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FIRST BANCSHARES INC /MO/  
Form 10QSB  
May 12, 2008

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

FORM 10-QSB

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2008

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)  
OF THE EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-22842

FIRST BANCSHARES, INC.  
(Exact name of small business issuer as specified in its charter)

Missouri 43-1654695  
-----  
(State or other jurisdiction of (IRS Employer Identification No.)  
incorporation or organization)

142 East First Street, Mountain Grove, Missouri 65711  
-----  
(Address of principal executive offices)

(417) 926-5151  
-----  
(Issuer's telephone number)

Check whether the issuer (1) has filed all reports required to be filed by  
Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such  
shorter period that the registrant was required to file such reports), and (2)  
has been subject to such filing requirements for the past 90 days.  
Yes X No  
-----

Indicate by check mark whether the registrant is a shell company (as defined  
in Rule 12b-2 of the Exchange Act).  
Yes No X  
-----

State the number of shares outstanding of each of the issuer's classes of  
common equity, as of the latest practicable date.

Class: Outstanding at May 9, 2008:  
Common Stock, \$.01 par value 1,550,815 Common Shares

Transitional Small Business Disclosure Format Yes No X  
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FIRST BANCSHARES, INC.  
AND SUBSIDIARIES  
FORM 10-QSB

INDEX

	Page No.
	-----
Part I. Financial Information	
-----	
Item 1. Financial Statements:	
Consolidated Statements of Financial Condition at March 31, 2008 and June 30, 2007 (Unaudited)	3
Consolidated Statements of Income for the Three and Nine Months Ended March 31, 2008 and 2007 (Unaudited)	4
Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended March 31, 2008 and 2007 (Unaudited)	5
Consolidated Statements of Cash Flows for the Nine Months Ended March 31, 2008 and 2007 (Unaudited)	6
Notes to Consolidated Financial Statements (Unaudited)	7
Item 2. Management's Discussion and Analysis or Plan of Operation	11
Item 3. Controls and Procedures	19
Part II. Other Information	
-----	
Item 1. Legal Proceedings	20
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	20
Item 3. Defaults Upon Senior Securities	20
Item 4. Submission of Matters to a Vote of Security Holders	20
Item 5. Other Information	20
Item 6. Exhibits	20
Signatures	21
Exhibit Index	22
Certifications	23

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FIRST BANCSHARES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Unaudited)

	March 31, 2008 ----	June 30, 2007 ----
ASSETS		
-----		
Cash and cash equivalents	\$ 16,419,875	\$ 21,030,321
Certificates of deposit	561,613	746,632
Securities available-for-sale	41,260,051	31,321,225
Securities held-to-maturity	4,337,070	10,786,182
Federal Home Loan Bank stock, at cost	1,613,200	1,613,800
Loans receivable, net	166,243,231	158,992,921
Loan held for sale	1,916,954	-
Accrued interest receivable	1,128,379	1,259,460
Prepaid expenses	253,563	360,375
Property and equipment	6,955,558	7,506,862
Real estate owned	989,853	293,337
Intangible assets	247,998	285,584
Deferred tax asset, net	573,671	707,066
Income taxes recoverable	-	196,687
Bank-owned life insurance	6,066,049	5,919,973
Other assets	445,807	310,334
	-----	-----
Total assets	\$249,012,872	\$241,330,759
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
-----		
Deposits	\$198,140,896	\$190,090,359
Retail repurchase agreements	407,439	2,103,105
Advances from Federal Home Loan Bank	22,000,000	22,000,000
Accrued expenses and accounts payable	995,422	669,202
	-----	-----
Total liabilities	221,543,757	214,862,666
	-----	-----
Preferred stock, \$.01 par value; 2,000,000 shares authorized, none issued	-	-
Common stock, \$.01 par value; 8,000,000 shares authorized, 2,895,036 issued at March 31,2008 and June 30, 2007, 1,550,815 shares outstanding at March 31, 2008 and June 30, 2007	28,950	28,950
Paid-in capital	18,005,343	17,936,224
Retained earnings - substantially restricted	28,131,326	27,850,962
Treasury stock - at cost; 1,344,221 shares at March 31, 2008 and June 30, 2007	(19,112,627)	(19,112,627)
Accumulated other comprehensive income (loss)	416,123	(235,416)
	-----	-----
Total stockholders' equity	27,469,115	26,468,093
	-----	-----
Total liabilities and stockholders'		

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equity	\$249,012,872	\$241,330,759
	=====	=====

See notes to consolidated financial statements

3

FIRST BANCSHARES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2008	2007	2008	2007
	----	----	----	----
Interest Income:				
Loans receivable	\$3,002,153	\$2,732,992	\$ 8,974,688	\$ 8,074,907
Securities	582,160	478,060	1,780,875	1,390,168
Other interest-earning assets	105,314	226,267	486,516	615,773
	-----	-----	-----	-----
Total interest income	3,689,627	3,437,319	11,242,079	10,080,848
	-----	-----	-----	-----
Interest Expense:				
Deposits	1,489,698	1,551,421	4,882,807	4,299,306
Retail repurchase agreements	5,416	9,972	34,087	10,750
Borrowed funds	319,840	352,337	966,337	1,036,840
	-----	-----	-----	-----
Total interest expense	1,814,954	1,913,730	5,883,231	5,346,896
	-----	-----	-----	-----
Net interest income	1,874,673	1,523,589	5,358,848	4,733,952
	-----	-----	-----	-----
Provision for loan losses	428,100	40,000	580,600	280,000
	-----	-----	-----	-----
Net interest income after provision for loan losses	1,446,573	1,483,589	4,778,248	4,453,952
	-----	-----	-----	-----
Non-interest Income:				
Service charges and other fee income	510,070	426,257	1,538,473	1,371,616
Gain on sale of loans	111,800	-	376,412	-
Gain on sale of securities available-for-sale	-	177,000	-	177,000
Gain (loss) on sale of property and equipment and real estate owned	(7,044)	289	5,040	92,498
Income from bank-owned life insurance	52,653	52,962	146,076	161,518
Other	40,700	34,819	107,564	116,586
	-----	-----	-----	-----
Total non-interest income	708,179	691,327	2,173,565	1,919,218
	-----	-----	-----	-----
Non-interest Expense:				
Compensation and employee benefits	1,112,301	978,270	3,292,819	3,207,184
Occupancy and equipment	438,769	386,507	1,243,822	1,145,668
Professional fees	162,304	220,385	493,821	439,799

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Deposit insurance premiums	27,773	5,240	82,087	16,757
Other	406,951	384,551	1,314,570	1,270,703
	-----	-----	-----	-----
Total non-interest expense	2,148,098	1,974,953	6,427,119	6,080,111
	-----	-----	-----	-----
Income before taxes	6,654	199,963	524,694	293,059
Income taxes	38,381	8,068	244,330	28,495
	-----	-----	-----	-----
Net income (loss)	\$ (31,727)	\$ 191,895	\$ 280,364	\$ 264,564
	=====	=====	=====	=====
Earnings (loss) per share - basic	\$ (0.02)	\$ 0.12	\$ 0.18	\$ 0.17
	=====	=====	=====	=====
Earnings (loss) per share - diluted	(0.02)	0.12	0.18	0.17
	=====	=====	=====	=====
Dividends per share	0.00	0.00	0.00	0.08
	=====	=====	=====	=====

See notes to consolidated financial statements

4

FIRST BANCSHARES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2008	2007	2008	2007
	----	----	----	----
Net income (loss)	\$ (31,727)	\$191,895	\$280,364	\$264,564
Other comprehensive income (loss), net of tax:				
Change in unrealized gain on securities available-for-sale, net of deferred income taxes	226,911	(54,704)	651,539	169,858
	-----	-----	-----	-----
Comprehensive income	\$195,184	\$137,191	\$931,903	\$434,422
	=====	=====	=====	=====

See notes to consolidated financial statements

5

FIRST BANCSHARES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

Nine Months Ended

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	March 31,	
	2008	2007
	----	----
Cash flows from operating activities:		
Net income	\$ 280,364	\$ 264,564
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	633,570	567,298
Amortization	37,586	37,586
Premiums and discounts on securities	(115,591)	27,990
Stock based compensation	69,120	56,878
Provision for loan losses	580,600	280,000
Provision for losses on real estate owned	27,850	-
Proceeds from sales of loans originated for sale	16,267,312	-
Loans originated for sale	(16,302,004)	-
Deferred income taxes	12,120	(54,740)
(Gain) loss on sale of property and equipment and real estate owned	(31,986)	(93,525)
Gain on sale of securities available-for-sale	-	(177,000)
Loss on the sale of other repossessed assets	1,502	-
Income from bank-owned life insurance	(146,076)	(161,518)
Net change in operating accounts:		
Accrued interest receivable and other assets	274,415	(581,862)
Deferred loan costs	(94,641)	5,775
Income taxes recoverable	196,687	249,206
Accrued expenses and accounts payable	111,854	(233,870)
	-----	-----
Net cash provided by operating activities	1,802,682	186,782
	-----	-----
Cash flows from investing activities:		
Purchase of securities available-for-sale	(18,177,765)	(12,115,370)
Purchase of securities held to maturity	-	(345,000)
Proceeds from maturities of securities available-for-sale	9,343,711	4,069,941
Proceeds from sales of securities available-for-sale	-	1,986,000
Proceeds from maturities of securities held to maturity	6,447,112	8,583,953
Purchase of Federal Home Loan Bank stock	-	(84,500)
Proceeds from redemption of Federal Home Loan Bank stock	600	-
Net change in certificates of deposit purchased	185,019	2,095,780
Net change in loans receivable	(10,645,865)	(13,182,107)
Purchases of property and equipment	(336,655)	(541,485)
Net proceeds from the sale of property and equipment	287,112	41,500
Net proceeds from sale of real estate owned and repossessed assets	128,732	710,150
	-----	-----
Net cash used in investing activities	(12,767,999)	(8,781,138)
	-----	-----
Cash flows from financing activities:		
Net change in deposits	8,050,537	8,947,975
Net change in retail repurchase agreements	(1,695,666)	1,133,007
Proceeds from borrowed funds	-	3,000,000
Cash dividends paid	-	(124,166)
Purchase of treasury stock	-	(19,424)
	-----	-----
Net cash provided by financing activities	6,354,871	12,937,392

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	-----	-----
Net increase (decrease) in cash and cash equivalents	(4,610,446)	4,343,036
Cash and cash equivalents - beginning of period	21,030,321	23,473,645
	-----	-----
Cash and cash equivalents - end of period	\$ 16,419,875	\$ 27,816,681
	=====	=====
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest on deposits and borrowed funds	\$ 5,813,092	\$ 5,343,399
	=====	=====
Income taxes	-	18,000
	=====	=====
Supplemental schedule of non-cash investing and financing activities:		
Loans transferred to real estate owned and other repossessed assets.	\$ 855,338	\$ 495,243
	=====	=====

See notes to consolidated financial statements.

6

FIRST BANCSHARES, INC.  
AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed for interim reporting by First Bancshares, Inc. (the "Company") and its consolidated subsidiaries, First Home Savings Bank (the "Bank") and SCMG, Inc. are consistent with the accounting policies followed for annual financial reporting. All adjustments that, in the opinion of management, are necessary for a fair presentation of the results for the periods reported have been included in the accompanying unaudited consolidated financial statements, and all such adjustments are of a normal recurring nature. The accompanying consolidated statement of financial condition as of June 30, 2007, which has been derived from audited financial statements, and the unaudited interim financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's latest shareholders' Annual Report on Form 10-KSB for the year ended June 30, 2007 (Form 10-KSB). The results for these interim periods may not be indicative of results for the entire year or for any other period.

2. ACCOUNTING DEVELOPMENTS

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In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, "Fair Value Measurements". This Statement defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. It clarifies that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. This Statement does not require any new fair value measurements, but rather, it provides enhanced guidance to other pronouncements that require or permit assets or liabilities to be measured at fair value. This Statement is effective for fiscal years beginning after November 15, 2007. The Company does not expect that the adoption of this Statement will have a material impact on its financial position, results of operation and cash flows.

In February 2007, the FASB issued FASB Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115", which provides all entities, including not-for-profit organizations, with an option to report selected financial assets and liabilities at fair value. The objective of the Statement is to improve financial reporting by providing entities with the opportunity to mitigate volatility in earnings caused by measuring related assets and liabilities differently without having to apply the complex provisions of hedge accounting. Certain specified items are eligible for the irrevocable fair value measurement option as established by Statement No. 159. Statement No. 159 is effective as of the beginning of an entity's first fiscal year beginning after November 15, 2007. The Company is currently evaluating the impact that the adoption of this Statement will have on its financial position, results of operation and cash flows.

In September 2006, the Emerging Issues Task Force ("EITF") reached a final consensus on Issue 06-04, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements." The consensus stipulates that an agreement by an employer to share a portion of the proceeds of a life insurance policy with an employee during the postretirement period is a postretirement benefit arrangement required to be accounted for under SFAS No. 106 or Accounting Principles Board Opinion ("APB") No. 12, "Omnibus Opinion - 1967." The consensus concludes that the

7

purchase of a split-dollar life insurance policy does not constitute a settlement under SFAS No. 106 and, therefore, a liability for the postretirement obligation must be recognized under SFAS No. 106 if the benefit is offered under an arrangement that constitutes a plan or under APB No. 12 if it is not part of a plan. Issue 06-04 is effective for annual or interim reporting periods beginning after December 15, 2007. The Company does not expect that the adoption of EITF 06-04 will have a material impact on its financial position, results of operation and cash flows.

In March 2007, the EITF reached a final conclusion on Issue 06-10, "Accounting for Collateral Assignment Split-Dollar Life Insurance Arrangements". The consensus concludes that a liability must be recognized for the postretirement obligation related to a collateral assignment split-dollar life insurance arrangement in accordance with SFAS No. 106 or APB No. 12. Any asset should be recognized and measured based on the nature and substance of the collateral assignment split-dollar life insurance arrangement. The effective date of EITF 06-10 is for fiscal years beginning after December 15, 2007. The Company



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does not expect that the adoption of EITF 06-10 will have a material impact on its financial position, results of operation and cash flows.

In December 2007, FASB issued SFAS No. 141(revised), "Business Combinations". The Statement establishes principles and requirements for how an acquirer recognizes and measures tangible assets acquired, liabilities assumed, goodwill and any noncontrolling interests and identifies related disclosure requirements for business combinations. Measurement requirements will result in all assets, liabilities, contingencies and contingent consideration being recorded at fair value on the acquisition date, with limited exceptions. Acquisition costs and restructuring costs will generally be expensed as incurred. This Statement is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company does not expect the adoption of this Statement will have a material impact on its financial position or results of operations.

In December 2007, FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51". The Statement establishes accounting and reporting standards for noncontrolling interests in a subsidiary and for the deconsolidation of a subsidiary. Minority interests will be recharacterized as noncontrolling interests and classified as a component of equity. It also establishes a single method of accounting for changes in a parent's ownership interest in a subsidiary and requires expanded disclosures. This Statement is effective for fiscal years beginning on or after December 15, 2008. The Company does not expect the adoption of this Statement will have a material impact on its financial position or results of operations.

### 3. EARNINGS PER SHARE

Basic earnings per share is based on net income divided by the weighted average number of shares outstanding during the period. Diluted earnings per share includes the effect of the issuance of shares eligible to be issued pursuant to stock option agreements.

8

The table below presents the numerators and denominators used in the basic earnings per common share computations for the three month and nine month periods ended March 31, 2008 and 2007.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2008	2007	2008	2007
	----	----	----	----
Basic earnings per common share:				
Numerator:				
Net income (loss)	\$ (31,727)	\$ 191,895	\$ 280,364	\$ 264,564
	=====	=====	=====	=====
Denominator:				
Weighted average common shares outstanding	1,550,815	1,551,666	1,550,815	1,551,917
	=====	=====	=====	=====
Basic earnings (loss) per				

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common share	(\$0.02)	\$ 0.12	\$ 0.18	\$ 0.17
	=====	=====	=====	=====
Diluted earnings per common share:				
Numerator:				
Net income (loss)	\$ (31,727)	\$ 191,895	\$ 280,364	\$ 264,564
	=====	=====	=====	=====
Denominator:				
Weighted average common shares outstanding	1,550,815	1,551,666	1,550,815	1,551,917
	=====	=====	=====	=====
Basic earnings (loss) per common share	(\$0.02)	\$ 0.12	\$ 0.18	\$ 0.17
	=====	=====	=====	=====

4. COMMITMENTS

At March 31, 2008 and June 30, 2007, the Company had outstanding commitments to originate loans and fund unused lines of credit totaling \$2.4 million and \$5.1 million, respectively. It is expected that outstanding loan commitments will be funded with existing liquid assets.

5. STOCK OPTION PLAN

Effective July 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123(R), Share-Based Payment, using the modified-prospective-transition method. Under that transition method, compensation cost recognized in the three-month and nine-month periods ended March 31, 2008 and 2007 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of July 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of Statement 123, and (b) compensation cost for all share-based payments granted subsequent to July 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of Statement 123(R).

The Company uses historical data to estimate the expected term of the options granted, volatilities, and other factors. Expected volatilities are based on the historical volatility of the Company's common stock over a period of time. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The dividend rate is equal to the dividend rate in effect on the date of grant. The Company used the following assumptions for grants in fiscal 2007, respectively: dividend rates of .00% to .99%, price volatility of 18.36% to 20.29%, risk-free interest rates of 4.58% to 5.02%, and an expected life of 7.5 to 10 years. There were no grants made during the nine months ended March 31, 2008.

A summary of option activity under the 2004 Stock Option Plan ("Plan") as of March 31, 2008, and changes during the nine months ended March 31, 2008, is presented below:

Weighted-

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Options -----	Shares -----	Weighted- Average Exercise Price -----	Average Remaining Contractual Term ----- (in months)
Outstanding at beginning of period	64,500	\$ 16.76	113
Granted	-	-	
Exercised	-	-	
Forfeited or expired	-	-	
	-----	-----	
Outstanding at end of period	64,500	\$ 16.76	104

A summary of the Company's non-vested shares as of March 31, 2008, and changes during the nine months ended March 31, 2008, is presented below:

Non-vested Options -----	Options -----	Weighted- Average Grant Date Fair Value -----
Outstanding at beginning of period	61,100	\$ 6.02
Granted	-	-
Exercised	-	-
Vested	10,025	5.94
Forfeited or expired	-	-
	-----	-----
Outstanding at end of period	51,075 =====	\$ 6.04 =====

As of March 31, 2008, there was \$135,000 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of approximately 13 months.

6. RECLASSIFICATIONS

Certain amounts in the prior period financial statements have been reclassified, with no effect on net income or stockholders' equity, to be consistent with the current period classification.

Item 2. Management's Discussion and Analysis or Plan of Operation

General

First Bancshares, Inc. (the "Company") is a unitary savings and loan holding company whose primary assets are First Home Savings Bank and SCMG, Inc. The Company was incorporated on September 30, 1993, for the purpose of acquiring all of the capital stock of First Home Savings Bank in connection with Bank's conversion from a state-chartered mutual to a state-chartered stock form of ownership. The transaction was completed on December 22, 1993.

On March 31, 2008, the Company had total assets of \$249.0 million, net loans

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receivable of \$166.2 million, total deposits of \$198.1 million and stockholders' equity of \$27.5 million. The Company's common shares trade on The Nasdaq Global Market of The NASDAQ Stock Market LLC under the symbol "FBSI."

The following discussion focuses on the consolidated financial condition of the Company and its subsidiaries, at March 31, 2008, compared to June 30, 2007, and the consolidated results of operations for the three-month and nine-month periods ended March 31, 2008, compared to the three-month and nine-month periods ended March 31, 2007, respectively. This discussion should be read in conjunction with the Company's consolidated financial statements, and notes thereto, for the year ended June 30, 2007.

### Corporate Developments and Overview

During the nine months ended March 31, 2008, the Company entered into a lease agreement for approximately 5,100 square feet of office space in Springfield, Missouri. The new space houses the Bank's Loan Production Office, which has been operating out of a much smaller location since it was approved by the State of Missouri during the third quarter of fiscal 2007. In addition to the Loan Production Office, there will be offices for senior officers of the Company and the Bank, who spend time in Springfield, as well as, the Company home office in Mountain Grove, Missouri. The move to the larger facility was completed in November 2007.

During the nine month period ended March 31, 2008, the operations of the in-house brokerage service, which was based in Mountain Grove, Missouri, were discontinued due to staffing difficulties. This brokerage service operated under a Bank subsidiary, First Home Investments. The Company entered into an agreement with an outside company based in Springfield, Missouri to provide brokerage services to the Bank's customers. This agreement has begun to generate a small amount of commission income.

The Bank continues to operate under a Memorandum of Understanding (the "MOU") with the Office of Thrift Supervision (the "OTS"). The MOU was entered into during the December 31, 2006 quarter. The MOU dealt with various issues affecting the operations of the Bank. Management of the Bank believes it has addressed and substantially resolved all the issues raised in the MOU, the last part of which was the three year business plan which was approved by the Bank's Board of Directors at its meeting on October 26, 2007, and submitted to the OTS on October 29, 2007. The board of the Bank receives budget versus actual comparisons and analysis on a monthly basis. This information is also sent to the OTS, as required by the MOU.

For more information concerning the MOU or the activities of and developments about the Company during the fiscal year ended June 30, 2007, please refer to the sections titled "Corporate Developments and Overview" and "Risk Factors" on pages one through three of the Company's Form 10-KSB, which was filed with the Securities and Exchange Commission ("SEC") on September 28, 2007.

On February 22, 2008, the Company filed a preliminary proxy statement and a Schedule 13E-3, in connection with the Company's intention to reduce the number of stockholders to less than 300 through a reverse stock split at a one-to-one thousand ratio, with the purpose terminating the registration of the Company's state and

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suspending the Company's reporting obligations with the SEC. This would eliminate the significant costs associated with being a public company. On April 8, 2008, the Company filed an amendment to the February 22, 2008 filing, changing the ratios from one-to-one thousand to one-to-five hundred and on April 25, 2008 mailed the proxy materials to its shareholders.

### Financial Condition

As of March 31, 2008, First Bancshares, Inc. had assets of \$249.0 million, compared to \$241.3 million at June 30, 2007. The increase in total assets of \$7.7 million, or 3.1%, was primarily the result of increases in loans receivable and securities available-for-sale of \$7.2 million and \$9.9 million, respectively. These increases were partially offset by decreases in cash and cash equivalents and securities held to maturity of \$4.6 million and \$6.4 million, respectively, during the nine-month period ended March 31, 2008. The growth in loans receivable and securities available-for-sale was funded by the decreases in cash and cash equivalents and securities held to maturity, and by deposit growth of \$8.0 million during the nine month period. At March 31, 2008, there was a total of \$1.9 million in loans originated for sale which were not yet funded by the purchasers. The increase in deposits was partially offset by a decrease of \$1.7 million in retail repurchase agreements. Advances from the Federal Home Loan Bank of Des Moines remained constant during the nine month period.

Loans receivable, net totaled \$166.2 million at March 31, 2008, an increase of \$7.2 million from \$159.0 million at June 30, 2007. The increase in loans is the result of increased originations in commercial real estate and commercial business loans during the third fiscal quarter. The opportunity for increased commercial lending resulted from the lower interest rate environment and the fact that the Company's primary market area for such loans, namely Springfield, Missouri, has remained relatively strong. There continues to be some uncertainty in the economy, both locally and nationally, brought about by problems in the sub-prime mortgage market. Housing sales, both new and existing, consumer confidence and other indicators of economic health have decreased over the last several months.

The Company's deposits grew \$8.0 million from \$190.1 million as of June 30, 2007 to \$198.1 million as of December 31, 2007. The growth is the result of efforts made by the Company to attract core deposits through new products introduced during fiscal 2007 and internal emphasis on business development. The balance of the Company's retail repurchase agreements, first introduced during fiscal 2007, decreased by \$1.7 million from \$2.1 million at June 30, 2007 to \$407,000 at March 31, 2008.

As of March 31, 2008 the Company's stockholders' equity totaled \$27.5 million, compared to \$26.5 million as of June 30, 2007. The increase of \$1.0 million was due to net income of \$280,000 during the first nine months of the fiscal year and a positive change in the mark-to-market adjustment, net of taxes, of \$652,000 on the Company's available for sale securities portfolio. In addition, there was a \$69,000 increase resulting from the accounting treatment of stock based compensation. There were no dividends paid during the period and the Company does not currently have a stock repurchase program in place.

### Non-performing Assets and Allowance for Loan Losses

Generally, when a loan becomes delinquent 90 days or more, or when the collection of principal or interest becomes doubtful, the Company will place the loan on non-accrual status and, as a result of this action, previously accrued interest income on the loan is reversed against current income. The

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loan will remain on non-accrual status until the loan has been brought current or until other circumstances occur that provide adequate assurance of full repayment of interest and principal.

Non-performing assets increased from \$3.5 million, or 1.5% of total assets, at June 30, 2007 to \$3.9 million, or 1.6% of total assets at March 31, 2008. The Bank's non-performing assets consist of non-accrual loans, past due loans over 90 days, impaired loans not past due or past due less than 60 days, real estate owned and other

12

repossessed assets. The increase in non-performing assets consisted of an increase of \$6,000 in non-accrual loans and an increase of \$632,000 in real estate owned and other repossessed assets, which were partially offset by a decrease of \$436,000 in loans 90 days or more delinquent and still accruing interest. During the nine month period ended March 31, 2008, these categories were impacted by transfers to real estate owned and repossessed assets of \$855,000 and write offs of \$988,000.

Classified assets. Federal regulations provide for the classification of loans and other assets as "substandard", "doubtful" or "loss", based on the level of weakness determined to be inherent in the collection of the principal and interest. When loans are classified as either substandard or doubtful, the Company may establish general allowances for loan losses in an amount deemed prudent by management. General allowances represent loss allowances which have been established to recognize the inherent risk associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem loans. When assets are classified as loss, the Company is required either to establish a specific allowance for loan losses equal to 100% of that portion of the loan so classified, or to charge-off such amount. The Company's determination as to the classification of its loans and the amount of its allowances for loan losses are subject to review by its regulatory authorities, which may require the establishment of additional general or specific allowances for loan losses.

On the basis of management's review of its loans and other assets, at March 31, 2008, the Company had classified a total of \$2.6 million of its assets as substandard, \$490,000 as doubtful and none as loss. This compares to classifications at June 30, 2007 of \$4.2 million substandard, \$101,000 doubtful and none as loss. This reduction in classified assets to \$3.3 million from \$4.3 million is the result of transfers to real estate owned and other repossessed assets of loans totaling \$855,000 and to loan write-offs of \$988,000 during the nine month period. In addition, classified assets at March 31, 2008 and June 30, 2007 included real estate owned and other repossessed assets of \$990,000 and \$293,000, respectively.

In addition to the classified loans, the Bank has identified an additional \$2.6 million of credits at March 31, 2008 on its internal watch list compared to \$4.8 million at June 30, 2007 and \$6.3 million at March 31, 2007. Management has identified these loans as high risk credits and any deterioration in their financial condition could increase the classified loan totals. The decrease in the internal watch list is the result of the stricter internal policies relating to the identification and monitoring of problem loans. During the nine months ended March 31, 2008, thirteen loans totaling \$3.2 million were removed from the watch list as a result the resolution of the reasons they were on the watch list.

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Allowance for loan losses. The Company establishes its provision for loan losses, and evaluates the adequacy of its allowance for loan losses based upon a systematic methodology consisting of a number of factors including, among others, historic loss experience, the overall level of classified assets and non-performing loans, the composition of its loan portfolio and the general economic environment within which the Bank and its borrowers operate.

At March 31, 2008, the Company has established an allowance for loan losses totaling \$2.3 million compared to \$2.6 million at June 30, 2007. The allowance represents approximately 78.3% and 82.4% of the total non-performing loans at March 31, 2008 and June 30, 2007, respectively.

The allowance for loan losses reflects management's best estimate of probable losses inherent in the portfolio based on currently available information. The Company believes that the allowance for loan losses as of March 31, 2008 was adequate to absorb the known and inherent risks of loss in the loan portfolio at that date. While the Company believes the estimates and assumptions used in the determination of the adequacy of the allowance are reasonable, there can be no assurance that such estimates and assumptions will not be proven incorrect in the future, or that the actual amount of future provisions will not exceed the amount of past provisions or that any increased provisions that may be required will not adversely impact the Company's financial condition and results of operations. Future additions to the allowance may become necessary based upon changing economic conditions, increased loan balances or changes in the underlying collateral of the loan portfolio. In addition, the determination

13

of the amount of the Bank's allowance for loan losses is subject to review by bank regulators as part of the routine examination process, which may result in the establishment of additional reserves based upon their judgment of information available to them at the time of their examination.

### Critical Accounting Policies

The Company's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The financial information contained within these statements is, to a significant extent, financial information that is based on approximate measures of the financial effects of transactions and events that have already occurred. Based on its consideration of accounting policies that involve the most complex and subjective decisions and assessments, management has identified its most critical accounting policy to be the policy related to the allowance for loan losses.

The Company's allowance for loan loss methodology incorporates a variety of risk considerations, both quantitative and qualitative, in establishing an allowance for loan loss that management believes is appropriate at each reporting date. Quantitative factors include the Company's historical loss experience, delinquency and charge-off trends, collateral values, changes in non-performing loans, and other factors. Quantitative factors also incorporate known information about individual loans, including borrowers' sensitivity to interest rate movements. Qualitative factors include the general economic environment in the Company's markets, including economic conditions throughout the Midwest and, in particular, the state of certain industries. Size and

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complexity of individual credits in relation to loan structure, existing loan policies, and pace of portfolio growth are other qualitative factors that are considered in the methodology. As the Company adds new products and increases the complexity of its loan portfolio it will enhance its methodology accordingly. Management may have reported a materially different amount for the provision for loan losses in the statement of operations to change the allowance for loan losses if its assessment of the above factors were different. This discussion and analysis should be read in conjunction with the Company's financial statements and the accompanying notes presented elsewhere herein, as well as the portion of this Management's Discussion and Analysis section entitled "Non-performing Assets and Allowance for Loan Losses." Although management believes the levels of the allowance as of both March 31, 2008 and June 30, 2007 were adequate to absorb probable losses inherent in the loan portfolio, a decline in local economic conditions, or other factors, could result in increasing losses.

Results of Operations for the Three Months Ended March 31, 2008 Compared to the Three Months Ended March 31, 2007

General. For the three months ended March 31, 2008, the Company reported a net loss of \$(32,000), or \$0.02 diluted share, compared to net income of \$192,000, or \$0.12 per diluted share, for the same period in 2007. The decrease in net income for the 2008 period included increases in the provision for loan losses, non-interest expense and income taxes, which were partially offset by increases in net interest income and non-interest income.

Net interest income. The Company's net interest income for the three months ended March 31, 2008 was \$1.9 million, compared to \$1.5 million for the same period in 2007. The increase reflects a \$252,000 increase in interest income partially offset by a \$99,000 decrease in interest expense.

Interest income. Interest income for the three months ended March 31, 2008 increased \$252,000, or 7.3%, to \$3.7 million compared to \$3.4 million for the same period in 2007. Interest income from loans increased \$269,000 to \$3.0 million from \$2.7 million in 2007. This was attributable to an increase in average loans to \$162.8 million during the 2008 period from \$155.4 million during the comparable 2007 period, and to an increase in the yield on loans to 7.40% during the three months ended March 31, 2008 from 7.13% during the comparable period in 2007.

14

The increase in average loans was the result of an increase in lending volume during the 2008 quarter, and the increase in yield was the result of an upward trend in interest rates during the first six months between the two periods. Interest rates began to decrease during the quarter ended March 31, 2008.

Interest income from investment securities and other interest-earning assets for the three months ended March 31, 2008 decreased \$17,000 to \$687,000 from \$704,000 for the same period in 2007. The decrease was the result of a decrease in the yield on these assets to 4.56% for the 2008 period from 4.91% for the 2007 period which was partially offset by an increase in the average balance of these assets of \$2.4 million to \$60.5 million for the quarter ended March 31, 2008 from \$58.1 million for the same period in 2007.

Interest expense. Interest expense for the three months ended March 31, 2008 decreased \$99,000 or 5.2%, to \$1.8 million from \$1.9 million for the same



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period in 2007. Interest expense on deposits decreased \$62,000 to \$1.5 million in the three months ended March 31, 2008 from \$1.6 million in the same period in 2007. The decrease resulted from a decrease in the average cost of deposits to 3.28% in the 2008 period from 3.40% in the 2007 period. This decrease was partially offset by an increase in average interest-bearing deposit balances of \$9.4 million to \$182.4 million in the 2008 period from \$173.0 million in the 2007 period. Interest expense on other interest-bearing liabilities decreased \$38,000 to \$325,000 in the three months ended March 31, 2008 from \$363,000 in the comparable period in 2007. Virtually all of the decrease in interest expense on other interest-bearing liabilities was due to a decrease in the average outstanding balances of other interest-bearing liabilities to \$22.7 million during the 2008 period from \$25.9 million during the 2007 period. The average outstanding balance of retail repurchase agreements decreased to \$710,000 during the three months ended March 31, 2008 from \$908,000 during the comparable period in 2007.

Net interest margin. The Company's net interest margin increased to 3.37% for the three months ended March 31, 2008 from 2.89% for the three months ended March 31, 2007.

Provision for loan loss. During the quarter ended March 31, 2008, the provision for loan losses was \$428,000, compared to \$40,000 for the quarter ended March 31, 2007. For a discussion of this change, see "Non-performing Assets and Allowance for Loan Losses" herein.

Non-interest income. For the three months ended March 31, 2008, non-interest income totaled \$708,000, compared to \$691,000 for the three months ended March 31, 2007. The \$17,000 increase between the two periods resulted primarily from profit of \$112,000 on the sale of loans, and to an increase in service charges and fee income of \$84,000. There was no profit on the sale of loans during the 2007 period. These increases in non-interest income were partially offset by decreases of \$7,000 and \$177,000 in gain on the sale of property and equipment and real estate owned and gain on the sale of securities available-for-sale. The gain recorded in the 2007 period did not re-occur in the 2008 period.

Non-interest expense. Non-interest expense increased by \$173,000 from \$2.0 million during the three months ended March 31, 2007 to \$2.1 million for the three months ended March 31, 2008. This was the result of increases of \$134,000, \$52,000, \$23,000 and \$22,000 in compensation and benefits, occupancy and equipment expense, deposit insurance premiums and other non-interest expense, respectively. These increases were partially offset by a decrease of \$58,000 in professional fees. The decrease in professional fees was due to additional fees paid during the three month ended March 31, 2007 related to the transition to a new chief financial officer within the Company's accounting and finance area. Such fees were not incurred during the quarter ended March 31, 2008. The increase in deposit insurance premiums was the result of an increase in the assessment rates by the Federal Deposit Insurance Corporation.

Income tax expense. State income tax expense and income tax benefits are recorded based on the taxable income or loss of each of the companies. Federal income taxes are calculated based on the combined income of the consolidated group. Pre-tax net income is reduced by non-taxable income items and increased by non-deductible expense items. The tax provision for the quarter ended March 31, 2008 was larger than anticipated due to the

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effect of the loan write offs recorded during the quarter. Those write offs created a shift in deferred tax assets. The current tax liability increased at the effective current tax rate, while the deferred tax benefit from the timing difference decreased at the higher rate that the Company applies to its timing differences.

Results of Operations for the Nine Months Ended March 31, 2008 Compared to the Nine Months Ended March 31, 2007

General. For the nine months ended March 31, 2008, the Company reported net income of \$280,000, or \$0.18 diluted share, compared to net income of \$265,000, or \$0.17 per diluted share, for the same period in 2007. The increase in net income for the 2007 period included increases in net interest income and non-interest income, which were partially offset by increases in the provision for loan losses, non-interest expense and income taxes.

Net interest income. The Company's net interest income for the nine months ended March 31, 2008 was \$5.4 million, compared to \$4.7 million for the same period in 2007. The increase reflects a \$1.1 million increase in interest income partially offset by a \$536,000 increase in interest expense.

Interest income. Interest income for the nine months ended March 31, 2008 increased \$1.2 million, or 11.5%, to \$11.2 million compared to \$10.1 million for the same period in 2007. Interest income from loans increased \$900,000 to \$9.0 million from \$8.1 million in 2007. This was attributable to an increase in average loans to \$159.7 million during the 2008 period from \$150.5 million during the comparable 2007 period, and to an increase in the yield on loans to 7.46% during the nine months ended March 31, 2008 from 7.15% during the comparable period in 2007. The increase in average loans was the result of an increase in lending volume primarily during the quarters ended September 30, 2007 and March 31, 2008, while loan volume was down during the quarter ended December 31, 2007. The fluctuation in quarterly loan volume is somewhat normal with the last calendar quarter usually being slower than the preceding quarters. This was magnified in 2007 as a result of uncertainties in the real estate markets and the general state of the economy. The increase in yield was the result of a general upward trend in interest rates during the six months ending September 30, 2007, which was somewhat mitigated by a general downward trend at the start of calendar 2008.

Interest income from investment securities and other interest-earning assets for the nine months ended March 31, 2008 increased \$261,000 to \$2.3 million from \$2.0 million for the same period in 2007. The increase was the result of an increase in the average balance of these assets of \$6.0 million to \$63.3 million for the nine months ended March 31, 2008 from \$57.3 million for the same period in 2007, and to an increase in the yield on these assets to 4.75% for the 2008 period from 4.66% for the 2007 period.

Interest expense. Interest expense for the nine months ended March 31, 2008 increased \$536,000 or 10.0%, to \$5.9 million from \$5.4 million for the same period in 2007. Interest expense on deposits increased \$584,000 to \$4.9 million in the nine months ended March 31, 2008 from \$4.3 million in the same period in 2007. The increase resulted from an increase in average interest-bearing deposit balances of \$13.0 million to \$181.3 million in the 2008 period from \$168.3 million in the 2007 period. The increase was also attributable to an increase in the average cost of deposits to 3.58% in the 2008 period from 3.40% in the 2007 period. Interest expense on other interest-bearing liabilities decreased \$48,000 to \$1.1 million in the nine months ended March 31, 2008 from \$1.0 million in the comparable period in 2007. Virtually all of the decrease in interest expense on other interest-bearing liabilities was due to a decrease in the average outstanding

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balances of other interest-bearing liabilities to \$23.4 million during the 2008 period from \$24.5 million during the 2007 period. The average outstanding balance of retail repurchase agreements increased to \$1.4 million during the nine months ended March 31, 2008 from \$363,000 during the comparable period in 2007.

Net interest margin. The Company's net interest margin increased to 3.19% for the nine months ended March 31, 2008 from 3.03% for the nine months ended March 31, 2007.

16

Provision for loan loss. During the nine months ended March 31, 2008, the provision for loan losses was \$581,000, compared to \$280,000 for the nine months ended March 31, 2007. For a discussion of this change, see "Non-performing Assets and Allowance for Loan Losses" herein.

Non-interest income. For the nine months ended March 31, 2008, non-interest income totaled \$2.2 million, compared to \$1.9 million for the nine months ended March 31, 2007. The \$254,000 increase between the two periods resulted primarily from profit of \$376,000 on the sale of loans, and to an increase in service charges and fee income of \$167,000. There was no profit on the sale of loans during the 2007 period. These increases were partially offset by decreases of \$87,000, \$15,000, \$9,000 and \$177,000, in gain on the sale of property and equipment and real estate owned, income from bank owned life insurance, other non-interest income and gain on the sale of securities available-for-sale, respectively.

Non-interest expense. Non-interest expense totaled \$6.4 million for the nine months ended March 31, 2008, compared to \$6.1 million for the nine months ended March 31, 2007, increasing by \$347,000. This was the result of increases of \$86,000, \$98,000, \$54,000, \$65,000 and \$44,000 in compensation and benefits, occupancy and equipment, professional fees, deposit insurance premiums and other non-interest expense, respectively. The increase in professional fees was due to additional internal audit work performed during the period, compared to the prior year and other accounting and legal issues. The increase in deposit insurance premiums was the result of an increase in the assessment rates by the Federal Deposit Insurance Corporation.

Income tax expense. State income tax expense and income tax benefits are recorded based on the taxable income or loss of each of the companies. Federal income taxes are calculated based on the combined income of the consolidated group. Pre-tax net income is reduced by non-taxable income items and increased by non-deductible expense items. The increase in income taxes is primarily the result of the increase in pre-tax income.

### Liquidity and Capital Resources

The Company's primary sources of funds are deposits, borrowings, principal and interest payments on loans, investments, and mortgage-backed securities, and funds provided by other operating activities. While scheduled payments on loans, mortgage-backed securities, and short-term investments are relatively predictable sources of funds, deposit flows and early loan repayments are greatly influenced by general interest rates, economic conditions, and competition.

The Company uses its capital resources principally to meet ongoing commitments

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to fund maturing certificates of deposits and loan commitments, to maintain liquidity, and to meet operating expenses. At March 31, 2008, the Company had commitments to originate loans and fund unused lines of credit totaling \$2.4 million. The Company believes that loan repayment and other sources of funds will be adequate to meet its foreseeable short- and long-term liquidity needs.

Regulations require First Home Savings Bank to maintain minimum amounts and ratios of total risk-based capital and Tier 1 capital to risk-weighted assets, and a leverage ratio consisting of Tier 1 capital to average assets. The following table sets forth First Home Savings Bank's actual capital and required capital amounts and ratios at March 31, 2008 which, at that date, exceeded the minimum capital adequacy requirements.

17

	Actual		Minimum Requirement For Capital Adequacy Purposes		Minimum Requirement To Be Well Capitalized Under Prompt Corrective Action Provisions	
At March 31, 2008	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars in thousands)						
Tangible Capital (to adjusted total assets)	\$24,718	10.05%	\$ 3,688	1.50%	-	-
Tier 1 (Core) Capital (to adjusted total assets)	24,718	10.05	9,834	4.00	\$12,293	5.00%
Total Risk Based Capital (to risk weighted assets)	26,730	16.42	13,023	8.00	16,279	10.00

The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) established five regulatory capital categories and authorized the banking regulators to take prompt corrective action with respect to institutions in an undercapitalized category. At March 31, 2008, First Home Savings Bank exceeded minimum requirements for the well-capitalized category.

### Forward Looking Statements

The Company, and its wholly-owned subsidiaries, First Home Saving Bank and SCMG, Inc., may from time to time make written or oral "forward-looking statements," including statements contained in its filings with the Securities and Exchange Commission, in its reports to shareholders, and in other communications by the Company, which are made in good faith by the Company pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995.

These forward-looking statements include statements with respect to the Company's beliefs, expectations, estimates and intentions that are subject to significant risks and uncertainties, and are subject to change based on various factors, some of which are beyond the Company's control. Such statements may address: future operating results; customer growth and retention; loan and other product demand; earnings growth and expectations;

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new products and services; credit quality and adequacy of reserves; technology; and our employees. The following factors, among others, could cause the Company's financial performance to differ materially from the expectations, estimates, and intentions expressed in such forward-looking statements: the strength of the United States economy in general and the strength of the local economies in which the Company conducts operations; the effects of, and changes in, trade, monetary, and fiscal policies and laws, including interest rate policies of the Federal Reserve Board; inflation, interest rate, market, and monetary fluctuations; the timely development of and acceptance of new products and services of the Company and the perceived overall value of these products and services by users; the impact of changes in financial services' laws and regulations; technological changes; acquisitions; changes in consumer spending and saving habits; and the success of the Company at managing its "litigation", improving its loan underwriting and related lending policies and procedures, collecting assets of borrowers in default, successfully resolving the MOU and managing the risks involved in the foregoing.

The foregoing list of factors is not exclusive. Additional discussions of factors affecting the Company's business and prospects are contained in the Company's periodic filings with the SEC. The Company expressly disclaims any intent or obligation to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the Company.

18

### Item 3. Controls and Procedures

Any control system, no matter how well designed and operated, can provide only reasonable (not absolute) assurance that its objectives will be met. Furthermore, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

#### Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (Exchange Act) as of the end of the period covered by the report.

Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that as of March 31, 2008 the Company's disclosure controls and procedures were effective to provide reasonable assurance that (i) the information required to be disclosed by the Company in this Report was recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) information required to be disclosed by the Company in the reports that its files or submits under the Exchange Act is accumulated and communicated to its management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

#### Internal Control Over Financial Reporting

During the quarter ended March 31, 2008, there have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Act) that has materially affected, or is reasonably likely to materially

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affect, our internal control over financial reporting.

The Company does not expect that its disclosure controls and procedures and internal control over financial reporting will prevent all error and all fraud. A control procedure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control procedure are met. Because of the inherent limitations in all control procedures, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any control procedure also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

The Company intends to continually review and evaluate the design and effectiveness of its disclosure controls and procedures and to improve its controls and procedures over time and to correct any deficiencies that it may discover in the future. The goal is to ensure that senior management has timely access to all material financial and non-financial information concerning the Company's business. While the Company believes the present design of its disclosure controls and procedures is effective to achieve its goal, future events affecting its business may cause the Company to modify its disclosure controls and procedures.

19

FIRST BANCSHARES, INC.  
AND SUBSIDIARIES  
PART II - OTHER INFORMATION

FORM 10-QSB

Item 1. Legal Proceedings  
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There are no material pending legal proceedings to which the Company or its subsidiaries is a party other than ordinary routine litigation incidental to their respective businesses.

Item 2. Unregistered Sale of Equity Securities and Use of Proceeds  
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(a) Recent sales of unregistered securities - None.

(b) Use of proceeds - None.

(c) Stock repurchases - None

Item 3. Defaults Upon Senior Securities - None  
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Item 4. Submission of Matters to a Vote of Security Holders - None

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Item 5. Other Information - None  
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Item 6. Exhibits  
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(a) Exhibits:

- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
  - 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
  - 32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
  - 32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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20

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FIRST BANCSHARES, INC.

Date: May 12, 2008  
-----

By: /s/ Daniel P. Katzfey  
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Daniel P. Katzfey, President,  
and Chief Executive Officer

Date: May 12, 2008  
-----

By: /s/ Ronald J. Walters  
-----

Ronald J. Walters, Senior Vice President,  
Treasurer and Chief Financial Officer

21

EXHIBIT INDEX

Exhibit No. Description of Exhibit  
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- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of

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- the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

22

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Daniel P. Katzfey, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of First Bancshares, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter ended (the registrant's fourth fiscal quarter in the case of an annual report), that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the



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registrant's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2008  
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/s/ Daniel P. Katzfey  
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Chief Executive Officer

23

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ronald J. Walters, certify that:

- 1. I have reviewed this quarterly report on Form 10-QSB of First Bancshares, Inc.;
- 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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(c) Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter ended (the registrant's fourth fiscal quarter in the case of an annual report), that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2008

/s/ Ronald J. Walters

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Chief Financial Officer

24

Exhibit 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18USC SECTION 1350  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report on Form 10-QSB of First Bancshares, Inc. (the "Company") for the quarterly period ended December 31, 2007 (the "Report"), I, Daniel P. Katzfey, Chief Executive Officer of the Company, hereby certify, pursuant to 18 USC Section 1350, as adopted, pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

May 12, 2008

By: /s/ Daniel P. Katzfey

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Name: Daniel P. Katzfey  
Chief Executive Officer

25

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Exhibit 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 USC SECTION 1350  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report on Form 10-QSB of First Bancshares, Inc. (the "Company") for the quarterly period ended December 31, 2007 (the "Report"), I, Ronald J. Walters, Chief Financial Officer of the Company, hereby certify, pursuant to 18 USC Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

May 12, 2008

by: /s/ Ronald J. Walters  
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Name: Ronald J. Walters  
Chief Financial Officer