhibit A-50

EXHIBIT "E"

ESCROW AGREEMENT

THIS ESCROW AGREEMENT (this "Agreement") is made this \_\_\_\_ day of \_\_\_\_\_, 2006 First National Bank of Wiggins, Wiggins, Mississippi, a national banking association ("FNB W First Bancshares, Inc., Hattiesburg, Mississippi, a Mississippi corporation and registered ba ("Bancshares"), (c) The First, A National Banking Association, Hattiesburg, Mississippi, a wholl of Bancshares ("The First"), and (d) H. F. Campbell, an individual residing in Wiggins, "Representative"). Capitalized terms used but not otherwise defined herein shall have the re given such terms in the Plan of Merger (as defined below).

WHEREAS, Bancshares, The First, and FNB Wiggins have entered into an Agreement and P "Plan of Merger"), pursuant to which FNB Wiggins shall be merged with and into The First in a U.S.C. §§ 215 and 215a (the "Bank Merger"), and the shareholders of FNB Wiggins immedia Effective Time will be entitled to receive (a) cash and Bancshares common stock, plus (b) the pro rata portion of the Escrow Funds (as defined below) remaining upon termination of this Agreem

WHEREAS, the Representative has been duly authorized pursuant to the Plan of Merger t the holders of shares of FNB Wiggins Common Stock;

WHEREAS, FNB Wiggins hereby acknowledges that, prior to the date of the Plan of Merge the following arrangements which may cause it to incur certain losses: (a) that certain data pro

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

with Brasfield Technology, LLC; (b) that certain Confidential Term Sheet with Richton Bancshares ("Richton") dated January 20, 2006; and (c) those certain Mortgage Loan Purchase and Sale Agreements dated November 31, 2005 and December 16, 2005 between FNB Wiggins and SNGC, LLC, copies of which are attached to the Agreement (collectively, "Potential Losses"); and

WHEREAS, the Plan of Merger provides that, on the Effective Date, Bancshares shall, at the direction of the Shareholders, place into escrow pursuant to the terms of this Agreement an amount in cash as described in Section 3 of the Agreement.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants, warranties and agreements herein contained, the parties hereto do hereby agree as follows:

1. Appointment of Escrow Agent. Bancshares and FNB Wiggins hereby designate as escrow agent (in such capacity, the "Escrow Agent") to serve in accordance with the terms and conditions of this Agreement, and the Escrow Agent hereby agrees to act as such, upon the terms and conditions of this Agreement.

### Exhibit A-51

---

#### 2. Creation and Administration of Escrow Fund.

(a) Deposit of Escrow Fund. Concurrently with the execution and delivery of this Agreement, the Escrow Agent shall place or cause to be placed into an escrow account at The First (the "Escrow Account") an amount of Seven Hundred and Eighty Thousand Dollars (\$780,000). The amount deposited in the Escrow Account shall be divided into three classes of Potential Losses: (i) \$280,000 related to termination of the Brasfield Technology, LLC Agreement; (ii) \$200,000 related to Richton; and (iii) \$300,000 related to the Mortgage Loan Purchase and Sale Agreements. The amount deposited into the Escrow Account, together with any proceeds of investment and less any distributions therefrom in accordance with the terms of this Agreement, are herein collectively as "Escrow Funds." The Escrow Agent shall keep appropriate records to reflect from time to time of the Escrow Funds, including appropriate adjustments for disbursements and potential losses in respect thereof. Subject to the Escrow Agent's right to resign pursuant to Section 3(b) of this Agreement, the Escrow Funds shall be held by the Escrow Agent pursuant to this Agreement as recourse for certain obligations of Bancshares pursuant to Section 3(a) of this Agreement. Without limiting the foregoing, the Escrow Agent will not make any distribution of Escrow Funds except as and in the manner expressly provided by this Agreement.

(b) Rights in Remaining Escrow Funds. On satisfaction of a condition set forth in Section 3(b) of this Agreement, the Shareholders of FNB Wiggins Common Stock immediately prior to the Effective Date (other than Dissenting Shareholders) shall be entitled to receive a pro rata portion of the Escrow Funds released to them based on the number of shares of FNB Wiggins Common Stock held by such shareholder as of immediately prior to the Effective Date, divided by (ii) the number of shares of FNB Wiggins Common Stock outstanding immediately prior to the Effective Date.

(c) Rights to Escrow Funds. None of Bancshares, the Shareholders, the respective affiliates shall have any right, title or interest in or possession of any of the Escrow Funds. The Escrow Agent shall not pledge, convey, hypothecate or grant a security interest in any portion of the Escrow Funds. The Escrow Agent will not act or be deemed to act as custodian for any party for purposes of perfecting any security interest therein.

(d) Payments from Escrow Account. Except as expressly provided in Section 3(b) of this Agreement, any distribution, payment or disposition of any Escrow Funds by the Escrow Agent shall be made by the Escrow Agent only in accordance with Section 3. Any payment to be made by the Escrow Agent pursuant to this Agreement shall be made by check or wire transfer (upon receipt of written wire transfer instructions from the recipient) out of the Escrow Account, and the Escrow Agent shall make such payment out of any cash on hand from the Escrow Account before liquidating any investments to obtain cash to make such payment.

(e) Investment of Escrow Funds. The Escrow Agent will invest any funds in the United States in a type described in the following clauses: (i) direct obligations of the United States or any agency thereof; (ii) commercial paper rated A-1 by Standard & Poor's Corporation and P-1 by Moody's Investors Service, Inc.; (iii) time deposit certificates of deposit issued by, any office located in the United States of any bank or trust company.



## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

organized under the laws of the United States or any State thereof which has capital, surplus or profits aggregating at least \$10,000,000; or (iv) repurchase agreements.

### Exhibit A-52

---

#### 3. Purpose, Disposition and Use of Escrow Funds.

(a) Purpose of Escrow. Bancshares shall be entitled to recover from the loss, liability, damage, cost or expense (including reasonable attorneys' fees) suffered or incurred (as successor to FNB Wiggins) or any of its affiliates as a result of the Potential Losses and Actual Losses ("Actual Losses") after the Closing Date, including without limitation, any collection or proceeds received or to be received by The First or any of its Affiliates in connection with the Potential Losses. Notwithstanding the foregoing, Bancshares shall only be entitled to that portion of the Escrow Fund reserved for the payment of Potential Losses which accrues into an Actual Loss. For example, the maximum portion of the Escrow Fund that may be released to Bancshares by the Escrow Agent for a claim of Actual Loss attributable to a Potential Loss is \$200,000 plus any interest earned on such amount of the Escrow Fund prior to release.

(b) Notice of Claim. If Bancshares shall be entitled to any payment from the Escrow Fund pursuant to Section 3(a), Bancshares shall notify the Escrow Agent and the Representative in writing of such claim ("Escrow Notice"), which notice shall describe the nature of the Potential Losses, the facts and circumstances giving rise to such claim of Actual Losses and the amount of such Actual Loss. After the date on which such Escrow Notice is given, the Escrow Agent shall make payment of such amount to the amounts for each class of Potential Losses as set forth in Section 3(a) to Bancshares and shall establish a reserve in the amount reasonably estimated by Bancshares as set forth above.

4. Representative. Shareholders pursuant to the Plan of Merger have appointed (as successor to B. H. Bell, Jr.), as the Representative, to act on behalf of the Shareholders and to authorize and empower the Representative to make, execute and deliver any and all instruments, documents, and to do and perform any and all acts and things, of every conceivable kind and character which the Shareholders, or their successors or assigns, could make, execute or deliver, or which he may personally present and acting, including, without limitation, full and complete power and authority to execute, amend, advise of legal counselors or others, to agree with Bancshares to any changes, alterations, amendments to this Agreement, and otherwise to do and perform any and all acts and things, and to pay all costs, charges and expenses as the Representative shall, in his sole discretion, deem necessary and appropriate to carry out and perform his duties and responsibilities under this Agreement. In order to carry out this Agreement to confer upon the Representative the fullest, most complete and unrestricted power and authority of which it is possible to conceive, and which is delegable, and the Representative may exercise such power and authority as the Representative in his sole discretion shall determine. The power and authority conferred upon the Representative hereby is intended to be and shall be a power coupled with an interest, which shall not be revoked by the dissolution, death or incompetence of any Shareholder.

#### 5. Escrow Agent.

(a) Protection of Escrow Agent. In consideration of this escrow by the Escrow Agent,

(i) either Bancshares or the Representative may examine the Escrow Account during the Representative's regular business hours and upon prior notice at the office of the Escrow Agent, and the Escrow Agent shall provide a written accounting of the Escrow Account to Bancshares and the Representative in accordance with the Escrow Agent's standard practices, but in no event less often than monthly;

### Exhibit A-53

---

(ii) the Escrow Agent's duties and responsibilities shall be limited to those set forth in this Agreement, and the Escrow Agent shall not be subject to, nor obliged to recognize, any other direction or instruction of, any or all of the parties hereto even though reference to such direction or instruction is made herein; provided, however, that this Agreement may be amended at any time or times in accordance with Section 7(f);

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

(iii) subject to Section 7(d), no assignment of the interest of any of the property shall be binding upon the Escrow Agent unless and until written evidence of such assignment in form of an instrument shall be filed with and accepted by Escrow Agent;

(iv) the Escrow Agent shall exercise the same degree of care toward the property held in escrow for the account of others (the degree of care is higher), and shall not be held to any higher standard of care under this Agreement;

(v) the Escrow Agent makes no representation as to the validity, value, or effect of any security or other document or instrument held by or delivered to it;

(vi) the Escrow Agent shall not be called upon to advise any party as to whether to take or refraining from taking any action with respect to, any securities or other property deposited in escrow;

(vii) the Escrow Agent shall be entitled to rely upon any order, judgment, or other writing delivered to it in compliance with the provisions of this Agreement which determine the authenticity or the correctness of any fact stated therein or the propriety or validity thereof;

(viii) the Escrow Agent may act in reliance upon any instrument composed or signed by this Agreement or signature believed by it to be genuine and may assume that any Person purporting to give receipt or advice or make any statement or execute any document in connection with the provisions of this Agreement is duly authorized to do so;

(ix) the Escrow Agent may act pursuant to the advice of counsel chosen by the Representative in any matter relating to this Agreement and shall not be liable for any action taken or omitted in accordance with such advice;

(x) notwithstanding anything herein to the contrary, the Escrow Agent shall not be required to enforce or enforce compliance by any Person with any term or provision of the Plan of Merger;

(xi) if the Escrow Agent shall be uncertain as to its duties or receive instructions from any of the undersigned with respect to any property held by it in connection with this Agreement which, in the opinion of the Escrow Agent, are in conflict with any of the provisions of this Agreement or the Plan of Merger, the Escrow Agent shall be entitled to refrain from taking any action with respect to such property directed otherwise by a writing executed by Bancshares and the Representative;

### Exhibit A-54

---

(xii) if the Escrow Agent becomes involved in litigation in connection with the exercise of its right to retain counsel, and shall be reimbursed for all reasonable costs and expenses, including attorneys' fees and expenses, incurred in connection therewith out of the Escrow Funds; provided that the Escrow Agent shall not be entitled to any reimbursement for its fees and expenses incurred in connection with its negligence or willful misconduct;

(xiii) the Escrow Agent may, in its sole and absolute discretion, resign in accordance with Section 5(b); and

(xiv) Bancshares and the Representative may jointly remove and replace the Escrow Agent, subject to the provisions of Section 5(b) and Section 5(c).

(b) New Escrow Agent. If the Escrow Agent shall be removed as escrow agent, Bancshares and the Representative or shall resign or otherwise cease to act as escrow agent, Bancshares and the Representative mutually agree upon a successor which successor shall be deemed to be the Escrow Agent for all purposes of this Agreement. If a successor Escrow Agent has not been appointed and accepted such appointment within 30-day period following such removal, resignation or cessation, the Escrow Agent may apply to the court in which it is permitted to commence litigation for the appointment of a successor Escrow Agent and the Escrow Funds with the then chief or presiding judge of such court (and upon so depositing such proper complaint in interpleader, it shall be relieved of all liability under the terms hereof as to the property deposited), and the costs, expenses and reasonable attorneys' fees which the Escrow Agent incurred in connection with such a proceeding shall be paid out of the Escrow Funds. The removal, resignation or other

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

escrow agent by the Escrow Agent or any successor thereto shall have no effect on this Agreement and the rights of the parties hereunder, all of which shall remain in full force and effect.

(c) Survival-of-Obligations. The agreements contained in Section 5(a) and the termination of this Agreement and, with respect to any Escrow Agent, the withdrawal or removal of the Escrow Agent.

### 6. Final Distribution and Termination of Escrow Account.

(a) Automatic Distribution. A distribution of any portion of the Escrow Funds to satisfy any Actual Loss shall be made by class of Potential Losses as set forth in Section 3(a) upon the occurrence of each of the following events: (i) the date of the execution of a settlement and release or final judgment with regards to any amounts owed by FNB Wiggins to Brasfield Technology, LLC, for the purposes related to the above referenced data processing agreement, (ii) the date of the execution of a settlement and release or the entering of a final judgment with regards to any suit brought by Richton against FNB Wiggins; or (iii) December 16, 2006 as relates to the Mortgage Loan Purchase and Sale Agreement. Notwithstanding the foregoing, all funds remaining in the Escrow Fund on May 19, 2008 (the "Termination Date"), shall be distributed in accordance with Section 3(b). Such funds shall be distributed in accordance with Section 2(b). Any funds then included in the Escrow Funds, or then held by the Escrow Agent, or any fund any reserve set aside and established prior to the Termination Date, that is not so distributed, shall be retained by the Escrow Agent until such time as (i) any and all such claims that have not been reserved against, on or prior to the Termination Date, shall have been paid, and (ii) any and all such claims of the Escrow Agent to fund any and all reserves set aside and established pursuant to this Agreement shall have been paid. The Termination Date shall have been disbursed for the purposes for which such reserves were created, or determined by the mutual agreement of Bancshares and the Representative not to be distributed for any purpose, at which time all of the remaining Escrow Funds shall be distributed in accordance with Section 3(b).

## Exhibit A-55

---

(b) Termination by Agreement. This Agreement may be terminated at any time by the mutual agreement of the Escrow Agent of a written notice of termination executed by Bancshares and the Representative. Upon termination, the Escrow Agent to dispose of any assets that are part of the Escrow Funds pursuant to the terms of this Agreement and to distribute the Escrow Funds in accordance with such directions.

(c) Automatic Termination for Lack of Funds. This Agreement shall automatically terminate if the Escrow Funds shall have been distributed, or otherwise disposed of, by the Escrow Agent in accordance with the terms of this Agreement.

### 7. Miscellaneous.

(a) Notices. All notices, requests, demands and other communications which are required or permitted hereunder shall be in writing and shall be deemed to have been duly given (i) when received by the addressee; (ii) when transmitted if transmitted by telecopy, electronic or digital transmission and appropriate confirmation is received; (iii) the day after it is sent, if sent for next day delivery by recognized overnight delivery service (e.g., Federal Express); and (iv) upon receipt by certified or registered mail, return receipt requested. In each case, such notices, requests, demands and other communications shall be addressed as follows:

If to The First (as Escrow Agent) or to Bancshares, to:

The First Bancshares, Inc.  
6480 U.S. Hwy 98 W.  
Post Office Box 15549  
Hattiesburg, Mississippi 39404-5549  
Attn: David E. Johnson, Chairman and CEO  
(Fax: 601-296-9207)

With a required copy to:

Craig N. Landrum

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

Watkins Ludlam Winter & Stennis, P.A.  
P. O. Box 427  
Jackson, Mississippi 39205-0427  
or  
633 North State Street  
Jackson, Mississippi 39202  
(Fax: 601-949-4804)

Exhibit A-56

---

If to the Representative, to:

H. F. Campbell  
713 W. Border Avenue  
Wiggins, Mississippi 39577

---

With a required copy to:

Granville Tate, Jr.  
Brunini Grantham Grower & Hewes, PLLC  
248 E. Capitol Street, Suite 1400  
Jackson, Mississippi 39201  
(Fax: 601-960-6902)

(b) Governing Law. This Agreement shall be governed by and construed in State of Mississippi applicable to agreements made and entirely to be performed within such jurisdiction to the extent federal law may be applicable.

(c) Counterparts. This Agreement may be executed in separate counterparts, and all of which taken together will constitute one and the same agreement.

(d) Successors and Assigns. Neither Bancshares nor the Representative shall grant to any other party any rights under this Agreement (including, without limitation, any rights in Escrow Funds) without the prior written consent of the other parties hereto, and this Agreement shall run upon, and inure to the benefit of, the parties hereto and their respective successors, representatives and permitted assigns.

(e) Specific Performance. The obligations of the parties hereto (including obligations that time is of the essence, and any delay in performance hereunder by any party will result in damages to the other parties hereto. Accordingly, any party may seek specific performance and/or injunctive relief before any court of competent jurisdiction in order to enforce this Agreement or to prevent breach of any provisions hereof, and no party shall object to specific performance or injunctive relief remedies. The Escrow Agent acknowledges that its obligations, as well as the obligations of the parties hereto and the Representative hereunder, are subject to the equitable remedy of specific performance and/or injunctive relief.

(f) Amendment, Waiver, etc. This Agreement may only be amended, modified, supplemented or otherwise varied by an instrument signed by Bancshares and by the Representative; provided that no amendment or modification shall be made to Section 5 without the written consent of the Escrow Agent. Bancshares and the Representative shall give the Escrow Agent advance notice of any amendment or modification to this Agreement and shall deliver to the Escrow Agent promptly with copies of any such amendment or modification.

Exhibit A-57

---

IN WITNESS WHEREOF, this Agreement has been signed on behalf of each of the parties hereto on the date first written above.

FIRST NATIONAL BANK OF WIGGINS

By: \_\_\_\_\_

Name: B. H. Bell, Jr.

Title: Chief Executive Officer and President

THE FIRST BANCSHARES, INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

THE FIRST, A NATIONAL BANKING ASSOCIATION

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

H. F. CAMPBELL, REPRESENTATIVE

Signature: \_\_\_\_\_

H. F. Campbell

Exhibit A-58

---

SCHEDULE 3.1(b)

FNB WIGGINS' LOAN PACKAGE

1. See attached Mortgage Loan Purchase and Sale Agreements dated October 31, 2000 between FNB Wiggins and SNGC, LLC.

Exhibit A-59

---

SCHEDULE 5.1(p)

FNB WIGGINS' CHANGE OF CONTROL PAYMENTS

1. None.

Exhibit A-60

SCHEDULE 6.9

FNB WIGGINS' LITIGATION AND PROCEEDINGS

1. Pending case styled The Estate of Doyle Sellars v. Life of Mississippi and First National All filings, claims, counterclaims, etc. have been reviewed and made fully available to ma Copies of all documentation, pleadings, correspondence, and other documents pertaining to provided to Bank.

Exhibit A-61

---

SCHEDULE 6.11

FNB WIGGINS' CONTINGENT LIABILITIES

1. Costs involved in terminating the contract between FNB Wiggins and Brasfield Technology stipulates that all disputes shall be resolved through arbitration. A copy of the provided to Bank.
2. Any damages owed by FNB Wiggins as a result of the termination of the Prior Letter of the Prior Letter of Intent has been provided to Bank.

Exhibit A-62

---

SCHEDULE 6.12

FNB WIGGINS' TITLE TO ASSETS; ADEQUATE INSURANCE COVERAGE

1. None.
2. The insurance policy covering the assets of FNB Wiggins is currently underwritten by Sto Agency, 132 Vardaman Street, Wiggins, MS 39577, and will be made available to Bank upon

Exhibit A-63

---

SCHEDULE 6.18 (a)

FNB WIGGINS' EMPLOYMENT CONTRACTS

1. None.

Exhibit A-64

---

SCHEDULE 6.18 (b)

FNB WIGGINS' ARRANGEMENTS WITH  
OFFICERS, DIRECTORS, EMPLOYEES, AND CONSULTANTS

1. Consulting Agreement with Buddy Lewis.

Exhibit A-65

---

SCHEDULE 6.24

FNB WIGGINS' ENVIRONMENTAL MATTERS

1. None.

Exhibit A-66

---

SCHEDULE 7.6

BANCSHARES' LOANS SUBJECT TO COUNTERCLAIMS

1. None.

Exhibit A-67

---

SCHEDULE 7.7

BANCSHARES' LITIGATION

Exhibit A-68

---

SCHEDULE 7.8

BANCSHARES' CONTINGENT LIABILITIES

Exhibit A-69

---

SCHEDULE 7.13

BANCSHARES' TITLE TO ASSETS; ADEQUATE INSURANCE COVERAGE

Exhibit A-70

---

SCHEDULE 11.1

OFFICERS AND EMPLOYEES OF FNB WIGGINS NOT RETAINED

Exhibit A-71

---

EXHIBIT B

FAIRNESS OPINION  
Agreement and Plan of Merger  
By and Among  
THE FIRST BANCSHARES, INC.  
THE FIRST, A NATIONAL BANKING ASSOCIATION  
AND  
FIRST NATIONAL BANK OF WIGGINS  
Dated as of May 19, 2006

Report Dated  
July 31, 2006

Exhibit B-1

---

July 31, 2006

Board of Directors  
First National Bank of Wiggins  
Wiggins, Mississippi

**RE: Fairness Opinion Relative to the Agreement and Plan of Merger by and among The First Inc., The First, A National Banking Association, and First National Bank of Wiggins D 2006 (the "Merger Agreement")**

Directors:

The Board of Directors of First National Bank of Wiggins ("FNB Wiggins") retained Southard capacity as a financial valuation and consulting firm, to render its opinion of the fairness, viewpoint, of the merger of FNB Wiggins with and into The First, A National Banking Association (the "Merger"), a wholly-owned national bank subsidiary of The First Bancshares, Inc. ("Fi Southard Financial and its principals have no past, present, or future contemplated financial, interest in either FNB Wiggins, The First, or First Bancshares. This opinion is issued based u as of June 30, 2006 for FNB Wiggins, The First, and First Bancshares.



## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

Southard Financial is a financial valuation consulting firm specializing in the valuation of companies and financial institutions. Since its founding in 1987, Southard Financial has provided valuation opinions for clients in 43 states. Further, Southard Financial provides valuation services and opinions for approximately 130 financial institutions annually. Southard Financial is independent of the merger.

### **Approach to Assignment**

The key consideration in this fairness opinion is the adequacy of the total price paid in the terms of the Merger, the shareholders of FNB Wiggins will receive a total consideration of \$4, the outstanding shares of common stock of FNB Wiggins ("FNB Wiggins Common Stock"). FNB Wiggins will receive 4.605 shares of First Bancshares common stock ("First Bancshares Common Stock") for each share of FNB Wiggins Common Stock. The consideration equates to approximately \$175.00 per share of FNB Wiggins Common Stock, assuming a value of \$19.00 per share for First Bancshares Common Stock. It should be noted that the First Bancshares Common Stock (NASDAQ: FBMS) has traded above \$19.00 per share since its 2-for-1 stock split on March 16, 2006. Since that time, daily closing prices ranged from \$20.00 to \$22.00 per share, and average daily volume was low at just 642 shares. FNB Wiggins Common Stock is not listed on any exchange.

### **Exhibit B-2**

---

The approach to this assignment was to consider the following factors:

- A review of the financial performance and position of FNB Wiggins and the value of its common stock;
- A review of the financial performance and position of First Bancshares and the value of its common stock;
- A review of recent bank merger transactions;
- A review of the current and historical market prices of banks and bank holding companies in the states and surrounding states;
- A review of the investment characteristics of the common stock of FNB Wiggins and First Bancshares;
- A review of the Agreement and Plan of Merger between First Bancshares, The First, and FNB Wiggins;
- An evaluation of the impact of the Merger on the expected return to the current shareholders of FNB Wiggins; and,
- An evaluation of other factors as was considered necessary to render this opinion.

It is Southard Financial's understanding that the Merger and resulting exchange of the outstanding shares of FNB Wiggins Common Stock for shares of First Bancshares Common Stock constitutes a non-taxable exchange for tax purposes. The exchange of FNB Wiggins Common Stock for cash may have tax consequences. The consideration to be received by shareholders of FNB Wiggins will include a combination of cash and First Bancshares Common Stock, the transaction may have tax consequences for all shareholders of FNB Wiggins.

### **DUE DILIGENCE REVIEW PROCESS**

#### **Review of First National Bank of Wiggins**

Southard Financial reviewed the following information pertaining to FNB Wiggins:

1. Uniform Bank Performance Report ("UBPR") of First National Bank of Wiggins for the period ended December 31, 2000-05, and March 31, 2006.
2. Internal financial statements of First National Bank of Wiggins for the period ended June 30, 2006.
3. First National Bank of Wiggins Projected Financial Statements for 2006.
4. Additional pertinent information deemed necessary to render this opinion.

Southard Financial visited with the management of FNB Wiggins in Wiggins, Mississippi. Discussions included questions regarding the current and historical financial position and performance of FNB Wiggins, the future, and other pertinent factors.

#### **Review of The First Bancshares, Inc.**

Southard Financial reviewed the following information pertaining to First Bancshares and The First

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

1. Annual Report, including audited financial statements, of The First Bancshares, Inc. for the periods ended December 31, 2003-05.
2. Uniform Bank Performance Report ("UBPR") of The First, a National Banking Association, for the periods ended December 31, 2001-05, and March 31, 2006.
3. Consolidated Financial Statements for Bank Holding Companies (FR Y-9C) of The First Bancshares, Inc. for the periods ended December 31, 2003-05.
4. SEC Form 10-KSB of The First Bancshares, Inc. for the year ended December 31, 2005.
5. SEC Form 10-QSB of The First Bancshares, Inc. for the quarter ended March 31, 2006 and the quarter ended June 30, 2006.
6. Bank Holding Company Performance Report of The First Bancshares, Inc. for the periods ended December 31, 2003-05.
7. 2006 Budget of The First, a National Banking Association.
8. Additional pertinent information deemed necessary to render this opinion.

Southard Financial visited with the management of First Bancshares and The First in Hattiesburg, Mississippi. Discussions included questions regarding the current and historical financial position and performance of First Bancshares, its outlook for the future, and other pertinent factors.

### Exhibit B-3

---

#### **Merger Documentation**

Southard Financial reviewed the Merger Agreement and its predecessor Letter of Intent dated August 1, 2005. Appropriate aspects of the Merger Agreement were discussed with the management of FNB Wiggins and First Bancshares. Southard Financial also reviewed pro forma financial statements for the combination of FNB Wiggins as of March 31, 2006 and "one year out."

#### **Limitations of Analysis**

Although discussions with management and supporting documentation give Southard Financial confidence that its due diligence efforts were appropriate, Southard Financial has not conducted a physical examination of FNB Wiggins' properties or facilities and has not obtained or been provided with any formal engineering reports on the properties and facilities. Southard Financial has reviewed the financial information and other information provided, as well as other publicly available information, and while unable to verify the completeness of such data and information, Southard Financial has judged the reasonableness of the information and has made certain judgments thereto. The opinion is necessarily based upon market, economic and other conditions that exist on, and can be evaluated as of the date of this letter.

Further, Southard Financial is not expressing any opinion as to the actual value of the First Bancshares Common Stock when issued to FNB Wiggins' shareholders pursuant to the Merger, or the price at which the First Bancshares Common Stock will trade subsequent to the Merger.

#### **MAJOR CONSIDERATIONS**

Numerous factors were considered in the overall review of the proposed Merger. The review included the following considerations regarding FNB Wiggins, First Bancshares, The First, and the proposed Merger. The following considerations are as follows:

#### **First National Bank of Wiggins**

- Historical earnings and dividend payments;
- Outlook for future performance, earnings, and dividends;
- Economic conditions and outlook in FNB Wiggins' market;
- The competitive environment in FNB Wiggins' market;
- Comparisons with peer banks and bank holding companies;
- Potential risks in the loan and securities portfolios;
- Recent minority stock transactions in FNB Wiggins Common Stock;
- Regulatory actions, such as the mandate by the OCC to sell FNB Wiggins; and,

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

Other such factors as were deemed appropriate in rendering this opinion.

### **The First Bancshares, Inc.**

Historical earnings and dividend payments;  
Outlook for future performance, earnings, and dividends;  
Economic conditions and outlook in The First's market;  
The competitive environment in The First's market;  
Comparisons with peer banks and bank holding companies;  
Potential risks in the loan and securities portfolios;  
Recent minority stock transactions in First Bancshares Common Stock; and,  
Other such factors as were deemed appropriate in rendering this opinion.

## Exhibit B-4

---

### **Common Factors**

Historical and current bank merger pricing; and,  
Current market prices for minority blocks of common stock of banks and bank holding companies in Mississippi and surrounding states.

### **The Proposed Merger**

The terms of the Merger Agreement and the specific pricing of the Merger;  
Adequacy of the consideration paid to the shareholders of FNB Wiggins;  
The impact on First Bancshares' and The First's capital and liquidity positions;  
The historical dividend payments of First Bancshares and the likely impact on the dividends of current shareholders of FNB Wiggins (equivalency of cash dividends);  
Pro-forma combined income statements for First Bancshares post Merger and the expected dividends for Wiggins shareholders;  
The market for minority blocks of First Bancshares Common Stock;  
Restrictions on the transfer of First Bancshares Common Stock; and,  
Other such factors as deemed appropriate.

### **OVERVIEW OF FAIRNESS ANALYSIS**

In connection with rendering its opinion, Southard Financial performed a variety of financial analyses. Southard Financial believes that its analyses must be considered as a whole and that considering only one aspect could create an incomplete view of the analyses and the process underlying the opinion. The rendering of a fairness opinion is a complex process involving subjective judgment and is not susceptible to mechanical application. In its analyses, Southard Financial made numerous assumptions, many of which are beyond the control of FNB Wiggins, The First, and First Bancshares. Any estimates contained in the analyses prepared by Southard Financial are not necessarily indicative of future results or values, which may vary significantly from the estimates. Estimates of value of companies do not purport to be appraisals or necessarily reflect the value of companies or their securities may actually be sold. None of the analyses performed by Southard Financial are assigned greater significance than any other.

## Exhibit B-5

---

### **FAIRNESS OPINION**

Based upon the analyses of the foregoing and such matters as were considered relevant, it is the opinion of Southard Financial that the terms of the Merger of FNB Wiggins with and into The First pursuant to the Merger Agreement are fair, from a financial viewpoint, to the shareholders of FNB Wiggins.

This opinion is solely for the use and benefit of the Board of Directors, and (except for information contained in this materials to be sent to shareholders of FNB Wiggins and in necessary regulatory applications)

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

reference to the opinion or any other reference to Southard Financial by FNB Wiggins in connection with the Merger will be subject to Southard Financial's prior review and written approval, which shall not be withheld. The opinion will not be included in summarized form, or referred to in any manner in any document distributed to the public or potential investors of FNB Wiggins without Southard Financial's prior consent, which shall not be unreasonably withheld.

In accordance with recognized professional ethics, Southard Financial's professional fees for this engagement are not contingent upon the opinion expressed herein. Thank you for this opportunity to be of service to the National Bank of Wiggins

Sincerely yours,

SOUTHARD FINANCIAL

/s/ Southard Financial

### Exhibit B-6

---

#### EXHIBIT C

#### DISSENTERS' RIGHTS

##### 12 U.S.C. § 215

###### (a) In general

Any national bank or any bank incorporated under the laws of any State may, with the approval of the Comptroller, be consolidated with one or more national banking associations located in the same State. The charter of a national banking association on such terms and conditions as may be lawfully prescribed by a majority of the board of directors of each association or bank proposing to consolidate, as confirmed by the affirmative vote of the shareholders of each such association or bank owning a majority of its capital stock outstanding, or by a greater proportion of such capital stock in the case of a State bank if the laws of the State where it is organized so require, at a meeting to be held on the call after publishing notice of the time, place, and object of the meeting for four consecutive weeks in a newspaper of general circulation published in the place where the association or bank is located, or, if no newspaper is published there, then in the paper of general circulation published nearest thereto, and after sending a copy of such notice to each shareholder of record by certified or registered mail at least ten days prior to the meeting, except to those shareholders who specifically waive notice, but any additional notice shall be given to the shareholders of such State bank which may be required by the laws of the State where it is organized. Publication of such notice may be waived, in cases where the Comptroller determines that an emergency exists justifying the immediate and unanimous action of the shareholders of the association or State bank.

###### (b) Liability of consolidated association; capital stock; dissenting shareholders

The consolidated association shall be liable for all liabilities of the respective associations or banks. The capital stock of such consolidated association shall not be less than the amount required by existing law for the organization of a national bank in the place in which it is located: Provided, That consolidation shall be voted for at such meetings by the necessary majorities of the shareholders of each association and State bank proposing to consolidate, and thereafter the consolidation shall be consummated. If, after consolidation, any shareholder of any of the associations or State banks so consolidated who has not voted for consolidation at the meeting of the association or bank of which he is a stockholder, or who has not written at or prior to such meeting to the presiding officer that he dissents from the plan of consolidation, shall be entitled to receive the value of the shares so held by him when such consolidation is consummated. The Comptroller upon written request made to the consolidated association at any time before the consummation of the consolidation, accompanied by the surrender of his stock certificates.

###### (c) Valuation of shares

The value of the shares of any dissenting shareholder shall be ascertained, as of the date of consummation of the consolidation.

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

the consolidation, by an appraisal made by a committee of three persons, composed of (1) one selected by the holders of the majority of the stock, the owners of which are entitled to payment selected by the directors of the consolidated banking association; and (3) one selected by the directors of the consolidated banking association. The valuation agreed upon by any two of the three appraisers shall govern. If the value so determined is not satisfactory to any dissenting shareholder who has requested payment, that shareholder may, after being notified of the appraised value of his shares, appeal to the Comptroller, who shall cause a reappraisal to be made which shall be final and binding as to the value of the shares of the appraiser.

(d) Appraisal by Comptroller; expenses of consolidated association; sale and resale of shares and consolidation law

### Exhibit C-1

---

If, within ninety days from the date of consummation of the consolidation, for any reason the appraisers is not selected as herein provided, or the appraisers fail to determine the value of the shares, the Comptroller shall upon written request of any interested party cause an appraisal to be made which shall be final and binding on all parties. The expenses of the Comptroller in making the reappraisal or in making the sale, if the case may be, shall be paid by the consolidated banking association. The value of the shares shall be promptly paid to the dissenting shareholders by the consolidated banking association. Within ten days after payment has been made to all dissenting shareholders as provided for in this section the shares of the consolidated banking association which would have been delivered to such dissenting shareholders if the requested payment shall be sold by the consolidated banking association at an advertised public sale or by some other method of sale is approved by the Comptroller, and the consolidated banking association shall have the right to purchase any of such shares at such public auction, if it is the highest bidder for such shares for the purpose of reselling such shares within thirty days thereafter to such person or persons and at a price not less than par as its board of directors by resolution may determine. If the shares are sold at a price greater than the amount paid to the dissenting shareholders the excess in such sale shall be paid to such shareholders. The appraisal of such shares of stock in any State bank shall be determined in accordance with the law prescribed by the law of the State in such cases, rather than as provided in this section, if such law is made in the State law; and no such consolidation shall be in contravention of the law of the State in which such bank is incorporated.

(e) Status of consolidated association; property rights and interests vested and held as fiduciary

The corporate existence of each of the consolidating banks or banking associations participating in the consolidation shall be merged into and continued in the consolidated national banking association. The consolidated national banking association shall be deemed to be the same corporation as each of the banks or banking associations participating in the consolidation. All rights, franchises, and interests of the consolidating banks or banking associations in and to every type of property (real, personal, or choses in action) shall be transferred to and vested in the consolidated national banking association by such consolidation without any deed or other transfer. The consolidated national banking association shall have the same consolidation and without any order or other action on the part of any court or otherwise, shall have all rights of property, franchises, and interests, including appointments, designations, and nominations, and all other rights and interests as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, and committee of estates of lunatics, and in every other fiduciary capacity in the same manner and to the same extent as such rights, franchises, and interests were held or enjoyed by the consolidating banks or banking associations at the time of consolidation, subject to the provisions hereinafter provided.

(f) Removal as fiduciary; discrimination

Where any consolidating bank or banking association, at the time of the consolidation, is removed from the appointment of any court as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, or committee of estates of lunatics, or in any other fiduciary capacity, the consolidated national banking association shall be subject to removal by a court of competent jurisdiction in the same manner and to the same extent as was such consolidating bank or banking association prior to the consolidation. No provision contained in this section shall be considered to impair in any manner the right of any court to remove from the consolidated national banking association and to appoint in lieu thereof a substitute trustee, executor, administrator, fiduciary, except that such right shall not be exercised in such a manner as to discriminate against any bank or banking associations, nor shall any consolidated national banking association be removed solely on the fact that it is a national banking association.

(g) Issuance of stock by consolidated association; preemptive rights

Stock of the consolidated national banking association may be issued as provided by the consolidation agreement, free from any preemptive rights of the shareholders of the respective banks.

## Exhibit C-2

---

### 12 U.S.C. § 215a

(a) Approval of Comptroller, board and shareholders; merger agreement; notice; capital stock receiving association

One or more national banking associations or one or more State banks, with the Comptroller, under an agreement not inconsistent with this subchapter, may merge into a receiving association located within the same State, under the charter of the receiving association. The merger shall--

- (1) be agreed upon in writing by a majority of the board of directors of each association participating in the plan of merger;
- (2) be ratified and confirmed by the affirmative vote of the shareholders of each such association or State bank owning at least two-thirds of its capital stock outstanding, or by a greater majority of such capital stock in the case of a State bank if the laws of the State where it is located require, at a meeting to be held on the call of the directors, after publishing notice in a newspaper of general circulation published in the place, and object of the meeting for four consecutive weeks in a newspaper of general circulation published in the place where the association or State bank is located, or, if no such newspaper is published in the place, then in the newspaper of general circulation published nearest thereto, such notice to each shareholder of record by certified or registered mail at least ten days before the meeting, except to those shareholders who specifically waive notice, but any additional notice may be given to the shareholders of such State bank which may be required by the laws of the State where it is organized. Publication of notice may be waived, in cases where the Comptroller determines that an emergency exists justifying such waiver, by unanimous action of the shareholders of each association or State bank;
- (3) specify the amount of the capital stock of the receiving association, which shall be the amount that is required under existing law for the organization of a national bank in the place where it is located and which will be outstanding upon completion of the merger, the amount of stock to be allocated, and cash (if any) to be paid, to the shareholders of the association or State bank being merged into the receiving association; and
- (4) provide that the receiving association shall be liable for all liabilities of the association or State bank being merged into the receiving association.

(b) Dissenting shareholders

If a merger shall be voted for at the called meetings by the necessary majorities of the shareholders of each association or State bank participating in the plan of merger, and thereafter the merger is approved by the Comptroller, any shareholder of any association or State bank to be merged into the receiving association who has voted against such merger at the meeting of the association or bank of which he is a shareholder, given notice in writing at or prior to such meeting to the presiding officer that he dissents to the merger, shall be entitled to receive the value of the share so held by him when such merger shall be approved by the Comptroller upon written request made to the receiving association at any time before the date of consummation of the merger, accompanied by the surrender of his stock certificates.

(c) Valuation of shares

The value of the shares of any dissenting shareholder shall be ascertained, as of the date of the merger, by an appraisal made by a committee of three persons, composed of (1) one selected by the shareholders of the majority of the stock, the owners of which are entitled to payment in cash; (2) one selected by the directors of the receiving association; and (3) one selected by the two so selected. The appraisal made upon by any two of the three appraisers shall govern. If the value so fixed shall not be satisfactory to the dissenting shareholder, the value shall be determined by arbitration.

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

dissenting shareholder who has requested payment, that shareholder may, within five days after the appraised value of his shares, appeal to the Comptroller, who shall cause a reappraisal shall be final and binding as to the value of the shares of the appellant.

### Exhibit C-3

---

(d) Application to shareholders of merging associations: appraisal by Comptroller; expense of appraisal; association; sale and resale of shares; State appraisal and merger law

If, within ninety days from the date of consummation of the merger, for any reason an appraiser is not selected as herein provided, or the appraisers fail to determine the value of the shares, the Comptroller shall upon written request of any interested party cause an appraisal to be made which shall be final and binding on all parties. The expenses of the Comptroller in making the reappraisal or the case may be, shall be paid by the receiving association. The value of the shares ascertained shall be paid to the dissenting shareholders by the receiving association. The shares of stock of the receiving association which would have been delivered to such dissenting shareholders had they not requested the same, shall be sold by the receiving association at an advertised public auction, and the receiving association shall have the right to purchase any of such shares at such public auction, if it is the highest bidder for the purpose of reselling such shares within thirty days thereafter to such person or persons and for a price not less than par as its board of directors by resolution may determine. If the shares are sold at a price greater than the amount paid to the dissenting shareholders, the excess in such sale shall be paid to such dissenting shareholders. The appraisal of such shares of stock in any State bank shall be made in the manner prescribed by the law of the State in such cases, rather than as provided in this section, if such bank is incorporated in the State; and no such merger shall be in contravention of the law of the State in which such bank is incorporated. The provisions of this subsection shall apply only to shareholders of a bank or association being merged into the receiving association.

(e) Status of receiving association; property rights and interests vested and held as fiduciary

The corporate existence of each of the merging banks or banking associations participating in the merger shall be merged into and continued in the receiving association and such receiving association shall be deemed to be the same corporation as each bank or banking association participating in the merger, and all franchises, and interests of the individual merging banks or banking associations in and to every type of property (real, personal, and mixed) and choses in action shall be transferred to and vested in the receiving association by virtue of such merger without any deed or other transfer. The receiving association, upon the receipt of any order or other action on the part of any court or otherwise, shall hold and enjoy all rights, franchises, and interests, including appointments, designations, and nominations, and all interests as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, receiver and committee of estates of lunatics, and in every other fiduciary capacity, in the same extent as such rights, franchises, and interests were held or enjoyed by any one of the merging banks or banking associations at the time of the merger, subject to the conditions hereinafter provided.

(f) Removal as fiduciary; discrimination

Where any merging bank or banking association, at the time of the merger, was acting as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, receiver, or committee of estates of lunatics, or in any other fiduciary capacity, the receiving association shall be subject to removal by a court of competent jurisdiction in the same manner and to the same extent as such merging bank or banking association prior to the merger. Nothing contained in this section shall be considered to impair in any manner the right of any court to remove the receiving association in lieu thereof a substitute trustee, executor, or other fiduciary, except that such right shall not be exercised in such a manner as to discriminate against national banking associations, nor shall any receiving association be removed solely because of the fact that it is a national banking association.

(g) Issuance of stock by receiving association; preemptive rights

Stock of the receiving association may be issued as provided by the terms of the merger, subject to the exercise from any preemptive rights of the shareholders of the respective merging banks.

Exhibit C-4

---

EXHIBIT D

AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
OF  
THE FIRST BANCSHARES, INC., AND SUBSIDIARY  
FOR THE PERIODS ENDED  
DECEMBER 31, 2004 AND DECEMBER 31, 2005;

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
OF  
THE FIRST BANCSHARES, INC., AND SUBSIDIARY  
FOR THE INTERIM PERIOD ENDED  
JUNE 30, 2006

Exhibit D-1

---

**T. E. Lott & Company**

**REPORT OF INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM**

To the Audit Committee of the  
Board of Directors and Stockholders  
The First Bancshares, Inc.  
Hattiesburg, Mississippi

We have audited the accompanying consolidated balance sheets of The First Bancshares, Inc., and subsidiary as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The First Bancshares, Inc., and subsidiary as of December 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ T. E. Lott & Company

Columbus, Mississippi



Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

January 25, 2006  
 (February 22, 2006, as to Note R)

Exhibit D-2

**THE FIRST BANCSHARES, INC.  
 CONSOLIDATED BALANCE SHEETS  
 DECEMBER 31, 2005 AND 2004**

<b>ASSETS</b>	2005
Cash and due from banks	\$ 12,144,
Interest-bearing deposits with banks	958,
Federal funds sold	15,785,
Total cash and cash equivalents	28,887,
Held-to-maturity securities (Note C) (fair value of \$13,967 in 2005 and \$14,711 in 2004)	13,
Available-for-sale securities (Note C)	48,543,
Other securities	2,102,
Total securities	50,659,
Loans held for sale	3,318,
Loans, net of allowance for loan losses of \$2,366,773 in 2005 and \$1,658,527 in 2004 (Note D)	194,623,
Interest receivable	1,714,
Premises and equipment (Note E)	8,330,
Cash surrender value of life insurance	5,054,
Other assets	1,800,
Total assets	\$294,389,
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	
Deposits (Note F):	
Noninterest-bearing	\$ 49,584,
Interest-bearing	192,364,
Total deposits	241,949,
Interest payable	452,
Borrowed funds (Note G)	25,465,
Subordinated debentures (Note M)	7,217,
Other liabilities	828,
Total liabilities	275,912,
Stockholders' Equity (Note H):	
Preferred stock, par value \$1 per share, 10,000,000 shares authorized; no shares issued and outstanding	
Common stock, par value \$1 per share; 10,000,000 shares authorized; 1,213,844 and 1,194,940 shares issued in 2005 and 2004, respectively	1,213,
Additional paid-in capital	13,220,
Retained earnings	4,694,
Accumulated other comprehensive income	(187,
Treasury stock, at cost (Note N)	(463,
Total stockholders' equity	18,477,

Total liabilities and stockholders' equity

\$294,389,  
=====

The accompanying notes are an integral part of these statements.

Exhibit D-3

**THE FIRST BANCSHARES, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**YEARS ENDED DECEMBER 31, 2005 AND 2004**

**INTEREST INCOME**

Interest and fees on loans	\$ 14
Interest and dividends on securities:	
Taxable interest and dividends	
Tax-exempt interest	
Interest on federal funds sold	
Interest on deposits in banks	
 Total interest income	 15

**INTEREST EXPENSE**

Interest on time deposits of \$100,000 or more	3
Interest on other deposits	1
Interest on borrowed funds	
 Total interest expense	 5
 Net interest income	 10
Provision for loan losses	

Net interest income after provision for loan losses	9
---	---

**OTHER INCOME**

Service charges on deposit accounts	1
Other service charges and fees	
Bank owned life insurance income	
Other gains	
Loss on other real estate	
Loss on fixed assets	
Securities losses	
Other	
 Total other income	 1

**OTHER EXPENSE**

Salaries	3
Employee benefits	
Occupancy	
Furniture and equipment	
Supplies and printing	
Professional and consulting fees	
Marketing and public relations	
Data processing	
Other	1

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

Total other expense	8
Income before income taxes	2
Income taxes (Note J)	
Net income	\$ 1
Net income per common share (Note R):	
Basic	
Diluted	

The accompanying notes are an integral part of these statements.

Exhibit D-4

**THE FIRST BANCSHARES, INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**YEARS ENDED DECEMBER 31, 2005 AND 2004**

	Compre- hensive Income	Common Stock	Paid-in Capital	Retained Earnings	Accumula Other Compr hensi Incom
	-----	-----	-----	-----	-----
Balance, January 1, 2004		\$1,191,659	\$12,949,210	\$1,950,819	\$ 23,4
Comprehensive income:					
Net income for 2004	\$1,242,743	-	-	1,242,743	
Net change in unrealized gain (loss) on available- for-sale securities, net of tax	(19,849)	-	-	-	(19,8
Comprehensive Income	\$1,222,894				
	=====				
Exercise of stock options		3,281	36,729	-	
Cash dividend declared, \$.15 per share		-	-	(174,774)	
		-----	-----	-----	-----
Balance, December 31, 2004		1,194,940	12,985,939	3,018,788	3,5
Comprehensive income:					
Net income for 2005	\$1,909,194	-	-	1,909,194	
Net change in unrealized gain (loss) on available- for-sale securities, net of tax	(191,410)	-	-	-	(191,4
	-----				

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

Comprehensive Income	\$1,717,784 =====			
Exercise of stock options		18,904	235,001	-
Cash dividend declared, \$.20 per share		-	-	(233,690)
Balance, December 31, 2005	\$1,213,844 =====	\$13,220,940 =====	\$4,694,292 =====	\$ (187,8 =====

The accompanying notes are an integral part of these statements

Exhibit D-5

THE FIRST BANCSHARES, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2005 AND 2004

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income				\$ 1,9
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization				6
FHLB Stock dividends				(
Loss on disposal of assets				
Provision for loan losses				9
Deferred income taxes				(2
Increase in cash value of life insurance				(1
Securities amortization and accretion, net				
Other gains				(
Loss on other real estate				
Securities losses, net				
Changes in:				
Loans held for sale				(2
Interest receivable				(6
Other assets				(3
Interest payable				2
Other liabilities				1
Net cash provided by operating activities				2,2
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of available-for-sale securities				(32,1
Purchases of other securities				(3
Proceeds from maturities and calls of available-for-sale securities				8,6
Proceeds from sales of securities available-for-sale				1,0
Proceeds from redemption of other securities				4
Proceeds from sale of lease/land				1
Proceeds from sale of other real estate				
Increase in loans				(36,1
Investment in bank owned life insurance				(1,6

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

Additions to premises and equipment	(3)
Net cash used in investing activities	(60,2)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Increase in deposits	85,1
Proceeds from borrowed funds	19,9
Repayment of borrowed funds	(25,2)
Exercise of stock options	2
Dividends paid on common stock	(2)

The accompanying notes are an integral part of these statements.

Exhibit D-6

THE FIRST BANCSHARES, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2005 AND 2004

Net cash provided by financing activities	79,7
Net increase in cash and cash equivalents	21,7
Cash and cash equivalents at beginning of year	7,1
Cash and cash equivalents at end of year	\$ 28,8
<b>Cash paid during the year for:</b>	
Interest	\$ 5,2
Income taxes	1,0
<b>Non-cash activities:</b>	
Transfers of loans to other real estate	1

The accompanying notes are an integral part of these statements.

Exhibit D-7

THE FIRST BANCSHARES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - NATURE OF BUSINESS

The First Bancshares, Inc. (the Company) is a financial holding company whose business is primarily conducted by its wholly-owned subsidiary, The First, A National Banking Association ( The First or The Bank ). The bank provides a full range of banking services in its primary market area of South Mississippi. The Company, as a financial holding company, is regulated by the Federal Reserve Bank. Its subsidiary bank is subject to the regulation of the Office of the Comptroller of the Currency (OCC).

## ***NOTE B - SUMMARY OF ACCOUNTING POLICIES***

The Company and its subsidiary follow accounting principles generally accepted in the United States of America including, where applicable, general practices within the banking industry.

### ***1. Principles of Consolidation***

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All significant intercompany accounts and transactions have been eliminated.

### ***2. Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses and the valuation of deferred tax assets.

### ***3. Cash and Due From Banks***

Included in cash and due from banks are legal reserve requirements which must be maintained on an average basis in the form of cash and balances due from the Federal Reserve. The reserve balance varies depending upon the types and amounts of deposits. At December 31, 2005, the required reserve balance on deposit with the Federal Reserve Bank was approximately \$1,393,000.

### ***4. Securities***

Investments in securities are accounted for as follows:

#### Exhibit D-8

---

#### *Available-for-Sale Securities*

Securities classified as available-for-sale are those securities that are intended to be held for an indefinite period of time, but not necessarily to maturity. Any decision to sell a security classified as available-for-sale would be based on various factors, including movements in interest rates, liquidity needs, security risk assessments, changes in the mix of assets and liabilities and other similar factors. These securities are carried at their estimated fair value, and the net unrealized gain or loss is reported in stockholders' equity, net of tax, when applicable, until realized. Premiums and discounts are recognized in interest income using the interest method.

Gains and losses on the sale of available-for-sale securities are determined using the adjusted cost of the specific security sold.

#### *Securities to be Held-to-Maturity*

Securities classified as held-to-maturity are those securities for which there is a positive intent and ability to hold to maturity. These securities are carried at cost adjusted for amortization of premiums and accretion of discounts, computed by the interest method.

#### *Trading Account Securities*

Trading account securities are those securities which are held for the purpose of selling them at a profit. There were no trading account securities on hand at December 31, 2005 and 2004.

### *Other Securities*

Other securities are carried at cost and are restricted in marketability. Other securities consist of investments in the Federal Home Loan Bank (FHLB), Federal Reserve Bank and First National Bankers Bankshares, Inc.

### **5. *Loans held for sale***

The Company originates fixed rate single family, residential first mortgage loans on a presold basis. The Company issues a rate lock commitment to a customer and concurrently locks in with a secondary market investor under a best efforts delivery mechanism. Such loans are sold without the servicing retained by the Company. The terms of the loan are dictated by the secondary investors and are transferred within several weeks of the Company initially funding the loan. The Company recognizes certain origination fees and service release fees upon the sale which are included in interest and fees on loans in the consolidated statement of income. Between the initial funding of the loans by the Company and the subsequent purchase by the investor, the Company carries the loans held for sale at the lower of cost or fair value in the aggregate as determined by the outstanding commitments from investors.

### **6. *Loans***

Loans are carried at the principal amount outstanding, net of the allowance for loan losses. Interest income on loans is recognized based on the principal balance outstanding and the stated rate of the loan. Loan origination fees and certain direct origination costs are deferred and recognized as an adjustment of the related loan yield using the interest method.

A loan is considered impaired when, based upon current events and information, it is probable that the scheduled payments of principal or interest will not be collected in accordance with the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral values, and the probability of collecting scheduled payments of principal and interest when due. Generally, impairment is measured on a loan by loan basis using the fair value of the supporting collateral.

### Exhibit D-9

---

Loans are generally placed on a nonaccrual status when principal or interest is past due ninety days or when specifically determined to be impaired. When a loan is placed on nonaccrual status, interest accrued but not received is generally reversed against interest income. If collectability is in doubt, cash receipts on nonaccrual loans are used to reduce principal rather than recorded in interest income. Past due status is determined based upon contractual terms.

### **7. *Allowance for Loan Losses***

For financial reporting purposes, the provision for loan losses charged to operations is based upon management's estimations of the amount necessary to maintain the allowance at an adequate level. Allowances for any impaired loans are generally determined based on collateral values. Loans are charged against the allowance for loan losses when management believes the collectability of the principal is unlikely.

Management evaluates the adequacy of the allowance for loan losses on a regular basis. These evaluations are based upon a periodic review of the collectability considering historical experience, the nature and value of the loan portfolio, underlying collateral values, internal loan reviews, and prevailing economic conditions. In addition, the OCC, as a part of the regulatory examination process, reviews the loan portfolio and the allowance for loan losses and may require changes in the allowance based upon information available at the time of the examination. The allowance consists of two components: allocated and unallocated. The components represent an estimation done pursuant to either Financial Accounting Standards Board (FASB) Statement No. 5, *Accounting for Contingencies*, or FASB Statement No. 114, *Accounting by Creditors for Impairment of a Loan*. The allocated component of the allowance reflects expected losses resulting from an analysis developed through specific credit allocations for individual loans, including any impaired loans, and historical loan loss history. The analysis is performed quarterly, and loss factors are updated regularly.

The unallocated portion of the allowance reflects management's estimate of probable inherent but undetected losses within the portfolio due to uncertainties in economic conditions, changes in collateral values, unfavorable information about a borrower's financial condition, and other risk factors that have not yet manifested themselves. In addition, the unallocated allowance includes a component that explicitly accounts for the inherent imprecision in the loan loss analysis.

In August 2005, Hurricane Katrina struck the Mississippi Gulf Coast causing significant damage. In determining the allowance for loan losses, factors resulting from the Hurricane based upon communications with borrowers, collateral inspections and various risk characteristics were considered. These factors are based upon management's estimates and judgments utilizing information available as of the date of the consolidated financial statements and, accordingly, actual results could differ.

**8. Premises and Equipment**

Premises and equipment are stated at cost, less accumulated depreciation. The depreciation policy is to provide for depreciation over the estimated useful lives of the assets using the straight-line method. Repairs and maintenance expenditures are charged to operating expenses; major expenditures for renewals and betterments are capitalized and depreciated over their estimated useful lives. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts, and any gains or losses are included in operations.

## Exhibit D-10

**9. Other Real Estate**

Other real estate consists of properties acquired through foreclosure and, as held for sale property, is recorded at the lower of the outstanding loan balance or current appraisal less estimated costs to sell. Any write-down to fair value required at the time of foreclosure is charged to the allowance for loan losses. Subsequent gains or losses on other real estate are reported in other operating income or expenses. At December 31, 2005 and 2004, other real estate totaled \$310,728 and \$167,793, respectively.

**10. Other Assets**

Financing costs related to the issuance of junior subordinated debentures are being amortized over the life of the instruments and are included in other assets. The Company invests in bank owned life insurance (BOLI). BOLI involves the purchasing of life insurance by the Company on a chosen group of employees. The Company is the owner of the policies and, accordingly, the cash surrender value of the policies is reported as an asset, and increases in cash surrender values are reported as income.

**11. Stock Options**

FASB Statement No. 123, *Accounting for Stock-Based Compensation*, requires a fair value-based method of measuring employee stock options. Under this method, compensation cost is measured at the option grant date based on the value of the award and is recognized over the service period. In lieu of recording the value of such options, the Company has elected to continue to measure compensation cost using Accounting Principles Board (APB) No. 25, *Accounting for Stock Issued to Employees*, and to provide pro forma disclosures quantifying the difference between compensation cost included in reported net income and the related cost measured by such fair value-based method.

Had compensation cost for the stock plans been determined based on the fair values of the options at the grant dates consistent with the method of FASB Statement No. 123, the Company's net income and net income per share would have been reduced to the pro forma amounts indicated below:

	Years end 2005
	-----
Net income as reported	\$ 1,909,194
Deduct stock-based compensation expense determined under the fair value based method	8,368
	-----
Pro forma net income	\$ 1,900,826
	=====
Basic net income per share as reported	\$ 1.62
Pro forma basic net income per share	1.61
Diluted net income per share as reported	1.53
Pro forma diluted net income per share	1.53

For options granted in the year ended December 31, 2005, the assumptions used in estimating compensation cost on a pro forma basis were: dividend yield of 1.3%, expected life of three years, volatility of near 50%, and a risk-free interest rate of 3.7%. No grants were issued during the year ended December 31, 2004.



## Exhibit D-11

**12. Income Taxes**

Income taxes are provided for the tax effects of the transactions reported in the financial statements and consist of taxes currently payable plus deferred taxes related primarily to differences between the bases of assets and liabilities as measured by income tax laws and their bases as reported in the financial statements. The deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

The Company and its subsidiary file consolidated income tax returns. The subsidiary provides for income taxes on a separate return basis and remits to the Company amounts determined to be payable.

**13. Advertising Costs**

Advertising costs are expensed in the period in which they are incurred. Advertising expense for the years ended December 31, 2005 and 2004, was approximately \$149,340 and \$146,236, respectively.

**14. Statements of Cash Flows**

For purposes of reporting cash flows, cash and cash equivalents include cash, amounts due from banks, interest-bearing deposits with banks and federal funds sold. Generally, federal funds are sold for a one to seven day period.

**15. Off-Balance Sheet Financial Instruments**

In the ordinary course of business, the subsidiary bank enters into off-balance sheet financial instruments consisting of commitments to extend credit, credit card lines and standby letters of credit. Such financial instruments are recorded in the financial statements when they are exercised.

**16. Per Share Amounts**

Per share amounts are presented in accordance with FASB Statement No. 128, "Earnings Per Share." Under Statement No. 128, two per share amounts are considered and presented, if applicable. Basic per share data is calculated based on the weighted-average number of common shares outstanding during the reporting period. Diluted per share data includes any dilution from potential common stock outstanding, such as exercise of stock options.

## Exhibit D-12

The following table discloses the reconciliation of the numerators and denominators of the basic and diluted computations:

	For the Year Ended December 31, 2005			
	Net Income (Numerator)	Shares (Denominator)	Per Share Amount	Net Income (Numerator)
Basic per share	\$ 1,909,194	1,179,154	\$ 1.62	\$ 1,242,743
Effect of dilutive shares:				
Stock options		65,291		
Diluted per share	\$ 1,909,194	1,244,445	\$ 1.53	\$ 1,242,743

The diluted per share amounts were computed by applying the treasury stock method.

**17. Reclassifications**

Certain reclassifications have been made to the 2004 financial statements to conform with the classifications used in 2005. These reclassifications did not impact the Company's consolidated financial condition or results of operations.

**18. Accounting Pronouncements**

In November, 2005, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) 115-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments. This FSP provides additional guidance on when an investment in a debt or equity security should be considered impaired and when that impairment should be considered other-than-temporary and recognized as a loss in earnings. Specifically, the guidance clarifies that an investor should recognize an impairment loss no later than when the impairment is deemed other-than-temporary, even if a decision to sell has not been made. The FSP also requires certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairments. Management applied the guidance in this FSP in 2005.

In December, 2004, the FASB revised SFAS 123, Accounting for Stock-Based Compensation. SFAS 123R establishes accounting requirements for share-based compensation to employees and carries forward prior guidance on accounting for awards to non-employees. In 2005, the FASB issued further guidance on the classification and measurement of freestanding financial instruments originally issued for employee service and the application of grant date as defined in SFAS 123R. The Corporation will be required to adopt these statements on January 1, 2006. SFAS 123R will require the Corporation to change its method of accounting for share-based awards to include estimated forfeitures in the initial estimate of compensation expense and to accelerate the recognition of compensation expense for retirement eligible employees. The adoption of these standards is not expected to have a material effect on financial condition, results of operations, or liquidity.

Exhibit D-13

**NOTE C - SECURITIES**

A summary of the amortized cost and estimated fair value of available-for-sale securities and held-to-maturity securities at December 31, 2005 and 2004, follows:

	December 31,		
	Amortized Cost	Gross Unrealized Gains	Un-
	-----	-----	-----
<i>Available-for-sale securities:</i>			
Obligations of U. S.			
Government agencies	\$ 32,030,191	\$ 5,699	\$
Tax-exempt and taxable			
obligations of states and	5,844,353	82,114	
municipal subdivisions	8,194,035	6,226	
Mortgage-backed securities	2,759,092	908	
Corporate obligations	-----	-----	-----
	\$ 48,827,671	\$ 94,947	\$
	=====	=====	=====
<i>Held-to-maturity securities:</i>			
Mortgage-backed securities	\$ 13,808	\$ 159	\$
	=====	=====	=====

	December 31,		
	Amortized Cost	Gross Unrealized Gains	Un-
	-----	-----	-----

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

Available-for-sale securities:			
Obligations of U. S.			
Government agencies	\$ 10,254,389	\$ 7,848	\$
Tax-exempt and taxable			
obligations of states and			
municipal subdivisions	7,203,371	94,873	
Mortgage-backed securities	6,376,011	6,154	
Corporate obligations	2,512,228	-	
	-----	-----	-----
	\$ 26,345,999	\$ 108,875	\$
	=====	=====	=====
 <i>Held-to-maturity securities:</i>			
Mortgage-backed securities	\$ 14,285	\$ 426	\$
	=====	=====	=====

Exhibit D-14

The scheduled maturities of securities at December 31, 2005, are as follows:

	Available-for-Sale	
	-----	-----
	Amortized	Estimated
	Cost	Fair
	-----	Value
Due less than one year	\$ 11,548,108	\$ 11,495,352
Due after one year through five years	21,780,845	21,597,277
Due after five years through ten years	3,544,791	3,536,334
Due after ten years	3,759,892	3,806,712
Mortgage-backed securities	8,194,035	8,107,403
	-----	-----
	\$ 48,827,671	\$ 48,543,078
	=====	=====

Actual maturities can differ from contractual maturities because the obligations may be called or prepaid with or without penalties.

No gains or losses were realized on available-for-sale securities in 2005. Gains of \$14,114 and losses of \$19,335 were realized on available-for-sale securities in 2004.

Securities with a carrying value of \$11,221,000 and \$21,417,000 at December 31, 2005 and 2004, respectively, were pledged to secure public deposits and for other purposes as required or permitted by law.

The details concerning securities classified as available for sale with unrealized losses as of December 31, 2005 and 2004, were as follows:

	2005			
	-----		-----	
	Losses < 12 Months		Losses 12 Months or >	
	-----	-----	-----	-----
	Fair	Gross	Fair	Gross
	Value	Unrealized	Value	Unrealized
	-----	Losses	-----	Losses
Obligations of U. S.				
Government agencies	\$ 22,124,908	\$ 164,105	\$5,179,618	\$ 75,534
Tax-exempt and taxable				

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

obligations of states and municipal subdivisions	1,616,839	19,078	1,519,399	27,966
Mortgage-backed Securities	4,148,550	56,071	1,756,360	36,786
Corporate obligations	-	-	-	-
	-----	-----	-----	-----
	\$ 27,890,297	\$ 239,254	\$8,455,377	\$ 140,286
	=====	=====	=====	=====
2004				
	-----		-----	
	Losses < 12 Months		Losses 12 Months or >	
	-----		-----	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	-----	-----	-----	-----
Obligations of U. S. Government agencies	\$ 5,225,635	\$ 29,567	\$1,483,445	\$ 16,555
Tax-exempt and taxable obligations of states and municipal subdivisions	2,455,744	14,790	306,374	3,663
Mortgage-backed securities	3,393,040	24,565	1,452,624	8,335
Corporate obligations	-	-	1,006,250	5,978
	-----	-----	-----	-----
	\$ 11,074,419	\$ 68,922	\$4,248,693	\$ 34,531
	=====	=====	=====	=====

Exhibit D-15

Approximately 71% of the number of securities in the investment portfolio at December 31, 2005, reflected an unrealized loss. Management is of the opinion the Company has the ability to hold these securities until such time as the value recovers or the securities mature. Management also believes the deterioration in value is attributable to changes in market interest rates and not to the credit quality of the issuer.

**NOTE D - LOANS**

Loans outstanding include the following types at December 31, 2005 and 2004:

Commercial, financial, and agricultural  
Real estate - construction  
Real estate - mortgage  
Installment loans to individuals  
Overdrafts

Allowance for loan losses

Transactions in the allowance for loan losses for the years ended December 31, 2005 and 2004, were

Balance at beginning of year

Additions:

Provision for loan losses charged to operations  
Recoveries

Deductions:

Loans charged off

Balance at end of year

During the years 2005 and 2004 and as of December 31, 2005 and 2004, no significant loans were classified as impaired.

At December 31, 2005 and 2004, the Company had nonaccrual loans and loans past due 90 days or more as follows:

Nonaccrual loans  
Past due 90 days or more and still accruing

#### Exhibit D-16

---

#### **NOTE E - PREMISES AND EQUIPMENT**

Premises and equipment are stated at cost, less accumulated depreciation and amortization as follows:

Premises:

Land  
Buildings and improvements  
Equipment  
Construction in progress

Less accumulated depreciation and amortization

The amounts charged to operating expense for depreciation were \$556,455 and \$561,641 in 2005 and 2004, respectively.

#### **NOTE F - DEPOSITS**

The aggregate amount of time deposits in denominations of \$100,000 or more for 2005 and 2004 was \$50,388,588 and \$29,768,591, respectively.

At December 31, 2005, the scheduled maturities of time deposits included in interest-bearing deposits are as follows (in thousands):

Year	Amount
2006	\$ 74,626
2007	12,181
2008	10,043
2009	2,492
2010	1,579
	\$ 100,921

**NOTE G - BORROWED FUNDS**

Borrowed funds consisted of the following:

	-----
	2005
	-----
FHLB advances	\$ 25,46
Other	
	-----
	\$ 25,46
	=====

Advances from the FHLB have maturity dates ranging from May, 2006, through June, 2013. Interest is payable monthly at rates ranging from 2.651% to 5.920%. Advances due to the FHLB are collateralized by a blanket lien on first mortgage loans in the amount of the outstanding borrowings, FHLB capital stock, and amounts on deposit with the FHLB. At December 31, 2005, FHLB advances available and unused totaled \$45.2 million.

Other borrowed funds consist of loans sold in transactions in which the risk of loss or obligation for payment is retained by The First. For regulatory and financial reporting purposes, these amounts are required to be reported as borrowed funds.

**Exhibit D-17**

Future annual principal repayment requirements on the borrowings from the FHLB at December 31, 2005, are as follows:

Year	Amount
-----	-----
2006	\$ 4,637,840
2007	4,929,908
2008	3,370,245
2009	4,490,193
2010	7,530,288
Thereafter	506,798
	-----
	\$ 25,465,272
	=====

**NOTE H - REGULATORY MATTERS**

The Company and its subsidiary bank are subject to regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and its subsidiary bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgment by regulators about components, risk weightings, and other related factors.

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

To ensure capital adequacy, quantitative measures have been established by regulators, and these require the Company and its subsidiary bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined) to risk-weighted assets (as defined), and of Tier I capital to adjusted total assets (leverage). Management believes, as of December 31, 2005, that the Company and its subsidiary bank exceed all capital adequacy requirements.

At December 31, 2005 and 2004, the subsidiary bank was categorized by regulators as well-capitalized under the regulatory framework for prompt corrective action. A financial institution is considered to be well-capitalized if it has a total risk-based capital ratio of 10% or more, has a Tier I risk-based capital ratio of 6% or more, and has a Tier I leverage capital ratio of 5% or more. There are no conditions or anticipated events that, in the opinion of management, would change the categorization.

Exhibit D-18

The actual capital amounts and ratios at December 31, 2005 and 2004, are presented in the following table. No amount was deducted from capital for interest-rate risk exposure.

	Company (Consolidated)		Subsidiary The First	
	Amount	Ratio	Amount	Ratio
	(\$ In thousands)			
<b>December 31, 2005</b>				
Total risk-based	\$ 25,666	12.4%	\$ 24,728	11.9%
Tier I risk-based	24,887	12.0%	22,361	10.8%
Tier I leverage	24,887	8.0%	22,361	7.8%
<b>December 31, 2004</b>				
Total risk-based	\$ 23,736	14.6%	\$ 19,880	12.3%
Tier I risk-based	22,315	13.7%	18,222	11.3%
Tier I leverage	22,315	10.8%	18,222	8.7%

The minimum amounts of capital and ratios as established by banking regulators at December 31, 2005 and 2004, are as follows:

	Company (Consolidated)		Subsidiary The First	
	Amount	Ratio	Amount	Ratio
	(\$ In thousands)			
<b>December 31, 2005</b>				
Total risk-based	\$ 16,612	8.0%	\$ 16,588	8.0%
Tier I risk-based	8,306	4.0%	8,294	4.0%
Tier I leverage	12,504	4.0%	11,496	4.0%
<b>December 31, 2004</b>				
Total risk-based	\$ 13,019	8.0%	\$ 12,914	8.0%
Tier I risk-based	6,509	4.0%	6,457	4.0%
Tier I leverage	8,236	4.0%	8,333	4.0%

The Company's dividends, if any, are expected to be made from dividends received from its subsidiary bank. The OCC limits dividends of a national bank in any calendar year to the net profits of that year combined with the retained net profits for the two preceding years.

**NOTE I - COMPREHENSIVE INCOME**

The Company and its subsidiary bank report comprehensive income as required by FASB Statement No. 130, Reporting Comprehensive Income. In accordance with this statement, unrealized gains and losses on securities available-for-sale are included in other comprehensive

income.

In the calculation of comprehensive income, certain reclassification adjustments are made to avoid double counting amounts that are displayed as part of net income for a period that also had been displayed as part of other comprehensive income. The disclosure of the reclassification amounts is as follows:

Unrealized holding gains (losses) on available-for-sale securities	\$ (2)
Reclassification adjustment for (gains) losses realized in income	
Net unrealized gains (losses)	(2)
Tax effect	
Net-of-tax amount	\$ (1)

Exhibit D-19

**NOTE J - INCOME TAXES**

The components of income tax expense are as follows:

Current:	
Federal	\$ 9
State	1
Deferred	(2)
	\$ 8

The Company's income tax expense differs from the amounts computed by applying the federal income tax statutory rates to income before income taxes. A reconciliation of the differences is as follows:

	Years Ended D	
	2005	
	Amount	%
Income taxes at statutory rate	\$ 942,819	34
Tax-exempt income	(107,996)	(4)
State income tax, net of federal tax effect	89,080	3
Tax credits	(43,502)	(2)
Other, net	(16,598)	-
	\$ 863,803	31



## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

The components of deferred income taxes included in the consolidated financial statements are as follows:

Deferred tax assets:	
Allowance for loan losses	\$
Unrealized loss on available-for-sale securities	
Other	
Deferred tax liabilities:	
Securities	
Premises and equipment	
Unrealized gain on available-for-sale securities	
Net deferred tax asset (liability)	\$

### Exhibit D-20

---

#### **NOTE K - EMPLOYEE BENEFITS**

The Company and its subsidiary bank provide a deferred compensation arrangement (401(k) plan) whereby employees contribute a percentage of their compensation. For employee contributions of three percent or less, the Company and its subsidiary bank provide a matching contribution. Contributions totaled \$67,227 in 2005, and \$64,191 in 2004.

The Company and its subsidiary bank have employment agreements with certain executive officers. These agreements contain provisions concerning salaries, bonuses, incentive programs, and benefits related to a change in control.

#### **NOTE L - STOCK PLANS**

In 1997, the Company adopted the 1997 Stock Option Plan (1997 Plan) which provides for the granting of options to purchase up to 72,185 shares of Company common stock by directors and key employees of the Company and the Bank. Options granted under the 1997 Plan were exercisable at December 31, 1999, and expire ten years after the grant date. As of December 31, 2005, 53,567 grants had not been exercised or forfeited. The options are exercisable at not less than the market value of the Company's stock at the grant date. Accordingly, no compensation cost has been recognized.

On May 27, 1999, the Company's shareholders approved the 1999 Stock Incentive Plan (1999 Plan). The 1999 Plan provides for the granting of options to purchase up to 106,689 shares of the Company's common stock by the Company's and its subsidiaries' directors, key employees, and management. Under the 1999 Plan, the Company may grant either incentive stock options or nonqualified stock options. Options granted to directors and employees vest in equal amounts over three years. Stock options granted to management vest based on annual performance goals or after nine years and eleven months, if still employed. At December 31, 2005, 106,679 options had been granted, and 29,690 had been exercised or forfeited. Of the remaining grants available, 73,024 were vested. All options expire and are void unless exercised on or before April 15, 2009. The options are exercisable at not less than the market value of the Company's stock at the grant date. Accordingly, no compensation expense has been recognized.

### Exhibit D-21

---

A summary of the status of the stock option plans as of December 31, 2005 and 2004, and changes during the years ending on those dates is presented below:

December  
-----  
2005

	Shares	Weighted Average Exercise Price
Options outstanding at beginning of year	147,495	\$ 13
Options granted	3,965	\$ 25
Options exercised	(18,904)	\$ 13
Options forfeited	(2,000)	\$ 17
Options outstanding at end of year	130,556	\$ 13
Options exercisable at end of year	126,591	\$ 13

The following table summarizes information about stock options at December 31, 2005:

Exercise Price	Number Outstanding	Remaining Contractual Life in Years
\$10.00	53,567	1.3
\$15.00 - \$17.50	73,024	3.3
\$25.00	3,965	3.3

#### **NOTE M - SUBORDINATED DEBENTURES**

The Company issued \$7,217,000 of floating rate junior subordinated deferrable interest debentures to The First Bancshares Statutory Trust I, a Connecticut business trust, in which the Company owns all of the common equity. The debentures are the sole asset of the Trust. The Trust issued \$7,000,000 of Trust Preferred Securities (TPSs) to investors. The Company's obligations under the debentures and related documents, taken together, constitute a fully and unconditional guarantee by the Company of the Trust's obligations under the preferred securities. The preferred securities are redeemable by the Company in 2007, or earlier in the event the deduction of related interest for federal income taxes is prohibited, treatment as Tier I capital is no longer permitted, or certain other contingencies arise. The preferred securities must be redeemed upon maturity of the debentures in 2032. Interest on the preferred securities is the three month London Interbank Offer Rate (LIBOR) plus 3.6% and is payable quarterly. The terms of the subordinated debentures are identical to those of the preferred securities. In December 2003, the Company adopted the provisions of FASB Interpretations No. 46R (FIN 46R), Consolidation of Variable Interest Entities, An Interpretation of ARB No. 51. The adoption of FIN 46R required the company to deconsolidate the subsidiary.

#### **NOTE N - TREASURY STOCK**

Shares held in treasury totaled 26,494 at December 31, 2005 and 2004.

#### **NOTE O - RELATED PARTY TRANSACTIONS**

In the normal course of business, the subsidiary bank makes loans to its directors and executive officers and to companies in which they have a significant ownership interest. In the opinion of management, these loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other parties, are consistent with sound banking practices, and are within applicable regulatory and lending limitations. Such loans amounted to approximately \$8,093,000 and \$7,672,000 at December 31, 2005 and 2004, respectively. The activity in loans to current directors, executive officers, and their affiliates during the year ended December 31, 2005, is summarized as follows (in thousands):

45

Loans outstanding at beginning of year
New loans
Repayments
Loans outstanding at end of year

In 2004, the Company sold its leasehold interest in sixteenth section land to a related party for \$153,562.

**NOTE P - COMMITMENTS, CONTINGENCIES, AND CONCENTRATIONS OF CREDIT RISK**

In the normal course of business, there are outstanding various commitments and contingent liabilities, such as guaranties, commitments to extend credit, etc., which are not reflected in the accompanying financial statements. The subsidiary bank had outstanding letters of credit of \$1,446,000 and \$927,000 at December 31, 2005 and 2004, respectively, and had made loan commitments of approximately \$33,364,000 and \$23,471,000 at December 31, 2005 and 2004, respectively.

Commitments to extend credit and letters of credit include some exposure to credit loss in the event of nonperformance of the customer. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The credit policies and procedures for such commitments are the same as those used for lending activities. Because these instruments have fixed maturity dates and because a number expire without being drawn upon, they generally do not present any significant liquidity risk. No significant losses on commitments were incurred during the two years ended December 31, 2005, nor are any significant losses as a result of these transactions anticipated.

The primary market area served by the subsidiary bank is Forrest, Lamar, Jones, Pearl River and Jackson Counties within South Mississippi. Management closely monitors its credit concentrations and attempts to diversify the portfolio within its primary market area. As of December 31, 2005, management does not consider there to be any significant credit concentrations within the loan portfolio. Although the bank's loan portfolio, as well as existing commitments, reflects the diversity of its primary market area, a substantial portion of a borrower's ability to repay a loan is dependent upon the economic stability of the area.

The Company has three leases for facilities. The first lease expires in July, 2006, and the monthly lease payments are \$2,110. The second lease expires in May, 2006, and the monthly lease payments are \$1,675. The third lease requires monthly payments of \$2,706 through December, 2006, with escalation to \$2,829 through the lease expiration in June, 2007. Three one-year renewal options are included in the lease terms. Renewal rates will be based on the increase in the Consumer Price Index.

Rental expense for premises and equipment for the years ended December 31, 2005 and 2004, was approximately \$136,000 and \$90,000, respectively.

The Company and its subsidiary bank are subject to claims and lawsuits which arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position of the Company.

Exhibit D-22

---

**NOTE Q - DISCLOSURE ABOUT FAIR VALUES OF FINANCIAL INSTRUMENTS**

The following disclosure of the estimated fair value of financial instruments is made in accordance with FASB Statement No. 107, Disclosures About Fair Value of Financial Instruments. The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

**Cash and Cash Equivalents** - For such short-term instruments, the carrying amount is a reasonable estimate of fair value.

**Securities** - For securities held as investments, fair value equals market price, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

**Loans** - The fair value of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

**Deposits** - The fair values of demand deposits are, as required by Statement No. 107, equal to the carrying value of such deposits. Demand deposits include noninterest-bearing demand deposits, savings accounts, NOW accounts, and money market demand accounts. The fair value of variable rate term deposits, those repricing within six months or less, approximates the carrying value of these deposits. Discounted cash flows have been used to value fixed rate term deposits and variable rate term deposits repricing after six months. The discount rate used is based on interest rates currently being offered on comparable deposits as to amount and term.

**Short-Term Borrowings** - The carrying value of any federal funds purchased and other short-term borrowings approximates their carrying values.

**FHLB and Other Borrowings** - The fair value of the fixed rate borrowings are estimated using discounted cash flows, based on current incremental borrowing rates for similar types of borrowing arrangements. The carrying amount of any variable rate borrowings approximates their fair values.

**Subordinated Debentures** - The subordinated debentures bear interest at a variable rate and the carrying value approximates the fair value.

**Off-Balance Sheet Instruments** - Fair values of off-balance sheet financial instruments are based on fees charged to enter into similar agreements. However, commitments to extend credit do not represent a significant value until such commitments are funded or closed. Management has determined that these instruments do not have a distinguishable fair value and no fair value has been assigned.

Exhibit D-23

	December 31, 2005	
	Carrying Amount	Estimated Fair Value
Financial Instruments:		(In thousand)
Assets:		
Cash and cash equivalents	\$ 28,888	\$ 28,888
Securities available-for-sale	48,543	48,543
Securities held-to-maturity	14	14
Other securities	2,103	2,103
Loans	197,943	194,380
Liabilities:		
Noninterest-bearing deposits	49,585	49,585
Interest-bearing deposits	192,364	192,364
Subordinated debentures	7,217	7,217
FHLB and other borrowings	25,465	25,465

**NOTE R - SUBSEQUENT EVENT**

On February 22, 2006, the Company's board of directors declared a two-for-one stock split effected in the form of a 100% stock dividend. The record date for the shareholders entitled to receive the additional shares is March 1, 2006. The stock split will result in the issuance of approximately 1,187,600 shares of common stock and will be accounted for by the transfer of approximately \$1,187,600 from additional paid-in-capital to common stock. Pro forma net income per share amounts on a post-split basis for the years ended December 31, 2005 and 2004 would be as follows:

	Year Ended December 31
	2005
Net income per common share	
Basic:	
As reported	\$1.62
Pro forma (unaudited)	.81
Diluted:	
As reported	\$1.53

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

Pro forma (unaudited)

.77

The information presented in the consolidated financial statements and the related notes have not restated to reflect the stock split.

**NOTE 5 - PARENT COMPANY FINANCIAL INFORMATION**

The balance sheets, statements of income, and cash flows for The First Bancshares, Inc. (parent only) follow.

**Condensed Balance Sheets**

Assets:		
Cash and cash equivalents		\$
Investment in subsidiary bank		2
Investment in statutory trust		
Other securities		
Premises and equipment		
Other		
		-----
		\$ 2
		=====
Liabilities and Stockholders' Equity:		
Subordinated debentures		\$
Other		
Stockholders' equity		1
		-----
		\$ 2
		=====

Exhibit D-24

**Condensed Statements of Income**

Income:		
Interest and dividends		\$ 1
Gain on sale of lease		
Other		
		-----
		2
Expenses:		
Interest on borrowed funds		5
Other		1
		-----
		6
Loss before income taxes and equity in undistributed income of subsidiary		(4)
Income tax benefit		(1)
		-----
Loss before equity in undistributed income of subsidiary		(2)
Equity in undistributed income of subsidiary		2,1
		-----

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

Net income \$ 1,900

**Condensed Statements of Cash Flows**

Cash flows from operating activities:

Net income \$ 1,900

Adjustments to reconcile net income to net cash used in operating activities:

Equity in undistributed income of subsidiary (2,130)  
 Gain on sale of lease (50)  
 Other, net (220)  
 Net cash used in operating activities (510)

Cash flows from investing activities:

Investment in subsidiary bank (2,000)  
 Other, net (180)  
 Proceeds from sale of lease and land 130  
 Net cash provided by (used in) investing activities (2,050)

Cash flows from financing activities:

Dividends paid on common stock (230)  
 Issuance of subordinated debentures 250  
 Exercise of stock options 250  
 Purchase of treasury stock 250  
 Issuance of common stock 250

Net cash provided by (used in) financing activities 250

Net increase (decrease) in cash and cash equivalents (2,540)

Cash and cash equivalents at beginning of year 4,340

Cash and cash equivalents at end of year \$ 1,790

Exhibit D-25

**NOTE T - SUMMARY OF QUARTERLY RESULTS OF OPERATIONS AND PER SHARE AMOUNTS  
 (UNAUDITED)**

	Three Months	
	Mar. 31	June 30
	(In thousands, except per share amounts)	
<b>2005</b>		
Total interest income	\$ 3,302	\$ 3,718
Total interest expense	1,073	1,274
Net interest income	2,229	2,444
Provision for loan losses	204	233
Net interest income after provision for loan losses	2,025	2,211
Total non-interest income	459	433
Total non-interest expense	1,937	1,900

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

Income tax expense	182	250
	-----	-----
Net income	\$ 365	\$ 494
	=====	=====
Per share:		
Net income	\$ .31	\$ .42
Net income, diluted	.30	.39
Cash dividends declared	.20	-
<b>2004</b>		
Total interest income	\$ 2,484	\$ 2,611
Total interest expense	726	736
	-----	-----
Net interest income	1,758	1,875
Provision for loan losses	134	154
	-----	-----
Net interest income after provision for loan losses	1,624	1,721
Total non-interest income	573	487
Total non-interest expense	1,709	1,742
Income tax expense	161	164
	-----	-----
Net income	\$ 327	\$ 302
	=====	=====
Per share:		
Net income	\$ .28	\$ .26
Net income, diluted	.27	.25
Cash dividends declared	.15	-

Exhibit D-26

THE FIRST BANCSHARES, INC.  
 UNAUDITED FINANCIAL STATEMENTS  
 JUNE 30, 2006

Exhibit D-27

THE FIRST BANCSHARES, INC.  
 BALANCE SHEET  
 (Unaudited)

(\$ amounts in thousands)

June 30, 2006

ASSETS	
Cash and due from banks	\$ 13,510
Interest-bearing deposits with banks	240
Federal funds sold	365
	-----
Total cash and cash equivalents	14,115

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

Securities held-to-maturity, at amortized cost	14
Securities available-for-sale, at fair value	56,392
Other securities	2,348
Loans held for sale	5,587
Loans	235,065
Allowance for loan losses	(2,623)
	-----
LOANS, NET	232,442
Premises and equipment	8,538
Interest receivable	2,026
Cash surrender value	5,150
Other assets	2,617
	-----
	\$329,229
	=====
LIABILITIES AND SHAREHOLDERS' EQUITY	
Non-interest bearing	\$ 55,142
Time, \$100,000 or more	58,880
Interest-bearing	154,615
	-----
TOTAL DEPOSITS	268,637
Interest payable	665
Borrowed funds	28,831
Subordinated debentures	11,217
Other liabilities	420
	-----
TOTAL LIABILITIES	309,770
SHAREHOLDERS' EQUITY:	
Common stock, \$1 par value. Authorized	2,406
10,000,000 shares; 2,406,124 issued	
Preferred stock, par value \$1 per share,	
10,000,000 shares authorized; no shares	
issued or outstanding	-
Treasury stock, at cost, 26,494 shares	(464)
Additional paid-in capital	12,067
Retained earnings	6,063
Accumulated other comprehensive loss	(613)
	-----
TOTAL SHAREHOLDERS' EQUITY	19,459
	\$329,229
	=====

Exhibit D-28

THE FIRST BANCSHARES, INC.  
STATEMENT OF INCOME  
(Unaudited)

(\$ amounts in thousands except earnings per share)

	Six Months Ended June 30, 2006
INTEREST INCOME:	
Loans, including fees	\$ 8,761
Securities:	
Taxable	1,278
Tax exempt	98



Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

Federal funds sold	255
Other	-
	-----
TOTAL INTEREST INCOME	10,392
INTEREST EXPENSE:	
Deposits	2,811
Other borrowings	1,005
	-----
TOTAL INTEREST EXPENSE	3,816
	-----
NET INTEREST INCOME	6,576
PROVISION FOR LOAN LOSSES	294
	-----
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	6,282
NONINTEREST INCOME:	
Service charges on deposit accounts	592
Other service charges, commissions and fees	307
Gain on sale of properties	224
	-----
TOTAL NONINTEREST INCOME	1,123
	-----
NONINTEREST EXPENSES:	
Salaries and employee benefits	2,938
Occupancy and equipment expense	622
Other operating expenses	1,409
	-----
TOTAL NONINTEREST EXPENSES	4,969
	-----
INCOME BEFORE INCOME TAXES	2,436
INCOME TAXES	688
	-----
NET INCOME	\$ 1,748
	=====
EARNINGS PER SHARE - BASIC	\$ .74
EARNINGS PER SHARE - ASSUMING DILUTION	\$ .69
DIVIDENDS PER SHARE	\$ .16

Exhibit D-29

EXHIBIT E

AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
OF  
FIRST NATIONAL BANK OF WIGGINS  
FOR THE PERIODS ENDED  
DECEMBER 31, 2003 AND DECEMBER 31, 2004;

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
OF  
FIRST NATIONAL BANK OF WIGGINS  
FOR THE PERIOD ENDED  
DECEMBER 31, 2005,  
AND THE INTERIM PERIOD ENDED  
JUNE 30, 2006

Exhibit E-1

---

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders  
First National Bank of Wiggins  
Wiggins, Mississippi

We have audited the accompanying balance sheets of First National Bank of Wiggins as of December 31, 2003, and the related statements of operations, changes in stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying financial statements have been prepared assuming that the Bank will continue as a going concern. As discussed in Note G to the financial statements, at December 31, 2004, the Bank did not meet the minimum capital requirements established by the Office of the Comptroller of the Currency (OCC) under a consent order. The Bank also has suffered recurring losses from operations. The Bank has filed with the OCC outlining its plans for attaining the required levels of regulatory capital. The Bank received notification from the OCC rejecting its capital plan. Failure to meet the capital requirements and other conditions of the OCC included in the consent order would expose the institution to regulatory sanctions that could include restrictions on operations and growth, mandatory asset dispositions, and seizure. These conditions cast substantial doubt about the ability of the Bank to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Exhibit E-2

---

Board of Directors and Stockholders  
First National Bank of Wiggins  
Page 2  
March 24, 2005

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of the First National Bank of Wiggins as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ T. E. LOTT & COMPANY

Columbus, Mississippi  
March 24, 2005

Exhibit E-3

FIRST NATIONAL BANK OF WIGGINS  
BALANCE SHEETS  
DECEMBER 31, 2004 AND 2003

<b>ASSETS</b>	2004
Cash and due from banks	\$ 1,694,
Federal funds sold	175,
Total cash and cash equivalents	1,869,
Securities	17,632,
Other Securities	336,
Loans, net of allowance for loan losses of \$975,122 in 2004 and \$1,306,123 in 2003	25,291,
Premises and equipment	727,
Interest receivable	315,
Foreclosed assets	757,
Other assets	505,
Total assets	\$ 47,435,
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	
Deposits:	
Noninterest-bearing	\$ 6,540,
Interest-bearing	36,971,
Total deposits	43,511,
Interest payable	116,
Borrowed funds	24,
Other liabilities	36,
Total liabilities	43,688,
Stockholders' Equity:	
Common stock, \$10 par value, authorized 50,000 and 25,000 shares in 2004 and 2003, respectively; issued and outstanding 23,728 and 23,177 shares in 2004 and 2003, respectively	237,
Additional paid-in capital	4,908,
Accumulated deficit	(1,318),
Accumulated other comprehensive income (loss)	(79),
Total stockholders' equity	\$ 3,746,
Total Liabilities & Stockholders' Equity	\$ 47,435,

The accompanying notes are an integral part of these statements.

Exhibit E-4



Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

The accompanying notes are an integral part of these statements.

Exhibit E-5

FIRST NATIONAL BANK OF WIGGINS  
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 2004 AND 2003

	Compre- hensive Income	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumula Other Compr hensiv Incom (Loss
Balance, January 1, 2003		\$ 200,000	\$ 4,200,000	\$ (628,552)	\$ 68,3
Comprehensive income:					
Net loss for 2003	\$ (79,153)	-	-	(79,153)	
Net change in unrealized gain (loss) on available- for-sale securities, net of tax	(64,256)	-	-	-	(64,2
Comprehensive loss	\$ (143,409)				
Issuance of stock		31,770	603,630	-	
Balance, December 31, 2003		231,770	4,803,630	(707,705)	4,0
Comprehensive income:					
Net income for 2004	\$ (611,025)	-	-	(611,025)	
Net change in unrealized gain (loss) on available- for-sale securities, net of tax	(83,942)	-	-	-	(83,9
Comprehensive loss	\$ (694,967)				
Issuance of common stock		5,510	104,690	-	
Balance, December 31, 2004		\$ 237,280	\$ 4,908,320	\$ (1,318,730)	\$ (79,8

The accompanying notes are an integral part of these statements

Exhibit E-6

FIRST NATIONAL BANK OF WIGGINS

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2004 AND 2003**

	20
	-----
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net loss	\$ (6
Adjustments to reconcile net loss to net cash:	
Depreciation and amortization	1
Deferred income tax expense (benefit)	
Provision for loan losses	2
FHLB stock dividends	
(Gain) loss on sale of foreclosed assets	
Write-down of foreclosed assets	1
Amortization of premiums and discounts on securities, net	
Losses on sale of securities, net	
Changes in:	
Interest receivable	
Other assets	1
Interest payable	
Other liabilities	(
	-----
Net cash provided by operating activities	1
	-----

<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of available-for-sale securities	(10,1
Proceeds from sales of available-for-sale securities	2,7
Proceeds from maturities and calls of available-for-sale securities	5,7
Proceeds from maturities and calls of held-to-maturity	5
Purchases of other securities	
Decrease in loans	1,4
Proceeds from sale of foreclosed assets	9
Additions to premises and equipment	(
	-----
Net cash used in investing activities	1,2
	-----

The accompanying notes are an integral part of these statements.

**Exhibit E-7**

**FIRST NATIONAL BANK OF WIGGINS**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2004 AND 2003**

(Continued)

	20
	-----
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Decrease in deposits	\$ (2,2
Issuance of common stock	1
Proceeds from issuance of borrowed funds	
Repayment of borrowed funds	(
	-----
Net cash provided by financing activities	(2,1
	-----

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

Net decrease in cash and cash equivalents	(7
Cash and cash equivalents at beginning of year	2,6 -----
Cash and cash equivalents at end of year	\$ 1,8 =====
<b>Cash paid (received) during the year for:</b>	
Interest	\$ 1,2
Income taxes	(1
<b>Non-cash activities:</b>	
Transfers of loans to foreclosed assets	6

The accompanying notes are an integral part of these statements.

Exhibit E-8

FIRST NATIONAL BANK OF WIGGINS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003

NOTE A - SUMMARY OF ACCOUNTING POLICIES

The accounting and reporting policies of First National Bank of Wiggins (the Bank) conform to the accounting principles generally accepted in the United States of America and, where applicable, to the practices within the banking industry. The following is a description of the significant policies:

1. Nature of Operations

The Bank provides full banking services. It operates under a national bank charter and is subject to the regulation of the Office of the Comptroller of the Currency (OCC). The Bank serves the Mississippi area.

2. Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the amounts reported in the financial statements and revenues and expenses during the reporting period. Actual results may differ from those estimates.

The determination of the adequacy of the allowance for loan losses is based on estimates and is particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral. The Bank's loans are generally secured by specific items of collateral, including real property, consumer assets, and business assets. Although the Bank has a diversified portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on local economic conditions. While management uses available information to recognize losses on loans, further allowance may be necessary based on changes in local economic conditions. In addition, regulators, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require, and have required, the Bank to recognize additional losses based on information available to them at the time of their examination. Because of the uncertainty inherent in the reasonably possible that the estimated losses on loans may change materially in the near future, the amount of the change that is reasonably possible cannot be estimated.

FIRST NATIONAL BANK OF WIGGINS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003

NOTE A - SUMMARY OF ACCOUNTING POLICIES (Continued)

3. Securities

Investments in securities are accounted for as follows:

Available-for-Sale Securities

Securities classified as available-for-sale are those securities that are intended for an indefinite period of time but not necessarily to maturity. Any decision to sell a security classified as available-for-sale would be based on various factors including movements in interest rates, security risk assessments, changes in the mix of assets and liabilities and other similar factors. Available-for-sale securities are carried at their estimated fair value, and the net unrealized gain or loss is included in accumulated other comprehensive income. Premiums and discounts are recognized in interest income using the interest method.

Gains and losses on the sale of available-for-sale securities are determined using the adjusted cost method for the specific security sold.

Securities to be Held-to-Maturity

Securities classified as held-to-maturity are those securities for which there is a positive intent and ability to hold to maturity. These securities are carried at cost adjusted for amortization or accretion of discount, computed by the interest method.

Trading Account Securities

Trading account securities are those securities which are held for the purpose of selling them in the near future. There were no trading account securities on hand at December 31, 2004 and 2003.

Other Securities

Other securities are carried at cost and are restricted in marketability. Other security investments in the Federal Home Loan Bank (FHLB) and the Federal Reserve Bank.

4. Loans

Loans are generally carried at the principal amount outstanding and adjusted for the allowance for loan losses. Interest is accrued into income based upon the principal outstanding and the contractual rate on the loan.

( Continued )



## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

### NOTE A - SUMMARY OF ACCOUNTING POLICIES (Continued)

#### 4. Loans (Continued)

A loan is considered to be impaired when it appears probable that the entire amount contractually due will not be collected. Factors considered in determining impairment include payment status, collateral value, and the probability of collecting scheduled payments of principal and interest when due. Impairment is measured on a loan by loan basis using the fair value of the supporting collateral.

The accrual of interest on significant loans, as determined by bank management, is discontinued when, in the opinion of management, there are indications that the borrower may be unable to meet payments as they come due. Thereafter, no interest is taken into income until received.

Direct loan costs and any related loan origination fees are recognized currently as period costs. Loan costs, respectively, and do not vary materially from the results that would be recorded using the method prescribed by Financial Accounting Standards Board (FASB) No. 91, "Accounting for Nonrecourse Loans and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases."

#### 5. Allowance for Loan Losses

The allowance for loan losses is maintained at a level believed adequate by management to cover probable losses inherent in the loan portfolio and is based on the size and current risk characteristics of the loan portfolio, an assessment of individual problem loans, actual and anticipated loss experience, and economic events, internal and regulatory loan reviews, and other pertinent factors, including guidance and general economic conditions. Determination of the allowance is inherently subjective and requires significant estimates, including the evaluation of collateral supporting impaired loans, losses on pools of homogeneous loans based on historical loss experience, and consideration of economic trends, all of which may be susceptible to significant change. Loan losses are charged to the allowance, while recoveries of amounts previously charged off are credited to the allowance. The provision for loan losses is charged to operations based on management's periodic evaluation of the allowance, as well as other pertinent factors.

( Continued )

### Exhibit E-11

---

FIRST NATIONAL BANK OF WIGGINS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003

### NOTE A - SUMMARY OF ACCOUNTING POLICIES (Continued)

#### 5. Allowance for Loan Losses (Continued)

The allowance for loan losses consists of an allocated component and an unallocated component. The allocated component of the allowance for loan losses represent an estimation done pursuant to either FASB Statement No. 5, "Accounting for Contingencies," or FASB Statement No. 114, "Accounting by Creditors for Impairment of a Loan." The allocated component of the allowance for loan losses reflects expected losses based on a loss analysis developed through specific credit allocations for individual loans and historical loss experience for each loan category. The specific allocations are based on a regular review of actual loss experience and internal credit rating is at or below a predetermined classification. The historical loss

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

determined statistically using loss experience and the related internal gradings of loan analysis is performed quarterly and loss factors are updated regularly based on actual allocated component of the allowance for loan losses also includes consideration of the amount of any concentrations and changes in portfolio mix and volume.

The unallocated portion of the allowance reflects management's estimate of probable inherent losses within the portfolio due to uncertainties in economic conditions, changes in circumstances, unfavorable information about a borrower's financial condition, and other risk factors. The unallocated allowance includes a component that explicitly accounts for the inherent imprecision in loss analysis.

### 6. Premises and Equipment

Premises and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are determined using the straight-line and accelerated methods at rates calculated to depreciate or amortize the cost of the assets over their estimated useful lives.

Repairs and maintenance expenditures are charged to operating expenses; major expenditures for betterments are capitalized and depreciated over their estimated useful lives. Upon retirement or other disposition of premises and equipment, the cost and accumulated depreciation are removed from the accounts, and any gains or losses are included in operations.

( Continued )

## Exhibit E-12

---

FIRST NATIONAL BANK OF WIGGINS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003

### NOTE A - SUMMARY OF ACCOUNTING POLICIES (Continued)

#### 7. Employee Benefits

The Bank provides a deferred compensation arrangement (401(k) plan) whereby employees contribute a portion of their compensation. Eligible employees are allowed to contribute up to 10% of their compensation as defined in the plan, and the Bank matches up to 4% of the employee contribution. For the years ended December 31, 2004 and 2003, expense attributable to the Plan amounted to \$19,403 and \$14,650, respectively.

#### 8. Income Taxes

Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the differences between the book and tax bases of the various balance sheet assets and liabilities, adjusted for current recognition to changes in tax rates and laws.

#### 9. Foreclosed Assets

Real estate properties acquired through or in lieu of loan foreclosure are initially recorded at the Bank's carrying amount or fair value less estimated selling cost at the date of acquisition. Write-downs based on the asset's fair value at the date of the acquisition are charged to loan losses. After foreclosure, property held for sale is carried at the lower of the new carrying amount or fair value less cost to sell. Impairment losses on property to be held and used are measured as the difference between the carrying amount and fair value less cost to sell.

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

which the carrying amount of a property exceeds its fair value. Costs of significant property are capitalized, whereas costs relating to holding property are expensed. Valuations are performed by management, and any subsequent write-downs are recorded as a charge to operations to reduce the carrying value of a property to the lower of its cost or fair value less cost to sell.

### 10. Statement of Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include cash and due from banks and funds sold. Generally, federal funds are sold for one to seven-day periods.

( Continued )

## Exhibit E-13

---

FIRST NATIONAL BANK OF WIGGINS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003

### NOTE A - SUMMARY OF ACCOUNTING POLICIES (Continued)

#### 11. Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Bank has entered into off-balance-sheet financial instruments consisting of commitments to extend credit. Such financial instruments are recorded on the balance sheet when they are exercised.

#### 12. Accounting Pronouncements

On September 30, 2004, the FASB issued FASB Staff Position ("FSP") Emerging Issues Task Force No. 03-1-1 delaying the effective date of paragraphs 10-20 of EITF 03-1, "The Meaning of Other Than Impairment and Its Application to Certain Investments." The EITF Issue provides guidance for the meaning of "other-than-temporarily impaired" and its application to certain debt and equity investments within the scope of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Investments accounted for under the cost method. The guidance requires that investments with a decrease in value due to credit concerns or solely due to changes in interest rates must be classified as other-than-temporarily impaired unless the Bank can assert and demonstrate its intention to hold the investment for a period of time sufficient to allow for a recovery of fair value up to or beyond the investment's maturity. The delay of the effective date of EITF 03-1 will be concurrent with the final issuance of proposed FSP Issue 03-1-a. Proposed FSP Issue 03-1-a will provide implementation guidance with respect to all securities analyzed for impairment under EITF 03-1. Management continues to closely monitor and evaluate how the provisions of proposed FSP Issue 03-1-a will affect the Bank.

In December 2003, the Accounting Standards Executive Committee issued Statement of Position No. 03-1, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer." The SOP is effective for loans or debt securities acquired in fiscal years beginning after December 15, 2004. The SOP addresses accounting for the difference between contractual cash flows and cash flows expected to be collected from an investor's perspective. The difference is attributable to differences in the timing of cash flows, to credit quality. The SOP applies to loans acquired in business combinations but does not apply to loans originated by the Bank. Management does not believe the provision of this standard will have a significant impact on the results of future operations.

#### 13. Reclassifications

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

Certain prior period amounts have been reclassified to conform with the 2004 presentation.

( Continued )

Exhibit E-14

FIRST NATIONAL BANK OF WIGGINS  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2004 AND 2003

NOTE A - SUMMARY OF ACCOUNTING POLICIES (Continued)

14. Advertising Costs

Advertising costs are expensed in the period in which they are incurred. Advertising expensed ended December 31, 2004 and 2003, was \$7,712 and \$15,597, respectively.

NOTE B - SECURITIES

Securities at December 31, 2004 and 2003, consisted of available-for-sale securities with a carrying amount of \$16,946,151 and \$15,491,670, respectively, and securities to be held-to-maturity with a carrying amount of \$686,564 and \$1,215,516, respectively. The amortized cost, gross unrealized gains, gross unrealized losses and estimated fair value of these securities at December 31, 2004 and 2003, are as follows:

	December 31, 2004		
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses
Available-for-sale securities:			
Obligations of other U. S. Government agencies	\$ 8,575,199	\$ 3,981	\$ -
Mortgage backed securities	5,487,139	5,026	-
Corporate securities	1,956,099	-	-
Mutual Fund	1,047,524	-	-
	\$ 17,065,961	\$ 9,007	\$ -
Held-to-maturity securities:			
Obligations of other U. S. Government agencies	\$ 249,939	\$ 7,171	\$ -
Obligations of states and political subdivisions	414,946	3,409	-
Mortgage backed securities	21,679	37	-
	\$ 686,564	\$ 10,617	\$ -

( Continued )

Exhibit E-15

FIRST NATIONAL BANK OF WIGGINS  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2004 AND 2003

NOTE B - SECURITIES (Continued)

	December 31	
	Amortized Cost	Gross Unrealized Gains
Available-for-sale securities:		
Obligations of other U. S. Government agencies	\$ 9,557,386	\$ 38,095
Obligations of states and political subdivisions	320,000	-
Mortgage backed securities	2,871,036	18,866
Corporate securities	704,545	2,266
Mutual Fund	2,024,981	-
	\$ 15,477,948	\$ 59,227
Held-to-maturity securities:		
Obligations of other U. S. Government agencies	\$ 747,999	\$ 30,988
Obligations of states and political subdivisions	414,832	12,933
Mortgage backed securities	52,685	534
	\$ 1,215,516	\$ 44,455

The details concerning securities classified as available for sale with unrealized losses 2004 and 2003, were as follows:

	Losses < 12 Months		Losses > 12 Months	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
2004:				
Obligations of other U. S. Government agencies	\$ 17,032,958	\$ 73,847	\$ -	\$ -
Mortgage backed securities	5,082,726	40,232	-	-
Corporate securities	900,000	1,375	-	-
Mutual Fund	-	-	1,047,524	13,363
	\$ 23,015,684	\$ 115,454	\$ 1,047,524	\$ 13,363

( Continued )

FIRST NATIONAL BANK OF WIGGINS  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2004 AND 2003

NOTE B - SECURITIES (Continued)

	Losses < 12 Months		Losses > 12 Months	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
2003:				
Obligations of other U. S. Government agencies	\$ 5,476,045	\$ 27,638	\$ -	\$ -
Mortgage backed securities	912,707	5,788	-	-
Mutual Fund	2,024,981	12,079	-	-
	\$ 8,413,733	\$ 45,505	\$ -	\$ -

As of December 31, 2004, approximately 64% of the number of securities in the investment portfolio had an unrealized loss. Management is of the opinion the Bank has the ability to hold these securities until such time as the value recovers or the securities mature. Management also believes the value is attributable to changes in market interest rates and not to the credit quality of the securities.

The scheduled maturities of securities available-for-sale and securities to be held-to-maturity are as follows:

	December 31,	
	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 1,850,029	\$ 1,843,749
Due after one year through five years	6,926,147	6,862,363
Due after five years through ten years	500,000	499,220
Due after ten years	1,255,122	1,254,725
Mortgage backed and mutual fund	6,534,663	6,486,094
	\$ 17,065,961	\$ 16,946,151

Exhibit E-17

FIRST NATIONAL BANK OF WIGGINS  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2004 AND 2003

NOTE B - SECURITIES (Continued)

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

Gross gains of \$1,507 and gross losses of \$7,765 were realized in securities available-for-sale. The Bank had no sales of securities during 2003.

Securities with a carrying value of \$4,394,000 and \$6,206,000 at December 31, 2004 and 2003 were pledged for various purposes as required by law.

NOTE C - LOANS

Loans outstanding include the following types at December 31, 2004 and 2003:

Real estate	\$
Commercial and industrial	
Loans to individuals for personal expenditures	
Overdrafts	
Other	
-----	
Total loans	
Allowance for loan losses	
	-----
	\$
	=====

At December 31, 2004 and 2003, the recorded investment in loans considered to be in the process of foreclosure was approximately \$1,311,000 and \$2,550,000, respectively. The allowance for loan losses on loans approximated \$272,000 and \$583,000 at December 31, 2004 and 2003, respectively. The investment in impaired loans during the years ended December 31, 2004 and 2003, was \$1,602,000 and \$2,809,000, respectively. For the years ended December 31, 2004 and 2003, income recognized on impaired loans was immaterial. At December 31, 2004 and 2003, nonaccruing loans amounted to approximately \$1,198,000 and \$2,297,000 respectively, and loans past due ninety days or more and still accruing interest amounted to approximately \$372,000 and \$566,000 at December 31, 2004 and 2003, respectively.

( Continued )

Exhibit E-18

FIRST NATIONAL BANK OF WIGGINS  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2004 AND 2003

NOTE C - LOANS (Continued)

Transactions in the allowance for loan losses were as follows:

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

Balance at beginning of year	\$
Additions:	
Recoveries	
Provision for loan losses charged to operations	-----
Deductions:	
Loans charged off	-----
Balance at end of year	\$ =====

NOTE D - PREMISES AND EQUIPMENT

The details of premises and equipment are as follows:

Premises:	
Land	\$
Buildings	
Equipment	-----
Less accumulated depreciation and amortization	-----
	\$ =====

Exhibit E-19

FIRST NATIONAL BANK OF WIGGINS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003

NOTE E - TIME DEPOSITS

The aggregate amount of time deposits in denominations of \$100,000 or more for 2004 and 2003 were \$14,781,000 and \$14,781,000, respectively.

Projected maturities of time deposits included in interest-bearing deposits at December 31, 2004 follows (in thousands):

Year	Amount
-----	-----
2005	\$ 11,686
2006	4,028
2007	7,382
2008	3,910
2009	3,136
Thereafter	-
	-----
	\$ 30,142 =====



Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

NOTE F - BORROWED FUNDS

Borrowed funds consisted of the following:

Note payable to an individual. Monthly installments of \$885, including interest at 10%.

-----  
-----  
\$

Note payable to a finance company. Collateralized by an automobile. Monthly installments of \$613, bearing no interest.

-----  
\$  
=====

( Continued )

Exhibit E-20

---

FIRST NATIONAL BANK OF WIGGINS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003

NOTE F - BORROWED FUNDS (Continued)

Annual principal repayment requirements at December 31, 2004, are as follows:

Year	Amount
----	-----
2005	\$ 8,204
2006	7,352
2007	7,352
2008	1,225

The Bank has available credit lines at the Federal Reserve and Federal Home Loan Bank.

NOTE G - REGULATORY MATTERS

The Bank, as a national bank, is subject to the dividend restrictions set forth by the Currency. Under such restrictions, the Bank may not, without the prior approval of the Currency, declare dividends in excess of the sum of the current year's earnings (as retained earnings (as defined) from the prior two years.

The Bank operated under an OCC Formal Agreement for the year 2002. The Agreement provides, that the Bank not accept brokered deposits without prior OCC approval and provides directives regarding asset quality, earnings, and operations. During its regulatory examination OCC instructed the Bank to charge off significant amounts of loans and book additional provisions for losses. Additional regulatory supervision and directives as a result of this examination

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

a Consent Order that superseded the Formal Agreement. The Consent Order, effective July the Bank's Board of Directors to increase their supervisory roles, raise and maintain prescribed minimums, and implement certain operational controls, policies, and procedures 2004, the Bank continued to operate under the regulatory Consent Order. During the years Bank sold 3,177 and 551 shares of common stock for \$635,400 and \$110,200, respectively.

The Bank is subject to regulatory capital requirements administered by federal banking agencies. To meet minimum capital requirements, the Bank can initiate certain mandatory, and possibly additional actions by regulators that, if undertaken, could have a direct material effect on the financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. Capital classifications are also subject to qualitative judgment by regulators about components, risks, and other related factors.

( Continued )

Exhibit E-21

FIRST NATIONAL BANK OF WIGGINS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003

NOTE G - REGULATORY MATTERS (Continued)

To ensure capital adequacy, quantitative measures have been established by regulators and the Bank to maintain minimum amounts and ratios (set forth in the table below) of Total and Tier I capital (as defined) to risk-weighted assets (as defined), and of Tier I capital to adjusted total assets.

At December 31, 2004, the Bank was adequately capitalized under the guidelines provided in the regulatory framework for prompt corrective action. A financial institution is considered to be adequately capitalized if it has total risk-based capital ratio of 8% or more, has a Tier I risk-based capital ratio of 6% or more, and has a Tier I leverage capital ratio of 4% or more. However, at the most recent examination, the Bank's capital was determined to be critically deficient.

The actual capital amounts and ratios at December 31, 2004 and 2003, are presented in the table below. No amount was deducted from capital for interest-rate risk exposure.

	December 31, 2004	
	Amount	Ratio
	(\$ In Thousands)	
Total risk-based	\$ 3,859	13.0%
Tier I risk-based	3,481	11.7%
Tier I leverage	3,481	7.1%

The minimum amounts of capital and ratios as established by banking regulators in the regulatory framework for prompt corrective action at December 31, 2004 and 2003, were as follows:

	December 31, 2004	
	Amount	Ratio
	(\$ In Thousands)	
Total risk-based	\$ 2,372	8.0%

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

Tier I risk-based	1,186	4.0%
Tier I leverage	1,960	4.0%

( Continued )

Exhibit E-22

FIRST NATIONAL BANK OF WIGGINS  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2004 AND 2003

NOTE G - REGULATORY MATTERS (Continued)

The Consent Order issued in 2003 required the Bank to maintain certain levels of capital as follows:

2004:  
 Tier I risk-based  
 Tier I leverage

2003:  
 Tier I risk-based  
 Tier I leverage

NOTE H - INCOME TAXES

The current and deferred income tax provisions included in the statements of operations are as follows:

Current tax expense (benefit)	\$
Deferred tax expense (benefit)	

-----  
 -----  
 -----  
 \$  
 =====

The current tax benefit represents the estimated income taxes to be paid (refunded) on the income. The deferred tax arises because of differences for financial and tax reporting purposes. A reconciliation of income taxes at the federal statutory rate of 34% to income taxes as reflected in the financial statements is as follows:

Tax at statutory rate	\$
-----------------------	----

-----  
 -----

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

Change in rates resulting from:

Tax-exempt income  
Valuation allowance  
Other, net

Actual tax provision

-----  
\$  
=====

( Continued )

Exhibit E-23

FIRST NATIONAL BANK OF WIGGINS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003

NOTE H - INCOME TAXES (Continued)

The components of the net deferred tax asset included in the financial statements at Dec 2003, are as follows:

Deferred tax assets:

Allowance for loan losses  
Foreclosed assets  
Nonaccrual loan interest  
Unrealized loss on available-for-sale securities  
Net operating loss carryover  
Estimated loss on misappropriation

-----  
\$

Valuation allowance

Deferred tax liabilities:

Premises and equipment  
Unrealized gain on available-for-sale securities

Net deferred tax asset

-----  
\$  
=====

NOTE I - RELATED PARTY TRANSACTIONS

In the normal course of business, the Bank makes loans to its directors and executive companies in which they have a significant ownership interest. These loans are made on subs terms, including interest rates and collateral, as those prevailing at the time for compar with other persons. Such loans amounted to approximately \$1,810,000 and \$1,575,000 at Dec 2003, respectively. In the opinion of management, such loans are consistent with sound ban are within applicable regulatory and lending limitations.

NOTE J - COMMITMENTS AND CONTINGENT LIABILITIES

In the ordinary course of business, the Bank is subject to legal actions and complaints.

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

consultation with legal counsel and based upon available facts and proceedings to date, ultimate liability, if any, arising from such legal actions or complaints will not have an effect on the financial position or future results of operations of the Bank.

( Continued )

### Exhibit E-24

FIRST NATIONAL BANK OF WIGGINS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003

#### NOTE J - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

The Bank has entered into a borrowing agreement with the Federal Home Loan Bank of Dallas. The Bank can obtain funds by collateralizing its first mortgage notes. The amount of borrowing is based upon the amount of first mortgage loans and total assets of the Bank. At December 31, 2004, borrowings had been advanced from the Federal Home Loan Bank.

In the normal course of business, there are outstanding various commitments and contingent liabilities, such as guarantees, commitments to extend credit life, etc., which are not reflected in the accompanying financial statements. The Bank had no outstanding letters of credit at December 31, 2004 and 2003, respectively. The Bank's exposure to credit loss in the event of nonperformance by the financial instrument for commitments to extend credit and letters of credit is represented by the amount of the instrument. The Bank uses the same credit policies in making commitments and letters of credit obligations as it does for its lending activities. No significant losses are anticipated from these transactions.

#### NOTE K - CONCENTRATION OF CREDIT RISK

Most of the Bank's loans, commitments, and letters of credit have been granted in the Bank's market area. Generally, borrowers are also depositors of the Bank. Investments in states and municipalities also involve governmental entities within the Bank's market area. The concentrations of loans are set forth in Note C. The distribution of commitments to extend credit approximates the distribution of loans outstanding.

#### NOTE L - COMPREHENSIVE INCOME

In the calculation of comprehensive income, certain reclassification adjustments are made to net income to reflect accounting amounts that are displayed as part of net income for a period that also had been included in the calculation of other comprehensive income. The disclosure of the reclassification amounts are as follows:

Unrealized gains (losses) on securities available-for-sale, net of tax, arising during year	\$
Less reclassification adjustment for (gains) losses included in net income, net of tax	
Net change in unrealized gains (losses) on securities available-for-sale, net of tax	\$

Exhibit E-25

FIRST NATIONAL BANK OF WIGGINS  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2004 AND 2003

NOTE M - RISK FACTORS

The Bank's operations are affected by various risk factors, including interest-rate risk, risk from geographic concentration of lending activities. Management attempts to manage through various asset/liability management techniques designed to match maturities liabilities. Loan policies and administration are designed to provide assurance that granted to credit-worthy borrowers, although credit losses are expected to occur because of factors and factors beyond the control of the Bank. In addition, the Bank is a community bank and is mandated by the Community Reinvestment Act and other regulations to conduct most of its business within the geographic area where it is located. As a result, the Bank and its borrowers are vulnerable to the consequences of changes in the local economy.

NOTE N - MISAPPROPRIATION OF ASSETS

Subsequent to December 31, 2003, a discovery of a misappropriation scheme was made. The misappropriation totaled approximately \$109,000, of which \$103,000 was estimated and reported in the 2003 financial statements. The additional \$6,000 was reported in the 2004 financial statements.

Exhibit E-26

FIRST NATIONAL BANK OF WIGGINS  
 UNAUDITED FINANCIAL STATEMENTS  
 DECEMBER 31, 2005

Exhibit E-27

FIRST NATIONAL BANK OF WIGGINS  
 BALANCE SHEETS  
 DECEMBER 31, 2005  
 (Unaudited)

<b>ASSETS</b>	2005
Cash and due from banks	\$ 2,046,
Federal funds sold	8,675,
Total cash and cash equivalents	10,721,
Securities	17,498,
Other Securities	327,
Loans, net of allowance for loan losses of \$308,876 in 2005	20,545,
Premises and equipment	657,
Interest receivable	342,
Other assets	945,

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

Total assets	\$ 51,039,
	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	
Deposits:	
Noninterest-bearing	\$ 12,478,
Interest-bearing	34,965,
	-----
Total deposits	47,444,
Interest payable	97,
Borrowed funds	16,
Other liabilities	51,
	-----
Total liabilities	47,610,
	-----
Stockholders' Equity (Note H):	
Common stock, \$10 par value, authorized 50,000; issued and outstanding 23,728	237,
Additional paid-in capital	4,908,
Accumulated deficit	(1,561,
Accumulated other comprehensive income (loss)	(154,
	-----
Total stockholders' equity	\$ 3,429,
	-----
Total liabilities and stockholders' equity	\$ 51,039,
	=====

Exhibit E-28

**FIRST NATIONAL BANK OF WIGGINS  
STATEMENTS OF OPERATIONS  
YEARS ENDED DECEMBER 31, 2005  
(unaudited)**

<b>INTEREST INCOME</b>	-----
Interest and fees on loans	\$ 1
Interest and dividends on securities:	
Taxable	
Nontaxable	
Interest on federal funds sold	
Other	
	-----
Total interest income	2
	-----
<b>INTEREST EXPENSE</b>	
Interest on time deposits of \$100,000 or more	
Interest on other deposits	
Interest on borrowed funds	
	-----
Total interest expense	1
	-----
Net interest income	1

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

Provision for loan losses

Net interest income after provision for loan losses

**OTHER INCOME**

Service charges on deposit accounts  
Other service charges and fees  
Loss on sale of other assets  
Loss on sale of foreclosed assets, net  
Other

Total other income

**OTHER EXPENSE**

Salaries  
Employee benefits  
Occupancy  
Furniture and equipment  
Directors' fees  
Printing, stationery, and supplies  
Data processing fees  
Consulting fees  
Property foreclosure  
FDIC deposit insurance assessments  
Audits and examinations  
Blanket bond insurance  
Postage  
Legal  
Computer  
Other losses  
Other

Total other expense

Loss before income taxes  
Income tax expense

Net Loss

Exhibit E-29

---

FIRST NATIONAL BANK OF WIGGINS  
UNAUDITED INTERIM FINANCIAL STATEMENTS  
JUNE 30, 2006

Exhibit E-30

---

FIRST NATIONAL BANK OF WIGGINS  
BALANCE SHEETS  
JUNE 30, 2006  
(Unaudited)

**ASSETS**

June 30, 2006



Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

Cash and due from banks	\$ 2,260,
Federal funds sold	975,
	-----
Total cash and cash equivalents	3,235,
Securities	22,746,
Other Securities	329,
Loans, net of allowance for loan losses of \$705,196	18,213,
Premises and equipment	615,
Interest receivable	366,
Other assets	749,
	-----
Total assets	\$ 46,256,
	=====

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Deposits:	
Noninterest-bearing	\$ 9,618,
Interest-bearing	33,487,
	-----
Total deposits	43,106,
Interest payable	99,
Other liabilities	78,
	-----
Total liabilities	43,284,
	-----
Stockholders' Equity:	
Common stock, \$10 par value, authorized 50,000; issued and outstanding 23,728	237,
Additional paid-in capital	4,908,
Accumulated deficit	(1,923,
Accumulated other comprehensive income (loss)	(250,
	-----
Total stockholders' equity	\$ 2,971,
	-----
Total liabilities and stockholders' equity	\$ 46,256,
	=====

Exhibit E-31

**FIRST NATIONAL BANK OF WIGGINS  
STATEMENT OF OPERATIONS  
SIX MONTHS ENDED JUNE 30, 2006  
(Unaudited)**

**INTEREST INCOME**

Interest and fees on loans	\$
Interest and dividends on securities:	
Taxable	
Nontaxable	
Interest on federal funds sold	
Other	
	-----
Total interest income	1

**INTEREST EXPENSE**

Interest on time deposits of \$100,000 or more  
Interest on other deposits  
Interest on borrowed funds

Total interest expense

Net interest income  
Provision for loan losses

Net interest income after provision for loan losses

**OTHER INCOME**

Service charges on deposit accounts  
Other service charges and fees  
Loss on sale of other real estate  
Loss on sale of foreclosed assets, net  
Other

Total other income

**OTHER EXPENSE**

Salaries  
Employee benefits  
Occupancy  
Furniture and equipment  
Directors' fees  
Printing, stationery, and supplies  
Data processing fees  
Consulting fees  
Property foreclosure  
FDIC deposit insurance assessments  
Audits and examinations  
Blanket bond insurance  
Postage  
Legal  
Computer  
Other losses  
Other

Total other expense

Loss before income taxes  
Income tax expense

Net Loss

The accompanying notes are an integral part of these statements.

Exhibit E-32

---

EXHIBIT F  
THE FIRST BANCSHARES, INC.,  
PRO FORMA FINANCIAL STATEMENTS

Exhibit F-1

---

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

THE FIRST BANCSHARES, INC.  
1 YEAR AFTER MERGER  
BALANCE SHEET

	HOLDING CO FIRST BANCSHARES 1 YEAR OUT	BUYER THE FIRST 1 YEAR OUT	SELLER FNB WIGGINS 1 YEAR OUT		ADJ DEBITS
	-----	-----	-----		-----
ASSETS					
CASH AND DUE FROM BANKS	357	12,829	1,634	(6)	4,000
				(7)	4,000
INVESTMENT IN THE FIRST SECURITIES	22,929	74,203	12,095	**	3,814
FEDERAL FUNDS SOLD		4,387	-	(1)	4,000
LOANS AND LEASES (NET OF UNEARNED)		263,798	39,286		
RESERVE FOR LOAN LOSSES		(3,659)	(776)		
BANK PREMISIS AND EQUIPMENT	677	7,585	635	(4)	150
OTHER ASSETS	1,102	14,329	1,622		
CORE DEPOSIT INTANGIBLE ASSET				(2)	915
GOODWILL	-	-	-	(3) (4)	917
	-----	-----	-----		-----
TOTAL ASSETS	25,065	373,472	54,496		17,796
LIABILITIES					
TOTAL DEPOSITS	-	320,298	50,353	(10)	357
TRUST PREFERRED	7,217				
LIABILITIES FOR BORROWED MONEY	-	25,159	15		
OTHER LIABILITIES	-	1,272	162		-
	-----	-----	-----		-----
TOTAL LIABILITIES	7,217	346,729	50,530		357
				(9)	30,743
CAPITAL ACCOUNTS					
TOTAL CAPITAL ACCOUNTS	18,148	26,743	3,966	(4)	92
	-----	-----	-----		-----
TOTAL LIAB & CAPITAL	25,365	373,472	54,496		34,648

Exhibit F-2

THE FIRST, A NATIONAL BANKING ASSOCIATION  
1 YEAR AFTER MERGER  
INCOME STATEMENT

	HOLDING CO FIRST BANCSHARES 1 YEAR OUT	BUYER THE FIRST 1 YEAR OUT	SELLER FNB WIGGINS 1 YEAR OUT		ADJUS DEBIT
	-----	-----	-----		-----
INTEREST INCOME	15	20,826	3,063		-
INTEREST EXPENSE	(908)	(7,851)	(1,184)		-
	-----	-----	-----		-----
NET INTEREST INCOME	(893)	12,975	1,879		-

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

NON-INTEREST INCOME	2	3,333	422	-
NON-INTEREST EXPENSES	(30)	(10,700)	(1,551)	(5)
INCOME TAX EXPENSE	313	(1,794)	(240)	-
NET INCOME	(608)	3,814	510	(92)

Exhibit F-3

**PART II**

**INFORMATION NOT REQUIRED IN PROSPECTUS/PROXY STATEMENT**

**Item 20. Indemnification of Directors and Officers.**

The Mississippi Business Corporation Act ( MBCA ) provides that a director, officer or agent of a corporation may be indemnified for such service if he conducted himself in good faith, and he reasonably believed in the case of conduct in his official capacity with the corporation, that his conduct was in the corporation's best interests; and in all other cases that his conduct was at least not opposed to the corporation's best interests. In the case of a criminal proceeding, a director must show that he had no reasonable cause to believe his conduct was unlawful. Indemnification permitted under this section in connection with a derivative action is limited to reasonable expenses incurred in connection with the proceeding.

First Bancshares' Articles of Incorporation provide it with the power and authority, to the fullest extent legally permissible under the MBCA, to indemnify its directors and officers, persons serving at the request of the First Bancshares or for its benefit as directors or officers of another corporation, and persons serving as First Bancshares' representatives or agents in certain circumstances. Pursuant to such authority and the provisions of First Bancshares' Articles of Incorporation, First Bancshares intends to purchase insurance against certain liabilities that may be incurred by it and its officers and directors.

The MBCA further authorizes a corporation to make further indemnity for certain actions that do not constitute gross negligence or willful misconduct if authorized by the corporation's Articles of Incorporation. The First Bancshares Articles provide for indemnification to the fullest extent permitted by the MBCA and specifically provide for the further indemnity authorized by the MBCA.

The Articles of Incorporation of First Bancshares contain a provision which, subject to certain exceptions described below, eliminates the liability of a director or officer to it or its shareholders for monetary damages for any breach of duty as a director or officer. This provision does not eliminate such liability to the extent the director or officer engaged in willful misconduct or a knowing violation of criminal law or of any federal or state securities law, including, without limitation, laws proscribing insider trading or manipulation of the market for any security.

Under its Bylaws, First Bancshares must indemnify any person who becomes subject to a lawsuit or proceeding by reason of service as a director of First Bancshares or The First or any other corporation which the person served as a director at the request of First Bancshares. Except as noted in the next paragraph, directors are entitled to be indemnified against judgments, penalties, fines, settlements, and reasonable expenses actually incurred by the director in connection with the proceeding. Directors are also entitled to have First Bancshares advance any such expenses prior to final disposition of the proceeding, upon delivery of (1) a written affirmation by the director of his good faith belief that the standard of conduct necessary for indemnification has been met, and (2) a written undertaking to repay the amounts advanced if it is ultimately determined that the standard of conduct has not been met.

Under the Bylaws, indemnification will be disallowed if it is established that the director appropriated, in violation of his duties, any business opportunity of First Bancshares, engaged in acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, approved dividends or other distributions in violation of the MBCA, or engaged in any transaction in which the director derived an improper personal benefit. In addition to the Bylaws of First Bancshares, the MBCA requires that a corporation indemnify a director who was wholly successful, on the merits or otherwise, in the defense of any proceeding to which he or she was a party because he is or was a director of the corporation against reasonable expenses incurred by him or her in connection with the proceeding. The MBCA also provides that, upon

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

application of a director, a court may order indemnification if it determines that the director is entitled to such indemnification under the applicable standard of the MBCA.

The Board of Directors of First Bancshares also has the authority to extend to officers, employees, and agents the same indemnification rights held by directors, subject to all of the accompanying conditions and obligations. The Board of Directors has extended or intends to extend indemnification rights to all of its executive officers.

In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer, or controlling person of the Registrant in the successful defense of any such action, suit or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

### Item 21. Exhibits and Financial Statement Schedules

- |      |   |
|------|---|
| 2    | Agreement and Plan of Merger - Included as Appendix A to the Prospectus /Proxy Statement contained herein.  |
| 3.1  | Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement No. 33-94288 on Form S-1).   |
| 3.2  | Bylaws (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement No. 33-94288 on Form S-1).   |
| 4.1  | Provisions in the Company's Articles of Incorporation and Bylaws defining the rights of holders of the Company's Common Stock (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement No. 33-94288 on Form S-1).                  |
| 4.2  | Form of Certificate of Common Stock (incorporated by reference to Exhibit 4.2 to the Company's Registration Statement No. 33-94288 on Form S-1).  |
| 5    | Opinion of Watkins Ludlam Winter & Stennis, P.A. regarding legality of shares.  |
| 8    | Opinion of Watkins Ludlam Winter & Stennis, P.A. regarding certain tax matters.   |
| 10.5 | Amended and restated employment agreement dated November 20, 1995, by and between David E. Johnson and the Company (incorporated by reference to Exhibit 10.7 of the Company's Form 10-KSB for the fiscal year ended December 31, 1995, File No. 33-94288). |
| 10.6 | Employment Agreement dated June 10, 1998 by and between the Company and The First National Bank of the Pine Belt and William M. Renovich, Jr. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed June 25, 1998).  |
| 10.7 | Bank Development Agreement dated June 19, 1998 by and among the Company and the organizers of The First National Bank of the Pine Belt (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed June 25, 1998).         |
| 10.8 | First Bancshares, Inc. 1997 Stock Option Plan as of March 18, 1997 (incorporated by reference to Exhibit 10.7 of the Company's Form 10-KSB for the fiscal year ended December 31, 1996, File No. 33-94288).   |

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

- 10.9 Agreement to Repurchase Stock by and among The First Bancshares, Inc., Nick Welch and David Johnson (incorporated by reference to Exhibit 10.9 to the Company's Registration Statement No. 333-102908 on Form S-2).
- 13.1 Audited Consolidated Financial Statements of The First Bancshares, Inc., and Subsidiary for the Periods Ended December 31, 2004 and December 31, 2005; Unaudited Consolidated Financial Statements of The First Bancshares, Inc., and Subsidiary for the Interim Period Ended June 30, 2006 - Included as Appendix D to the Prospectus/Proxy Statement contained herein.
- 13.2 Audited Consolidated Financial Statements of First National Bank of Wiggins for the Periods Ended December 31, 2003 and December 31, 2004; Unaudited Consolidated Financial Statements of First National Bank of Wiggins for the Period Ended December 31, 2005 and the Interim Period Ended June 30, 2006 - Included as Appendix E to the Prospectus/Proxy Statement contained herein.
- 21.1 Subsidiaries of the Company (incorporated by reference to Exhibit 21.1 to the Company's Form 10-KSB filed March 31, 1999).
- 23.1 Consent of T.E. Lott & Company
- 23.2 Consent of T.E. Lott & Company
- 23.3 Consent of Watkins Ludlam Winter & Stennis, P.A. - Included in Opinion of Watkins Ludlam Winter & Stennis, P.A. regarding legality of shares, attached hereto as Exhibit 5, and included in Opinion of Watkins Ludlam Winter & Stennis, P.A. regarding certain tax matters, attached hereto as Exhibit 8.
- 23.4 Consent of Southard Financial - Included in Fairness Opinion attached as Exhibit B to the Prospectus/Proxy Statement contained herein.
- 24 Power of Attorney - Included on the signature page of the Registration Statement.
- 99.1 Form of Proxy of First National Bank of Wiggins, previously filed.

---

### Item 22. Undertakings.

(a) The undersigned Registrant hereby undertakes:

- (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:
  - (i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;
  - (ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement;
  - (iii) To include any material information with respect to the plan or distribution of securities previously disclosed in the Registration Statement or any material change in the information in the Registration Statement;
- (2) That, for the purpose of determining any liability under the Securities Act of 1933, any post-effective amendment shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof;
- (3) To remove from registration by means of post-effective amendment any of the securities registered which remain unsold at the termination of the offering.

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

(b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) of the Securities Exchange Act of 1934 (and, when applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) (1) The undersigned Registrant hereby undertakes as follows: that prior to any public offering of the securities registered hereunder through use of a prospectus which is a part of the Registration Statement, by any person or party who is deemed to be an underwriter, within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reoffering of securities to persons who may be deemed underwriters, in addition to the information called for by the items of the applicable form.

(2) The Registrant undertakes that every prospectus (i) that is filed pursuant to paragraph (1) immediately preceding, or (ii) that purports to meet the requirements of Section 10(a)(3) of the Act and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the Registration Statement and will not be used until such amendment is effective, and for the purposes of determining any liability under the Securities Act of 1933, such post-effective amendment shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(d) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be sought by directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. That a claim for indemnification against such liabilities (other than the payment by the Registrant of incurred or paid by a director, officer or controlling person of the Registrant in the successful prosecution of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter is settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether indemnification by it is against public policy as expressed in the Act and will be governed by the determination of such court.

(e) The undersigned Registrant hereby undertakes to respond to requests for information that may be made by reference into the prospectus pursuant to Item 4, 10(b), 11, or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the Registration Statement through the date of responding to the request.

(f) The undersigned Registrant hereby undertakes to supply by means of post-effective amendments the information concerning a transaction, and the company being acquired involved therein, that was not included in the Registration Statement when it became effective.

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, on this 22nd day of August, 2006.

FIRST BANCSHARES, INC.  
(Registrant)

By: /s/ David E. Johnson

Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

David E. Johnson  
Chief Executive Officer

By: /s/ Donna T. Lowery

-----  
Donna T. Lowery  
Chief Financial Officer

Know all men by these presents, that each individual whose signature appears below constitutes and appoints David E. Johnson and Donna T. Lowery, and each or either one of them, his true and lawful attorney-in-fact and agent, with power of substitution and resubstitution, for him and in his name, place and stead in any and all capacities, to sign this Registration Statement on Form S-4 and relating to the registration of shares of First Bancshares Common Stock, \$1.00 par value per share, and any and all amendments (including post-effective amendments) to such Registration Statement, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, their, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement persons in the capacities and on the dates indicated.

SIGNATURES	TITLE	
/s/ Fred McMurry -----	Director	August -----
/s/ David W. Bomboy -----	Director	August -----
/s/ E. Ricky Gibson -----	Director	August -----
/s/ Ted Parker -----	Director	August -----
/s/ Perry Parker -----	Director	August -----
/s/ M. Ray Cole, Jr. -----	Director	August -----
/s/ Andrew D. Stetelman -----	Director	August -----
/s/ Gerald C. Patch -----	Director	August -----
/s/ Michael W. Chancellor -----	Director	August -----
/s/ J. Douglas Seidenburg -----	Director	August -----
-----	Director	-----
-----	Director	-----



Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

-----	Director	-----
/s/ David E. Johnson	CEO and Director (Principal Executive Officer)	August
-----		-----
/s/ Donna T. Lowery	Executive VP & Chief Financial Officer (Principal Financial and Accounting Officer)	August
-----		-----

**INDEX TO EXHIBITS**

Exhibit No	Description
2	Agreement and Plan of Merger - Included as Appendix A to the Prospectus /Proxy Statement contained herein.
3.1	Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement No. 33-94288 on Form S-1).
3.2	Bylaws (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement No. 33-94288 on Form S-1).
4.1	Provisions in the Company's Articles of Incorporation and Bylaws defining the rights of holders of the Company's Common Stock (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement No. 33-94288 on Form S-1).
4.2	Form of Certificate of Common Stock (incorporated by reference to Exhibit 4.2 to the Company's Registration Statement No. 33-94288 on Form S-1).
5	Form of Opinion of Watkins Ludlam Winter & Stennis, P.A. regarding legality of sha
8	Form of Opinion of Watkins Ludlam Winter & Stennis, P.A. regarding certain tax mat
10.5	Amended and restated employment agreement dated November 20, 1995, by and between David E. Johnson and the Company (incorporated by reference to Exhibit 10.7 of the Company's Form 10-KSB for the fiscal year ended December 31, 1995, File No. 33-94288).
10.6	Employment Agreement dated June 10, 1998 by and between the Company and The First National Bank of the Pine Belt and William M. Renovich, Jr. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed June 25, 1998).
10.7	Bank Development Agreement dated June 19, 1998 by and among the Company and the organizers of The First National Bank of the Pine Belt (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed June 25, 1998).
10.8	First Bancshares, Inc. 1997 Stock Option Plan as of March 18, 1997 (incorporated by reference to Exhibit 10.7 of the Company's Form 10-KSB for the fiscal year ended December 31, 1996, File No. 33-94288).
10.9	Agreement to Repurchase Stock by and among The First Bancshares, Inc., Nick Welch and David Johnson (incorporated

## Edgar Filing: FIRST BANCSHARES INC /MS/ - Form S-4/A

by reference to Exhibit 10.9 to the Company's Registration Statement No. 333-102908 on Form S-2).

---

- 13.1 Audited Consolidated Financial Statements of The First Bancshares, Inc., and Subsidiary for the Periods Ended December 31, 2004 and December 31, 2005; Unaudited Consolidated Financial Statements of The First Bancshares, Inc., and Subsidiary for the Interim Period Ended June 30, 2006 - Included as Appendix D to the Prospectus/Proxy Statement contained herein.
- 13.2 Audited Consolidated Financial Statements of First National Bank of Wiggins for the Periods Ended December 31, 2003 and December 31, 2004; Unaudited Consolidated Financial Statements of First National Bank of Wiggins for the Period Ended December 31, 2005 and the Interim Period Ended June 30, 2006 - Included as Appendix E to the Prospectus/Proxy Statement contained herein.
- 21.1 Subsidiaries of the Company (incorporated by reference to Exhibit 21.1 to the Company's Form 10-KSB filed March 31, 1999).
- 23.1 Consent of T.E. Lott & Company
- 23.2 Consent of T.E. Lott & Company
- 23.3 Consent of Watkins Ludlam Winter & Stennis, P.A. - Included in Opinion of Watkins Ludlam Winter & Stennis, P.A. regarding legality of shares, attached hereto as Exhibit 5, and included in Opinion of Watkins Ludlam Winter & Stennis, P.A. regarding certain tax matters, attached hereto as Exhibit 8.
- 23.4 Consent of Southard Financial - Included in Fairness Opinion attached as Exhibit to the Prospectus/Proxy Statement contained herein.
- 24 Power of Attorney - Included on the signature page of the Registration Statement.
- 99.1 Form of Proxy of First National Bank of Wiggins, included in the Prospectus/Proxy Statement contained herein.