

CITIZENS HOLDING CO /MS/
Form DEF 14A
March 18, 2016
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

SCHEDULE 14A INFORMATION

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

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-12

CITIZENS HOLDING COMPANY

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:

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

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

 - (4) Proposed maximum aggregate value of transaction:

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

Table of Contents

- (1) Amount previously paid:

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

- (3) Filing party:

- (4) Date Filed:

Table of Contents

Citizens Holding Company
521 Main Street
Philadelphia, Mississippi 39350

March 18, 2016

Dear Shareholders:

On behalf of our Board of Directors, we cordially invite you to attend the 2016 Annual Meeting of Shareholders of Citizens Holding Company (the Annual Meeting). The Annual Meeting will be held beginning at 4:30 p.m., Central time, on Tuesday, April 26, 2016, at the main office of The Citizens Bank of Philadelphia, 521 Main Street, Philadelphia, Mississippi 39350. The formal Notice of the Annual Meeting appears on the next page.

The Annual Meeting has been called for the following purposes: (1) to set the number of directors to serve on the Board of Directors at ten; (2) to elect the three Class II directors named herein, each for a three-year term; (3) to approve, on an advisory (non-binding) basis, our executive officer compensation; (4) to ratify our Board of Directors appointment of our independent public accountants for the fiscal year ending December 31, 2016; and (5) to transact such other business as may properly come before the Annual Meeting or any adjournments thereof.

The accompanying proxy statement provides detailed information concerning the matters to be voted on at the Annual Meeting. We are first distributing the accompanying proxy statement and proxy card to our shareholders on or about March 18, 2016. We urge you to review the proxy statement and each of the proposals carefully. Regardless of the number of shares of our common stock you own, it is important that your views be represented regardless of whether you are able to be present at the Annual Meeting. Please take a moment now to sign, date and mail the enclosed proxy card in the postage prepaid envelope. Our Board of Directors recommends a vote FOR each proposal.

We are grateful for our shareholders continued interest in Citizens Holding Company and are pleased that in the past so many of you have voted your shares either in person or by proxy. We hope you will continue to do so and again urge you to return your proxy card as soon as possible.

Sincerely,

Greg L. McKee
President and Chief Executive Officer

Table of Contents

Citizens Holding Company

521 Main Street

Philadelphia, Mississippi 39350

NOTICE OF 2016 ANNUAL MEETING OF SHAREHOLDERS

- TIME:** 4:30 p.m., Central time, on Tuesday, April 26, 2016
- PLACE:** The Citizens Bank of Philadelphia
521 Main Street
Philadelphia, Mississippi 39350
- ITEMS OF BUSINESS:**
- (1) To set the number of directors to serve on our Board of Directors at ten;
 - (2) To elect the three Class II directors named herein, each for a three-year term;
 - (3) To approve, on an advisory (non-binding) basis, our executive officer compensation;
 - (4) To ratify our Board of Directors appointment of our independent registered public accounting firm for the fiscal year ending December 31, 2016; and
 - (5) To transact any other business that may properly come before the Annual Meeting or any adjournments thereof.
- RECORD DATE:** You can vote if you are a shareholder of record as of the close of business on March 11, 2016.
- ANNUAL REPORT:** Our 2015 Annual Report, which is not a part of the proxy solicitation material, is enclosed.
- PROXY VOTING:** It is important that your shares of common stock be represented and voted at the Annual Meeting. Please mark, sign, date and promptly return the enclosed proxy card in the postage paid envelope. Any proxy may be revoked at any time prior to its exercise at the Annual Meeting.
- INTERNET AVAILABILITY:** Important notice regarding the availability of proxy materials for the Annual Meeting of Shareholders to be held on April 26, 2016. The proxy statement, proxy card and annual report are available at www.citizensholdingcompany.com/proxymaterials.

By Order of the Board of Directors

Mark D. Taylor
Secretary

Philadelphia, Mississippi

March 18, 2016

Table of Contents

CITIZENS HOLDING COMPANY

PROXY STATEMENT

INDEX

	Page
<u>VOTING YOUR SHARES</u>	1
<i><u>Why am I receiving these materials?</u></i>	1
<i><u>Who is soliciting proxies from the shareholders?</u></i>	1
<i><u>What will be voted on at the Annual Meeting?</u></i>	1
<i><u>Who bears the cost of the proxy solicitation?</u></i>	2
<i><u>Who can vote at the Annual Meeting, and how are votes cast?</u></i>	2
<i><u>Can I vote if I hold my shares of common stock in street name ?</u></i>	2
<i><u>How many votes must be present to hold the Annual Meeting?</u></i>	3
<i><u>How many votes does a shareholder have per share of common stock?</u></i>	3
<i><u>What vote is required for approval of proposals at the Annual Meeting?</u></i>	3
<i><u>How are directors elected?</u></i>	3
<i><u>How will my proxy be voted, and how are votes counted?</u></i>	4
<i><u>Can a proxy be revoked?</u></i>	4
<u>STOCK OWNERSHIP</u>	5
<i><u>Does any person own more than 5% of our common stock?</u></i>	5
<i><u>How much stock do our directors, nominees and executive officers beneficially own?</u></i>	5
<i><u>Section 16(a) Beneficial Ownership Reporting Compliance</u></i>	7
<u>BOARD OF DIRECTORS</u>	7
<i><u>How many directors serve on our Board of Directors, and who are the current directors?</u></i>	7
<i><u>Are the directors independent?</u></i>	9
<i><u>Who are the directors of the Bank?</u></i>	10
<i><u>How are directors compensated?</u></i>	10
<i><u>How many meetings did our Board of Directors hold during 2015?</u></i>	11
<i><u>What committees has our Board of Directors established?</u></i>	11
<i><u>Who serves on the audit committee, and what are its responsibilities?</u></i>	11
<i><u>Who serves on the nominating committee, and what are its responsibilities?</u></i>	12
<i><u>What role does our Board of Directors play in risk management?</u></i>	14
<i><u>How does our Board of Directors respond to shareholder questions?</u></i>	14
<i><u>What are our policies and procedures regarding the review, approval or ratification of related person transactions?</u></i>	14

Were there any related person transactions requiring disclosure under applicable regulations of the SEC in 2015?

16

i

Table of Contents

<i><u>Are any directors, nominees or executive officers indebted to the Bank?</u></i>	16
<u>EXECUTIVE OFFICERS</u>	16
<i><u>Who are our executive officers?</u></i>	16
<u>EXECUTIVE COMPENSATION</u>	17
<i><u>Compensation Discussion and Analysis</u></i>	17
<i><u>Who is responsible for determining compensation?</u></i>	17
<i><u>Role of our Executive Officers</u></i>	17
<i><u>Using Compensation Consultants</u></i>	18
<i><u>What are the objectives of our compensation program?</u></i>	18
<i><u>What are the specific elements of the compensation program, and what are they intended to address and reward?</u></i>	18
<i><u>Do we benchmark total compensation or any element of compensation?</u></i>	19
<i><u>How are the relative amounts of each element of compensation determined?</u></i>	19
<i><u>How is base salary determined and adjusted?</u></i>	19
<i><u>How is the annual cash bonus determined?</u></i>	20
<i><u>How is equity compensation determined and paid?</u></i>	22
<i><u>How are welfare and retirement plans integrated into our compensation program?</u></i>	23
<i><u>Have we entered into employment, severance, change in control or other agreements with our NEOs?</u></i>	24
<i><u>What risks are associated with our compensation practices?</u></i>	24
<i><u>How do tax, accounting and other statutes or regulations affect the compensation paid to our NEOs?</u></i>	24
<i><u>What are the compensation committee's conclusions with respect to the 2015 fiscal year?</u></i>	25
<i><u>Report of the Compensation Committee</u></i>	25
<i><u>Compensation Committee Interlocks and Insider Participation</u></i>	25
<i><u>Compensation Tables</u></i>	26
<i><u>Summary Compensation Table</u></i>	26
<i><u>Grants of Plan-Based Awards in 2015</u></i>	27
<i><u>Outstanding Equity Awards at December 31, 2015</u></i>	27
<i><u>Options Exercises and Stock Vested in 2015</u></i>	27
<i><u>Pension Benefits</u></i>	28
<i><u>Potential Payments upon Termination or Change in Control</u></i>	28
<u>REPORT OF THE AUDIT COMMITTEE</u>	29

Table of Contents

<u>PROPOSAL NOS. 1 AND 2 SIZE OF OUR BOARD OF DIRECTORS AND THE ELECTION OF THE DIRECTORS NAMED HEREIN</u>	30
<i><u>Proposal No. 1 Setting the Number of Directors on our Board of Directors at Ten</u></i>	30
<i><u>How does Proposal No. 1 affect the election of directors?</u></i>	30
<i><u>What are the voting procedures?</u></i>	30
<i><u>Proposal No. 2 Election of the Three Class II Directors named herein</u></i>	31
<i><u>What happens if a shareholder has submitted a nominee for election as director?</u></i>	31
<i><u>What are the voting procedures?</u></i>	31
<u>PROPOSAL NO. 3 APPROVAL, ON AN ADVISORY (NON-BINDING) BASIS, OF OUR EXECUTIVE OFFICER COMPENSATION</u>	32
<i><u>Background</u></i>	32
<i><u>What are the voting procedures?</u></i>	33
<u>PROPOSAL NO. 4 RATIFICATION OF OUR BOARD OF DIRECTORS APPOINTMENT OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	33
<i><u>Who are our auditors?</u></i>	33
<i><u>What fees were paid to the auditors in 2014 and 2015?</u></i>	33
<i><u>What are the voting procedures?</u></i>	34
<u>SHAREHOLDER PROPOSALS FOR THE 2017 ANNUAL MEETING</u>	34
<u>OTHER MATTERS</u>	35
<u>AVAILABILITY OF ANNUAL REPORT ON FORM 10-K</u>	36

Table of Contents

CITIZENS HOLDING COMPANY

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD TUESDAY, APRIL 26, 2016

This proxy statement is furnished to the shareholders of Citizens Holding Company in connection with the solicitation of proxies by our Board of Directors for the 2016 Annual Meeting of Shareholders to be held at 4:30 p.m., Central time, on Tuesday, April 26, 2016, at our main office, 521 Main Street, Philadelphia, Mississippi 39350, and any adjournments or postponements thereof (the Annual Meeting). In this proxy statement, Citizens Holding Company is referred to as Citizens, we, our, us, or the Company, and The Citizens Bank of Philadelphia is referred to as the We are first distributing this proxy statement and accompanying proxy card to our shareholders on or about March 18, 2016.

VOTING YOUR SHARES

Why am I receiving these materials?

You are receiving a proxy statement because you owned shares of our common stock on March 11, 2016 and that entitles you to vote at the Annual Meeting. This proxy statement describes the matters on which we would like you to vote and provides information on those matters so you can make an informed decision.

Who is soliciting proxies from the shareholders?

Our Board of Directors is soliciting the enclosed proxy. The proxy provides you with the opportunity to vote on the proposals presented at the Annual Meeting.

What will be voted on at the Annual Meeting?

The enclosed proxy provides the opportunity for you to vote on the following proposals:

1. to set the number of directors on our Board of Directors at ten;
2. to elect the three Class II directors named herein, each for a three-year term;

3. to approve, on an advisory (non-binding) basis, our executive officer compensation; and
4. to ratify our Board of Directors' appointment of our independent registered public accounting firm for the fiscal year ending December 31, 2016.

Table of Contents

For the proposal to elect directors, you may vote **FOR** all of the nominees in Class II, **FOR** one or more nominees in Class II but not the others, or you may **WITHHOLD** your vote for all nominees in Class II. For proposals 1, 3, and 4, you may vote **FOR** the approval of the proposal or **AGAINST** its approval, or you may **ABSTAIN** from voting on the proposal. The enclosed proxy card also gives the proxy holders discretionary authority to vote the shares represented by the proxy on any matter, other than the above proposals, that is properly presented for action at the Annual Meeting. Each proposal is a separate matter for the shareholders to vote on, and no one proposal's approval is subject to or conditioned upon the approval of any other proposal.

Who bears the cost of the proxy solicitation?

We generally bear all costs of soliciting proxies. We have retained and pay a fee to American Stock Transfer and Trust Company to act as our registrar and transfer agent and to assist in the solicitation of proxies, but we pay no separate compensation solely for the solicitation of proxies. We intend to solicit proxies primarily through the use of the mail. Our directors, officers and employees may solicit proxies by telephone, mail, facsimile, via the Internet or overnight delivery service. These individuals will not receive separate compensation for these services. We will also, in accordance with the regulations of the Securities and Exchange Commission (the SEC), reimburse brokerage firms and other persons representing beneficial owners of our common stock for their reasonable expenses in forwarding solicitation material to such beneficial owners.

Who can vote at the Annual Meeting, and how are votes cast?

Our Board of Directors fixed the close of business on Wednesday, March 11, 2016, as the record date for our Annual Meeting. Only shareholders of record on that date are entitled to receive notice of and to vote at the Annual Meeting. As of March 11, 2016, our only outstanding class of securities was common stock, \$0.20 par value per share. On that date, we had 22,500,000 shares of common stock authorized of which 4,875,079 shares of common stock were outstanding.

You can vote either in person at the Annual Meeting (if you, rather than your broker, are the record holder of the stock) or by proxy, whether you attend the Annual Meeting. To vote by proxy, you must fill out the enclosed proxy card, date and sign it, and either return it in the enclosed postage-paid envelope in time for us to receive it prior to the Annual Meeting or attend the Annual Meeting and submit the proxy at that time.

Can I vote if I hold my shares of common stock in street name?

If on March 11, 2016 your shares of common stock were held in an account at a brokerage firm, bank, dealer or similar organization, then you are the beneficial owner of shares held in street name and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered the shareholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct your broker or

Table of Contents

other agent on how to vote the shares in your account. You are also invited to attend the Annual Meeting. However, since you are not the shareholder of record, you may not vote your shares in person at the meeting unless you request and obtain a valid proxy from your broker or other agent.

How many votes must be present to hold the Annual Meeting?

A quorum must be present to hold our Annual Meeting. A majority of the votes entitled to be cast at the Annual Meeting constitutes a quorum. Your shares, once represented for any purpose at the Annual Meeting, are deemed present for purposes of determining a quorum for the remainder of the meeting and for any adjournment unless a new record date is set for the adjourned meeting. This is true even if you abstain from voting with respect to any matter brought before the Annual Meeting.

How many votes does a shareholder have per share of common stock?

Our shareholders are entitled to one vote for each share of common stock held, except that as to the proposal to elect the Class II directors named herein, shareholders may cumulate their votes. Cumulative voting is described below.

What vote is required for approval of proposals at the Annual Meeting?

For all proposals brought before the Annual Meeting, except the election of directors, each proposal is approved if the votes cast **FOR** each proposal are greater than the votes cast **AGAINST** each proposal. The vote required to elect directors is described below.

How are directors elected?

At the Annual Meeting, you will consider a proposal to elect the three Class II directors named herein. Directors are elected by plurality vote; the candidates in each class who receive the highest number of votes cast, up to the number of directors in that class to be elected, are elected.

Generally, you may cumulate your votes to elect directors in a particular class. Cumulative voting entitles you to vote the number of shares you hold multiplied by the number of directors in each class. You can cast your votes for one nominee or distribute your total votes among all or several nominees in the class.

For example: There are three nominees for election as Class II directors. If you own ten shares, you have 30 votes for the Class II directors named herein. You can elect to allocate the 30 votes among the Class II director nominees by casting all votes for a single director nominee or by dividing the votes between any number of the nominees in any proportion.

Table of Contents

How will my proxy be voted, and how are votes counted?

When your proxy card is returned, properly signed and dated, the proxy holders will vote your shares of common stock at the Annual Meeting as you instruct on your proxy card, including any adjournments or postponements of the Annual Meeting. If your proxy card is signed, but no instructions are given, the proxy holders will vote your shares of common stock at the Annual Meeting as follows:

1. **FOR** setting the number of directors to serve on our Board of Directors at ten;
2. **FOR** the election the three Class II director nominees named herein, each to serve a three-year term;
3. **FOR** the approval, on an advisory (non-binding) basis, of our executive officer compensation; and
4. **FOR** the ratification of our Board of Directors appointment of our independent registered public accounting firm for the fiscal year ending December 31, 2016.

To the extent that the proxy holders possess discretionary voting authority because your proxy card does not withhold authority to vote for the election of directors or for a particular nominee or provide specific instructions about the allocation of votes, the proxy holders are expected to cumulate votes in the manner most likely to elect all of the Board of Directors nominees for Class II director. If you hold your shares in street name, you must provide voting instructions to your broker. If you do not provide instructions to your broker, the shares will not be voted on any matter on which your broker does not have discretionary authority to vote, which generally includes non-routine matters. A vote that is not cast for this reason is called a broker non-vote. We will treat broker non-votes as shares present for the purpose of determining whether a quorum is present at the Annual Meeting, but we will not consider broker non-votes present for purposes of calculating the vote on a particular matter, nor will we count broker non-votes as a vote **FOR** or **AGAINST** a matter or as an abstention on the matter. Proposals 1, 2 and 3 are considered non-routine matters on which your broker will not be entitled to vote your shares without your voting instructions. Proposal 4 to be voted on at the Annual Meeting is considered a routine matter for broker voting purposes.

Under Mississippi law, an abstention by a shareholder, who is either present in person at the Annual Meeting or represented by proxy, is not a vote cast and is counted neither **FOR** nor **AGAINST** the matter subject to the abstention.

Can a proxy be revoked?

Yes. You can revoke your proxy at any time before it is voted. You may revoke your proxy by giving written notice to our secretary before the Annual Meeting or by granting a subsequent proxy. If you, rather than your broker, are a record holder of our stock, a proxy can also be revoked by appearing in person and voting at the Annual Meeting. Written notice of the

Table of Contents

revocation of a proxy should be delivered to the following address: Secretary, Citizens Holding Company, 521 Main Street, Philadelphia, Mississippi 39350.

STOCK OWNERSHIP

Does any person own more than 5% of our common stock?

The following table sets forth as of March 11, 2016, each person or group (as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, or the Exchange Act) known to us to be the beneficial owner of more than 5% of the outstanding shares of our common stock, excluding any director or officer whose ownership is reflected in the next table. Beneficial ownership has been determined under Rule 13d-3 under the Exchange Act and is based upon the number of shares of our common stock issued and outstanding as of March 11, 2016, which was 4,875,079.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
The Molpus Company and Richard H. Molpus, Jr. 502 Valley View Drive Philadelphia, Mississippi 39350	451,453 ⁽¹⁾	9.3%

- ⁽¹⁾ Based upon a Schedule 13G/A filed jointly by the Molpus Company and Richard H. Molpus, Jr. on January 28, 2016 with the SEC. Of the shares of common stock, par value \$.20 per share, of Citizens Holding Company covered by this Schedule 13G, (i) 230,000 shares are held by the Molpus Company; (ii) 54,706 shares of our common stock are owned by Mr. Molpus personally; (iii) 33,027 shares are owned by a limited liability company in which Mr. Molpus holds a 48% membership interest (and a 51% voting interest), the Molpus Company holds a 1% membership interest, and as to which Mr. Molpus has sole investment power and has all rights and benefits to the Citizens Holding Company common stock owned by the limited liability company; and (iv) 133,720 shares of common stock that are owned by the Dick Molpus Foundation, a non-profit organization of which Mr. Molpus is a director and as to which Mr. Molpus has sole investment and voting power.

How much stock do our directors, nominees and executive officers beneficially own?

The following table includes information about the common stock owned by our directors, nominees and executive officers as of March 11, 2016, including their name, position and the number of shares beneficially owned. Beneficial ownership has been determined in accordance with Rule 13d-3 under the Exchange Act and is based upon the number of shares of our common stock issued and outstanding as of March 11, 2016, which was 4,875,079 shares, and the number of shares exercisable within sixty days of March 11, 2016. Unless otherwise noted, these persons have sole voting power and investment power with respect to the listed shares (subject to any applicable community property laws). The address of each director and executive officer is Citizens Holding Company, 521 Main Street, Philadelphia, Mississippi 39350.

Table of Contents

	Amount and Nature of Beneficial Ownership				Percent of Class
	Direct	Options Exercisable Within 60 Days	Other	Total	
Directors and Nominees**:					
Craig Dungan, MD	30,158	7,500	180 ⁽¹⁾	37,838	*
Don L. Fulton	26,348	10,500		36,848	*
Donald L. Kilgore	7,278	10,500		17,778	*
David A. King	134,937	10,500	2,650 ⁽²⁾	148,087	3.0%
Herbert A. King	108,344	10,500	166,729 ⁽³⁾	285,573	5.7%
Daniel Adam Mars	16,496	7,500		23,996	*
David P. Webb	17,701	10,500		28,201 ⁽⁴⁾	*
Amzie T. Williams	12,042	10,500		22,542	*
Terrell E. Winstead	17,399	9,000		26,399	*
Named Executive Officers:					
Greg L. McKee ⁽⁵⁾	44,496	7,500	1,225 ⁽⁵⁾	53,221	1.1%
Robert T. Smith	18,653	3,500		22,153	*
All directors, nominees and executive officers as a group (11 persons):	433,852	98,000	170,784	702,636	14.1%

* Less than 1% of the outstanding common stock.

** Unless otherwise noted, the address for all beneficial owners is c/o Citizens Holding Company, 521 Main Street, Philadelphia, MS 39350.

(1) Indicates shares owned by Craig Dungan's spouse in a retirement account.

(2) Indicates 2,650 shares owned by David A. King's spouse who exercises sole voting and investment power with respect to the shares and as to which Mr. King disclaims beneficial ownership.

(3) Includes 158,987 shares held in trust for his children as to which Mr. King exercises sole voting power but has no investment power, and 7,742 shares owned by K&D, L.P., a Mississippi limited partnership of which Mr. King and his spouse are the controlling general partners and as to which shares Mr. King and his spouse share voting and investment power.

(4) Of the shares listed, 10,000 shares have been pledged as collateral for a loan.

Table of Contents

(5) Also a director of the Company. Indicates shares owned by Greg L. McKee's spouse in a retirement account of which Mr. McKee is the beneficiary.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our officers and directors and persons who own more than 10% of a registered class of our equity securities to file with the SEC reports of ownership of our securities and changes in their ownership on Forms 3, 4 and 5. SEC rules require officers, directors and greater than 10% shareholders to furnish us with copies of all Section 16(a) reports they file.

Based solely upon a review of Forms 3 and 4 and amendments thereto furnished to us during the 2015 fiscal year, any Form 5 and amendments thereto furnished to us with respect to the 2015 fiscal year, and certain written representations made by our directors and officers, we have determined that all required forms have been filed timely.

BOARD OF DIRECTORS

How many directors serve on the Board of Directors, and who are the current directors?

A total of ten directors currently serve on our Board of Directors. There are three classes of directors. Currently, three directors are in Class I, three directors are in Class II, and four directors are in Class III. Under the proposals described later in this proxy statement, the current Class II directors, whose terms expire at the Annual Meeting, have been nominated for reelection. If all of our Board of Directors' nominees for election as directors are reelected by our shareholders, there will be three directors in Class I, three directors in Class II and four directors in Class III.

Our Chief Executive Officer does not serve as the Chairperson of our Board of Directors. Our Board of Directors believes that having an outside director serve as the Chairperson helps to ensure that the non-employee directors take an active leadership role on our Board of Directors, and that this leadership structure is beneficial to the Company.

The term of office of each Class II director expires at the Annual Meeting, the term of office of each Class III director expires at the 2017 Annual Meeting, and the term of office of each Class I director expires at the 2018 Annual Meeting.

Table of Contents

CLASS I DIRECTORS

Don L. Fulton, 69, joined our Board of Directors in 1994. Mr. Fulton has served as the Corporate Project Evaluation and Review Team Coordinator for W. G. Yates and Sons, Inc., a general contractor doing business worldwide, since 2009. From 1977 to 2009, he was President and General Manager of Nemanco, Inc., a company that was primarily engaged in garment manufacturing. As a former president, Mr. Fulton offers expertise in strategic planning and lends invaluable insight to the problems and needs of small and medium size businesses.

Donald L. Kilgore, 66, joined our Board of Directors in 2001. In 2015, Mr. Kilgore joined the Mississippi Attorney General's Office as a Special Assistant Attorney General after serving as the Attorney General for the Mississippi Band of Choctaw Indians since March 2005. Prior to that time, he was engaged in the practice of law for 26 years as a partner of the law firm of Alford, Thomas and Kilgore. As a practicing attorney, Mr. Kilgore offers expertise regarding real estate and contract law issues.

Herbert A. King, 64, joined our Board of Directors in 1997 and currently serves as Chairman of our Board of Directors. Mr. King is a civil engineer and has been associated with King Engineering, Inc. since 1990. King Engineering is primarily engaged in general civil engineering and land surveying. As a civil engineer, Mr. King provides insight into the ramifications of certain engineering issues impacting our potential real estate loans.

CLASS II DIRECTORS

David A. King, 61, joined our Board of Directors in 1997 and currently serves on the loan committee. Since 1977, Mr. King has been the proprietor of Philadelphia Motor Company, a company primarily engaged in the wholesale and retail auto parts sales. As a small business owner, Mr. King provides a first-hand perspective regarding the needs of a typical small business owner, including loans, deposit operations and other services.

Greg L. McKee, 54, joined our Board of Directors in 2001. Mr. McKee has been employed as the President and Chief Executive Officer of The Citizens Bank of Philadelphia since January 1, 2003. Prior to becoming Chief Executive Officer, he was employed as President of the Bank since January 2002. He was previously employed by the Bank as an Executive Vice-President, Senior Vice-President and Vice-President prior to January 2002. As our current Chief Executive Officer, Mr. McKee is uniquely qualified to advise the Board of Directors on our operations, competition and industry.

Terrell E. Winstead, 54, joined our Board of Directors in 2007. Since 1987, Mr. Winstead has been employed by The Molpus Company, now doing business as Molpus Woodlands Group. During that time, he has served as Controller, Vice President of Finance and has been serving as Chief Financial Officer since 1996. As a Certified Public Accountant, Mr. Winstead offers accounting expertise and financial sophistication to the audit committee and to the Board of Directors.

Table of Contents

CLASS III DIRECTORS

Craig Dungan, MD, 53, joined our Board of Directors in 2008. Dr. Dungan is a physician specializing in gastroenterology and has been associated with Meridian Gastroenterology PLLC since 2004. Prior to that time, he practiced as a member of the Rush Medical Group. As a physician, he brings a unique perspective to the Board of Directors regarding to the needs of the medical community, especially as it relates to the Meridian, Mississippi geographic market.

Daniel Adam Mars, 36, joined our Board of Directors in 2007. Mr. Mars is currently serving in the capacity as the business manager for Mars, Mars and Mars, Attorneys-at-Law. Mr. Mars has been the owner of Adam Mars Realty since 2004. As a real estate professional, Mr. Mars' insight into the local real estate market is invaluable to our Board of Directors when evaluating potential real estate loans.

David P. Webb, 56, joined our Board of Directors in 1998. Mr. Webb is a tax attorney and has been engaged in the practice of law since 1986. He is currently a shareholder of the law firm of Baker, Donelson, Bearman, Caldwell and Berkowitz, PC. As a practicing attorney and Certified Public Accountant, Mr. Webb provides both legal and accounting expertise.

Amzie T. Williams, 69, joined our Board of Directors in 2005. Mr. Williams is a Certified Public Accountant and was associated with A. T. Williams, CPA from 1981 until December 31, 2013 when his firm merged with Rea, Shaw, Giffin and Stuart, LLP, where he is currently of counsel. Prior to the Company going public in 1998, Mr. Williams conducted the audit for the Company and the Bank. He currently serves on the audit committee in the capacity of chairman. As a Certified Public Accountant, Mr. Williams' knowledge of financial statements and the audit process qualifies him to be the audit committee financial expert and provides our Board of Directors with additional accounting and financial expertise and sophistication.

Are the directors independent?

Our Board of Directors has determined that each of Craig Dungan, Don L. Fulton, Donald L. Kilgore, Herbert A. King, David A. King, Daniel Adam Mars, David P. Webb, Terrell E. Winstead and Amzie T. Williams is an independent director as defined in Rule 5605(a)(2) of the Nasdaq Marketplace Rules.

Our Board of Directors considered certain relationships between our directors and nominees for director and us when determining each director's or nominee's status as an independent director under Rule 5605(a)(2) of the Nasdaq Marketplace Rules. In particular, our Board of Directors noted that we engaged Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, a law firm of which David P. Webb was a shareholder in 2015, to provide advice in various legal areas, including tax audits, employee benefits, civil litigation defense and general corporate law. Our Board of Directors determined that this relationship did not affect the status of Mr. Webb as an independent director.

Table of Contents

There are no family relationships between any director, executive officer or persons nominated to become a director, except that David A. King and Herbert A. King are brothers.

Who are the directors of the Bank?

All of our continuing directors presently serve on the Board of Directors of the Bank.

How are directors compensated?

During 2015, each of our directors, including Mr. McKee, who is our employee and an employee of the Bank, received an annual retainer of \$17,700, a year-end payment of \$1,475 and an additional payment of \$125 for each Board of Directors meeting attended. Directors who serve on the Bank's loan committee received an additional \$100 per month. Mr. McKee's director fees are included in the "All Other Compensation" column of the Summary Compensation Table in the "Executive Compensation" section below.

We currently maintain two stock option plans for the benefit of our nonemployee directors, the 1999 Directors' Stock Compensation Plan and the 2013 Incentive Compensation Plan. During 2015, 750 shares of restricted stock were granted to all of the directors under the 2013 Incentive Compensation Plan. We have no plans to grant future awards under the 1999 Directors' Stock Compensation Plan.

Directors may elect to participate in the Directors' Deferred Fee Plan maintained by the Bank. A participating director elects to defer all or part of his fees to a bookkeeping account maintained by the Bank for a period of ten years. Interest is credited to the account at 100% of Moody's Average Corporate Bond Rate, subject to a contractual rate floor of 6.54%. Benefits are generally payable when a director attains age 70. The Bank has elected to purchase individual life insurance policies to fund its obligations under this plan.

The following table details the cash compensation, equity awards and change in the value of the deferred compensation arrangements for the year 2015.

Total 2015 Director Compensation

Name	Fees Earned or Paid in Cash⁽¹⁾	Equity Awards⁽²⁾	Deferred Compensation Change	Total
Craig Dungan, MD	\$ 20,675	\$ 14,145	\$ 8,204	\$ 43,024
Don L. Fulton	21,975	14,145	12,107	48,227
Donald L. Kilgore	20,675	14,145		34,820
David A. King	21,975			