

FIRST CITIZENS BANCSHARES INC /TN/  
Form S-4  
July 18, 2014  
As filed with the Securities and Exchange Commission on July 18, 2014

Registration No. 333-[ ]

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM S-4**

**REGISTRATION STATEMENT  
UNDER THE SECURITIES ACT OF 1933**

**FIRST CITIZENS BANCSHARES, INC.**

(Exact name of registrant as specified in its charter)

**Tennessee**

**6022**

**62-1180360**

(State or other jurisdiction of incorporation or organization)

(Primary Standard Industrial Classification Code Number)

(I.R.S. Employer Identification Number)

**One First Citizens Place  
Dyersburg, Tennessee 38024  
(731) 285-4410**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Jeffrey D. Agee

President and Chief Executive Officer

First Citizens Bancshares, Inc.  
One First Citizens Place  
Dyersburg, Tennessee 38024  
(731) 285-4410

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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**Approximate date of commencement of proposed sale of the securities to the public:** As soon as practicable after this Registration Statement becomes effective and completion of the merger described in the enclosed Proxy Statement/Prospectus.

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

**CALCULATION OF REGISTRATION FEE**

<b>Title of each class of securities to be registered</b>	<b>Amount to be registered(1)</b>	<b>Proposed maximum offering price per share</b>	<b>Proposed maximum aggregate offering price(2)</b>	<b>Amount of registration fee(2)(3)</b>
Common stock, no par value per share	269,302	N/A	\$6,224,259.90	\$801.68
Class A common stock, no par value per share	108,356	N/A	-	-

- (1) Represents the maximum number of shares of the Registrant's common stock expected to be issued in connection with the proposed merger to which this Registration Statement relates, before giving effect to any adjustment provided in the agreement and plan of merger.
- (2) Estimated solely for the purpose of determining the registration fee in accordance with Rule 457(f)(2) and (f)(3) under the Securities Act by multiplying (1) the book value of Southern Heritage Bancshares, Inc. stock of \$16.99 per share as of March 31, 2014 by (2) the maximum number of shares of Southern Heritage Bancshares, Inc. stock to be exchanged in the merger to which this Registration Statement relates, minus (3) the cash portion of the merger consideration of \$16,085,903.75 to be paid by the Registrant to the holders of Southern Heritage Bancshares, Inc. stock, before giving effect to any adjustment provided in the agreement and plan of merger based on the combined number of shares of the Registrant's common stock and the Class A common stock to be issued.
- (3) Determined in accordance with Section 6(b) of the Securities Act at a rate equal to \$128.80 per \$1,000,000 of the proposed maximum aggregate offering price.

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

Subject to completion, dated July 18, 2014

**PROXY STATEMENT/PROSPECTUS**

**First Citizens Bancshares, Inc., holding company for**

**Southern Heritage Bancshares, Inc.,  
holding company for**

**MERGER PROPOSED - YOUR VOTE IS VERY IMPORTANT**

The boards of directors of First Citizens Bancshares, Inc. ( First Citizens ) and Southern Heritage Bancshares, Inc. ( SHB ) have approved an agreement and plan of merger, as amended (the Merger Agreement ), to merge our two companies. If SHB shareholders approve the Merger Agreement and the transactions contemplated thereby, and the merger is completed, SHB will merge with and into First Citizens and SHB shareholders (other than SHB shareholders who properly exercise their right to dissent from the merger and subject to all applicable securities laws) will have the right to receive an aggregate of (i) \$16,085,903.75 in cash, subject to adjustment as set forth in the Merger Agreement, and (ii) 377,658 shares of First Citizens stock, subject to adjustment as set forth in the Merger Agreement, of the following classes depending on the class of SHB stock held by them: 269,302 shares of First Citizens common stock and 108,356 shares of First Citizens Class A common stock.

If the merger is completed, each share of SHB stock issued and outstanding immediately prior to the effective time of the merger will, subject to the election described below, be converted into the right to receive (i) \$12.25 in cash, plus (ii) 0.2876 of a share of First Citizens stock. Shareholders of SHB who hold more than one share of SHB stock may elect to receive consideration in exchange for each share of SHB common stock in the form of: (a) 0.5751 shares of First Citizens stock or (b) \$24.50 in cash, subject to adjustment pursuant to the merger consideration adjustments as provided in the Merger Agreement, including First Citizens' rights to adjust the aggregate merger consideration such that, in the aggregate, no more than 377,658 shares of First Citizens stock will be issued in connection with the merger; provided, however, that if SHB's accumulated other comprehensive income as of the closing date is a loss of greater than \$3.4 million, then First Citizens may increase the number of shares issued as merger consideration so that up to 55% of the aggregate merger consideration is comprised of First Citizens stock. First Citizens may not issue its stock to residents of any state in which the offering of these securities is not registered or eligible for a claim of exemption from registration.

SHB shareholders who hold SHB common stock shall receive First Citizens common stock and SHB shareholders who hold SHB Class A common stock, SHB Class B common stock or SHB Series A preferred stock shall receive First Citizens Class A common stock. In lieu of the issuance of any fractional shares of First Citizens stock, First Citizens will pay to each former SHB shareholder who would otherwise be entitled to receive such fractional share an amount in cash determined by multiplying (i) \$42.60 by (ii) the fraction of a share of First Citizens common stock to which such holder would otherwise be entitled to receive. All holders of SHB common stock, SHB Class A common stock, SHB Class B common stock and SHB Series A preferred stock shall have the right to vote on the merger; however, only holders of SHB common stock have the right to vote with respect to the other proposals to be submitted at the annual meeting of SHB shareholders.

First Citizens stock is not currently listed or traded on any securities exchange or quotation system. Neither the common stock nor the preferred stock of SHB is listed or traded on any securities exchange or quotation system.

We cannot complete the merger unless we obtain the necessary governmental approvals and unless the shareholders of SHB approve the merger agreement. The board of directors of SHB unanimously recommends that you vote in favor of the merger agreement.



This Proxy Statement/Prospectus provides you with detailed information about the proposed merger between First Citizens and SHB. This document also contains information about First Citizens and SHB. We encourage you to carefully read and consider this Proxy Statement/Prospectus in its entirety.

*You should carefully consider the risk factors described beginning on page 13 of this Proxy Statement/Prospectus.*

*First Citizens is an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012 and, as such, may elect to comply with certain reduced public company reporting requirements after this offering.*

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this Proxy Statement/Prospectus or determined if this Proxy Statement/Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

**This Proxy Statement/Prospectus does not constitute an offer to sell, or a solicitation of an offer to purchase, the securities offered by this Proxy Statement/Prospectus, or the solicitation of a proxy, in any jurisdiction to or from any person to whom or from whom it is unlawful to make such offer, solicitation of an offer or proxy solicitation in such jurisdiction.**

**Shares of First Citizens stock are not savings or deposit accounts or other obligations of any bank or savings association, and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.**

The date of this Proxy Statement/Prospectus is [ ], 2014,  
and it is first being mailed to the shareholders of SHB on or about [ ], 2014.

**Southern Heritage Bancshares, Inc.,**

**The holding company for**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON [ ], 2014**

TO THE SHAREHOLDERS OF SOUTHERN HERITAGE BANCSHARES, INC.:

This serves as notice to you that an annual meeting of shareholders of Southern Heritage Bancshares, Inc. ( SHB ) will be held on [ ], 2014, at [ ] Eastern Time, at 3020 Keith Street NW, Cleveland, Tennessee 37312, for the following purposes:

1. *Merger Proposal.* Considering and voting upon the approval of the agreement and plan of merger (the Merger Agreement ), dated as of March 20, 2014, between SHB and First Citizens Bancshares, Inc. ( First Citizens ), which provides for the merger of SHB with and into First Citizens as more fully described in the accompanying Proxy Statement/Prospectus, and the transactions contemplated by the Merger Agreement;
2. *Election of Directors.* Electing two Class III members of the board of directors to serve three-year terms until the annual meeting of shareholders in 2017 or until their successors have been duly elected and qualified. Note that upon the effective date of the merger, if approved and then consummated, the directors of SHB will no longer serve as directors of SHB, but since the same directors generally are elected as the directors of Southern Heritage Bank, they will continue to serve in that capacity;
3. *Adjournment.* If necessary, adjourning the annual meeting to a later date; and
4. *Other Business.* Transacting such other business as may properly come before the annual meeting or any adjournment of the annual meeting.

All holders of record of SHB common stock, SHB Class A common stock, SHB Class B common stock and SHB Series A preferred stock at the close of business on [ ], 2014 (the record date ) are entitled to notice of and to vote on the merger. Each share of SHB stock is entitled to one vote. Approval of the Merger Agreement requires approval by an affirmative vote of at least a majority of the outstanding shares of SHB stock entitled to vote on the proposal, voting as separate classes. Only holders of SHB common stock at the close of business on the record date have the right to vote with respect to the other proposals to be submitted at the annual meeting of SHB shareholders.

**The board of directors of SHB has unanimously approved the Merger Agreement and the transactions contemplated thereby and recommends that SHB shareholders vote FOR approval of the Merger Agreement and the transactions contemplated thereby.**

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Under the terms of the Merger Agreement, if the Merger Agreement is approved and the merger is completed, all outstanding shares of SHB stock will be converted into the right to receive an aggregate of (i) \$16,085,903.75 in cash, subject to adjustment as set forth in the Merger Agreement, and (ii) 377,658 shares of First Citizens stock, subject to adjustment as set forth in the Merger Agreement, of the following classes depending on the class of SHB stock held by SHB's shareholders: 269,302 shares of First Citizens common stock and 108,356 shares of First Citizens Class A common stock.

If the merger is completed, each share of SHB stock issued and outstanding immediately prior to the effective time of the merger will, subject to the election described below, be converted into the right to receive (i) \$12.25 in cash, plus (ii) 0.2876 of a share of First Citizens stock. Shareholders of SHB who hold more than one share of SHB stock may elect to receive consideration in exchange for each share of SHB common stock in the form of: (a) 0.5751 shares of First Citizens stock or (b) \$24.50 in cash, subject to adjustment pursuant to the merger consideration adjustments as provided in the Merger Agreement, including First Citizens' rights to adjust the aggregate merger consideration such that, in the aggregate, no more than 377,658 shares of First Citizens stock will be issued in connection with the merger; provided, however, that if SHB's accumulated other comprehensive income as of the closing date is a loss of greater than \$3.4 million, then First Citizens may increase the number of shares issued as merger consideration so that up to 55% of the aggregate merger consideration is comprised of First Citizens stock. First Citizens may not issue its stock to residents of any state in which the offering of these securities is not registered or eligible for a claim of exemption from registration.

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SHB shareholders who hold SHB common stock shall receive First Citizens common stock and SHB shareholders who hold SHB Class A common stock, SHB Class B common stock or SHB Series A preferred stock shall receive First Citizens Class A common stock. In lieu of the issuance of any fractional shares of First Citizens stock, First Citizens will pay to each former SHB shareholder who would otherwise be entitled to receive such fractional share an amount in cash determined by multiplying (i) \$42.60 by (ii) the fraction of a share of First Citizens common stock to which such holder would otherwise be entitled to receive. All holders of SHB common stock, SHB Class A common stock, SHB Class B common stock and SHB Series A preferred stock shall have the right to vote on the merger; however, only holders of SHB common stock have the right to vote with respect to the other proposals to be submitted at the annual meeting of SHB shareholders.

**Notice of Right to Dissent.** Dissenting SHB shareholders who comply with the procedural requirements of Chapter 23 of the Tennessee Business Corporation Act will be entitled to receive payment of the fair value of their shares. A copy of Chapter 23 of the Tennessee Business Corporation Act containing the procedural requirements to exercise dissenters' rights is attached as Annex B to the accompanying Proxy Statement/Prospectus. In addition, please see the section entitled PROPOSAL 1: THE MERGER Dissenters' Rights in the accompanying Proxy Statement/Prospectus for a discussion of the procedures to be followed in asserting these dissenters' rights.

**Please vote through the Internet or mark, sign, date and return the enclosed proxy card promptly, whether or not you plan to attend the annual meeting.** All SHB shareholders are invited to attend the annual meeting. To ensure your representation at the annual meeting, please complete and promptly mail the enclosed proxy card in the enclosed postage paid business reply envelope or vote through the Internet by visiting the following website: [www.voteproxy.com](http://www.voteproxy.com). This will not prevent you from voting in person, but will help to secure a quorum and avoid added solicitation costs. If you do not vote your proxy and do not attend the annual meeting in order to vote in person, the effect will be the same as a vote against the Merger Agreement and the transactions contemplated thereby. You may revoke your proxy at any time before it is voted.

Please review the Proxy Statement/Prospectus accompanying this notice for more complete information regarding the proposed merger and the annual meeting.

BY ORDER OF THE BOARD OF DIRECTORS,

J. Lee Stewart  
*President and Chief Executive Officer*

[ ], 2014



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**QUESTIONS AND ANSWERS  
ABOUT THE MERGER AND THE ANNUAL MEETING**

The following are some questions that you may have regarding the merger and the SHB annual meeting and brief answers to those questions. We urge you to carefully read the remainder of this Proxy Statement/Prospectus because the information in this section does not provide all the information that might be important to you with respect to the merger and the annual meeting.

**Q** : What am I being asked to vote on?

**A:** If you are a record holder of SHB common stock, SHB Class A common stock, SHB Class B common stock or SHB Series A preferred stock, you are being asked to vote on a proposal to approve a merger in which SHB will merge with and into First Citizens, with First Citizens surviving. Southern Heritage Bank will become a wholly-owned subsidiary of First Citizens. After the merger, SHB shareholders will no longer own shares of SHB stock and will receive the per share merger consideration.

In addition, if you are a holder of SHB common stock, you are also being asked to vote on the following proposals:

- *Election of Directors.* To elect two Class III members of the board of directors to serve three-year terms until the annual meeting of shareholders in 2017 or until their successors have been duly elected and qualified. Note that upon the effective date of the merger, if approved and then consummated, the directors of SHB will no longer serve as directors of SHB, but since the same directors generally are elected as the directors of Southern Heritage Bank, they will continue to serve in that capacity.
- *Adjournment.* If necessary, to adjourn the annual meeting to a later date.
- *Other Business.* To transact such other business as may properly come before the annual meeting or any adjournment of the annual meeting.

**Q:** Why is SHB merging with First Citizens?

**A:** SHB is merging with First Citizens because the boards of directors of both companies believe that the merger will provide shareholders of both companies with substantial benefits and will enable the combined company to better serve customers. The combined company would have a presence throughout West and East Tennessee. A detailed discussion of the background of and reasons for the proposed merger is contained under the headings PROPOSAL 1: THE MERGER - Background of the Merger, and PROPOSAL 1: THE MERGER - Reasons for the Merger; Recommendation of the Board of Directors.

**Q:** **What do I need to do now?**

**A:** After you carefully read this Proxy Statement/Prospectus, please vote using the Internet by visiting the following website: [www.voteproxy.com](http://www.voteproxy.com) or, if you have been provided a proxy card, please vote it promptly by indicating on the enclosed proxy card how you want to vote, and by signing and mailing the proxy card in the enclosed postage-paid business reply envelope as soon as possible so that your shares may be represented at the annual meeting of shareholders. Do not send in your stock certificates now.

Regardless of whether you plan to attend the annual meeting in person, if you are a SHB shareholder, we encourage you to vote your proxy promptly. This will help to ensure that a quorum is present at the annual meeting and will help reduce the costs associated with the solicitation of proxies.

The board of directors of SHB unanimously recommends that SHB shareholders vote **FOR** approval of the Merger Agreement and the transactions contemplated thereby and that holders of SHB common stock vote **FOR** the election of two Class III directors to serve until the 2017 annual meeting of shareholders.

**Q:** **Why is my vote important?**

**A:** Pursuant to the Tennessee Business Corporation Act, the Merger Agreement must be approved by a majority of all the votes of each class entitled to be cast by SHB shareholders, with each class of stock voting separately. Therefore, a majority of the outstanding shares of SHB stock held by SHB shareholders, present in person or by proxy at the annual meeting, must vote to approve the Merger Agreement. Accordingly, if you abstain, it will have the same effect as a vote **AGAINST** approval of the Merger Agreement.

**Q:** Can I change my vote after I have delivered my proxy card?

**A:** You may change your vote at any time before your proxy is voted at the meeting. You can do this in any of the following three ways:

- by sending a written notice to the corporate secretary of SHB in time to be received before the annual meeting stating that you would like to revoke your proxy;
- by completing, signing and dating another proxy card and returning it by mail in time to be received before the annual meeting, in which case your later-submitted proxy will be recorded and your earlier proxy revoked;
- re-vote by using the Internet and visiting the following website: [www.voteproxy.com](http://www.voteproxy.com); or
- if you are a SHB shareholder, by attending the annual meeting and voting in person, although attendance by itself will not revoke a previously granted proxy.

If your shares are held in an account at a broker, you should contact your broker to change your vote.

**Q:** If my shares are held in street name by my broker, will my broker vote my shares for me?

**A:** **NOT WITH RESPECT TO THE PROPOSAL TO APPROVE THE MERGER AGREEMENT.** You should instruct your broker to vote your shares, following the directions your broker provides. Your broker will not have the discretion to vote your shares on the proposal to approve the Merger Agreement or on the proposal to elect two Class III directors. Failure to instruct your broker how to vote your shares on the proposal to approve the Merger Agreement will have the same effect as voting AGAINST the Merger Agreement.

**Q:** What is the aggregate amount of consideration to be paid by First Citizens in the merger?

**A:** Under the terms of the Merger Agreement, if the Merger Agreement is approved and the merger is completed, the outstanding shares of SHB stock will be converted into the right to receive an aggregate of (i) \$16,085,903.75 in cash, subject to adjustment as set forth in the Merger Agreement, and (ii) 377,658 shares of First Citizens stock, subject to adjustment as set forth in the Merger Agreement.

**Q:** What will I receive in connection with the merger?

**A:** If the merger is completed, each share of SHB stock issued and outstanding immediately prior to the effective time of the merger will, subject to the election described below, be converted into the right to receive (i) \$12.25 in cash, plus (ii) 0.2876 of a share of First Citizens stock. Shareholders of SHB who hold more than one share of SHB stock may elect to receive consideration in exchange for each share of SHB common stock in the form of: (a) 0.5751 shares of First Citizens stock or (b) \$24.50 in cash, subject to adjustment pursuant to the merger consideration adjustments as provided in the Merger Agreement, including First Citizens' rights to adjust the aggregate merger consideration such that, in the aggregate, no more than 377,658 shares of First Citizens stock will be issued in connection with the merger; provided, however, that if SHB's accumulated other comprehensive income as of the closing date is a loss of greater than \$3.4 million, then First Citizens may increase the number of shares issued as merger consideration so that up to 55% of the aggregate merger consideration is comprised of First Citizens stock. First Citizens may not issue its stock to residents of any state in which the offering of these securities is not registered or eligible for a claim of exemption from registration.

SHB shareholders who hold SHB common stock shall receive First Citizens common stock and SHB shareholders who hold SHB Class A common stock, SHB Class B common stock or SHB Series A preferred stock shall receive First Citizens Class A common stock. In lieu of the issuance of any fractional shares of First Citizens stock, First Citizens will pay to each former SHB shareholder who would otherwise be entitled to receive such fractional share an amount in cash determined by multiplying (i) \$42.60 by (ii) the fraction of a share of First Citizens common stock to which such holder would otherwise be entitled to receive.

**Q:** **Who will be on the board of directors of First Citizens after the merger?**

**A:** Following the merger, the board of directors of First Citizens will consist of 19 members. Eighteen of these directors will be the current members of the board of directors of First Citizens. For more information on these individuals, see INFORMATION ABOUT FIRST CITIZENS - Management of First Citizens. J. Lee Stewart, the current president and chief executive officer of SHB, will be joining the First Citizens board of directors as the 19<sup>th</sup> member. He will also be



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joining the First Citizens National Bank board of directors. If, prior to the closing date, Mr. Stewart becomes unavailable for any reason to serve as a member of the board of directors of First Citizens or First Citizens National Bank following the merger, the boards of directors of First Citizens and First Citizens National Bank will continue with their current members. See THE MERGER AGREEMENT - Management and Operations Following the Merger for biographical information with respect to Mr. Stewart.

**Q:** What are the material U.S. federal income tax consequences of the merger to the shareholders?

A: The merger has been structured and is intended to qualify as a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"). As a result of the merger's qualification as a reorganization, it is anticipated that SHB shareholders will not recognize gain or loss for U.S. federal income tax purposes on the exchange of shares of SHB stock for shares of First Citizens stock, except with respect to cash received in connection with the merger and cash delivered in lieu of fractional shares of First Citizens stock and except for SHB shareholders who exercise their dissenters' rights with respect to the merger.

**This tax treatment may not apply to all SHB shareholders. You are urged to consult your own tax advisor for a full understanding of the merger's tax consequences that are particular to you.**

**Q:** What is the purpose of this Proxy Statement/Prospectus?

A: This document serves as SHB's proxy statement and as First Citizens' prospectus. As a proxy statement, this document is being provided to SHB's shareholders because SHB's board of directors is soliciting proxies to vote to approve the Merger Agreement, the election of directors and other business that may properly come before the meeting. As a prospectus, this document is being provided to SHB's shareholders by First Citizens because First Citizens is offering shares of First Citizens stock in exchange for their shares of SHB's stock if the merger is completed.

**Q:** Should I send in my SHB stock certificates now?

A: No. You should not send in your stock certificates at this time. If the merger is approved by the SHB shareholders, then shortly after the annual meeting, the exchange agent will send SHB shareholders written instructions for exchanging SHB stock certificates for First Citizens stock certificates, including a letter of transmittal and an election form with instructions.

**Q:** Do I have the right to dissent and obtain the fair value for my shares?

A: Yes, if you are a SHB shareholder, Tennessee law permits you to dissent from the merger and to obtain payment in cash of the fair value of your shares of SHB stock. To do this, an SHB shareholder must follow specific procedures, including delivering written notice to SHB of his or her intent to demand payment for his or her shares if the merger is completed. This notice must be delivered to SHB before the shareholder vote on the Merger Agreement is taken and a dissenting SHB shareholder must not vote his or her shares in favor of the Merger Agreement. If an SHB shareholder follows the required procedures, his or her only right will be to receive the fair value of his or her SHB stock in cash if the merger is completed. If a shareholder thinks that he or she may desire to dissent, then such person should not send in a proxy unless it is marked to vote against the merger. Copies of the applicable Tennessee statutes are attached to this Proxy Statement/Prospectus as Annex B. See PROPOSAL 1: THE MERGER - Dissenters Rights.

Tennessee law does not provide dissenters' rights to First Citizens' shareholders.

**Q:** Whom do I contact if I have questions about the merger?

A: If you have questions about the merger, including about the procedures for voting your shares, you should contact:  
Southern Heritage Bancshares, Inc.

3020 Keith Street NW

Cleveland, Tennessee 37312

Attention: J. Lee Stewart, President and Chief Executive Officer

Phone Number: (423) 473-7980

**Q:** When and where will the annual meeting of shareholders of SHB be held?

A: The annual meeting of shareholders of SHB will be held on [ ], 2014, at [ ] Eastern Time, at 3020 Keith Street NW, Cleveland, Tennessee 37312.

**Q:** Who is entitled to vote at the annual meeting of shareholders of SHB?

A: All holders of record of SHB common stock, SHB Class A common stock, SHB Class B common stock and SHB Series A preferred stock at the close of business on [ ], 2014 are entitled to notice of and to vote on the merger. Only holders of SHB common stock at the close of business on the record date have the right to vote with respect to the other proposals to be submitted at the annual meeting of SHB shareholders.

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

A: We expect to complete the merger during the third quarter of 2014, although delays could occur. We received approval from the Federal Reserve System (the "Federal Reserve") on May 13, 2014, and the Federal Reserve has extended the deadline by which the

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merger must close to November 13, 2014. We received approval from the Tennessee Department of Financial Institutions (the TDFI ) on [ ], 2014. The next step is to obtain the approval of SHB shareholders at their annual shareholders meeting.

- Q:** Are there any risks I should consider in deciding whether I vote for the Merger Agreement?
- A:** Yes. A number of risk factors that you should consider carefully are set forth under the heading of Risk Factors, beginning on page 13.



## SUMMARY

This summary highlights selected information from this Proxy Statement/Prospectus. It does not contain all of the information that is important to you. You should carefully read this entire Proxy Statement/Prospectus and the documents to which it refers in order to understand fully the merger and to obtain a more complete description of the companies and the legal terms of the merger. For information on how to obtain copies of documents referred to in this Proxy Statement/Prospectus, you should read the section entitled **WHERE YOU CAN FIND MORE INFORMATION**. Each item in this summary includes a page reference that directs you to a more complete description in this Proxy Statement/Prospectus of the topic discussed.

### The Companies (Pages 70, 112)

#### FIRST CITIZENS BANCSHARES, INC.

One First Citizens Place

Dyersburg, Tennessee 38024

(731) 287-4391

First Citizens Bancshares, Inc. ( **First Citizens** ) is incorporated in Tennessee, based in Dyersburg, Tennessee, and operates as a financial holding company under the Bank Holding Company Act of 1956, as amended (the **Bank Holding Company Act** ). First Citizens conducts its operations through its national bank subsidiary, First Citizens National Bank, and its banking-related subsidiaries. First Citizens National Bank operates 21 commercial banking, mortgage and insurance locations in West and Middle Tennessee. As of December 31, 2013, First Citizens had total assets of approximately \$1.18 billion, deposits of approximately \$969 million and shareholders' equity of approximately \$113 million.

On March 20, 2014, First Citizens announced that it had entered into a definitive agreement to acquire Southern Heritage Bancshares, Inc. ( **SHB** ). The merger has been approved by the boards of directors of both First Citizens and SHB and is expected to close during the third quarter of 2014, although delays may occur. The transaction is subject to certain conditions, including the approval by shareholders of SHB and customary regulatory approvals.

#### SOUTHERN HERITAGE BANCSHARES, INC.

3020 Keith Street NW

Cleveland, Tennessee 37312

(423) 473-7980

SHB is incorporated in Tennessee, based in Cleveland, Tennessee, and operated as a bank holding company under the Bank Holding Company Act. As of December 31, 2013, SHB had total assets of approximately \$237 million and shareholders' equity of approximately \$30 million. Southern Heritage Bank, a wholly-owned subsidiary of SHB, is a full service commercial bank with three locations in Cleveland, Bradley County, Tennessee, with total loans of approximately \$139 million and deposits of approximately \$206 million. As of December 31, 2013, there were 936,375 shares of SHB common stock issued and outstanding, 151,949 shares of SHB Class A common stock issued and outstanding, 193,176 shares of SHB Class B common stock issued and outstanding and 31,635 shares of SHB Series A preferred stock issued and outstanding.

### The Merger (Page 41)

First Citizens and SHB entered into an agreement and plan of merger (the **Merger Agreement** ) whereby SHB will merge with and into First Citizens, with First Citizens surviving, subject to SHB's shareholders approving the merger and the receipt of regulatory approval and other conditions. If the merger is completed, Southern Heritage Bank will become a wholly-owned subsidiary of First Citizens. The Merger

Agreement is attached to this Proxy Statement/Prospectus as Annex A. You should read it carefully. Subject to shareholder and regulatory approval, management of First Citizens and SHB expect to complete the merger during the third quarter of 2014.

**What SHB Shareholders Will Receive in the Merger (Page 59)**

Under the terms of the Merger Agreement, if the Merger Agreement is approved and the merger is completed, all outstanding shares of SHB stock will be converted into the right to receive an aggregate of (i) \$16,085,903.75 in cash, subject to adjustment as set forth in the Merger Agreement, and (ii) 377,658 shares of First Citizens stock, subject to adjustment as set forth in the Merger Agreement, of the following classes depending on the class of SHB stock held by them: 269,302 shares of First Citizens common stock and 108,356 shares of First Citizens Class A common stock.

If the merger is completed, each share of SHB stock issued and outstanding immediately prior to the effective time of the merger will, subject to the election described below, be converted into the right to receive (i) \$12.25 in cash, plus (ii) 0.2876 of a share of First Citizens stock. Shareholders of SHB who hold more than one share of SHB stock may elect to receive consideration in exchange for each share of SHB common stock in the form of: (a) 0.5751 shares of First Citizens stock or (b) \$24.50 in cash, subject to adjustment pursuant to the merger consideration adjustments as provided in the Merger Agreement, including First Citizens' rights to adjust the aggregate merger consideration such that, in the aggregate, no more than 377,658 shares of First Citizens stock will be issued in connection with the merger; provided, however, that if SHB's accumulated other comprehensive income as of the closing date is a loss of greater than \$3.4 million, then First Citizens may increase the number of shares issued as merger consideration so that up to 55% of the aggregate merger consideration is comprised of First Citizens stock. First Citizens may not issue its stock to residents of any state in which the offering of these securities is not registered or eligible for a claim of exemption from registration.

SHB shareholders who hold SHB common stock shall receive First Citizens common stock and SHB shareholders who hold SHB Class A common stock, SHB Class B common stock or SHB Series A preferred stock shall receive First Citizens Class A common stock. In lieu of the issuance of any fractional shares of First Citizens stock, First Citizens will pay to each former SHB shareholder who would otherwise be entitled to receive such fractional share an amount in cash determined by multiplying (i) \$42.60 by (ii) the fraction of a share of First Citizens common stock to which such holder would otherwise be entitled to receive.

At the effective time of the merger, persons who are First Citizens shareholders immediately prior to the merger would own approximately 90.5% of the outstanding shares of stock of the combined company, including approximately 93% of the voting stock, and persons who are SHB shareholders immediately prior to the merger would own approximately 9.5% of the outstanding shares of stock of the combined company including approximately 7% of the voting stock.

**The Board of Directors of SHB Recommends that its Shareholders Approve the Merger Agreement (Page 42)**

The board of directors of SHB has approved the Merger Agreement and the transactions contemplated thereby, and believes, based on a number of factors described in this Proxy Statement/Prospectus, that the merger between SHB and First Citizens is in the best interests of SHB shareholders and recommends that SHB shareholders vote FOR the proposal to approve the Merger Agreement and the transactions contemplated thereby.

**Vote Required to Complete the Merger (Page 39)**

The Merger Agreement must be approved by a majority of all the votes entitled to be cast by SHB shareholders on this merger. Therefore, a majority of the outstanding shares of SHB stock held by SHB shareholders, present in person or by proxy at the annual meeting, must be voted to approve the Merger Agreement. SHB expects that its executive officers and directors will vote all of their shares of SHB stock in favor of the Merger Agreement.

The following chart describes the SHB shareholder vote required to approve the Merger Agreement:

Number of shares of SHB stock entitled to vote outstanding on [ ]	<input type="checkbox"/> shares of SHB common stock <input type="checkbox"/> shares of SHB Class A common stock <input type="checkbox"/> shares of SHB Class B common stock <input type="checkbox"/> shares of SHB Series A preferred stock
Number of votes necessary to approve the Merger Agreement	<input type="checkbox"/> shares of SHB common stock <input type="checkbox"/> shares of SHB Class A common stock <input type="checkbox"/> shares of SHB Class B common stock



[ ] shares of SHB Series A preferred stock

Percentage of outstanding shares of SHB stock entitled to vote necessary to approve >50% of each class of SHB stock the Merger Agreement

Number of votes that executive officers, directors and their affiliates can cast as of [ ] shares of SHB common stock [ ]

[ ] shares of SHB Class A common stock

[ ] shares of SHB Class B common stock

[ ] shares of SHB Series A preferred stock

Percentage of votes that executive officers, directors and their affiliates can cast as of [ ] % of SHB common stock of [ ]

[ ] % of SHB Class A common stock

[ ] % of SHB Class B common stock

[ ] % of SHB Series A preferred stock

**Annual Meeting (Page 38)**

An annual meeting of the shareholders of SHB will be held at the following time and place:

[ ], 2014  
[ ] (Eastern Time)  
3020 Keith Street NW

Cleveland, Tennessee 37312

At the SHB annual meeting, the following proposals will be considered and voted upon:

1. *Merger Proposal.* To approve the Merger Agreement and the transactions contemplated by the Merger Agreement;
2. *Election of Directors.* To elect two Class III members of the board of directors to serve three-year terms until the annual meeting of shareholders in 2017 or until their successors have been duly elected and qualified. Note that upon the effective date of the merger, if approved and then consummated, the directors of SHB will no longer serve as directors of SHB, but since the same directors generally are elected as the directors of Southern Heritage Bank, they will continue to serve in that capacity;

3. *Adjournment.* If necessary, to adjourn the annual meeting to a later date; and

4. *Other Business.* To transact such other business as may properly come before the annual meeting or any adjournment of the annual meeting.

All holders of SHB common stock, SHB Class A common stock, SHB Class B common stock and SHB Series A preferred stock shall have the right to vote on the merger; however, only holders of SHB common stock have the right to vote with respect to the other proposals to be submitted at the annual meeting of SHB shareholders.

### **Vote Required on Other Matters (Page 39)**

Only holders of SHB common stock are entitled to vote on matters other than the merger at the annual meeting. You are entitled to vote your common stock if our records show that you held your shares as of the close of business on [ ], the record date. Holders of shares of our Class A common stock, Class B common stock and SHB Series A preferred stock are not entitled to vote on these other matters being presented at the annual meeting.

Each shareholder is entitled to one vote for each share of common stock held on the record date. On that date, there were [ ] shares of common stock outstanding and entitled to vote. Shareholders are not entitled to cumulative voting rights.

For the election of directors, you may vote for (1) all of the nominees, (2) none of the nominees, or (3) all of the nominees except those you designate. For other matters, or adjournment, you may vote FOR or AGAINST or you may ABSTAIN from voting.

If you return your signed proxy card but do not specify how you want to vote your shares, we will vote them FOR the election of the nominees for directors and FOR the adjournment, if necessary, of the annual meeting to a later date.

If a quorum is present at the annual meeting, the director nominees will be elected by a plurality of the votes cast in person or by proxy at the meeting, and any other matters submitted to the shareholders will require the affirmative vote of a majority of the shares of common stock present or represented by proxy at the meeting.

### **Record Date and Voting Rights On the Merger (Page 39)**

You can vote on the merger at the annual meeting of SHB shareholders if you owned SHB common stock, SHB Class A common stock, SHB Class B common stock or SHB Series A preferred stock as of the close of business on [ ], 2014, the record date set by the SHB board of directors. Each share of SHB common stock, SHB Class A common stock, SHB Class B common stock and SHB Series A preferred stock is entitled to one vote. Holders of those shares will be considered as separate voting groups and will be entitled to vote and be counted as separate voting groups for each class of shares. On [ ], there were [ ] shares of SHB common stock, SHB Class A common stock, SHB Class B common stock and SHB Series A preferred stock outstanding and entitled to vote on the Merger Agreement.

### **Background of the Merger (Page 41)**

On March 27, 2013, SHB engaged FIG Partners, LLC ( FIG Partners ) to act as its exclusive agent to provide investment banking and financial advisory services in relation to exploring its strategic alternatives including a possible business combination with another party. FIG Partners was asked to identify a limited number of potential acquirers and analyze the benefits of each potential offer to SHB's shareholders. On May 24, 2013, First Citizens engaged Olsen Palmer, LLC ( Olsen Palmer ) to act as its exclusive agent to provide investment banking and financial advisory services in connection with the potential acquisition of SHB. After reviewing the information delivered by its financial advisor and considering its own strategic plans, on December 3, 2013, First Citizens' management submitted an indication of interest to SHB. After considering the proposal, the management of SHB, in consultation with FIG Partners, elected to enter into exclusive negotiations with First Citizens. The parties and their representatives began negotiation of the terms of the Merger Agreement on December 4, 2013 and continued to negotiate the terms of the Merger Agreement until on March 19, 2014, following presentations from their respective legal and financial advisors, First Citizens' and SHB's boards of directors approved the Merger Agreement. The Merger Agreement was executed by the parties on March 20,

2014.

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### **Why First Citizens and SHB are Seeking to Merge (Page 42)**

The merger will combine the strengths of First Citizens and SHB and their subsidiary banks. First Citizens has an established presence in West and Middle Tennessee with plans to significantly enhance its market share in those markets. Joining with First Citizens will provide SHB's customers opportunities offered by a similar but larger, resourceful, community-minded bank. First Citizens has been actively seeking other banking locations to expand its presence in Tennessee. The proposed merger with SHB accelerates First Citizens' opportunity to grow across Tennessee and brings a number of outstanding bankers to First Citizens' team. First Citizens currently operates 21 commercial banking, mortgage, and insurance locations in West and Middle Tennessee, with total assets of approximately \$1.18 billion. First Citizens' management views Bradley County as a logical growth area for its community style of banking.

### **Opinion of Financial Advisor to SHB (Page 43)**

FIG Partners has delivered to the board of directors of SHB its written opinion, dated March 19, 2014, that, based upon and subject to the various considerations set forth in its opinion, the total transaction consideration to be paid to the shareholders of SHB is fair from a financial point of view as of such date. In requesting FIG Partners' advice and opinion, no instructions were given and no limitations were imposed by SHB upon FIG Partners with respect to the investigations made or procedures followed by it in rendering its opinion.

**The full text of the opinion of FIG Partners, which describes the procedures followed, assumptions made, matters considered and limitations on the review undertaken, is attached as Annex C to this Proxy Statement/Prospectus. SHB shareholders should read this opinion in its entirety.**

### **Opinion of Financial Advisor to First Citizens (Page 47)**

Olsen Palmer has delivered to the board of directors of First Citizens its written opinion, dated March 19, 2014, that, based upon and subject to the various considerations set forth in its opinion, the total merger consideration to be issued pursuant to the terms of the Merger Agreement is fair, from a financial point of view, to First Citizens as of such date. In requesting Olsen Palmers' advice and opinion, no instructions were given and no limitations were imposed by First Citizens upon Olsen Palmer with respect to the investigations made or procedures followed by it in rendering its opinion.

**The full text of the opinion of Olsen Palmer, which describes the procedures followed, assumptions made, matters considered and limitations on the review undertaken, is attached as Annex D to this Proxy Statement/Prospectus.**

### **Management and Board of Directors of First Citizens Following the Merger (Page 67)**

The officers and directors of each of First Citizens and First Citizens National Bank immediately prior to the effective time of the merger will continue to be officers and directors of First Citizens and First Citizens National Bank, respectively, following the merger. Mr. J. Lee Stewart, President and Chief Executive Officer of SHB, will be joining the boards of directors of First Citizens and First Citizens National Bank.

### **Material U.S. Federal Income Tax Consequences of the Merger (Page 52)**

As a result of the structure of the merger as a reorganization, it is anticipated that SHB shareholders will not recognize gain or loss for U.S. federal income tax purposes on the exchange of shares of SHB stock for shares of First Citizens stock, except with respect to cash received in connection with the merger and cash delivered in lieu of fractional shares of First Citizens stock and except for SHB shareholders who exercise their dissenters' rights with respect to the merger.

This tax treatment may not apply to all shareholders of SHB. Determining the actual tax consequences of the merger to you can be complicated. You are urged to consult your own tax advisor for a full understanding of the merger's tax consequences that are particular to you.

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First Citizens and SHB will not be obligated to complete the merger unless they each receive an opinion from their respective legal counsel, dated as of the closing date, that the merger will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code and that First Citizens and SHB will each be a party to that reorganization. If such opinions are rendered, the U.S. federal income tax treatment of the merger should be as described above. The opinions of the parties' respective counsel, however, do not bind the Internal Revenue Service and do not preclude the IRS or the courts from adopting a contrary position.

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**Accounting Treatment (Page 52)**

First Citizens will account for the merger under the purchase method of accounting for business combinations under United States generally accepted accounting principles ( GAAP ).

**Interests of SHB Management and Directors in the Merger (Page 57)**

Executive officers and directors of SHB will be issued shares of First Citizens stock and paid cash in the merger on the same basis as other shareholders of SHB. The following chart shows the number of shares of First Citizens stock that may be issued to executive officers, directors and principal shareholders of SHB in the merger (including shares reserved for issuance upon exercise of stock options):

Shares of stock of SHB beneficially owned by its executive officers, directors and holders of

more than 10% of SHB stock on April 30, 2014	248,149
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Shares of First Citizens stock that may be received in the merger by executive officers,

directors and holders of more than 10% of SHB stock based upon their beneficial ownership	71,367
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Some of the directors and officers of SHB have interests in the merger that differ from, or are in addition to, their interests as shareholders of SHB. These interests include the following:

- ◆ As a condition to the merger, First Citizens has required that three of the officers of SHB (J. Lee Stewart, Steve Ledbetter, and Virginia Kibble) enter into employment agreements with non-competition and non-solicitation obligations to be effective upon completion of the merger whereby each individual is entitled to receive a salary, annual bonus, and certain additional incentives; and
- ◆ The directors and officers of SHB and Southern Heritage Bank currently covered under comparable policies held by SHB at First Citizens expense will receive directors and officers liability insurance coverage for a period of five years after completion of the merger.

**SHB Shareholders May Dissent from the Merger (Page 55)**

Tennessee law permits SHB shareholders to dissent from the merger and to receive the fair value of their shares of SHB stock in cash. To dissent, an SHB shareholder must follow certain procedures, including filing certain notices with SHB and voting his or her shares against approval of the Merger Agreement. The shares of SHB stock held by a dissenter will not be exchanged for stock consideration or cash consideration in the merger and a dissenter's only right will be to receive the fair value of his or her shares of SHB stock in cash. A copy of the Tennessee statute describing these dissenters' rights and the procedures for exercising them is attached as Annex B to this Proxy Statement/Prospectus. SHB shareholders who perfect their dissenters' rights and receive cash in exchange for their shares of SHB stock may recognize gain or loss for U.S. federal income tax purposes.

Tennessee law does not provide dissenters' rights to First Citizens' shareholders, who are not being asked to vote on the Merger Agreement.

**We Must Obtain Regulatory Approvals to Complete the Merger (Page 52)**

We cannot complete the merger unless it is approved by the Board of Governors of the Federal Reserve. First Citizens filed a Notification pursuant to Section 3(a)(5) of the Bank Holding Company Act with the Federal Reserve on April 4, 2014 (the Notification). In connection with the Notification, First Citizens was required to publish public notice of the merger in the newspapers of general circulation in the communities served by the head offices of First Citizens National Bank and Southern Heritage Bank which provided for a 30-day period for public comments. First Citizens published the required notices on April 8, 2014. The Federal Reserve is required to act on the Notification within five days of the end of the public comment period. The Federal Reserve approved the merger on May 13, 2014, and has extended the deadline by which it must close to November 13, 2014. Once the Federal Reserve approves a merger, federal law requires a waiting period of up to 30 calendar days to

complete the merger in order to give the U.S. Department of Justice the opportunity to review and object to the merger.

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The merger must also be approved by the Tennessee Department of Financial Institutions (the "TDFI"). First Citizens filed an application with the TDFI on April 4, 2014 (the "Application"). In connection with the Application, First Citizens was required to publish public notice of the merger in the newspapers of general circulation in each county in which First Citizens National Bank and Southern Heritage Bank have their main offices which provided for a 15-day period for public comments. First Citizens published the required notices on April 8, 2014. In addition to the Application, the TDFI was provided a copy of the Notification to the Federal Reserve and has 30 calendar days to provide any comments to the Federal Reserve on the proposed merger. The TDFI approved the application on [ ], 2014.

Further, because SHB has agreed to use its best efforts to redeem the Small Business Lending Fund ("SBLF") investment by the United States Treasury in the Series D preferred stock of SHB, the Federal Reserve's consent will also be required for this redemption. The Merger Agreement requires SHB to use its best efforts to (a) cause the redemption of all SBLF preferred stock prior to the effective time of the merger such that, as of the effective time, SHB will have no SBLF preferred stock issued or outstanding, or (b) give proper notice to call for redemption of all outstanding SBLF preferred stock and deposit sufficient funds in trust for such redemption, in each case pursuant to the applicable provisions of the Small Business Lending Fund - Securities Purchase Agreement No. 0438 dated September 8, 2011, by and between SHB and the United States Department of Treasury. SHB will file a request with the Federal Reserve prior to the closing of the merger to obtain its consent to consummate the SBLF redemption.

We also intend to make all required filings with the U.S. Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended, (the "Securities Act") and the Securities Exchange Act of 1934, as amended, (the "Securities Exchange Act") relating to the merger, and with applicable states securities regulatory authorities to the extent required to register the offering of First Citizens stock or to claim an exemption from registration requirements.

While we believe that we will obtain regulatory approvals in a timely manner, we cannot be certain if or when we will obtain them.

### Conditions to Complete the Merger (Page 65)

The completion of the merger depends on a number of conditions being met, including the following:

- ◆ approval by SHB's shareholders of the Merger Agreement;
- ◆ approval by First Citizens' shareholders of the First Citizens charter amendment authorizing an additional class of common stock to be issued to the shareholders of First Citizens (the "First Citizens Charter Amendment");
- ◆ receipt of all required regulatory approvals and expiration of all related statutory waiting periods;
- ◆ effectiveness of First Citizens' registration statement on Form S-4 of which this Proxy Statement/Prospectus constitutes a part;
- ◆ absence of any order, injunction or decree of a court or agency of competent jurisdiction which prohibits completion of the merger;
- ◆ accuracy of the other party's representations and warranties contained in the Merger Agreement, except, in the case of most of such representations and warranties, where the failure to be accurate would not be reasonably likely to have a material adverse effect on the party making the representations and warranties (see "THE MERGER AGREEMENT - Representations and Warranties"), and the performance by the other party of its obligations contained in the Merger Agreement in all material respects;
- ◆ absence of any statute, rule, regulation, order, injunction or decree which prohibits or makes illegal completion of the merger;
- ◆ the holders of less than 10% of the total outstanding shares of SHB stock have exercised dissenters' rights with respect to the merger;
- ◆ the receipt of opinions of legal counsel to each company, dated the effective time of the merger, substantially to the effect that the merger will be treated as a reorganization under Section 368(a) of the Code and that First Citizens and SHB will each be a party to the reorganization;
- ◆ the required consents shall have been obtained and First Citizens shall have received evidence thereof;
- ◆ the required tail coverage shall have been obtained by both companies;



- ◆ First Citizens shall have succeeded to SHB's rights, interests and obligations pursuant to the indenture and the predecessor trustee shall have been replaced by the successor trustee; and
- ◆ each of the employment agreements, direct support agreements, and director/officer releases shall remain in full force and effect.

In addition, SHB has agreed to use its best efforts to cause the redemption of all outstanding preferred stock related to its participation in the SBLF program prior to the completion of the merger.

In cases where the law permits, a party to the Merger Agreement could elect to waive a condition that has not been satisfied and complete the merger although the party is entitled not to complete the merger. We cannot be certain whether or when any of these conditions will be satisfied (or waived, where permissible) or that the merger will be completed.

### **Termination of the Merger Agreement (Page 66)**

The Merger Agreement may be terminated at any time prior to the effective time of the merger, whether before or after approval of the merger by SHB shareholders, as set forth in the Merger Agreement, including by mutual consent of First Citizens and SHB. In addition, the Merger Agreement may generally be terminated by either party:

- ◆ 60 days after the date on which any request or application for a requisite regulatory approval has been denied or withdrawn at the request or recommendation of the governmental entity which must grant such requisite regulatory approval, unless within the 60-day period following such denial or withdrawal a petition for rehearing or an amended application has been filed with the applicable governmental entity; provided, however, that no party shall have the right to terminate the Merger Agreement in this manner if such denial or request or recommendation for withdrawal is due to the failure of the party seeking to terminate the Merger Agreement to perform or observe the covenants and agreements of such party as set forth in the Merger Agreement;
- ◆ if a governmental entity of competent jurisdiction issues a final nonappealable order enjoining or otherwise prohibiting the merger;
- ◆ if the merger is not completed on or before September 30, 2014, unless one or more regulatory approvals have not been received or the party seeking to terminate the Merger Agreement has failed to perform or observe the covenants and agreements of such party set forth in the Merger Agreement;
- ◆ if SHB shareholders fail to approve the Merger Agreement;
- ◆ if First Citizens shareholders fail to approve the required First Citizens Charter Amendment within 15 business days prior to the closing date of the merger (which vote was obtained on July 16, 2014); or
- ◆ if any of the representations or warranties provided by the other party set forth in the Merger Agreement become untrue or incorrect or the other party materially breaches its covenants set forth in the Merger Agreement, and the representation or material breach is not cured within the prescribed time limit.

SHB may terminate the Merger Agreement, without the consent of First Citizens, if the board of directors of SHB receives an unsolicited, bona fide alternative acquisition proposal (as defined in the Merger Agreement) and, under certain terms and conditions, determines that it is a superior proposal to that made by First Citizens as reflected in the Merger Agreement and that the failure to accept such proposal would cause the board of directors to violate its fiduciary duties under applicable law; but SHB must notify First Citizens of the superior proposal and keep First Citizens fully informed of the status and details (including amendments or proposed amendments) of any such request or acquisition proposal.

First Citizens may terminate the Merger Agreement if SHB has materially breached its non-solicitation obligations contained in the Merger Agreement in a manner adverse to First Citizens, the board of SHB resolves to accept a competing acquisition proposal or the board of SHB changes its recommendation regarding the merger.

First Citizens may also terminate the Merger Agreement if any legal proceedings are filed or threatened relating to the consummation of the merger (but not relating to the adequacy of the merger consideration) or if any actions by a governmental authority are filed or threatened relating to the consummation of the merger.



### Termination Fee (Page 66)

If the Merger Agreement is terminated by:

- ◆ First Citizens because SHB materially breaches the non-solicitation obligations set forth in the Merger Agreement in a manner adverse to First Citizens;
- ◆ First Citizens because SHB's board of directors resolves to accept another acquisition proposal;
- ◆ First Citizens because SHB's board of directors withdraws, amends or modifies, in any manner adverse to First Citizens, its recommendation of shareholder approval of the Merger Agreement or the merger; or
- ◆ SHB because SHB's board of directors receives an unsolicited, bona fide alternative acquisition proposal and, under certain terms and conditions, determines that it is a superior proposal to that of the Merger Agreement taking into account any adjustments made by First Citizens to the merger consideration,

then, unless First Citizens is in material breach of any covenant or obligation under the Merger Agreement, SHB will be required to pay First Citizens a termination fee of \$1,000,000 in cash at the time it enters into a third party acquisition agreement.

If either First Citizens or SHB terminates the Merger Agreement, and within 12 months of termination of the Merger Agreement SHB enters into an acquisition agreement with a third party:

- ◆ if SHB takes any action that is intended or may reasonably be expected to result in any of its representations or warranties set forth in the Merger Agreement being or becoming untrue or materially breaching its covenants set forth in the Merger Agreement, and the representation or material breach is not cured within the prescribed time limit, and an acquisition proposal exists at the time of termination;
- ◆ without regard to timing, if SHB shareholders do not approve the Merger Agreement and an acquisition proposal exists at the time of termination,

then, unless First Citizens is in material breach of any covenant or obligation under the Merger Agreement, SHB will be required to pay First Citizens a termination fee of \$1,000,000 in cash.

### Comparative Per Share Market Price Information (Page 69)

There is no established public trading market for shares of First Citizens, which is inactively traded in private transactions. Since January 1, 2013 to the date of this Proxy Statement/Prospectus there have been trades of approximately 40,279 shares of First Citizens common stock, which was the only class of stock issued and outstanding prior to July 17, 2014. The per share sales price for these trades has ranged from a low of \$39.00 to a high of \$44.00.

There is no established public trading market for shares of SHB stock, which is inactively traded in private transactions. Since January 1, 2013, there have been trades of approximately 7,846 shares of SHB common stock, 3,181 shares of SHB Class A common stock and 1,734 shares of SHB Class B common stock. The per share sales price for these trades has ranged from a low of \$19.00 to a high of \$24.50.

### Comparison of Rights of Shareholders (Page 144)

At the effective time of the merger, SHB shareholders who receive shares of First Citizens stock will automatically become First Citizens shareholders. First Citizens is a Tennessee corporation governed by provisions of the Tennessee Business Corporation Act and First Citizens charter, as amended, and bylaws, as amended. SHB is a Tennessee corporation governed by provisions of the Tennessee Business Corporation Act, and SHB's charter, as amended, and bylaws, as amended. See **COMPARISON OF RIGHTS OF SHAREHOLDERS**.

## RISK FACTORS

*If the merger is consummated and you are an SHB shareholder, you will receive shares of First Citizens common stock in exchange for your shares of SHB common stock and you will receive shares of First Citizens Class A common stock in exchange for your shares of SHB Class A common stock, SHB Class B common stock and SHB Series A preferred stock. An investment in First Citizens common stock is subject to a number of risks and uncertainties. Risks and uncertainties relating to general economic conditions are not summarized below. However, First Citizens and SHB believe that there are a number of other risks and uncertainties relating to First Citizens that you should consider in deciding how to vote on the Merger Agreement in addition to the risks and uncertainties associated with financial institutions generally. Many of these risks and uncertainties could affect First Citizens' future financial results and may cause First Citizens' future earnings and financial condition to be less favorable than First Citizens' expectations. There are also a number of risks related to the merger that shareholders of SHB should consider in deciding how to vote on the Merger Agreement. This section summarizes those risks. You should keep these risk factors in mind when you read forward-looking statements in this document. Please refer to the section of this Proxy Statement/Prospectus titled *Cautionary Statement Concerning Forward-Looking Information*.*

### Risks Related to the Merger

#### **The value of First Citizens shares received may fluctuate; shareholders of SHB may receive more or less value depending on fluctuations in the price of First Citizens stock**

The number of shares of First Citizens stock issued to SHB shareholders in exchange for each share of SHB stock is fixed. The market values of First Citizens stock and SHB stock at the time the merger is completed may vary from their market values at the date the Merger Agreement was executed, the date of this document and at the date of the shareholders' meeting of SHB. Shares of First Citizens stock are not traded on an exchange, and therefore, as of the date of this Proxy Statement/Prospectus, there is no public market for such shares. There is no assurance that shares of First Citizens stock can be sold at a price equal to or greater than the implied per share merger value of \$24.50 per SHB share following completion of the merger. See *Risks Related to First Citizens and First Citizens Stock - Lack of Trading Market*. Because the exchange ratio will not be adjusted to reflect any changes in the market value of First Citizens stock, the market value of First Citizens stock issued in the merger may be higher or lower than the value of such shares on earlier dates. If the value of First Citizens stock declines prior to completion of the merger, the value of the merger consideration to be received by SHB's shareholders will decrease.

These variations may be the result of various factors, many of which are beyond the control of SHB and First Citizens, including:

- ◆ changes in the business, operations or prospects of First Citizens, SHB or the combined company;
- ◆ governmental and/or litigation developments and/or regulatory considerations;
- ◆ market assessments as to whether and when the merger will be consummated and the anticipated benefits of the merger;
- ◆ governmental action affecting the banking and financial industry generally;
- ◆ market assessments of the potential integration or other costs;
- ◆ lack of a trading market for First Citizens stock; and
- ◆ general market and economic conditions.

The merger may not be completed until a significant period of time has passed after the SHB shareholder meeting. At the time of the shareholder meeting, SHB shareholders will not know the exact value of the First Citizens stock that will be issued in connection with the merger.

The value of First Citizens stock and SHB stock at the effective time of the merger may vary from their prices on the date the Merger Agreement was executed, the date of this Proxy Statement/Prospectus and the date of the shareholders' meeting. Because there is no public market for either First Citizens stock or SHB stock, the future market prices of First Citizens stock and SHB stock cannot be guaranteed or predicted.

**SHB's shareholders may not receive the form of merger consideration they elect.**

The Merger Agreement contains provisions that are designed to ensure that 50% of the outstanding shares of SHB stock are exchanged for shares of First Citizens stock and the other 50% of the shares of SHB stock are exchanged for cash consideration; provided, however, that the Merger Agreement provides that the stock portion of the merger consideration may be increased to 55%. If elections are made by SHB shareholders that would otherwise result in more or less than 50% of such shares being converted into First Citizens stock, the amount of First Citizens stock that SHB shareholders will have elected to receive upon exchange of their shares will be adjusted so that, in the aggregate, 50% of the shares of SHB stock will be exchanged for the right to receive shares of First Citizens stock and the remaining shares of SHB stock will be exchanged for the right to receive cash. As a result, there is a risk that you will not receive a portion of the merger consideration in the form that you elect, which could result in, among other things, tax consequences that differ from those that would have resulted had you received the form of consideration you elected (including the recognition of gain for U.S. federal income tax purposes with respect to the cash received). If you do not make an election, you will be deemed to have made an election to receive the merger consideration in such combination of cash and/or shares of First Citizens stock as provided for in the Merger Agreement. Further, First Citizens may not issue its stock as merger consideration to residents of any state in which the offering of First Citizens' stock is not registered or eligible for a claim of exemption from registration. One or more state securities commissions may deny First Citizens' application for registration or claim of exemption, in which case First Citizens could not sell its stock in the subject jurisdiction.

**We may fail to achieve the anticipated benefits of the merger.**

First Citizens and SHB have operated and, until the completion of the merger, will continue to operate, independently. It is possible that the integration process could result in the loss of key employees, the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with clients, customers, depositors and employees or to achieve the anticipated benefits of the merger.

**First Citizens may fail to realize the cost savings estimated for the merger.**

Although First Citizens estimates that it will realize cost savings from the merger when fully phased in, it is possible that the estimates of the potential cost savings could turn out to be incorrect. For example, the combined purchasing power may not be as strong as expected, and therefore the estimated cost savings could be reduced. In addition, unanticipated growth in First Citizens' business may require First Citizens to continue to operate or maintain some facilities or support functions that are currently expected to be combined or reduced. The cost savings estimates also depend on our ability to combine the businesses of First Citizens and SHB in a manner that permits those cost savings to be realized. If the estimates turn out to be incorrect or First Citizens is not able to combine the two companies successfully, the anticipated cost savings may not be fully realized or realized at all, or may take longer to realize than expected.

**The market price of shares of First Citizens stock after the merger may be affected by factors different from those affecting shares of SHB or First Citizens currently.**

The businesses of First Citizens and SHB differ in some respects and, accordingly, the results of operations of the combined company and the market price of the combined company's shares of stock may be affected by factors different from those currently affecting the independent results of operations of each of First Citizens and SHB. For a discussion of the businesses of First Citizens and SHB and of certain factors to consider in connection with those businesses, see [INFORMATION ABOUT FIRST CITIZENS](#) and [INFORMATION ABOUT SHB](#) beginning on pages 70 and 112, respectively.

**The executive officers and directors of SHB have interests different from typical SHB shareholders.**

The executive officers and directors of SHB have certain interests in the merger and participate in certain arrangements that are different from, or are in addition to, those of SHB shareholders generally. See [THE MERGER](#) [Interests of Certain Persons in the Merger](#). As a result, these executive officers and directors could be more likely to approve the Merger Agreement than if they did not hold these interests.

The value of First Citizens shares received may fluctuate; shareholders of SHB may receive more or less value depending on the market price of First Citizens stock at the time of the merger.

**Former shareholders of SHB will be limited in their ability to influence First Citizens actions and decisions following the merger.**

Following the merger, former shareholders of SHB will hold less than 9.5 percent of the outstanding shares of First Citizens stock, including only approximately 7 percent of the outstanding voting stock. As a result, former SHB shareholders will have only limited ability to influence First Citizens business. Former SHB shareholders will not have separate approval rights with respect to any actions or decisions of First Citizens or, other than Mr. Stewart, have separate representation on First Citizens board of directors.

**The merger may result in a loss of current SHB employees.**

Despite First Citizens' efforts to retain quality employees, First Citizens might lose some of SHB's current employees following the merger. Current SHB employees may not want to work for First Citizens or may not want to assume different duties, positions and compensation that First Citizens offers to the SHB employees. Competitors may recruit employees prior to the merger and during the integration process after the merger. As a result, current employees of SHB could leave with little or no prior notice. First Citizens cannot assure you that the combined companies will be able to attract, retain and integrate employees following the merger.

**Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated or cannot be met.**

Before the transactions contemplated in the Merger Agreement may be completed, various approvals must be obtained from bank regulatory and other governmental authorities. These governmental entities may impose conditions on the granting of such approvals. Such conditions and the process of obtaining regulatory approvals could have the effect of delaying completion of the merger or of imposing additional costs or limitations on First Citizens following the merger. The regulatory approvals may not be received at any time, may not be received in a timely fashion, and may contain conditions on the completion of the merger that are not anticipated or cannot be met. Although First Citizens and SHB do not currently expect that any such material conditions or changes would be imposed, there can be no assurance that they will not be, and such conditions or changes could have the effect of delaying completion of the merger or imposing additional costs or limiting the revenues of the combined company following the merger, any of which might have an adverse effect on the combined company following the merger.

**The Merger Agreement limits SHB's ability to pursue an alternative transaction and requires SHB to pay a termination fee plus expenses incurred by First Citizens under certain circumstances relating to alternative acquisition proposals.**

The Merger Agreement prohibits SHB from soliciting, initiating, encouraging or knowingly facilitating certain alternative acquisition proposals with any third party, subject to exceptions set forth in the Merger Agreement. The Merger Agreement also provides for the payment by SHB to First Citizens of a termination fee of \$1,000,000 in the event that the Merger Agreement is terminated in certain circumstances, involving, among others, certain changes in the recommendation of SHB's board of directors. These provisions may discourage a potential competing acquirer that might have an interest in acquiring SHB from considering or proposing such an acquisition. See THE MERGER AGREEMENT Termination; Termination Fee on page 66 of this prospectus/proxy statement.

**The fairness opinions obtained by SHB and First Citizens from their respective financial advisors will not reflect changes in circumstances subsequent to the date of the fairness opinions.**

FIG Partners, SHB's financial advisor in connection with the proposed merger, has delivered to the board of directors of SHB its opinion dated as of March 19, 2014. Olsen Palmer, First Citizens' financial advisor in connection with the proposed merger, has delivered to the board of directors of First Citizens its opinion dated as of March 19, 2014. Each opinion states that, as of the date of such opinion and based upon and subject to the factors and assumptions set forth therein, the total merger consideration was fair to their respective clients from a financial point of view. The opinions do not reflect changes that may occur or may have occurred after the date of the opinions, including changes to the operations and prospects of First Citizens or SHB, changes in general market and economic conditions or regulatory or other factors. Any such changes, or changes in other factors on which the opinions are based, may materially alter or affect the respective opinions as to the fairness of the total merger consideration to First Citizens and/or SHB.

**Failure to complete the merger could cause First Citizens' or SHB's stock price to decline.**

If the merger is not completed for any reason, although neither First Citizens nor SHB's stock trades on an active or liquid market, First Citizens or SHB's stock price may decline because costs related to the merger, such as legal, accounting and certain financial advisory fees, must be paid even if the merger is not completed. In addition, if the merger is not completed, First Citizens' or SHB's stock price may decline to the extent that the current market price reflects a market assumption that the merger will be completed or due to questions about why (or whose fault it was that) the merger was not completed.

## **Risks Related to First Citizens and First Citizens Stock**

### **First Citizens is subject to credit quality risks and First Citizens credit policies may not be sufficient to avoid losses.**

First Citizens is subject to the risk of losses resulting from the failure of borrowers, guarantors and related parties to pay interest and principal amounts on loans. Although First Citizens maintains credit policies and credit underwriting, monitoring and collection procedures that management believes are sufficient to manage this risk, these policies and procedures may not prevent losses, particularly during periods in which the local, regional or national economy suffers a general decline. If a large number of borrowers fail to repay their loans, First Citizens financial condition and results of operations may be adversely affected.

### **Earnings could be adversely affected if values of other real estate owned decline.**

First Citizens is subject to the risk of losses from the liquidation and/or valuation adjustments on other real estate owned. First Citizens owns over 95 properties totaling \$5.9 million in other real estate owned as of March 31, 2014. Other real estate owned is valued at the lower of cost or fair market value less cost to sell. Fair market values are based on independent appraisals for properties valued at \$50,000 or greater and appraisals are updated annually. First Citizens may incur future losses on these properties if economic and real estate market conditions result in further declines in the fair market value of these properties.

### **If First Citizens allowance for loan losses becomes inadequate, First Citizens financial condition and results of operations could be adversely affected.**

First Citizens maintains an allowance for loan losses that it believes is a reasonable estimate of known and inherent potential losses in its loan portfolio. Management uses various assumptions and judgments to evaluate on a quarterly basis the adequacy of the allowance for loan losses in accordance with GAAP as well as regulatory guidelines. The amount of future losses is susceptible to changes in economic, operating and other conditions, as well as changes in interest rates most of which are beyond First Citizens control, and these losses may exceed current estimates. Although First Citizens believes the allowance for loan losses is a reasonable estimate of known and inherent potential losses in its loan portfolio, First Citizens cannot fully predict such potential losses or that its loan loss allowance will be adequate in the future. Excessive loan losses could have an adverse effect on First Citizens financial performance.

Federal and state regulators periodically review First Citizens allowance for loan losses and may require First Citizens to increase its provision for loan losses or recognize further loan charge-offs, based on judgments different than those of its management. Any increase in the amount of First Citizens provision or loans charged-off as required by these regulatory agencies could have an adverse effect on First Citizens results of operations.

### **Changes in interest rates could have an adverse effect on First Citizens earnings.**

First Citizens profitability is in part a function of interest rate spread, or the difference between interest rates earned on investments, loans and other interest-earning assets and the interest rates paid on deposits and other interest-bearing liabilities. Interest rates are largely driven by monetary policies set by the Federal Open Market Committee, or FOMC, and trends in the prevailing market rate of interest embodied by the yield curve. The FOMC establishes target rates of interest to influence the cost and availability of capital and promote national economic goals. In January 2012, the FOMC indicated that rates would most likely remain at the historical low of a range of 0.00% to 0.25% through the end of 2014. The yield curve is a representation of the relationship between short-term interest rates to longer-term debt maturity rates. Currently, the yield curve is fairly steep as short-term rates continue at historic lows. As of December 31, 2013, First Citizens National Bank was liability sensitive in terms of interest rate risk exposure, meaning that First Citizens National Bank will likely experience margin compression when federal funds rates increase. In other words, upward pressure on deposit interest rates will outpace increases in the interest rates on interest-earning assets. Deposits are currently priced at historically low levels and are likely to reprice at a faster pace than interest-earning assets when the rate environment begins rising. The majority of variable-rate loans are priced at floors that will require significant increases in federal fund and prime rates before loan yields increase.

If the rate of interest paid on deposits and other borrowings increases more than the rate of interest earned on loans and other investments, First Citizens net interest income and, therefore, earnings could be adversely affected. Earnings could also be adversely affected if the rates on loans and other investments fall more quickly than those on deposits and other borrowings. While management takes measures to guard against interest rate risk, there can be no assurance that such measures will be effective in minimizing the exposure to interest rate risk. A sudden and significant increase in the market rate of interest could have a material adverse effect on the First Citizens financial position and earnings.

Failure to complete the merger could cause First Citizens or SHB's stock price to decline.





**First Citizens is an emerging growth company and it cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make First Citizens stock less attractive to investors.**

After filing the registration statement, of which this Proxy Statement/Prospectus is a part, First Citizens will be subject to periodic reporting requirements under the Exchange Act. First Citizens is an emerging growth company, as defined in the Jumpstart Our Business Startups Act (the JOBS Act), however, and it may take advantage of certain exemptions from various reporting requirements that are applicable to public companies that are not emerging growth companies, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. In addition, even if First Citizens complies with the greater obligations of public companies that are not emerging growth companies immediately after this offering, First Citizens may avail itself of the reduced requirements applicable to emerging growth companies from time to time in the future, so long as it is an emerging growth company. First Citizens may remain an emerging growth company for up to five years, though First Citizens may cease to be an emerging growth company earlier under certain circumstances, including if, before the end of such five year period, it is deemed to be a large accelerated filer under the SEC rules (which depends on, among other things, having a market value of common stock held by non-affiliates in excess of \$700 million) or if First Citizens total annual gross revenues equal or exceed \$1 billion in a fiscal year. First Citizens cannot predict if investors will find its common stock less attractive because it will rely on these exemptions. If some investors find First Citizens common stock less attractive as a result, there may be a less active trading market for First Citizens common stock and First Citizens stock price may be more volatile.

**First Citizens is geographically concentrated in West Tennessee, and changes in local economic conditions may impact its profitability.**

First Citizens operates primarily in West Tennessee and the majority of all loan customers and most deposit and other customers live or have operations in this area. Accordingly, First Citizens success depends significantly upon growth in population, income levels, deposits, housing starts and continued attraction of business ventures to this area. First Citizens profitability is impacted by changes in general economic conditions in this market. First Citizens is concerned about the impact of plant closings (such as Goodyear and Briggs & Stratton) and their impact to unemployment levels and economic conditions in its rural markets. Additionally, unfavorable local or national economic conditions could reduce First Citizens growth rate, affect the ability of its customers to repay their loans and generally affect First Citizens financial condition and results of operations.

First Citizens is less able than larger institutions to spread the risks of unfavorable local economic conditions across a large number of diversified economies. Moreover, First Citizens is unable to give assurance that it will benefit from any market growth or favorable economic conditions in its primary market areas if they do occur.

**If financial market conditions worsen or First Citizens loan demand increases significantly, First Citizens liquidity position could be adversely affected. First Citizens may be required to rely on secondary sources of liquidity to meet withdrawal needs or fund operations, and there can be no assurance that these sources will be sufficient to meet future liquidity demands.**

First Citizens relies on dividends from the First Citizens National Bank as its primary source of funds. First Citizens National Bank's primary sources of funds are client deposits and loan repayments and from the sale or maturity of securities. While scheduled loan repayments have historically been a relatively stable source of funds, they are susceptible to the inability of borrowers to repay the loans. The ability of borrowers to repay loans can be adversely affected by a number of factors, including changes in economic conditions, adverse trends or events affecting business industry groups, reductions in real estate values or markets, business closings or lay-offs, natural disasters and national or international instability. Additionally, deposit levels may be affected by a number of factors, including rates paid by competitors, general interest rate levels, regulatory capital requirements, returns available to clients on alternative investments and general economic conditions. Accordingly, First Citizens may be required from time to time to rely on secondary sources of liquidity to meet withdrawal demands or otherwise fund operations. Such sources include Federal Home Loan Bank (FHLB) advances, sales of securities and loans, and federal funds lines of credit from correspondent banks, as well as out-of-market time deposits. While First Citizens believes that these sources are currently adequate, there can be no assurance they will be sufficient to meet future liquidity demands, particularly if First Citizens continues to grow and experience increasing loan demand. First Citizens may be required to slow or discontinue loan growth, capital expenditures or other investments or liquidate assets should such sources not be adequate.

**Market conditions could adversely affect First Citizens ability to obtain additional capital on favorable terms should it need it.**

First Citizens' business strategy calls for continued growth. First Citizens anticipates that it will be able to support this growth through the generation of additional deposits at new branch locations, as well as through returns realized as a result of investment opportunities. However, First Citizens may need to raise additional capital in the future to support continued growth and maintain adequate capital levels. First Citizens may not be able to obtain additional capital in the amounts or on terms satisfactory to it. Growth may be constrained if First Citizens is unable to raise additional capital as needed.

**Failure to remain competitive in an increasingly competitive industry may adversely affect results of operations and financial condition.**

First Citizens encounters strong competition from other financial institutions in its market areas. In addition, established financial institutions not already operating in First Citizens' market areas may open branches in its market areas at future dates or may compete in the market via the internet. Certain aspects of First Citizens' banking business also compete with savings institutions, credit unions, mortgage banking companies, consumer finance companies, insurance companies and other institutions, some of which are not subject to the same degree of regulation or restrictions imposed on First Citizens. Many of these competitors have substantially greater resources and lending limits and are able to offer services that First Citizens does not provide. While First Citizens believes that it competes effectively with these other financial institutions in its market areas, First Citizens may face a competitive disadvantage as a result of its smaller size, smaller asset base, lack of geographic diversification and inability to spread its marketing costs across a broader market. If First Citizens has to raise interest rates paid on deposits or lower interest rates charged on loans to compete effectively, First Citizens' net interest margin and income could be negatively affected. Failure to compete effectively to attract new or to retain existing clients may reduce or limit First Citizens' margins and its market share and may adversely affect First Citizens' results of operations and financial condition.

**First Citizens and its subsidiaries are subject to extensive government regulation and supervision. Changes in laws, government regulation and monetary policy may have a material adverse effect on our results of operations.**

First Citizens and its subsidiaries are subject to extensive federal and state regulation and supervision. Banking regulations are primarily intended to protect depositors' funds, federal deposit insurance funds and the banking system as a whole, not First Citizens' shareholders. These regulations affect First Citizens' lending practices, capital structure, investment practices and dividend policy and growth, among other things. Future changes to statutes, regulations or regulatory policies, including changes in interpretation or implementation of statutes, regulations or policies, could affect First Citizens in substantial and unpredictable ways. Such changes could subject First Citizens to additional costs, limit the types of financial services and products First Citizens may offer and/or increase the ability of non-banks to offer competing financial services and products, or decrease the flexibility in pricing certain products and services by First Citizens National Bank, among other things. Failure to comply with laws, regulations or policies could result in sanctions imposed by regulatory agencies, civil money penalties, civil liability and/or reputation damage, which could have a material adverse effect on First Citizens' financial condition and results of operations. While First Citizens' policies and procedures are designed to deter and detect any such violations, there can be no assurance that such violations will not occur.

**First Citizens stock is not listed or traded on any established securities market and is normally less liquid than most securities traded in those markets; First Citizens anticipates filing to revert to non-reporting status following the merger.**

First Citizens stock is not listed or traded on any established securities exchange or market and First Citizens has no plans to seek to list its stock on any recognized exchange or qualify it for trading in any market. Accordingly, First Citizens stock has substantially fewer trades than the average securities listed on any national securities exchange. Most transactions in First Citizens stock are privately negotiated trades and its stock is very thinly traded. There is no dealer for First Citizens stock and no market maker. First Citizens' shares do not have a trading symbol. The lack of a liquid market can produce downward pressure on First Citizens stock price and can reduce the marketability of First Citizens stock.

If First Citizens' registration statement on Form S-4 becomes effective under the Securities Act, First Citizens will be required to file with the SEC the periodic and current reports required by the Securities Exchange Act and related rules and regulations. It is the intent of First Citizens management, and the merger consideration has been structured to permit First Citizens' management, to apply to the SEC in 2015 to go dark so as not to continue being required to comply with these filing requirements. If First Citizens is eligible to discontinue SEC filings, SHB shareholders who receive First Citizens' stock in the merger will have access to less information about the financial condition and results of operations of First Citizens than would be the case if SEC filings were continued.

**First Citizens' ability to pay dividends may be limited.**

As a holding company, First Citizens is a separate legal entity from First Citizens National Bank and does not conduct significant income-generating operations of its own. It currently depends upon First Citizens National Bank's cash and liquidity to pay dividends to its shareholders. First Citizens cannot provide assurance that First Citizens National Bank will have the capacity to pay dividends to First Citizens in the future. Various statutes and regulations limit the availability of dividends from First Citizens National Bank. It is possible that, depending upon First Citizens National Bank's financial condition and other factors, First Citizens National Bank's regulators could assert that payment of

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dividends by First Citizens National Bank to First Citizens is an unsafe or unsound practice. In the event that First Citizens National Bank is unable to pay dividends to First Citizens, First Citizens may not be able to pay dividends to its shareholders.

**A failure or breach of First Citizens' operational or security systems or infrastructure, or those of First Citizens' third party vendors and other service providers or other third parties, including as a result of cyber-attacks, could disrupt First Citizens' businesses, result in the disclosure or misuse of confidential or proprietary information, damage its reputation, increase its costs, and cause losses.**

First Citizens relies heavily on communications and information systems to conduct its business. Information security risks for financial institutions such as First Citizens have generally increased in recent years in part because of the proliferation of new technologies, the use of the internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, and terrorists, activists, and other external parties. As customer, public, and regulatory expectations regarding operational and information security have increased, First Citizens' operating systems and infrastructure must continue to be safeguarded and monitored for potential failures, disruptions, and breakdowns. First Citizens' business, financial, accounting, and data processing systems, or other operating systems and facilities, may stop operating properly or become disabled or damaged as a result of a number of factors, including events that are wholly or partially beyond First Citizens' control. For example, there could be electrical or telecommunication outages; natural disasters such as earthquakes, tornadoes, and hurricanes; disease pandemics; events arising from local or larger scale political or social matters, including terrorist acts; and as described below, cyber-attacks.

As noted above, First Citizens' business relies on its digital technologies, computer and email systems, software and networks to conduct its operations. Although First Citizens has information security procedures and controls in place, First Citizens' technologies, systems and networks and its customers' devices may become the target of cyber-attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss, or destruction of First Citizens' or its customers' or other third parties' confidential information. Third parties with whom First Citizens does business or that facilitate First Citizens' business activities, including financial intermediaries, or vendors that provide service or security solutions for First Citizens' operations, and other unaffiliated third parties, could also be sources of operational and information security risk to First Citizens, including from breakdowns or failures of their own systems or capacity constraints.

While First Citizens has disaster recovery and other policies and procedures designed to prevent or limit the effect of the failure, interruption or security breach of its information systems, there can be no assurance that any such failures, interruptions or security breaches will not occur or, if they do occur, that they will be adequately addressed. First Citizens' risk and exposure to these matters remain heightened because of the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of First Citizens' controls, processes, and practices designed to protect its systems, computers, software, data, and networks from attack, damage or unauthorized access remain a focus for First Citizens. As threats continue to evolve, First Citizens may be required to expend additional resources to continue to modify or enhance its protective measures or to investigate and remediate information security vulnerabilities. Disruptions or failures in the physical infrastructure or operating systems that support First Citizens' businesses and clients, or cyber-attacks or security breaches of the networks, systems or devices that First Citizens' clients use to access First Citizens' products and services could result in client attrition, regulatory fines, penalties or intervention, reputation damage, reimbursement or other compensation costs, and/or additional compliance costs, any of which could have a material effect on First Citizens' results of operations or financial condition.

**Shares of First Citizens stock are not insured.**

Shares of First Citizens stock are not deposits and are not insured by the Federal Deposit Insurance Corporation (the "FDIC") or any other entity.

**SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF FIRST CITIZENS**

The following table sets forth selected consolidated historical financial data of First Citizens. The selected consolidated historical financial data as of and for each of the two years ended December 31, 2013 and 2012 is derived from First Citizens' audited financial statements. The selected consolidated historical financial data as of and for each of the three-month periods ended March 31, 2014 and 2013 is derived from First Citizens' unaudited financial statements for those periods. You should not assume that the results of operations for past periods and for any interim period indicate results for any future period. You should read this information in conjunction with First Citizens' consolidated financial statements and related notes included in this Proxy Statement/Prospectus beginning on Page F-3.

	<b>For the Three Months Ended March 31, 2014<sup>1</sup></b>	<b>For the Three Months Ended March 31, 2013<sup>1</sup></b>	<b>For the Year Ended December 31, 2013<sup>2</sup></b>	<b>For the Year Ended December 31, 2012<sup>2</sup></b>
Earnings Summary: (Dollars in thousands, except per share amounts)				
Interest revenue	\$ 10,988	\$ 11,003	\$ 44,122	\$ 44,111
Interest expense	1,464	1,576	6,214	7,377
Net interest revenue	9,524	9,427	37,908	36,734
Provision for credit losses	225	225	775	650
Net interest revenue, after provision for credit losses	9,299	9,202	37,133	36,084
Noninterest revenue	4,357	3,699	14,030	12,454
Noninterest expense	8,555	8,135	33,341	31,017
Income before income taxes	5,101	4,766	17,822	17,521
Income tax expense	1,276	1,178	4,014	4,006
Net income	\$ 3,825	\$ 3,588	\$ 13,808	\$ 13,515
Balance Sheet - End of Period Balances:				
Total assets	\$ 1,202,856	\$ 1,181,378	\$ 1,174,472	\$ 1,178,325
Total securities	459,504	474,714	456,525	466,419
Loans and leases, net of unearned income	597,055	559,443	580,236	549,452
Total deposits	986,051	957,493	968,530	964,839
Long-term debt	50,790	58,539	51,167	48,719
Total equity	117,175	115,313	112,606	114,140
Balance Sheet - Average Balances:				
Total assets	1,178,990	1,148,604	1,165,215	1,083,182
Total securities	457,931	458,449	452,938	399,386
Loans and leases, net of unearned income	589,564	552,826	575,367	536,180
Total deposits	969,619	948,738	947,319	875,945
Long-term debt	50,922	52,100	56,407	49,042
Total equity	116,316	115,548	114,489	110,656
Common Share Data:				
Basic earnings per share	1.06	0.99	3.83	3.75
Diluted earnings per share	1.06	0.99	3.83	3.75
Cash dividends per share	0.25	0.25	1.30	1.20
Book value per share	32.49	31.96	31.21	31.64
	28.24	25.64	27.43	24.89

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Tangible book value per share				
Dividend payout ratio	23.58%	25.25%	33.94%	32.00%

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<sup>1</sup> Derived from unaudited financial statements.

<sup>2</sup> Derived from audited financial statements.



	<b>For the Three Months Ended March 31, 2014<sup>1</sup></b>	<b>For the Three Months Ended March 31, 2013<sup>1</sup></b>	<b>For the Year Ended December 31, 2013<sup>2</sup></b>	<b>For the Year Ended December 31, 2012<sup>2</sup></b>
Financial Ratios:				
Return on average assets	1.32%	1.25%	1.19%	1.25%
Return on average shareholders' equity	13.34%	12.59%	12.06%	12.21%
Total shareholders' equity to total assets	9.74%	9.76%	9.57%	9.69%
Tangible shareholders' equity to tangible assets	8.57%	7.92%	8.53%	7.71%
Net interest margin-fully taxable equivalent	3.82%	3.80%	3.83%	4.01%
Credit Quality Ratios:				
Net charge-offs to average loans and leases	0.01%	0.09%	0.16%	0.14%
Provision for credit losses to average loans and leases	0.04%	0.04%	0.13%	0.12%
Allowance for credit losses to net loans and leases	1.34%	1.44%	1.35%	1.45%
Allowance for credit losses to non-performing loans	98.17%	88.35%	91.63%	89.25%
Allowance for credit losses to non-performing assets	56.73%	45.63%	50.91%	44.44%
Non-performing loans to net loans and leases	1.36%	1.63%	1.47%	1.62%
Non-performing assets to net loans and leases	2.36%	3.16%	2.65%	3.26%
Capital Ratios:				
Tier 1 capital	16.61%	15.92%	16.41%	15.86%
Total capital	17.80%	17.17%	17.58%	17.12%
Tier 1 leverage capital	9.65%	9.05%	9.40%	9.17%

**SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF SHB**

The following table sets forth selected consolidated historical financial data of SHB. The selected consolidated historical financial data as of and for each of the two years ended December 31, 2013 is derived from SHB's audited financial statements. The selected consolidated historical financial data as of and for each of the three-month periods ended March 31, 2014 and 2013 is derived from SHB's unaudited financial statements for those periods. You should not assume that the results of operations for past periods and for any interim period indicate results for any future period. You should read this information in conjunction with SHB's consolidated financial statements and related notes included in this Proxy Statement/Prospectus beginning on Page F-65.

	<b>For the Three Months Ended March 31, 2014</b>	<b>For the Three Months Ended March 31, 2013<sup>1</sup></b>	<b>For the Year Ended December 31, 2013<sup>2</sup></b>	<b>For the Year Ended December 31, 2012<sup>2</sup></b>
Earnings Summary:	(Dollars in thousands, except per share amounts)			
Interest revenue	\$ 2,193	\$ 2,354	\$ 9,287	\$ 9,492
Interest expense	283	321	1,202	1,499
Net interest revenue	1,910	2,033	8,085	7,993
Provision for credit losses	76	121	124	980
Net interest revenue, after provision for credit losses	1,834	1,912	7,961	7,013
Noninterest revenue	698	797	2,776	3,993
Noninterest expense	1,739	1,621	7,166	7,317
Income before income taxes	793	1,088	3,571	3,689
Income tax expense (benefit)	184	318	846	1,030
Net income	\$ 609	\$ 770	\$ 2,725	\$ 2,659
Balance Sheet - End of Period Balances:				
Total assets	\$ 245,195	\$ 241,389	\$ 237,078	\$ 242,822
Total securities	73,683	61,532	68,966	57,340
Loans and leases, net of unearned income	131,810	148,761	136,034	149,288
Total deposits	211,577	208,218	205,345	208,486
Long-term debt	5,155	5,155	5,155	5,155
Total shareholders equity	26,881	26,165	25,184	26,002
Balance Sheet - Average Balances:				
Total assets	240,993	241,142	239,014	228,540
Total securities	72,866	60,370	64,399	59,993
Loans and leases, net of unearned income	134,511	148,956	142,062	141,366
Total deposits	208,521	206,948	206,522	195,738
Long-term debt	5,155	5,155	5,155	5,155
Total shareholders equity	26,033	26,084	25,593	24,902
Common Share Data <sup>3</sup> :				
	\$ .47	\$ .60	\$ 2.10	\$ 2.00

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Basic earnings per share				
Diluted earnings per share	.47	.60	2.10	2.00
Cash dividends per share	-	-	.40	.30
Book value per share	16.99	16.68	15.67	16.55
Tangible book value per share	16.99	16.68	15.67	16.55
Dividend payout ratio	0%	0%	19.23%	14.82%

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<sup>1</sup> Derived from unaudited financial statements.

<sup>2</sup> Derived from audited financial statements.

<sup>3</sup> Does not represent data for Class A and Class B common shares. See additional dividend information for these classes of common stock on page 115.

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	<b>For the Three Months Ended March 31, 2014<sup>1</sup></b>	<b>For the Three Months Ended March 31, 2013<sup>1</sup></b>	<b>For the Year Ended December 31, 2013<sup>2</sup></b>	<b>For the Year Ended December 31, 2012<sup>2</sup></b>
Financial Ratios:				
Return on average assets	1.01%	1.27%	1.14%	1.16%
Return on average shareholders' equity	9.36%	11.81%	10.65%	10.68%
Total shareholders' equity to total assets	10.96%	10.84%	10.62%	10.71%
Tangible shareholders equity to tangible assets	11.45%	10.68%	11.59%	10.30%
Net interest margin-fully taxable equivalent	3.85%	4.13%	4.07%	4.13%
Credit Quality Ratios:				
Net charge-offs to average loans and leases	.11%	-.09%	.30%	.90%
Provision for credit losses to average loans and leases	.22%	.32%	.09%	.68%
Allowance for credit losses to net loans and leases	1.48%	1.61%	1.41%	1.48%
Allowance for credit losses to non-performing loans	.66%	.93%	1.99%	1.52%
Allowance for credit losses to non-performing assets	56.73%	73.70%	88.60%	90.92%
Non-performing loans to net loans and leases	2.25%	1.74%	.71%	.97%
Non-performing assets to net loans and leases	2.72%	2.25%	1.66%	1.70%
Capital Ratios:				
Tier 1 capital	20.47%	17.49%	19.42%	17.10%
Total capital	21.72%	18.74%	20.61%	18.35%
Tier 1 leverage capital	13.63%	12.73%	13.60%	12.74%

## UNAUDITED PRO FORMA COMBINED CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma combined consolidated financial information and accompanying notes show the impact on the historical financial condition and results of operations of First Citizens and SHB and have been prepared to illustrate the effects of the merger under the acquisition method of accounting. See THE MERGER - Accounting Treatment.

The unaudited pro forma combined consolidated balance sheet as of March 31, 2014 is presented as if the merger had occurred on March 31, 2014. The unaudited pro forma combined consolidated income statements for the year ended December 31, 2013 and the three months ended March 31, 2014 are presented as if the merger had occurred on January 1, 2013. The historical consolidated financial information has been adjusted to reflect factually supportable items that are directly attributable to the merger and, with respect to the income statements only, expected to have a continuing impact on consolidated results of operations.

The selected unaudited pro forma combined consolidated financial statements are provided for informational purposes only. The unaudited pro forma combined consolidated financial statements are not necessarily, and should not be assumed to be, an indication of the results that would have been achieved had the merger been completed as of the dates indicated or that may be achieved in the future. The preparation of the unaudited pro forma combined consolidated financial statements and related adjustments required management to make certain assumptions and estimates. The unaudited pro forma combined consolidated financial statements should be read together with:

- ◆ the accompanying notes to the unaudited pro forma combined consolidated financial statements;
- ◆ First Citizens' audited consolidated financial statements and accompanying notes as of and for the year ended December 31, 2013, included beginning on Page F-3 in this Proxy Statement/Prospectus;
- ◆ SHB's audited consolidated financial statements and accompanying notes as of and for the year ended December 31, 2013, included beginning on Page F-65 elsewhere in this Proxy Statement/Prospectus;
- ◆ First Citizens' unaudited condensed consolidated financial statements and accompanying notes as of and for the three months ended March 31, 2014, included beginning on Page F-43 in this Proxy Statement/Prospectus;
- ◆ SHB's unaudited consolidated financial statements and accompanying notes as of and for the three months ended March 31, 2014, included beginning on Page F-97 in this Proxy Statement/Prospectus; and
- ◆ other information pertaining to First Citizens and SHB included elsewhere in this Proxy Statement/Prospectus.

**FIRST CITIZENS BANCSHARES, INC. AND SUBSIDIARIES****UNAUDITED PRO FORMA COMBINED CONSOLIDATED BALANCE SHEET****MARCH 31, 2014**

(all amounts are in thousands, except per share data, unless otherwise indicated)

	<b>First Citizens Bancshares, Inc. 3/31/2014</b>	<b>Southern Heritage Bancshares, Inc. 3/31/2014</b>	<b>Redemption of Series D Preferred Stock (SBLF)</b>	<b>Purchase Accounting Adjustments</b>	<b>Pro Forma Adjustments</b>	<b>Pro Forma 3/31/2014 Combined</b>
Cash and cash equivalents	\$ 27,212	\$ 29,911	\$(5,105) (a)	\$(2,087) (b)	\$(1,000) (p)	48,931
Interest bearing deposits in banks	30,211	101				30,312
Available-for-sale investment securities	459,504	73,683				533,187
Loans, net of unearned income	597,055	131,810		(5,131) (c)		723,734
Allowance for loan losses	(7,995)	(2,006)		2,006 (d)		(7,995)
Net loans	589,060	129,804		(3,125)		715,739
Mortgage loans held for sale	1,303	3,324				4,627
Premises and equipment	34,400	4,060		1,300 (e)		39,760
Other real estate owned	5,948	492		- (f)		6,440
Goodwill	13,651	-		10,378 (g)		24,029
Other intangible assets	373	-		1,561 (h)		1,934
Other assets	41,194	3,820				45,014
Total assets	\$1,202,856	\$245,195	\$(5,105)	\$8,027	\$(1,000)	\$1,449,973
Deposits:						
Non-interest bearing	140,569	31,860				172,429
Interest bearing	845,482	179,717		452 (j)		1,025,651
Total deposits	986,051	211,577	-	452	-	1,198,080
Borrowings	94,033	5,155		10,450 (k)		109,638
Other liabilities	5,597	1,582		284 (i)	(340) (p)	7,123
Total liabilities	1,085,681	218,314	-	11,186	(340)	1,314,841
Equity						
Preferred stock	-	5,105	(5,105) (a)			-
Common Stock	3,718	1,281		(1,281) (l)		3,718
Surplus	15,331	16,426		191 (l)		31,948
Retained earnings	97,813	5,252		(5,252) (l)	(660) (p)	97,153
Treasury stock, at cost	(3,046)	-				(3,046)
Accumulated other comprehensive income	1,304	(1,183)		1,183 (n)		1,304
Total shareholders equity	115,120	26,881	(5,105)	(5,159)	(660)	131,077
Non-controlling interest	2,055	-		2,000 (m)		4,055
Total equity	117,175	26,881	(5,105)	(3,159)	(660)	135,132
Total liabilities and shareholders equity	\$1,202,856	\$245,195	(5,105)	\$8,027	\$(1,000)	\$1,449,973
Basic common shares outstanding	3,607	1,282		(904) (o)		3,985
Book value per basic common share outstanding	\$32.49	\$16.99				\$33.91



**FIRST CITIZENS BANCSHARES, INC. AND SUBSIDIARIES****UNAUDITED PRO FORMA COMBINED CONSOLIDATED CONDENSED INCOME STATEMENT****YEAR ENDED DECEMBER 31, 2013**

(all amounts are in thousands, except per share data, unless otherwise indicated)

	<b>First Citizens Bancshares, Inc. 12/31/2013</b>	<b>Southern Heritage Bancshares, Inc. 12/31/2013</b>			<b>Pro Forma Combined 12/31/2013</b>
	<b>(as reported)</b>	<b>(as reported)</b>	<b>Pro Forma Adjustments</b>		
Interest Income:					
Interest and fees on loans	\$32,156	\$7,450	\$421	(c)	\$40,027
Interest income on securities	11,865	1,823	169	(n)	13,857
Other interest income	101	14			115
Total interest income	\$44,122	\$9,287	\$590		\$53,999
Interest expense:					
Interest expense on deposits	4,829	1,080	(226)	(j)	5,683
Interest expense on borrowings	1,385	122	517	(k)	2,024
Total interest expense	6,214	1,202	291		7,707
Net interest income	37,908	8,085	299		46,292
Provision for loan losses	775	124			899
Net interest income after provision	37,133	7,961	299		45,393
Non-interest income:					
Mortgage banking income	1,445	1,452			2,897
Service charges on deposit accounts	4,798	487			5,285
Gain on sale of securities	1,256	164			1,420
Other non-interest income	6,531	621			7,152
Total non-interest income	14,030	2,724			16,754
Non-interest expense:					
Salaries and employee benefits	18,906	3,896			22,802
Net occupancy and depreciation expense	3,681	360	28	(e)	4,069
Amortization of intangibles	42		156	(h)	198
Other non-interest expense	10,712	2,858	120	(m)	13,690
Total non-interest expense	33,341	7,114	304		40,759
Net income before income taxes	17,822	3,571	(5)		21,388
Income tax expense (benefit)	4,014	846	(2)	(q)	4,858
Net income	\$13,808	\$2,725	\$(3)		\$16,530
Preferred stock dividends	-	52	(52)		-
Net income available to common shareholders	\$13,808	\$2,673	\$49		\$16,530
Earnings per common share	\$3.83	\$2.10			\$4.15
Weighted average common shares outstanding	3,607	1,272			3,985





**FIRST CITIZENS BANCSHARES, INC. AND SUBSIDIARIES****UNAUDITED PRO FORMA COMBINED CONSOLIDATED CONDENSED INCOME STATEMENT****QUARTER ENDED MARCH 31, 2014**

(all amounts are in thousands, except per share data, unless otherwise indicated)

	<b>First Citizens Bancshares, Inc. 3/31/2014</b>	<b>Southern Heritage Bancshares, Inc. 3/31/2014</b>			<b>Pro Forma Combined 3/31/2014</b>
	<b>(as reported)</b>	<b>(as reported)</b>		<b>Pro Forma Adjustments</b>	
<b>Interest Income:</b>					
Interest and fees on loans	\$7,856	\$1,652		\$105	(c) \$9,613
Interest income on securities	3,111	532		42	(n) 3,685
Other interest income	21	9			30
Total interest income	10,988	2,193		147	13,328
<b>Interest expense:</b>					
Interest expense on deposits	1,163	253		(57)	(j) 1,359
Interest expense on borrowings	301	30		130	(k) 461
Total interest expense	1,464	283		73	1,820
Net interest income	9,524	1,910		74	11,508
Provision for loan losses	225	76			301
Net interest income after provision	9,299	1,834		74	11,207
<b>Non-interest income:</b>					
Mortgage banking income	193	272			465
Service charges on deposit accounts	1,091	106			1,197
Gain on sale of securities	1,250	93			1,343
Other non-interest income	1,791	227			2,018
Total non-interest income	4,325	698		-	5,023
<b>Non-interest expense:</b>					
Salaries and employee benefits	4,926	901			5,827
Net occupancy and depreciation expense	931	86			1,017
Amortization of intangibles	11			39	(h) 50
Other non-interest expense	2,655	752		30	(m) 3,437
Total non-interest expense	8,523	1,739		69	10,331
Net income before income taxes	5,101	793		5	5,899
Income tax expense	1,276	184		2	(q) 1,462
Net income	\$3,825	\$609		\$3	\$4,437
Preferred stock dividends	-	13		(13)	-
Net income available to common shareholders	\$3,825	\$596		\$16	\$4,437
Earnings per common share	\$1.06	\$0.46			\$1.11
Weighted average common shares outstanding	3,607	1,282			3,985



**NOTES TO UNAUDITED PRO FORMA COMBINED CONSOLIDATED FINANCIAL STATEMENTS**

(all amounts are in thousands, except per share data, unless otherwise indicated)

**Note 1 Basis of Pro Forma Presentation**

The unaudited pro forma combined consolidated balance sheet as of March 31, 2014 and the unaudited pro forma combined consolidated income statements for the year ended December 31, 2013 and quarter ended March 31, 2014 are based on the historical financial statements of First Citizens and SHB after giving effect to the completion of the merger and the assumptions and adjustments described in the accompanying notes. The unaudited pro forma combined consolidated balance sheet as of March 31, 2014 gives effect to the merger as if it occurred on that date. The unaudited pro forma combined consolidated income statements for the year ended December 31, 2013 and quarter ended March 31, 2014 gives effect to the merger as if it occurred on January 1, 2013. Such financial statements do not reflect any cost savings or operating synergies which may occur subsequent to the merger, or the cost to achieve such cost savings or operating synergies or any anticipated disposition of assets which may result from integration of the operations of the two companies. The unaudited pro forma information is presented solely for informational purposes and is not necessarily indicative of the combined results of operation or financial position that might have been achieved for the period indicated, nor is it necessarily indicative of the future results of the combined company. Certain historical financial information has been reclassified to conform to the current presentation.

The transaction will be accounted for under the acquisition method of accounting in accordance with the Accounting Standard Codification (ASC) Topic 805, *Business Combinations* (ASC 805). Under ASC 805, all of the assets acquired and liabilities assumed in a business combination are recognized at their acquisition-date fair values, while transaction costs and restructuring costs associated with the business combination are expensed as incurred. The excess of the purchase price over the fair value of assets acquired and liabilities assumed, if any, net of deferred tax allocations, is recorded to goodwill.

The actual amounts recorded as of the completion of the merger may differ materially from the information presented in these unaudited pro forma combined financial statements as a result of:

- changes in the fair values of SHB's assets and liabilities;
- changes used or generated in SHB's operations between signing of the merger agreement and completion of the merger;
- other changes in SHB's net assets that occur prior to completion of the merger; and
- actual financial results of the combined company.

**Note 2 Pro Forma Allocation of Purchase Price**

The following table shows the pro forma allocation of purchase price to net assets acquired and the pro forma goodwill generated from the transaction:

**Purchase Price:**

SHB shares outstanding as of March 31, 2014 (less SBLF shares)	1,313,135	
Fixed exchange ratio	0.2876	
First Citizens shares to be issued for SHB shares	377,658	
Price per share based on First Citizens as of May 30, 2014	\$44.00	
Aggregate pro forma value of First Citizens stock to be issued	\$ 16,617	
Aggregate cash consideration at \$12.25 per SHB share	16,087	
Total pro forma purchase price		\$32,704

**Net assets acquired:**

Cash and cash equivalents	24,806
Interest bearing deposits in banks	101
Available-for-sale investment securities	73,683
Loans, net of unearned income	126,679
Mortgage loans held for sale	3,324
Premises and equipment	5,360

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Other real estate owned	492	
Other intangible assets	1,561	
Other assets	3,820	
Total assets	239,826	
Non-interest bearing deposits	31,860	
Interest bearing deposits	180,169	
Total deposits	212,029	
Borrowings	3,605	
Other liabilities	1,866	
Total liabilities	217,500	
Net assets acquired		22,326
Goodwill		\$10,378

**Note 3 Preliminary Unaudited Pro Forma and Acquisition Accounting Adjustments**

The following preliminary unaudited pro forma adjustments have been reflected in the unaudited condensed combined financial information. All adjustments are based on current valuations and assumptions which are subject to change. The descriptions related to these preliminary adjustments are as follows (in thousands):

- (a) *Redemption of SHB's Series D Preferred Stock*-Cash and shareholders' equity were adjusted for the redemption of SHB's Series D preferred stock issued through the Small Business Lending Fund (SBLF). This redemption of \$5,105 is expected to occur prior to closing at par value with no discount or premium.
- (b) *Purchase Accounting Adjustments*-Adjustments to cash consist of the net cash consideration of \$12.25 per share which aggregates to cash out flow of \$16,087 and net cash inflow from issuance of line of credit of \$12,000 at the holding company level of First Citizens and issuance of REIT preferred stock of \$2,000. (see also note (m) below).
- (c) *Purchase Accounting Adjustments*-Based on First Citizens' initial evaluation of the acquired portfolio of loans, a fair value adjustment of \$5,131 was recorded which includes both an interest rate component and a credit component. The interest rate component totaled approximately \$631 and will be amortized over the remaining estimated life of the loan portfolio. The impact of the adjustment was an increase to interest income by approximately \$421 and \$105 for the year ended December 31, 2013 and quarter ended March 31, 2014, respectively.
- (d) *Purchase Accounting Adjustments*-The allowance for loan losses was adjusted to reflect the reversal of SHB's recorded allowance. Purchased loans acquired in a business combination are required to be recorded at fair value, and the recorded allowance for loan losses may not be carried over. While First Citizens anticipates significantly reducing the provision for loan losses as a result of the acquired loans being recorded at fair value, no adjustment to the historic amounts of SHB's provision has been recorded in the Pro Forma Combined Condensed Consolidated Income Statements.
- (e) *Purchase Accounting Adjustments*-Fair value adjustment to the net book value of property held by SHB is \$1,300 based on First Citizens' initial evaluation of comparable sales and other relevant market information obtained from an independent third party. Of this adjustment, \$1,100 is allocated to buildings and will be amortized over estimated useful life of 39 years. The impact of the adjustment was an increase in depreciation expense of \$28 and \$6 for the year ended December 31, 2013 and quarter ended March 31, 2014, respectively.
- (f) *Purchase Accounting Adjustments*-Based on First Citizens' initial evaluation of the acquired portfolio, no adjustment is recognized to SHB's other real estate owned and thus, has no impact on the Pro Forma Combined Condensed Consolidated Income Statements.
- (g) *Purchase Accounting Adjustments*-Goodwill of \$10,378 was generated as a result of the total purchase price and net assets acquired. See Note 2, Pro Forma Allocation of Purchase Price, for the allocation of the purchase price to net assets acquired. The adjustment has no impact on the Pro Forma Combined Condensed Consolidated Income Statements.
- (h) *Purchase Accounting Adjustments*-Based on First Citizens' initial evaluation of core deposits, the identified core deposit intangible of \$1,561 will be amortized on a straight line basis over an estimated useful life of 10 years. The amortization expense associated with the core deposit intangible was an increase to non-interest expense of \$156 and \$39 for the year ended December 31, 2013 and quarter ended March 31, 2014, respectively.
- (i) *Purchase Accounting Adjustments*-The adjustment of approximately \$284 reflects deferred taxes associated with the adjustments to record the assets and liabilities of SHB at fair value using First Citizens' statutory rate of 34%.
- (j) *Purchase Accounting Adjustments*-A fair value adjustment of \$452 is recorded to fixed-rate deposit liabilities based on current rates offered by First Citizens for similar instruments. The adjustment will be recognized over the estimated remaining term of related deposit liabilities. The impact of the adjustment was to decrease deposit interest expense by \$226 and \$57 for the year ended December 31, 2013 and quarter ended March 31, 2014, respectively.

- (k) *Purchase Accounting Adjustments*-A fair value adjustment of \$1,550 was recorded as a decrease to SHB's outstanding long-term debt which consists of subordinated debentures totaling \$5,155. This adjustment will be recognized over the estimated expected life of the long-term debt instruments. The impact of the adjustment was to increase interest expense on borrowings by \$154 and \$39 for the year ended December 31, 2013 and quarter ended March 31, 2014, respectively.

An increase of \$12,000 to borrowings is reflected to account for the line of credit to be issued at the holding company level of First Citizens. The proceeds from the line of credit will be used as a funding source for the \$12.25 per share (\$16,087 aggregate) cash consideration. The line of credit will carry a five-year term consist of \$6,000 floating rate at 90-day LIBOR plus 200 basis points and \$6,000 fixed rate at 3.76%. Quarterly payments of principal and interest will be required based on a 10-year amortization. The impact of the adjustment was to increase interest expense on borrowings by \$363 and \$91 for the year ended December 31, 2013 and quarter ended March 31, 2014, respectively.

- (l) *Purchase Accounting Adjustments*-Common stock, surplus and retained earnings were adjusted to reverse SHB's historical shareholders' equity balances and to reflect the stock consideration to be issued estimated at \$16,617. See also Note 2, *Pro Forma Allocation of Purchase Price*, for the allocation of the purchase price to net assets acquired. The adjustment has no impact on the Pro Forma Combined Condensed Consolidated Income Statements.
- (m) *Purchase Accounting Adjustments*-Adjustment to reflect issuance of \$2,000 of non-cumulative perpetual preferred stock by First Citizens Properties, Inc., the real estate investment trust subsidiary of First Citizens. This issuance of stock is expected to be completed by July 1, 2014 through a private placement offering and proceeds will be used as funding source for the cash consideration of \$12.25 per share (\$16,087 aggregate). The impact of the adjustment was to increase non-interest expense for the minor interest dividend payments by \$120 and \$30 for the year ended December 31, 2013 and quarter ended March 31, 2014, respectively.
- (n) *Purchase Accounting Adjustments*- Accumulated other comprehensive income was adjusted to reverse SHB's historical accumulated other comprehensive income balance. The net discount of \$1,183 recorded to reflect the excess of the par value over the fair value of the acquired investment securities will be recognized over the estimated remaining life of the portfolio. The impact of the adjustment was to increase interest income on securities by \$169 and \$42 for the year ended December 31, 2013 and quarter ended March 31, 2014, respectively.
- (o) *Purchase Accounting Adjustments*-Weighted average basic shares outstanding were adjusted to reverse SHB's basic shares outstanding and to record shares of First Citizens stock issued to effect the transaction.
- (p) *Pro Forma Adjustments*-Cash was adjusted to reflect expensing of approximately \$1,000 of anticipated non-recurring merger related expenses to be incurred by First Citizens and SHB prior to and at closing. The related tax effect of approximately \$340 is reflected as a decrease to Other Liabilities for the reduction of current and deferred tax liabilities and the expense net of tax of approximately \$660 is reflected as a decrease to retained earnings. Anticipated non-recurring merger related expenses consist of investment banking fees, legal fees, accounting fees, registration fees, contract termination fees, printing costs, etc. These expenses are not included in the Pro Forma Combined Condensed Consolidated Income Statements because they are not expected to have a continuing impact on the combined entity. Payment of these expenses is not expected to have a significant impact on the liquidity of the combined entity.
- (q) *Pro Forma Adjustments*-Income taxes were adjusted to reflect the tax effects of the purchase accounting adjustments using First Citizens' statutory rate of 34%.

**Note 4 Preliminary Unaudited Pro Forma Regulatory and Tangible Capital Ratios**

The following information reflects the unaudited pro forma balances used for calculating pro forma regulatory and tangible capital ratios as of March 31, 2014 for First Citizens, First Citizens National Bank and Southern Heritage Bank and gives effect to the merger as if it occurred on that date.

*First Citizens Bancshares, Inc.*

	<b>March 31, 2014</b>			
	<u>(as reported) (1)</u>	<u>Adjustments</u>		<u>Pro Forma</u>
Total equity (before minority interests)	\$ 115,120	\$ 16,617	(2)	\$ 131,737
Less:				
Net unrealized gain on available-for-sale debt securities	1,304			1,304
Disallowed goodwill & intangibles	14,024	11,408	(3)	25,432
Add qualifying restricted core capital elements:				
Trust preferred debt	10,310	3,605	(4)	13,915
Noncontrolling minority interests	2,000	2,000	(5)	4,000
Tier 1 capital (total tangible equity capital)	112,102	10,814		122,916
Reserve for loan losses	7,995			7,995
Unrealized gains on available-for-sale equity securities	21			21
Tier 2 capital	8,016			8,016
Total qualified capital	120,118	10,814		130,932
Risk weighted assets	674,755	151,370	(6)	826,125
Total average assets	1,175,781	242,707	(7)	1,418,488
Less: disallowed goodwill and intangibles	14,024	11,408	(3)	25,432
Average assets for regulatory leverage capital	1,161,757	231,299		1,393,056
Total assets	1,202,856	247,117	(8)	1,449,973
Total tangible assets	1,188,832	235,709	(9)	1,424,541
Tier 1 leverage ratio (10)	9.65%			8.81%
Tier 1 risk based capital ratio (11)	16.61%			14.88%
Total risk based capital ratio (12)	17.80%			15.85%
Total tangible equity capital to total tangible assets	9.43%			8.63%

(1) Balances as of March 31, 2014 as reported on First Citizens FRY-9C filed with the Federal Reserve.

(2) Adjustment to reflect stock consideration to effect the transaction. See also Note 2, Pro Forma Allocation of Purchase Price.

(3) Adjustment to reflect preliminary estimate of goodwill and intangibles net of the deferred tax liability. See also Note 2, Pro Forma Allocation of Purchase Price.

(4) Adjustment to reflect assumption of SHB's subordinated debentures net of estimated fair value adjustment. See also Note 3, Preliminary Unaudited Pro Forma and Acquisition Accounting Adjustments (k).

(5) Adjustment to reflect issuance of non-cumulative perpetual preferred stock by First Citizens Properties, Inc., the real estate investment trust subsidiary of First Citizens. See also Note 3, Preliminary Unaudited Pro Forma and Acquisition Accounting Adjustments (m).

(6) Adjustment to reflect the risk weighted assets as reported by Southern Heritage Bank on the March 31, 2014 Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only FFIEC 041 ( Call Report ) filed with the Federal Financial Institutions Examination Council on April 29, 2014 adjusted for the redemption of the SBLF shares and applicable fair value adjustments.

Adjustments consist of the following:

<u>Southern Heritage Bank's risk weight assets as reported on the March 31, 2014 Call Report</u>	\$	160,306
Decrease for cash to redeem the SBLF prior to closing		(5,105)



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Decrease for fair value adjustment on loans	(5,131)
Increase for fair value adjustment of premises and equipment	1,300
	\$ 151,370

See also Note 3, Preliminary Unaudited Pro Forma and Acquisition Accounting Adjustments for additional information regarding fair value adjustments.

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(7) Adjustments to total average assets include the following:

<u>Southern Heritage Bank's total average assets as reported on March 31, 2014 Call Report</u>	\$	240,785
Decrease for cash to redeem SBLF prior to closing		(5,105)
Decrease for net cash considerations		(2,087)
Decrease of estimated transaction expenses		(1,000)
Decrease for fair value adjustment on loans		(5,131)
Increase for reversal of Southern Heritage Bank's allowance for loan losses		2,006
Increase for preliminary estimates of goodwill		10,378
Increase for preliminary estimate of core deposit intangible		1,561
Increase for fair value adjustment of premises and equipment		1,300
Total adjustment to total average assets	\$	242,707

(8) Adjustments to total assets consist of the following:

<u>SHB's total assets as reported (unaudited) as of March 31, 2014</u>	\$	245,195
Decrease for cash to redeem the SBLF prior to closing		(5,105)
Sum of purchase accounting adjustments		8,027
Sum of pro forma adjustments		(1,000)
	\$	247,117

See also Note 3, Preliminary Unaudited Pro Forma and Acquisition Accounting Adjustments for additional information.

(9) Adjustment to tangible assets consists of the adjustments totaling \$247,117 in (8) above less goodwill and intangibles totaling \$11,408.

(10) Tier 1 leverage ratio is calculated as Tier 1 capital (total tangible equity capital) to average assets for regulatory leverage capital.

(11) Tier 1 risk based capital ratio is calculated as Tier 1 capital (total tangible equity capital) to risk weighted assets.

(12) Total risk based capital ratio is calculated as total qualified capital to risk weighted assets.

*First Citizens National Bank*

	<b>March 31, 2014</b>			
	<b><u>(as reported) (1)</u></b>	<b><u>Adjustments</u></b>		<b><u>Pro Forma</u></b>
Total equity (before minority interests)	\$ 124,298	\$ (5,000)	(2)	\$ 119,298
Less:				
Net unrealized gain (loss) on available-for-sale debt securities	1,304			1,304
Disallowed goodwill & intangibles	14,024			14,024
Add qualifying restricted core capital elements:				
Noncontrolling minority interests	2,000	2,000	(3)	4,000
Tier 1 capital (total tangible equity capital)	110,970	(3,000)		107,970
Reserve for loan losses	7,995			7,995
Unrealized gains (losses) on available-for-sale equity securities	21			21
Tier 2 capital	8,016			8,016
Total qualified capital	118,986	(3,000)	(4)	115,986
Risk weighted assets	674,750	(3,000)	(4)	671,750
Total average assets	1,176,121	(3,000)	(4)	1,173,121
Less: disallowed goodwill and intangibles	14,024			14,024
Average assets for regulatory leverage capital	1,162,097	(3,000)		1,159,097
Total assets	1,202,516	(3,000)	(4)	1,199,516
Total tangible assets	1,188,492	(3,000)	(4)	1,185,492
Tier 1 leverage ratio (5)	9.55%			9.32%
Tier 1 risk based capital ratio (6)	16.45%			16.07%
Total risk based capital ratio (7)	17.63%			17.27%

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Total tangible equity capital to total tangible assets	9.34%	9.11%
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- (1) Balances as of March 31, 2014 as reported on First Citizens National Bank's Call Report filed with the FFIEC on April 30, 2014.
- (2) Adjustment to reflect cash dividends from First Citizens National Bank to First Citizens to be used as funding source for cash consideration to effect the transaction.
- (3) Adjustment to reflect issuance of non-cumulative perpetual preferred stock by First Citizens Properties, Inc., the real estate investment trust subsidiary of First Citizens. See also Note 3, Preliminary Unaudited Pro Forma and Acquisition Accounting Adjustments (m).

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- (4) Adjustments to risk weighted assets, total average assets, total assets and total tangible assets reflect the net decrease in assets as a result of \$5,000 dividend to First Citizens as noted in (2) above net of proceeds of \$2,000 from issuance of non-cumulative perpetual preferred stock as described in (3) above.
- (5) Tier 1 leverage ratio is calculated as Tier 1 capital (total tangible equity capital) to average assets for regulatory leverage capital.
- (6) Tier 1 risk based capital ratio is calculated as Tier 1 capital (total tangible equity capital) to risk weighted assets.
- (7) Total risk based capital ratio is calculated as total qualified capital to risk weighted assets.

*Southern Heritage Bank*

	<b>March 31, 2014</b>			
	<u>(as reported) (1)</u>	<u>Adjustments</u>		<u>Pro Forma</u>
Total equity	\$ 31,639	\$ 4,800	(2)	\$ 36,439
Less:				
Net unrealized (loss) gain on available-for-sale debt securities	(1,183)	1,183	(3)	-
Disallowed goodwill & intangibles	-	11,408	(4)	11,408
Tier 1 capital (total tangible equity capital)	32,822	(7,791)		25,031
Reserve for loan losses	2,006	(2,006)	(5)	-
Tier 2 capital	2,006	(2,006)		-
Total qualified capital	34,828	(9,797)		25,031
Risk weighted assets	160,306	(\$8,936)	(6)	151,370
Total average assets	240,785	5,009	(7)	245,794
Less: disallowed goodwill and intangibles	-	11,408	(4)	11,408
Average assets for regulatory leverage capital	240,785	(6,399)		234,386
Total assets	244,929	5,009	(7)	249,938
Total tangible assets	244,929	(6,399)	(8)	238,530
Tier 1 leverage ratio (9)	13.63%			10.68%
Tier 1 risk based capital ratio (10)	20.47%			16.54%
Total risk based capital ratio (11)	21.73%			16.54%
Total tangible equity capital to total tangible assets	13.40%			10.49%

(1) Balances as of March 31, 2014 as reported on Southern Heritage Bank's March 31, 2014 Call Report.

(2) Adjustments to total equity consist of the following:

<u>Decrease for SHB's historical equity</u>	\$ (31,639)
Increase for total purchase price	32,704
Increase for assumed subordinated debentures, net of fair value and related deferred tax adjustments	4,132
Decrease for net assets of SHB as of March 31, 2014	(397)
Total Net Adjustments	\$ 4,800

See also Note 2, Pro Forma Allocation of Purchase Price and Note 3, Preliminary Unaudited Pro Forma and Acquisition Accounting Adjustments.

- (3) Adjustment to reflect reversal of Southern Heritage Bank's historical accumulated other comprehensive income balance.
- (4) Adjustment to reflect preliminary estimate of goodwill and intangibles. See also Note 2, Pro Forma Allocation of Purchase Price.
- (5) Adjustment to reflect the reversal of Southern Heritage Bank's recorded allowance for loan losses. See also Note 3, Preliminary Unaudited Pro Forma and Acquisition Accounting Adjustments.
- (6) Adjustments to risk weighted assets as reported by Southern Heritage Bank on the March 31, 2014 Call Report consist of the following:

<u>Decrease for cash to redeem the SBLF prior to closing</u>	(5,105)
Decrease for fair value adjustment on loans	(5,131)
Increase for fair value adjustment of premises and equipment	1,300

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Total Net Adjustments \$ (8,936)

See also Note 3, Preliminary Unaudited Pro Forma and Acquisition Accounting Adjustments for additional information regarding fair value adjustments.

(7) Adjustments to average and total assets as reported by Southern Heritage Bank on the March 31, 2014 Call Report consist of the following:

<u>Decrease for cash to redeem SBLF prior to closing</u>	(5,105)
Decrease for fair value adjustment on loans	(5,131)
Increase for reversal of Southern Heritage Bank's allowance for loan losses	2,006
Increase for preliminary estimates of goodwill	10,378
Increase for preliminary estimate of core deposit intangible	1,561
Increase for fair value adjustment of premises and equipment	1,300
Total Net Adjustments	\$ 5,009

See also Note 3, Preliminary Unaudited Pro Forma and Acquisition Accounting Adjustments for additional information regarding fair value adjustments.

- (8) Adjustment to tangible assets consists of the adjustments totaling \$5,009 in (7) above less goodwill and intangibles totaling \$11,408.
- (9) Tier 1 leverage ratio is calculated as Tier 1 capital (total tangible equity capital) to average assets for regulatory leverage capital.
- (10) Tier 1 risk based capital ratio is calculated as Tier 1 capital (total tangible equity capital) to risk weighted assets.
- (11) Total risk based capital ratio is calculated as total qualified capital to risk weighted assets.

**UNAUDITED COMPARATIVE PER SHARE DATA**

The following information presented below should be read together with: (i) First Citizens' audited consolidated financial statements and accompanying notes for the year ended December 31, 2013, and unaudited consolidated financial statements and accompanying notes for the three months ended March 31, 2014, both of which are included elsewhere in this Proxy Statement/Prospectus; and (ii) SHB's audited consolidated financial statements and accompanying notes for the year ended December 31, 2013, and SHB's unaudited consolidated financial statements and accompanying notes for the three months ended March 31, 2014, also included elsewhere in this Proxy Statement/Prospectus. See Index to Financial Statements.

The unaudited pro forma adjustments are based upon available information and certain assumptions that First Citizens' management believes are reasonable. The unaudited pro forma data, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the impact of factors that may result as a consequence of the merger or consider any potential impacts of current market conditions of the merger on revenues, expense efficiencies, asset dispositions, among other factors. As a result, unaudited pro forma data is presented for illustrative purposes only and does not represent an attempt to predict or suggest future results. Upon completion of the merger, the operating results of Southern Heritage Bank will be reflected in the consolidated financial statements of First Citizens on a prospective basis.

	<b>First Citizens Stock<sup>(1)</sup></b>	<b>Equivalent Pro Forma Value Per Share of SHB Stock<sup>(2)</sup></b>
March 31, 2014	\$ 32.48	\$ 21.59
[ ], 2014	[ ]	[ ]

(1) Represents the book value (per Selected Financial Data) per share of First Citizens stock as of March 31, 2014 (unaudited).

(2) Represents the historical market value per share of First Citizens stock multiplied by the assumed exchange ratio of 0.2876 and adding the per share cash consideration of \$12.25, which does not reflect any adjustments. The value does not reflect cash to be paid in lieu of fractional shares and is rounded to two decimals.

The table shows: (1) the value assigned to First Citizens' common stock on March 31, 2014 and on [ ], 2014, the most recent date practicable preceding the date of this Proxy Statement/Prospectus; and (2) the equivalent proforma value of a share of SHB common stock at such dates based on the value of the consideration to be received by SHB shareholders in the merger with respect to each share.





## CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This Proxy Statement/Prospectus contains certain forward-looking statements about the financial condition, results of operations and business of First Citizens and SHB and about the combined companies following the merger. These statements concern the cost savings, revenue enhancements and other advantages the companies expect to obtain from the merger, the anticipated impact of the merger on First Citizens financial performance, tax consequences and accounting treatment of the merger, receipt of regulatory approvals and earnings estimates for the combined company. These statements appear in several sections of this Proxy Statement/Prospectus, including SUMMARY , RISK FACTORS , THE MERGER Reasons for the Merger , INFORMATION ABOUT FIRST CITIZENS Management s Discussion and Analysis of Financial Condition and Results of Operations and INFORMATION ABOUT SHB Management s Discussion and Analysis of Financial Condition and Results of Operations. Also, the forward-looking statements generally include any of the words believes, expects, anticipates, intends, estimate, should, will, may or plans or similar expressions.

Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions. The future results and shareholder values of First Citizens and SHB, and of the combined companies, may differ materially from those expressed in these forward-looking statements. Many of the factors that could influence or determine actual results are unpredictable and not within the control of First Citizens or SHB. In addition, neither First Citizens nor SHB intends to, nor are they obligated to, update these forward-looking statements after this Proxy Statement/Prospectus is distributed, even if new information, future events or other circumstances have made them incorrect or misleading as of any future date. For all of these statements, First Citizens claims the protection of the safe harbor for forward-looking statements provided in Section 27A of the Securities Act and Section 21E of the Securities Exchange Act.

Factors that may cause actual results to differ materially from those contemplated by these forward-looking statements include, among others, the following possibilities:

- First Citizens and SHB may fail to achieve the anticipated benefits of the merger;
- The value of First Citizens stock after the merger may be affected by factors different from those affecting shares of SHB or First Citizens currently;
- The executive officers and directors of SHB have interests different from typical SHB shareholders;
- Former shareholders of SHB will be limited in their ability to influence First Citizens actions and decisions following the merger;
- The merger may result in a loss of current SHB employees;
- Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated or cannot be met;
- The Merger Agreement limits SHB s ability to pursue an alternative transaction and requires SHB to pay a termination fee under certain circumstances relating to alternative acquisition proposals;
- First Citizens actual cost savings resulting from the merger with SHB may be less than expected, First Citizens may be unable to realize those cost savings as soon as expected or First Citizens may incur additional or unexpected costs;
- Changes in general economic and business conditions;
- Changes in market rates and prices of securities, loans, deposits and other financial instruments;
- Changes in legislative or regulatory developments affecting financial institutions in general, including changes in tax, banking, insurance, securities or other financial service related laws;
- Changes in government fiscal and monetary policies;
- The ability of First Citizens to provide market competitive products and services;
- Concentrations within the loan portfolio;
- Fluctuations in prevailing interest rates and the effectiveness of the First Citizens interest rate hedging strategies;
- First Citizens ability to maintain credit quality;
- The effectiveness of First Citizens risk monitoring systems;
- The ability of First Citizens borrowers to repay loans;

- The availability of and costs associated with maintaining and/or obtaining adequate and timely sources of liquidity;
- Geographic concentration of First Citizens' assets and susceptibility to economic downturns in that area;
- The ability of First Citizens to attract, train and retain qualified personnel;
- Changes in consumer preferences; and
- Other factors generally understood to affect financial results of financial services companies.

## THE ANNUAL MEETING

### General

This Proxy Statement/Prospectus is first being mailed on or about [ ], 2014, to all persons who were SHB shareholders on [ ], 2014.

Along with this Proxy Statement/Prospectus, SHB shareholders are being provided with a Notice of Annual meeting and form of proxy card for use at the annual meeting of SHB shareholders and at any adjournments or postponements of that meeting.

At the SHB annual meeting, the following proposals will be considered and voted upon:

1. *Merger Proposal.* Considering and voting upon the approval of the agreement and plan of merger (the Merger Agreement ), dated as of March 20, 2014, between SHB and First Citizens, which provides for the merger of SHB with and into First Citizens as more fully described in the accompanying Proxy Statement/Prospectus, and the transactions contemplated by the Merger Agreement;
2. *Election of Directors.* To elect two Class III members of the board of directors to serve three-year terms until the annual meeting of shareholders in 2017 or until their successors have been duly elected and qualified. Note that upon the effective date of the merger, if approved and then consummated, the directors of SHB will no longer serve as directors of SHB, but since the same directors generally are elected as the directors of Southern Heritage Bank, they will continue to serve in that capacity;
3. *Adjournment.* If necessary, to adjourn the annual meeting to a later date; and
4. *Other Business.* To transact such other business as may properly come before the annual meeting or any adjournment of the annual meeting.

All holders of SHB common stock, SHB Class A common stock, SHB Class B common stock and SHB Series A preferred stock shall have the right to vote on the merger; however, only holders of SHB common stock have the right to vote with respect to the other proposals to be submitted at the annual meeting of SHB shareholders.

The annual meeting of SHB shareholders will be held at the following time and place:

[ ], 2014

[ ] (Eastern Time)

3020 Keith Street NW

Cleveland, Tennessee 37312

### Proxies

We encourage SHB shareholders to promptly vote their proxies using the Internet by visiting the following website: [www.voteproxy.com](http://www.voteproxy.com) or by completing, signing, dating and returning the enclosed proxy card, solicited by SHB's board of directors, whether or not they are able to attend the SHB annual meeting in person.

A SHB shareholder may revoke any proxy given in connection with this solicitation by:

- delivering to SHB a written notice revoking the proxy prior to the taking of the vote at the SHB annual meeting;
- delivering a duly executed proxy relating to the same shares bearing a later date;
- re-vote by using the Internet and visiting the following website: [www.voteproxy.com](http://www.voteproxy.com); or
- attending the meeting and voting in person (attendance at the SHB annual meeting without voting at the meeting will not in and of itself constitute a revocation of a proxy).

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Revocation of proxy by written notice or execution of a new proxy bearing a later date should be submitted to:

Southern Heritage Bancshares, Inc.

3020 Keith Street NW

Cleveland, Tennessee 37312

Attention: Corporate Secretary

For a notice of revocation or later proxy to be valid, however, SHB must receive it prior to the vote of SHB shareholders at the SHB annual meeting. SHB will vote all shares of SHB common stock represented by valid proxies received through this solicitation and not revoked before they are exercised in the manner described above.

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SHB is currently unaware of any other matters that may be presented for action at the SHB annual meeting. If other matters do properly come before the SHB annual meeting, then shares of SHB common stock represented by proxies will be voted (or not voted) by the persons named in the proxies in their discretion.

Please do not forward your SHB stock certificates with your proxy card.

### **Solicitation of Proxies**

SHB will bear the costs of printing and mailing this Proxy Statement/Prospectus and First Citizens will bear the costs of filing First Citizens registration statement on Form S-4 with the SEC.

If necessary, SHB may use certain of its employees, who will not be specially compensated, to solicit proxies from SHB shareholders, either personally or by telephone, facsimile or mail.

### **Record Date and Voting Rights On the Merger**

SHB's board of directors has fixed [ ], 2014 as the record date for the determination of SHB shareholders entitled to receive notice of and to vote at SHB's annual meeting of shareholders. Accordingly, only SHB shareholders of record and entitled to vote at the close of business on [ ], 2014 will be entitled to notice of and to vote at the SHB annual meeting. At the close of business on SHB's record date, there were [ ] shares of SHB common stock, SHB Class A common stock, SHB Class B common stock and SHB Series A preferred stock entitled to vote at the SHB annual meeting held by approximately 847 holders of record, and the executive officers and directors of SHB beneficially owned an aggregate of 18.9% of the outstanding shares of SHB common stock, SHB Class A common stock, SHB Class B common stock and SHB Series A preferred stock.

The presence, in person or by proxy, of a majority of the votes entitled to be cast by the holders of SHB common stock, SHB Class A common stock, SHB Class B common stock and SHB Series A preferred stock is necessary to constitute a quorum at the annual meeting. Each share of SHB common stock, SHB Class A common stock, SHB Class B common stock and SHB Series A preferred stock outstanding on SHB's record date entitles its holder to one vote as to the approval of the Merger Agreement or any other proposal that may properly come before SHB's annual meeting. Holders of those shares will be considered as separate voting groups and will be entitled to vote and be counted as separate voting groups for each class of stock.

For purposes of determining the presence or absence of a quorum for the transaction of business, SHB will count shares of SHB stock entitled to vote present in person or by proxy at the annual meeting but not voting as present at the annual meeting. Abstentions and broker non-votes will also be counted as present at the SHB annual meeting for purposes of determining whether a quorum exists.

Under Tennessee law, the Merger Agreement must be approved by a majority of all the votes entitled to be cast on the Merger Agreement. Therefore, the holders of a majority of the outstanding shares of SHB stock entitled to vote, present in person or by proxy at the annual meeting must approve the Merger Agreement. Accordingly, SHB's board of directors urges SHB shareholders to complete, date and sign the accompanying proxy card and return it promptly in the enclosed postage paid business reply envelope.

### **Vote Required on Other Matters**

Only holders of SHB common stock are entitled to vote on matters other than the merger at the annual meeting. You are entitled to vote your common stock if our records show that you held your shares as of the close of business on [ ], the record date. Holders of shares of our Class A common stock, Class B common stock and SHB Series A preferred stock are not entitled to vote on these other matters being presented at the annual meeting.

Each shareholder is entitled to one vote for each share of common stock held on the record date. On that date, there were [ ] shares of common stock outstanding and entitled to vote. Shareholders are not entitled to cumulative voting rights.

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For the election of directors, you may vote for (1) all of the nominees, (2) none of the nominees, or (3) all of the nominees except those you designate. For other matters or adjournment, you may vote FOR or AGAINST or you may ABSTAIN from voting.

If you return your signed proxy card but do not specify how you want to vote your shares, we will vote them FOR the election of the nominees for directors, and FOR the adjournment, if necessary, of the annual meeting to a later date.

If a quorum is present at the annual meeting, the director nominees will be elected by a plurality of the votes cast in person or by proxy at the meeting, and any other matters submitted to the shareholders will require the affirmative vote of a majority of the shares of common stock present or represented by proxy at the meeting.

### **Recommendation of Board of Directors**

SHB's board of directors has approved the Merger Agreement. SHB's board of directors believes that the merger is in the best interests of SHB and SHB shareholders and recommends that SHB shareholders vote FOR approval of the Merger Agreement. The determination of SHB's board of directors with respect to the merger is based on a number of factors, as described in this Proxy Statement/Prospectus. See THE MERGER Reasons for the Merger; Recommendation of the Board of Directors. SHB's board of directors also believes that the election of the nominees for election as directors are in the best interests of SHB and SHB shareholders and recommends that SHB shareholders vote FOR all nominees for election as directors.

### **Dissenters Rights**

Tennessee law permits SHB shareholders to dissent from the merger and to receive the fair value of their shares of SHB stock in cash. To dissent, a SHB shareholder is subject to a number of restrictions and technical requirements, including filing certain notices with SHB and voting his or her shares against the Merger Agreement. The shares of SHB stock held by a dissenter will not be exchanged for stock consideration or cash consideration in the merger and a dissenter's only right will be to receive the fair value of his or her shares of SHB stock in cash.

Any SHB shareholder who wishes to exercise dissenters' rights, or who wishes to preserve his or her right to do so, should carefully review Chapter 23 of the Tennessee Business Corporation Act, a copy of which is attached as Annex B to this Proxy Statement/Prospectus, and the section entitled "THE MERGER - Dissenters' Rights."

### **Certain Matters Relating to Proxy Materials**

The rules regarding delivery of proxy statements may be satisfied by delivering a single proxy statement to an address shared by two or more shareholders. This method of delivery is referred to as "householding" and can result in meaningful cost savings. In order to take advantage of this opportunity, we may deliver only one proxy statement to certain multiple SHB shareholders who share an address, unless we have received contrary instructions from one or more of the shareholders. We undertake to deliver promptly upon request a separate copy of the proxy statement, as requested, to a shareholder at a shared address to which a single copy of these documents is delivered. If you hold SHB stock as a record holder and prefer to receive a separate copy of a proxy statement, please call (423) 473-7980 or send a written request to:

Southern Heritage Bancshares, Inc.

3020 Keith Street NW

Cleveland, Tennessee 37312

Attention: Corporate Secretary

If your SHB stock is held through a broker or bank and you prefer to receive a separate copy of a proxy statement, please contact such broker or bank.





## PROPOSAL 1: THE MERGER

The discussion in this Proxy Statement/Prospectus of the merger of SHB into First Citizens does not purport to be complete and is qualified by reference to the full text of the Merger Agreement and the other annexes attached to, and incorporated by reference into, this Proxy Statement/Prospectus.

### Introduction

During a special meeting on July 16, 2014, First Citizens' shareholders voted on and approved the First Citizens Charter Amendment authorizing an additional class of common stock (Class A common stock) and a reclassification of First Citizens' outstanding common stock. Upon the filing of the First Citizens Charter Amendment, each share of First Citizens common stock outstanding immediately prior to such filing owned by a shareholder of record who owned between one and 299 shares of such common stock was, by virtue of the filing of the First Citizens Charter Amendment and without any action on the part of the holders, reclassified as Class A common stock, on the basis of one share of Class A common stock per each share of common stock so reclassified. Each share of First Citizens common stock outstanding immediately prior to the filing of the First Citizens Charter Amendment owned by a shareholder of record who owned 300 or more shares of such common stock was not reclassified and continued to be classified as common stock. The First Citizens common stock continues to have unlimited voting rights. The First Citizens Class A common stock has no voting rights, except as may be required by law.

### Description of the Merger

At the effective time, SHB will merge with and into First Citizens, with First Citizens being the surviving corporation following the merger. Southern Heritage Bank will survive and become a wholly-owned subsidiary of First Citizens. SHB shareholders, other than SHB shareholders who properly exercise their right to dissent from the merger, will be entitled to receive the per share merger consideration in exchange for each share of SHB stock they own.

First Citizens will not issue any fractional shares of First Citizens stock. Instead, an SHB shareholder who would otherwise be entitled to receive a fractional share of First Citizens stock as consideration in the merger will receive cash in an amount equal to \$42.60 multiplied by the fraction of a share of First Citizens stock to which the shareholder otherwise would be entitled.

Tennessee law permits SHB shareholders to dissent from the merger and to receive the fair value of their shares of SHB stock in cash. To dissent, an SHB shareholder is subject to a number of restrictions and technical requirements, including filing certain notices with SHB and voting his or her shares against the Merger Agreement. The shares of SHB stock held by a dissenter will not be exchanged for stock consideration or cash consideration in the merger and a dissenter's only right will be to receive the fair value of his or her shares of SHB stock in cash. For a discussion of the procedures that dissenting shareholders must follow to properly exercise their rights, please see **THE MERGER Dissenters' Rights**.

### Background of the Merger

From time to time in recent years, SHB has considered the strategic options available to it as an independent bank, as an acquirer and consolidator in the Tennessee market, or as a party to a merger with another institution. The steady growth trajectory of SHB since its inception in 1999, however, resulted in the principal executives and the board of directors of SHB electing to continue an organic growth pattern while at the same time continuing to evaluate its strategic alternatives to maximize shareholder value.

Over the past number of years, however, the principal executives and the board of directors began to consider ways to give SHB better size and scale to pursue growth and shareholder value. The health of SHB and its core markets, the current interest rate environment and continued competitive pressures and rising regulatory costs led SHB's leadership to consider a merger as one avenue to achieve that goal. SHB engaged FIG Partners on March 27, 2013 to act as the exclusive agent to provide investment banking and financial advisory services, in connection with a possible merger with another financial institution. FIG Partners solicited interest in SHB from 29 financial institutions.

Since approximately 2011, Mr. J. Lee Stewart, president and chief executive officer of SHB, and Mr. Jeffrey D. Agee, president and chief executive officer of First Citizens, have had periodic conversations about strategic options regarding their two companies. In April 2012,

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Christopher Olsen, currently a principal of Olsen Palmer, a financial advisory firm, advised First Citizens to consider SHB as an acquisition target and conducted a financial analysis of such a transaction. On May 24, 2013, First Citizens engaged Olsen Palmer to act as its exclusive agent to provide investment banking and financial advisory services in connection with the potential acquisition of SHB.

The first formal visit between Mr. Stewart and Mr. Agee took place in May 2011, in Washington, D.C. This meeting was followed by many others between Mr. Agee and Mr. Stewart as well as other key persons associated with First Citizens and SHB. At each of these meetings, the parties discussed the opportunities presented by a merger between them, the overall banking marketplace in Tennessee, the communities in which SHB does business, and various potential transaction structures.

In the spring of 2013, the discussions between the parties and their financial advisors turned toward structuring a formal offer from First Citizens to SHB regarding a proposed merger transaction. The offer was submitted to SHB in the form of an indication of interest first by letter dated May 2, 2013 followed by a letter dated June 14, 2013. The June 14, 2013 letter was not executed by SHB. A formal letter dated December 3, 2013 (herein, the Letter of Intent ) was executed by SHB on December 4, 2013. In the Letter of Intent, First Citizens offered to purchase SHB for an aggregate purchase price of \$32,171,807.50, to be paid in stock and cash, based on the market value of First Citizens' capital stock at that time. Between the initial indication of interest in May and the December Letter of Intent, the consideration was changed from a range to a set amount (\$24.50 per share), the structure changed to provide for an adjustment based on a material decrease in SHB's accumulated other comprehensive income ( AOCI ), the minimum net worth requirement was added and defined, and certain operational issues were addressed.

After SHB reviewed the Letter of Intent and consulted with FIG Partners, SHB and FIG Partners determined that the offer received from First Citizens was clearly the highest and best offer received by SHB. The SHB board agreed that the offer was in the best interest of the shareholders and voted to enter into said Letter of Intent which provided First Citizens a period of exclusivity in which to conduct diligence on SHB and draft the definitive Merger Agreement.

The parties proceeded to perform due diligence on one another on an exclusive basis. On January 23, 2014, First Citizens provided SHB and its advisors with an initial draft of a definitive Merger Agreement. The parties discussed various legal and business points related to this agreement through March 19, 2014. During the due diligence period, First Citizens conducted a thorough due diligence investigation of SHB. This due diligence investigation included on-site review of documents, files and other pertinent materials, as well as in-person meetings and discussions with key SHB personnel. SHB and its advisors conducted a thorough due diligence investigation of First Citizens. This due diligence investigation included a review of historical public filings of First Citizens, on-site review of key documents and interviews with First Citizens management. Throughout the due diligence investigation period and negotiation of the Merger Agreement, the deal terms did not materially deviate from the terms set forth in the executed Letter of Intent. The cash and share consideration provided in the executed Letter of Intent remained the same.

Olsen Palmer presented a financial analysis with regard to a proposed merger with SHB to the executive committee of First Citizens' board of directors on March 17, 2014. On March 19, 2014, the First Citizens board of directors met to consider the proposed merger between SHB and First Citizens and the terms of the proposed Merger Agreement. The First Citizens board of directors discussed the merger with its legal counsel and management. Olsen Palmer presented its fairness opinion to the board of directors at this meeting. After further discussion among the directors, the Merger Agreement was approved by First Citizens' board of directors on March 19, 2014 and executed by First Citizens' chief executive officer on March 20, 2014.

On March 19, 2014, SHB's board of directors held a meeting to discuss the transaction and the Merger Agreement. At that meeting, the SHB board of directors was briefed on the Merger Agreement and the ancillary legal documents and had the opportunity to ask questions to SHB's legal and financial advisors regarding terms and conditions of the transaction included in the Merger Agreement. FIG Partners also presented an analysis of the financial terms set forth in the Merger Agreement. At that time, the total deal value of the transaction was projected to be \$32,702,855.75 based on a First Citizens stock price of \$44.00. FIG Partners provided SHB's board of directors with its opinion that closing of the proposed transaction on those terms was fair from a financial perspective to the shareholders of SHB. FIG Partners also provided its written fairness opinion, a copy of which is attached as Annex C to this Proxy Statement/Prospectus, on March 19, 2014.

SHB's board of directors unanimously approved the Merger Agreement and transactions contemplated thereby with First Citizens on March 19, 2014. On March 20, 2014, SHB's chief executive officer executed the Merger Agreement. First Citizens and SHB publicly announced the proposed merger that day.

On June 27, 2014, First Citizens and SHB amended the Merger Agreement to correct a clerical error in the amount to be paid to SHB's shareholders for fractional shares. See Annex A to this Proxy Statement/Prospectus for a copy of the First Amendment to the Merger Agreement.

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

The merger will combine the strengths of First Citizens and SHB and their subsidiary banks. First Citizens has an established presence in West and Middle Tennessee with plans to significantly enhance its market share in those markets. Joining with First Citizens will provide SHB's customers opportunities offered by a large, resourceful, community-minded bank. First Citizens has been actively seeking other banking locations to expand its presence in Tennessee. The proposed merger with SHB accelerates First Citizens' opportunity to grow across Tennessee and brings to First Citizens' team a number of outstanding bankers. First Citizens currently operates 21 commercial banking, mortgage, and insurance locations in West and Middle Tennessee, with total assets of approximately \$1.18 billion. First Citizens' management views Bradley County as a logical growth area for its community style of banking.

In reaching its determination to approve the Merger Agreement, SHB's board of directors consulted with SHB's management and legal and financial advisors and considered a number of factors, including a fairness opinion presented by FIG Partners. FIG Partners took into consideration the results of the limited auction process for the potential sale of SHB in which FIG Partners contacted a total of 29 financial institutions regarding their potential interest in an acquisition of SHB, and First Citizens' offer was the highest indication received.

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The following is a discussion of information and factors considered by SHB's board of directors in reaching this determination. This discussion is not intended to be exhaustive, but includes the material factors considered by SHB's board of directors. In the course of its deliberations with respect to the merger, SHB's board of directors discussed the anticipated impact of the merger on SHB, SHB's shareholders and the communities that SHB serves.

The terms of the Merger Agreement, including the consideration to be paid to SHB's shareholders, were the result of arm's length negotiations between representatives of SHB and representatives of First Citizens. In arriving at its determination to approve the Merger Agreement, SHB's board of directors considered a number of factors, including the following:

- SHB's board's familiarity with SHB's consolidated business, operations, earnings, and financial conditions;

- SHB's board's review of possible affiliation partners other than First Citizens, the prospects of such other possible affiliation partners, the discussions between FIG Partners and such other possible affiliation partners and the likelihood of any such affiliation;
- SHB's board's review, based in part by the presentation by SHB's management and SHB's legal and financial advisors, of the proposal, including a review of the business, operations, earnings, and financial conditions of First Citizens, as well as the potential results from a sale to First Citizens, and also including the financial presentation of FIG Partners and the opinion of FIG Partners dated as of March 19, 2014, that, as of March 19, 2014, and subject to the assumptions, limitations and qualifications set forth in the opinion, the total aggregate merger consideration to be received from First Citizens, which consisted of no more than 377,658 shares of First Citizens stock and \$16,085,903.75 in cash, is fair, from a financial point of view, to the shareholders of SHB (see Opinion of FIG Partners, a copy of which is attached as Annex C to this Proxy Statement/Prospectus);
- SHB's board's review of alternatives to such a transaction (including the alternatives of remaining independent and growing organically, remaining independent for a period of time and then selling, and remaining independent and growing through future acquisitions);
- The recent business combinations involving financial institutions either announced or completed during the past few years in the United States, the State of Tennessee, and contiguous states, and the effect of such combinations on competitive conditions in SHB's market area;
- A comparison of the proposal from First Citizens to such recent business combinations involving other financial institutions;
- SHB's reliance on its management team in order to continue to profitably grow and a lack of true management succession;
- SHB's reliance on mortgage banking activities in producing a significant portion of its net income and the potential decline in these activities if interest rates increase significantly;
- Increasing regulatory and statutory burdens (including costs, time commitments, earnings opportunities) on SHB and its subsidiaries as a community banking organization in general and as a result of the particular status of SHB; and
- The opportunity for SHB shareholders to exchange their shares of SHB for shares of First Citizens in a tax free exchange and resulting in the ownership of a stock currently paying a higher dividend.

The reasons set out above for the merger are not intended to be exhaustive but include the material factors considered by the board of directors of SHB in approving the transaction and the Merger Agreement. In reaching its determination, the board of directors of SHB did not assign any relative or specific weight to different factors and individual directors may have given weight to different factors. Based on the reasons stated above, the board of directors of SHB believes that the merger is in the best interest of SHB and its shareholders and therefore the board of directors of SHB approved the Merger Agreement and the transactions contemplated thereby.

*Based on a thorough evaluation of these factors, SHB's board of directors believes the merger is in the best interests of SHB and SHB's shareholders. SHB's board of directors recommends that SHB shareholders vote FOR approval of the Merger Agreement and the transactions contemplated thereby.*

### **Opinion of Financial Advisor to SHB**

FIG Partners was engaged by SHB to advise SHB's board of directors as to the fairness of the consideration, from a financial perspective, to be paid by First Citizens to the SHB shareholders as set forth in the Merger Agreement.

By letter dated March 27, 2013, SHB retained FIG Partners to act as its financial advisor in connection with a possible business combination with another financial institution. FIG Partners is a nationally recognized investment banking firm and, as part of its investment banking business, is continually engaged in the valuation of financial institutions in connection with mergers and acquisitions, private placements and valuations for other corporate purposes. As a specialist in securities of financial institutions, FIG Partners has experience in, and knowledge of, banks, thrifts and bank and thrift holding companies. Neither FIG Partners nor any of its affiliates has a material financial interest in SHB or First Citizens. FIG Partners was selected to advise SHB's board of directors based upon its familiarity with Southeastern financial institutions and knowledge of the banking industry as a whole.

FIG Partners performed certain analyses described herein and presented the range of values for SHB, resulting from such analyses, to the board of directors of SHB in connection with its advice as to the fairness of the consideration to be paid by First Citizens. In forming its opinion as to the fairness of the proposed consideration to be received by SHB's shareholders, FIG Partners also took into consideration the results of the limited auction process for the potential sale of SHB in which FIG Partners contacted a total of 29 financial institutions regarding their potential interest in an acquisition of SHB, and First Citizens' offer was the highest indication received.

FIG Partners acted as financial advisor to SHB in connection with the proposed merger and participated in certain of the negotiations leading to the Merger Agreement. At the March 19, 2014 meeting of the board of directors of SHB at which SHB's board of directors considered and approved the Merger Agreement, FIG Partners delivered to SHB's board of directors its written opinion that as of March 19, 2014, the merger consideration was fair to SHB's shareholders from a financial point of view. In requesting FIG Partners' advice and opinion, no limitations were imposed by SHB upon FIG Partners with respect to the investigations made or procedures followed by it in rendering its opinion. **The full text of the opinion of FIG Partners, dated March 19, 2014, which describes the procedures followed, assumptions made, matters considered and limitations on the review undertaken, is attached hereto as Annex C. SHB shareholders should read this opinion in its entirety. The description of the opinion set forth herein is qualified in its entirety by reference to the full text of such opinion.**

In arriving at its fairness opinion, FIG Partners reviewed certain publicly available business and financial information relating to SHB and First Citizens. FIG Partners considered certain financial and stock market data of SHB and First Citizens, compared that data with similar data for certain other publicly-held banks and bank holding companies and considered the financial terms of certain other comparable bank transactions that had recently been completed. FIG Partners also considered such other information, financial studies, analyses and investigations and financial, economic and market criteria that it deemed relevant. In connection with its review, FIG Partners did not independently verify the foregoing information and relied on such information as being complete and accurate in all material respects. Financial forecasts prepared by FIG Partners were based on assumptions believed by FIG Partners to be reasonable and to reflect currently available information. FIG Partners did not make an independent evaluation or appraisal of the assets of SHB or First Citizens.

For purposes of its opinion and in connection with the review of the proposed merger, FIG Partners, among other things:

- Reviewed the Merger Agreement;
- Reviewed certain historical publicly available business and financial information concerning SHB and First Citizens including, among other things, quarterly and annual reports filed by the parties with the Federal Reserve, the FDIC or the Office of the Comptroller of the Currency as applicable;
- Reviewed certain internal financial statements and other financial and operating data concerning SHB and First Citizens;
- Analyzed certain financial estimates and budgeted information prepared by the management of SHB;
- Participated in discussions with members of the senior managements of SHB and First Citizens for the purpose of reviewing the future prospects of SHB and First Citizens, including financial estimates related to their respective businesses, earnings, assets, and liabilities and credit quality;
- Reviewed the terms of recent merger and acquisition transactions, to the extent publicly available, involving banks, thrifts and bank and thrift holding companies that FIG Partners considered and deemed relevant; and
- Performed such other analyses and considered such other factors as FIG Partners has deemed appropriate.

FIG Partners assumed and relied, without independent verification, upon the accuracy and completeness of all of the financial and other information that has been provided to them by SHB, and of the publicly available information that was reviewed. FIG Partners is not an expert in the evaluation of allowances for loan losses and did not independently verify such allowances, and has relied on and assumed that the aggregate allowances for loan losses set forth on the balance sheets of SHB and First Citizens at December 31, 2013 were adequate to cover such losses and complied fully with applicable law, regulatory policy and sound banking practice as of the date of such financial statements. FIG Partners was not retained to and did not conduct a physical inspection of any of the properties or facilities of SHB, did not make any independent evaluation or appraisal of the assets, liabilities or prospects of SHB, was not furnished with any such evaluation or appraisal, and did not review any individual credit files. FIG Partners' opinion is necessarily based on economic, market, and other conditions as in effect on, and the information made available to FIG Partners as of, the date of the opinion.

FIG Partners reviewed and tabulated statistical data regarding the loan portfolio, securities portfolio and other performance ratios and statistics of SHB. Financial projections were prepared and analyzed as well as other financial studies, analyses and investigations as deemed relevant for the purposes of this opinion. In review of the aforementioned information, FIG Partners took into account its assessment of general market and financial conditions, its experience in other similar transactions and its knowledge of the banking industry generally.

In connection with rendering the fairness opinion and preparing its written and oral presentation to SHB's board of directors, FIG Partners performed a variety of financial analyses, including those summarized herein. The summary does not purport to be a complete description of the analyses performed by FIG Partners in this regard. The preparation of a fairness opinion involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of these methods to the particular circumstances and therefore, such an opinion is not readily susceptible to summary description. Accordingly, notwithstanding the separate factors summarized below, FIG Partners believes that its analyses must be considered as a whole and that selecting portions of its analyses and of the factors considered by it, without considering all analyses and factors, could create an incomplete view of the evaluation process underlying its opinion. In performing its analyses, FIG Partners made numerous assumptions with respect to industry performance, business and economic conditions and other matters,

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many of which are beyond SHB's or First Citizens' control. The analyses performed by FIG Partners are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by such analyses. In addition, analyses relating to the values of businesses do not purport to be appraisals or to reflect the process by which businesses actually may be sold.

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In the proposed merger, SHB shareholders will receive in aggregate \$16,085,903.75 in cash and shares of First Citizens stock in the amounts as follows: 269,302 shares of First Citizens common stock and 108,356 shares of First Citizens Class A common stock, for all of the issued and outstanding stock of SHB. Based on a trading price of \$44.00 per share for First Citizens common stock, the proposed aggregate consideration to be received totals \$32,702,855.75, subject to downward adjustment, as further described in the Merger Agreement.

The aggregate merger consideration represents a multiple of SHB's December 31, 2013 stated and tangible common equity of 162.9%, a multiple of SHB's 2013 earnings of 12.00x and a multiple of adjusted earnings of 17.64x. In addition, the proposed consideration to be received by SHB's shareholders represents a 6.58% premium over SHB's December 31, 2013 tangible equity as a percentage of SHB's December 31, 2013 core deposits.

**Contribution Analysis:** FIG Partners prepared a contribution analysis demonstrating percentages of total assets, total loans, total deposits, and tangible common equity, and net income as of the most recently available period for SHB and for First Citizens to be contributed to the combined company on a pro forma basis. SHB shareholders will receive merger consideration of 50.8% stock and 49.2% cash. FIG Partners also calculated the estimated pro forma impact on earnings, book value and dividends for the SHB shareholders who elect to receive 100% First Citizens stock in the merger.

### SHB Contribution To First Citizens

Total assets	16.8%
Total loans	18.9%
Total deposits	17.5%
Total tangible common equity	17.2%
LTM Net Income	16.5%
Pro form ownership	9.5%
Pro Forma Ownership if 100% stock	17.3%

### For SHB Shareholders Selecting 100% Stock

	Amount	Accretion / (Dilution)
Pro forma SHB 2013 earnings per share	\$2.39	14.9%
Pro forma SHB core 2013 earnings per share	\$2.06	46.1%
Pro forma SHB book value	\$18.35	20.0%
Pro forma SHB tangible book value	\$14.51	(5.1%)
Pro forma SHB dividends	\$0.58	45.0%

**Acquisition Comparison Analysis:** In performing this analysis, FIG Partners reviewed three groups of comparable merger transactions. The purpose of the analysis was to obtain an evaluation range of SHB based on these comparable bank acquisition transactions. The first group included 371 bank transactions in the United States announced since January 1, 2011, for which transaction pricing information was available and 100% of equity was acquired (the National Comparable Group). Median multiples of book value, tangible book value, earnings, adjusted earnings, and the premium paid over the seller's tangible equity as a percentage of the acquired institution's core deposits implied by the National Comparable Group transactions were utilized in obtaining a range for the acquisition value of SHB. Given that a significant portion of SHB's net income is generated from gains on sale of mortgage loans, which are typically considered non-core and highly volatile, FIG Partners adjusted SHB's earnings by removing these gains in calculating price to adjusted earnings. In addition to reviewing the broad National Comparable Group bank transactions, FIG Partners also reviewed four subsets of the National Comparable Group, based on parameters that were deemed relevant to SHB. The first subset consisted of 224 bank transactions for which the target had less than \$300 million in total assets. The second subset consisted of 179 bank transactions for which the target bank had a ratio of less than 2.0% non-performing assets to total assets. The third subset consisted of 119 bank transactions for which the target bank presented a ratio of greater than 0.75% return on average assets for the latest twelve months. The final subset consisted of 85 bank transactions for which the target had total equity to total assets between 6.0% and 9.0%.



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The second group of comparable merger transactions included 77 bank transactions in the Southeast (Alabama, Arkansas, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, Virginia and West Virginia) announced since January 1, 2011, for which transaction pricing information was available and 100% of equity was acquired (the Southeast Comparable Group). The third group of comparable merger transactions included seven bank transactions in Tennessee announced since January 1, 2010, for which transaction pricing information was available and 100% of equity was acquired (the Tennessee Comparable Group).

The following tables demonstrate the median multiples of book value, tangible book value, earnings, adjusted earnings and premium paid over the seller's tangible equity as a percentage of the acquired institution's core deposits for the various Comparable Groups.

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**National**

	<b>P/B</b>	<b>P/TB</b>	<b>P/E</b>	<b>Adj. P/E (x)</b>	<b>Core Dep. Premium</b>
	(%)	(%)	(x)		(%)
<b>High</b>	284.1	284.1	34.70	34.70	35.35
<b>Low</b>	12.8	13.0	0.70	0.70	(16.88)
<b>Mean</b>	116.2	121.2	18.80	18.80	2.97
<b>Median</b>	115.9	120.1	17.83	17.83	2.61
<b>FIZN Transaction</b>	162.9	162.9	12.00	17.64	6.58
<b>Percent Rank</b>	88.1%	84.5%	19.2%	46.6%	77.1%

**Total Assets < \$300M**

	<b>P/B</b>	<b>P/TB</b>	<b>P/E</b>	<b>Adj. P/E (x)</b>	<b>Core Dep. Premium</b>
	(%)	(%)	(x)		(%)
<b>High</b>	261.8	261.8	67.23	67.23	14.59
<b>Low</b>	13.8	13.8	6.35	6.35	(16.88)
<b>Mean</b>	112.3	114.1	24.84	24.84	1.84
<b>Median</b>	112.6	113.3	21.55	21.55	1.86
<b>FIZN Transaction</b>	162.9	162.9	12.00	17.64	6.58
<b>Percent Rank</b>	94.0%	93.5%	16.9%	33.2%	86.0%

**Nonperforming Assets**

	<b>P/B</b>	<b>P/TB</b>	<b>P/E</b>	<b>Adj. P/E</b>	<b>Core Dep. Premium</b>
	(%)	(%)	(x)	(x)	(%)
<b>High</b>	284.1	284.1	34.70	34.70	22.23
<b>Low</b>	44.7	44.7	2.64	2.64	(11.88)
<b>Mean</b>	133.6	140.1	18.73	18.73	5.02
<b>Median</b>	127.7	132.8	17.73	17.73	4.42
<b>FIZN Transaction</b>	162.9	162.9	12.00	17.64	6.58
<b>Percent Rank</b>	82.5%	77.9%	20.1%	46.3%	65.1%

**Return On Average Assets**

	<b>P/B</b>	<b>P/TB</b>	<b>P/E</b>	<b>Adj. P/E</b>	<b>Core Dep. Premium</b>
	(%)	(%)	(x)	(x)	(%)
<b>High</b>	284.1	284.1	33.98	33.98	35.35
<b>Low</b>	29.0	29.2	1.57	1.57	(7.84)
<b>Mean</b>	140.8	147.8	16.02	16.02	6.24
<b>Median</b>	133.6	141.4	16.39	16.39	5.99
<b>FIZN Transaction</b>	162.9	162.9	12.00	17.64	6.58
<b>Percent Rank</b>	75.8%	69.7%	24.7%	61.7%	54.6%

**Total Equity/Total Assets**

	<b>P/B</b>	<b>P/TB</b>	<b>P/E</b>	<b>Adj. P/E</b>	<b>Core Dep. Premium</b>
	(%)	(%)	(x)	(x)	(%)
<b>High</b>	261.8	261.8	33.00	33.00	14.70
<b>Low</b>	19.6	19.6	7.47	7.47	(10.37)

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<b>Mean</b>	122.2	125.4	18.41	18.41	2.87
<b>Median</b>	123.2	124.8	17.74	17.74	2.48
<b>FIZN Transaction</b>	162.9	162.9	12.00	17.64	6.58
<b>Percent Rank</b>	84.2%	79.5%	22.1%	47.5%	77.1%

**Southeast**

	<b>P/B</b>	<b>P/TB</b>	<b>P/E</b>	<b>Adj. P/E</b>	<b>Core Dep. Premium</b>
	(%)	(%)	(x)	(x)	(%)
<b>High</b>	196.4	196.4	33.02	33.02	13.78
<b>Low</b>	13.8	13.8	1.39	1.39	(10.37)
<b>Mean</b>	98.8	103.5	17.61	17.61	0.93
<b>Median</b>	99.0	100.7	16.54	16.54	0.12
<b>FIZN Transaction</b>	162.9	162.9	12.00	17.64	6.58
<b>Percent Rank</b>	96.3%	94.7%	13.5%	54.8%	93.0%

**Tennessee**

	<b>P/B</b>	<b>P/TB</b>	<b>P/E</b>	<b>Adj. P/E</b>	<b>Core Dep. Premium</b>
	(%)	(%)	(x)	(x)	(%)
<b>High</b>	121.3	124.5	28.57	28.57	1.97
<b>Low</b>	63.7	63.7	16.54	16.54	(3.26)
<b>Mean</b>	89.2	89.9	22.56	22.56	(1.08)
<b>Median</b>	86.7	86.7	22.56	22.56	(2.01)
<b>FIZN Transaction</b>	162.9	162.9	12.00	17.64	6.58
<b>Percent Rank</b>	100.0%	100.0%	NM	9.1%	100.0%

**National Most Comparable**

	<b>P/B</b>	<b>P/TB</b>	<b>P/E</b>	<b>Adj. P/E</b>	<b>Core Dep. Premium</b>
	(%)	(%)	(x)	(x)	(%)
<b>High</b>	185.4	185.4	18.59	18.59	9.23
<b>Low</b>	128.5	128.5	9.84	9.84	3.75
<b>Mean</b>	153.6	155.6	15.17	15.17	6.08
<b>Median</b>	158.6	158.6	16.81	16.81	6.54
<b>FIZN Transaction</b>	162.9	162.9	12.00	17.64	6.58
<b>Percent Rank</b>	77.3%	77.3%	23.4%	62.6%	53.9%

**Discounted Cash Flow Analysis:** A discounted cash flow analysis was performed by FIG Partners pursuant to which a range of values of SHB was determined by adding (i) the present value of estimated future dividend streams that SHB could generate over a five-year period and (ii) the present value of the terminal value of SHB's earnings and book value at the end of the fifth year. The terminal value of SHB's earnings and book value at the end of the five-year period was determined by applying a multiple of 10 times the projected terminal year's earnings and 150% of its fifth year ending tangible book value.

Dividend streams and terminal values were discounted to present values using a discount rate of 14%. This rate reflects assumptions regarding the required rate of return of holders or buyers of SHB's common stock. The aggregate value of SHB, determined utilizing a terminal price to earnings multiple of 10 and adding the present value of the total cash flows, was \$25,666,000, or \$19.55 per SHB common share. In addition, utilizing a terminal value based on a multiple of 150% of SHB's year five ending equity resulted in an aggregate value of \$26,880,000 or \$20.47 per SHB common share.

**Adjusted Net Asset Value Analysis:** FIG Partners reviewed SHB's balance sheet data to determine the amount of material adjustments required to the shareholders' equity of the SHB based on differences between the market value of SHB's assets and their value reflected on SHB's financial statements. FIG Partners determined that two adjustments were warranted. FIG Partners added a value of \$7,557,000 to reflect an additional value which could be attributable to SHB's December 31, 2013 core deposits. FIG Partners subtracted a potential credit mark of \$2,980,000. The aggregate adjusted net asset value of SHB was determined to be \$24,655,000 or \$18.90 per SHB common share.

**The fairness opinion is directed only to the question of whether the consideration to be received by SHB's shareholders under the Merger Agreement is fair and equitable from a financial perspective and does not constitute a recommendation to any SHB shareholder to vote in favor of the merger. No limitations were imposed on FIG Partners regarding the scope of its investigation or otherwise by the SHB.**

Based on the results of the various analyses described above, FIG Partners concluded that the consideration to be received by SHB's shareholders under the Merger Agreement was fair and equitable from a financial perspective to the shareholders of SHB as of the date of the fairness opinion.

FIG Partners will receive total fees of approximately \$434,750 for all services performed in connection with the sale of SHB and the rendering of the fairness opinion assuming First Citizens' stock price equals \$44.00 at the time of the closing of the proposed merger. In addition, SHB has agreed to indemnify FIG Partners and its directors, officers and employees, from liability in connection with the transaction, and to hold FIG Partners harmless from any losses, actions, claims, damages, expenses or liabilities related to any of FIG Partners' acts or decisions made in good

faith and in the best interest of SHB. Other than with respect to the proposed merger, FIG Partners has not been engaged to provide services to SHB during the past two years.

**Opinion of Financial Advisor to First Citizens**

Olsen Palmer, as part of its investment banking services, is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions. Based on Olsen Palmer's reputation and qualifications in evaluating financial institutions, the board of directors of First Citizens engaged Olsen Palmer on May 24, 2013 to provide financial advisory services in connection with the merger and to issue a fairness opinion to the board of directors of First Citizens as to the fairness, from a financial point of view, to First Citizens of the financial terms of the proposed transaction. A copy of Olsen Palmer's fairness opinion, dated March 19, 2014, which sets forth certain assumptions made, matters considered and limits on the review undertaken by Olsen Palmer, is attached as Annex D to this Proxy Statement/Prospectus.

No limitations were imposed by First Citizens' board of directors on Olsen Palmer with respect to the investigations made or procedures followed in rendering its opinion. Neither Olsen Palmer nor the individuals involved in providing Olsen Palmer's fairness opinion to First Citizens has any present or contemplated future ownership interest in First Citizens. Olsen Palmer will receive a fee for its financial advisory services, a substantial portion of which is contingent upon the closing of the merger. Pursuant to the terms of its engagement letter with First Citizens, Olsen Palmer received a \$50,000 fee for providing the fairness opinion and upon completion of the merger will receive a success fee from First Citizens in an amount equal to \$250,000. In addition, First Citizens has agreed to indemnify Olsen Palmer against certain liabilities and expenses arising out of or incurred in connection with its engagement, including liabilities and expenses which may arise under the federal securities laws. While employed by other firms, certain principals of Olsen Palmer have provided investment banking and financial advisory services to First Citizens during the two year period prior to the date when Olsen Palmer was engaged by First Citizens. Olsen Palmer may in the future provide investment banking and financial advisory services to First Citizens and receive compensation for such services.

In conducting its fairness analysis, Olsen Palmer reviewed, among other things, the following:

- the Merger Agreement;
- certain financial statements and other historical financial information of First Citizens that it deemed relevant;
- certain financial statements and other historical financial information of SHB that it deemed relevant;
- financial projections for First Citizens for the years ending December 31, 2014 through December 31, 2018 prepared using growth rates and guidance from senior management of First Citizens;
- internal financial projections for SHB for the year ending December 31, 2014 as provided by senior management of SHB and as adjusted by senior management of First Citizens;
- the pro forma financial impact of the merger of First Citizens based on assumptions relating to transaction expenses, purchase accounting adjustments, cost savings and other synergies as determined by the senior management of First Citizens;
- a comparison of certain financial information and stock trading information for First Citizens and SHB with similar institutions for which publicly available information is available;
- the financial terms of certain recent business combinations in the commercial banking industry, to the extent publicly available;
- the current market environment generally and the banking environment in particular; and
- such other information, financial studies, analyses and investigations and financial, economic and market criteria as Olsen Palmer considered relevant.

Olsen Palmer also held discussions with certain members of First Citizens' senior management and First Citizens' representatives concerning the business, financial condition, results of operations and prospects of First Citizens and held similar discussions with certain members of senior management of SHB and its representatives regarding the business, financial condition, results of operations and prospects of SHB.

In conducting its fairness analysis and rendering its opinion, Olsen Palmer relied upon and assumed the accuracy and completeness of the financial and other information provided to it by First Citizens or SHB and the information that was publicly available. Olsen Palmer was not asked to and did not undertake an independent verification of any of such information and Olsen Palmer does not assume any responsibility or liability for the accuracy or completeness thereof. Olsen Palmer did not make or obtain any evaluations or appraisals of the First Citizens' or SHB's assets, did not make an independent evaluation of the adequacy of the allowance for loan losses of First Citizens or SHB, nor did it examine any individual credit files related to First Citizens or SHB.

Several analytical methodologies were employed by Olsen Palmer and no one method of analysis should be regarded as critical to the overall conclusion reached by Olsen Palmer. Each analytical technique has inherent strengths and weaknesses, and the nature of the available information may further affect the efficacy of particular techniques. The overall conclusions reached by Olsen Palmer are based on all the analysis and factors presented, taken as a whole, and also on application of Olsen Palmer's own experience and judgment. Such conclusions may involve significant elements of subjective judgment and qualitative analysis. Olsen Palmer therefore gives no opinion as to the value or merit of any one or more parts of the analyses standing alone.

In preparing its analyses, Olsen Palmer used earnings estimates and growth rates based on management guidance for First Citizens and internal projections for SHB as provided by senior management of SHB and as adjusted by senior management of First Citizens. Olsen Palmer also received and used in its analyses certain projections of transaction costs, purchase accounting adjustments, expected cost savings and other synergies which were prepared by and/or reviewed with the senior management of First Citizens. With respect to those projections, guidance, estimates and judgments, the respective management of First Citizens and SHB confirmed to Olsen Palmer that those projections, guidance, estimates and judgments reflected the best currently available good faith projections, guidance, estimates and judgments of such respective management of the future financial performance of First Citizens and SHB, respectively, and Olsen Palmer assumed that such performance would be achieved. Olsen Palmer expressed no opinion as to such estimates or the assumptions on which they are based. Olsen Palmer also assumed that there has been no material change in First Citizens' and SHB's assets, financial condition, results of operations, business or prospects since the date of the most recent financial statements made available to Olsen Palmer. Olsen Palmer assumed in all respects material to its analysis that First Citizens and Southern Heritage Bank will remain as going concerns for all periods relevant to its analyses, that all of the

representations and warranties contained in the Merger Agreement and all related agreements are true and correct, that each party to the agreements will perform all of the covenants required to be performed by such party under the Merger Agreement and related agreements, that the conditions precedent in the Merger Agreement are not waived and that the merger is lawful and will qualify as a tax-free reorganization for federal income tax purposes Olsen Palmer also assumed that the form and amount of merger consideration was determined through arms length negotiation between First Citizens and SHB and that in the course of obtaining any necessary regulatory approvals for the consummation of the merger, no conditions will be imposed that will have a material adverse effect on the combined entity or contemplated benefits of the merger, including the cost savings and related synergies expected to result from the merger. With First Citizens' consent, Olsen Palmer relied upon the advice First Citizens has received from its legal, accounting and tax advisors as to all legal, accounting and tax matters relating to the merger and the other transactions contemplated by the Merger Agreement.

Olsen Palmer's opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to it as of, the date of its opinion. Events occurring after the date of its opinion could materially affect Olsen Palmer's opinion. Olsen Palmer has not undertaken to update, revise, reaffirm or withdraw its opinion or otherwise comment upon events occurring after the date of its fairness opinion.

Olsen Palmer's opinion is directed to the board of directors of First Citizens in connection with its consideration of the Merger and does not constitute a recommendation to the board of directors of First Citizens or to any shareholder of either First Citizens or SHB as to how any such member of the board or any shareholder should vote at any meeting called to consider and vote upon the merger. Olsen Palmer expressed no opinion as to the fairness of the merger consideration to the holders of any class of securities, creditors or other constituencies of First Citizens. The opinion is directed only to the fairness, from a financial point of view, of the merger consideration to First Citizens and did not address the underlying business decision of First Citizens to engage in the merger, the relative merits of the merger as compared to any other alternative business strategies that might exist for First Citizens or the effect of any other transaction in which First Citizens might engage. In addition, no opinion was expressed as to the value of the stock consideration when issued to the holders of SHB stock pursuant to the Merger Agreement or the prices at which shares of First Citizens common stock may trade any time hereafter. Olsen Palmer did not express any opinion as to the fairness of the amount or nature of the compensation to be received in the merger by any officer, director, or employees, or class of such persons, relative to the compensation to be received in the merger by any other shareholder.

The following summarizes the material financial analyses presented by Olsen Palmer to the First Citizens Board at its meeting on March 19, 2013, which material was considered by Olsen Palmer in rendering its opinion. No company or transaction used in the analyses described below is identical or directly comparable to SHB or the contemplated merger.

*Selected Public Companies Analysis.*

Olsen Palmer analyzed the relative valuation multiples as calculated by SNL Financial LC of 12 publicly-traded banks headquartered in Southeast U.S. (geography defined by SNL Financial LC) with total assets less than \$1.5 billion, a ratio of non-performing assets to total assets of less than 2.0% for the most recent quarter available, and a return on average assets of greater than 0.0% for the last twelve months available, including:

- ◆ Heritage Financial Group, Inc.
- ◆ C&F Financial Corporation
- ◆ WashingtonFirst Bankshares, Inc.
- ◆ National Bankshares, Inc.
- ◆ Monarch Financial Holdings, Inc.
- ◆ First Bancshares, Inc.
- ◆ Southern First Bancshares, Inc.
- ◆ First Community Corporation
- ◆ Xenith Bankshares, Inc.
- ◆ Bank of the James Financial Group, Inc.
- ◆ Oconee Federal Financial Corp.
- ◆ First West Virginia Bancorp, Inc.

Olsen Palmer analyzed various financial multiples for each company as calculated by SNL Financial LC including trading price to tangible book value per share, trading price to last 12 months earnings per share, market capitalization to total assets, and the core deposit premium implied by the market capitalization. Olsen Palmer reviewed the mean, median, high and low values for each metric of the selected public companies and compared them to corresponding valuation multiples for SHB implied by the merger consideration. Furthermore, Olsen Palmer selected financial multiples for each metric based on professional judgment and applied the selected financial multiples to SHB's 2013 earnings, tangible book value at December 31, 2013, total assets at December 31, 2013, and core deposits at December 31, 2013 and determined the implied equity price per share of SHB common stock and then compared those implied equity values per share to the merger consideration of \$24.50 per share. The results of the selected public companies analysis are summarized below:



	Price to Last 12 Months Earnings per Share	Price to Tangible Book Value per Share	Market Capitalization to Assets	Core Deposit Premium Implied by Market Capitalization
Low	8.4x	96.7%	6.64%	(0.51%)
High	32.8x	182.1%	28.13%	13.06%
Median	13.9x	127.2%	9.22%	3.18%
Mean	15.8x	124.4%	11.82%	5.31%
Olsen Palmer Selected Financial Multiples Range	14.0x - 17.0x	120.0% - 140.0%	9.0% - 13.0%	3.0% - 6.0%
SHB Implied Value Range per Share	\$29.05 - \$35.28	\$18.35 - \$21.41	\$16.25 - \$23.47	\$19.67 - \$24.06
Merger Consideration per Share	\$24.50	\$24.50	\$24.50	\$24.50

*Selected Transactions Analysis.*

Olsen Palmer analyzed publicly available information relating to 17 selected acquisitions of banks announced between March 17, 2012 and March 16, 2014 for targets headquartered in the Southeast U.S. (geography defined by SNL Financial LC) with total assets less than \$1.0 billion, a ratio of non-performing assets to total assets of less than 2.0% for the most recent quarter available, and a return on average assets of greater than 0.0% for the last twelve months available. The selected transactions used in the analysis included (buyer / seller announce date):

- ◆ TriSummit Bank / Community National Bank - 1/14/14
- ◆ Banco Sabadell SA / JGB Bank NA - 12/4/13
- ◆ Premier Financial Bancorp Inc. / Bank of Gassaway - 11/19/13
- ◆ Southern Missouri Bancorp Inc. / Ctzns State Bkshs of Bald Knob - 11/7/13
- ◆ Home Bancorp Inc. / Britton & Koontz Capital Corp. - 11/5/13
- ◆ NewBridge Bancorp / CapStone Bank - 11/1/13
- ◆ Georgia Commerce Bancshares / Brookhaven Bank - 10/1/13
- ◆ New Century Bancorp Inc. / Select Bancorp Inc. - 9/30/13
- ◆ Cardinal Financial Corp. / United Financial Banking Co. - 9/9/13
- ◆ Community & Southern Hldgs Inc. / Verity Capital Group Inc. - 9/4/13
- ◆ First Community Corp. / Savannah River Financial Corp. - 8/14/13
- ◆ Carolina Alliance Bank / Forest Commercial Bank - 8/8/13
- ◆ First Federal Bancshares of AR / First National Security Co. - 7/1/13
- ◆ Old Florida Bancshares Inc. / New Traditions National Bank - 11/6/12
- ◆ Bank of the Ozarks Inc. / Genala Banc Inc. - 10/4/12
- ◆ Peoples Bancorp Inc. / Sistersville Bancorp Inc. - 6/5/12
- ◆ Community Bancshares of MS / Community Holding Co. of FL - 5/11/12

Olsen Palmer analyzed various financial multiples for each transaction as calculated by SNL Financial LC including price to tangible book value, price to last 12 months earnings, price to total assets, and the core deposit premium implied by the transaction value. Olsen Palmer reviewed the mean, median, high and low values for each metric of the selected transactions and compared them to corresponding valuation multiples for SHB implied by the merger consideration. Furthermore, Olsen Palmer selected financial multiples for each metric based on professional judgment and applied the selected financial multiples to SHB's 2013 earnings, tangible book value at December 31, 2013, total assets at December 31, 2013, and core deposits at December 31, 2013 and determined the implied equity price per share of SHB common stock and then compared those implied equity values per share to the merger consideration of \$24.50 per share. The results of the selected public companies analysis are summarized below:

	Price to Last 12 Months Earnings per Share	Price to Tangible Book Value per Share	Price to Assets	Core Deposit Premium Implied by Transaction Value
Low	8.0x	86.7%	8.5%	(2.1%)
High	52.5x	264.5%	25.4%	18.1%
Median	16.7x	120.0%	12.9%	3.3%
Mean	23.0x	131.1%	14.5%	3.8%
Olsen Palmer Selected Financial Multiples Range	16.0x - 20.0x	120.0% - 150.0%	12.0% - 15.0%	3.0% - 5.0%
SHB Implied Value Range per Share	\$33.20 - \$41.50	\$18.35 - \$22.94	\$21.67 - \$27.08	\$19.67 - \$22.60
Merger Consideration per Share	\$24.50	\$24.50	\$24.50	\$24.50

#### *Discounted Cash Flow Analysis.*

Olsen Palmer analyzed the discounted present value of SHB's projected free cash flows for the years ending December 31, 2014 through 2018 on a standalone basis. Olsen Palmer estimated cash flows based on dividendable tangible common equity, defined as the tangible common equity in excess of a minimum 8.0% tangible common equity to tangible assets ratio. The discounted cash flow analysis was based on SHB financial forecasts provided by senior management of First Citizens. Olsen Palmer used calendar year 2018 as the final year for the analysis. Olsen Palmer applied price to earnings multiples, ranging from 16.0x to 20.0x, to SHB's calendar year 2018 net income in order to derive a range of terminal values for SHB in 2018.

The projected cash flows and terminal values were discounted using rates ranging from 12.0% to 14.0%, which reflected the cost of equity capital estimated for SHB using the Ibbotson discount rate build-up method based on the sum of a risk-free rate, equity risk premium, and size premium. The resulting range of present equity values was divided by the number of shares outstanding in order to arrive at a range of present values per SHB share. Olsen Palmer reviewed the range of per share prices derived in the discounted cash flow analysis and compared them to the price per share for SHB implied by the merger consideration. The results of the discounted cash flow analysis are summarized below:

	Equity Value per Share
Minimum	\$22.46
Maximum	\$29.39
Merger Consideration per Share	\$24.50

#### *Conclusion.*

Based upon and subject to the foregoing, it is Olsen Palmer's opinion that, as of March 19, 2014, the merger consideration to be issued pursuant to the terms of the Merger Agreement is fair, from a financial point of view, to First Citizens.



**The full text of the opinion of Olsen Palmer, dated March 19, 2014, which describes the procedures followed, assumptions made, matters considered and limitations on the review undertaken, is attached as Annex D to this Proxy Statement/Prospectus.**

### **Regulatory Approval**

The merger must be approved by the Federal Reserve. First Citizens filed the Notification pursuant to Section 3(a)(5) of the Bank Holding Company Act with the Federal Reserve on April 4, 2014. In connection with the Notification, First Citizens was required to publish public notice of the merger in the newspapers of general circulation in the communities served by the head offices of First Citizens National Bank and Southern Heritage Bank which provided for a 30-day period for public comments. First Citizens published the required notices on April 8, 2014. The Federal Reserve is required to act on the Notification within five days of the end of the public comment period. Once the Federal Reserve has approved the merger, federal law requires a waiting period of up to 30 calendar days to complete the merger in order to give the U.S. Department of Justice the opportunity to review and object to the merger. The Federal Reserve approved the merger on May 13, 2014, and has extended the deadline by which it must close to November 13, 2014 .

The merger must also be approved by the TDFI. First Citizens filed an application with the TDFI on April 4, 2014. In connection with the Application, First Citizens was required to publish public notice of the merger in the newspapers of general circulation in each county in which First Citizens National Bank and Southern Heritage Bank have their main offices which provided for a 15-day period for public comments. First Citizens published the required notices on April 8, 2014. In addition to the Application, the TDFI was provided a copy of the Notification to the Federal Reserve and has 30 calendar days to provide any comments to the Federal Reserve on the proposed merger.

Further, because SHB has agreed to use its best efforts to redeem the SBLF investment by the United States Treasury in the Series D preferred stock of SHB, the Federal Reserve's consent will also be required for this redemption. The Merger Agreement requires SHB to use its best efforts to (a) cause the redemption of all SBLF preferred stock prior to the effective time of the merger such that, as of the effective time, SHB will have no SBLF preferred stock issued or outstanding, or (b) give proper notice to call for redemption of all outstanding SBLF preferred stock and deposit sufficient funds in trust for such redemption, in each case pursuant to the applicable provisions of the Small Business Lending Fund - Securities Purchase Agreement No. 0438 dated September 8, 2011, by and between SHB and the United States Department of Treasury. A request must be filed with the Federal Reserve by SHB to obtain its consent to consummate the SBLF redemption. In addition, in order to fund the SBLF Redemption, Southern Heritage Bank intends to declare an extraordinary cash dividend, which will require the approval of the FDIC and TDFI.

We also intend to make all required filings with the SEC under the Securities Act and the Securities Exchange Act, relating to the merger, and with applicable states securities regulatory authorities to the extent required to register the offering of First Citizens stock or to claim an exemption from registration requirements. We cannot assure you as to whether or when the requisite regulatory approvals will be obtained and, if obtained, we cannot assure you as to the date of receipt of any of these approvals, the terms thereof or the absence of any litigation challenging them. Likewise, we cannot assure you that the U.S. Department of Justice or a state attorney general will not attempt to challenge the merger on antitrust grounds or, if such a challenge is made, as to the result of that challenge.

The merger cannot proceed in the absence of these required regulatory approvals. The approval of any notice or application merely implies satisfaction of regulatory criteria for approval, and does not include review of the merger from the standpoint of the adequacy of the consideration to be received by, or fairness to, shareholders. Regulatory approval does not constitute an endorsement or recommendation of the proposed merger.

First Citizens and SHB are not aware of any material governmental approvals or actions that are required prior to the parties' completion of the merger other than those described in this Proxy Statement/Prospectus. If any additional governmental approvals or actions are required, the parties presently intend to seek those approvals or actions. The parties cannot assure you, however, that any of these additional approvals or actions will be obtained.

### **Accounting Treatment**

The merger will be accounted for as an acquisition by First Citizens using the acquisition method of accounting in accordance with FASB ASC topic 805, Business Combinations. SHB will be treated as the acquired corporation for accounting and financial reporting purposes. SHB's assets,

liabilities and other items will be adjusted to their estimated fair value on the closing date of the merger and combined with the historical book values of the assets and liabilities of First Citizens. Applicable income tax effects of these adjustments will be included as a component of the combined company's deferred tax asset or liability. The difference between the estimated fair value of the assets (including separately identifiable intangible assets, such as core deposit intangibles), liabilities and other items (adjusted as discussed above) and the purchase price will be recorded as goodwill. Consolidated financial statements of First Citizens issued after the merger will reflect these fair values of assets acquired and liabilities assumed and will not be restated retroactively to reflect the historical financial position or results of operations of SHB.

### **Material United States Federal Income Tax Consequences**

This section describes the anticipated material U.S. federal income tax consequences of the merger generally applicable to U.S. holders (as defined below) of SHB stock who exchange shares of SHB stock for shares of First Citizens stock, cash, or a combination of cash and shares of First Citizens stock pursuant to the merger.

For purposes of this discussion, a U.S. holder means a beneficial owner of SHB stock that is:

- ◆ a citizen or resident of the United States;

- ◆ a corporation (including any entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the U.S. or any State or the District of Columbia;
- ◆ a trust that (i) is subject to both the primary supervision of a court within the United States and the control of one or more U.S. persons, or (ii) has a valid election in effect under applicable U.S. treasury regulations to be treated as a U.S. person; or
- ◆ an estate that is subject to U.S. federal income tax on its income regardless of its source.

If a partnership (including any entity or arrangement, domestic or foreign, that is treated as a partnership for U.S. federal income tax purposes) holds SHB stock, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships and partners in such a partnership should consult their tax advisors regarding the tax consequences of the merger to them.

This discussion addresses only those U.S. holders of SHB stock who hold the stock as a capital asset within the meaning of Section 1221 of the Code. This discussion deals only with the U.S. federal income tax consequences of the merger. No information is provided regarding the tax consequences of the merger under state, local, gift, estate, foreign or other tax laws. We do not intend it to be a complete description of the U.S. federal income tax consequences of the merger to all SHB shareholders in light of their particular circumstances or to holders of SHB stock subject to special treatment under U.S. federal income tax laws, such as:

- ◆ tax-exempt organizations;
- ◆ financial institutions, insurance companies, mutual funds and dealers or brokers in securities;
- ◆ persons who have elected to use the mark-to-market method of accounting with respect to their securities holdings;
- ◆ shareholders who hold their shares of SHB stock as part of a hedge, straddle, wash sale, synthetic security, conversion transaction or other integrated investment comprised of shares of SHB stock and one or more other investments;
- ◆ dealers in securities or foreign currencies or traders in securities;
- ◆ persons who acquired their shares of SHB stock through the exercise of employee stock options, through a benefit plan, through exercise of warrants or otherwise in a compensatory transaction;
- ◆ shareholders who are not U.S. persons within the meaning of the Code;
- ◆ expatriates or persons who have a functional currency other than the U.S. dollar;
- ◆ partnerships or other pass-through entities and investors in such entities; or
- ◆ shareholders who exercise their dissenters' rights.

This discussion does not address any alternative minimum tax, U.S. federal estate or gift tax, or any state, local or foreign tax consequences of the merger, nor does it address any tax consequences arising under the unearned income Medicare contribution tax. This discussion and the tax opinions (described below) are based upon the provisions of the Code, applicable Treasury regulations, administrative rulings and judicial decisions, all as in effect as of the date of this Proxy Statement/Prospectus. There can be no assurance that future legislative, administrative or judicial changes or interpretations, which changes could apply retroactively, will not affect the accuracy of this discussion or the statements or conclusions set forth in the tax opinions referred to below.

First Citizens and SHB have structured the merger with an intent to qualify as a reorganization within the meaning of Section 368(a) of the Code. In connection with the filing of the registration statement of which this Proxy Statement/Prospectus forms a part, Waller Lansden Dortch & Davis, LLP (Waller Lansden), tax counsel to First Citizens, has delivered its opinion to First Citizens and Baker, Donelson, Bearman Caldwell & Berkowitz, PC (Baker Donelson), tax counsel to SHB, has delivered its opinion to SHB that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code and that First Citizens and SHB will each be a party to that reorganization. Copies of these opinions have been filed as exhibits to First Citizens' registration statement, which has been filed with the SEC. Such opinions have been rendered on the basis of facts, representations, and assumptions set forth or referred to in such opinions and factual representations contained in certificates of the officers of First Citizens and SHB, all of which must continue to be true and accurate in all material respects as of the effective time of the merger. The parties will not be required to consummate the merger unless they receive additional opinions of their respective counsel, dated the closing date of the merger, confirming that the merger will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code and that First Citizens and SHB will each be a party to that reorganization.

The opinions of the parties' respective counsel regarding the merger have relied, and the opinions regarding the merger as of the closing date will each rely on, representations, warranties and covenants made by First Citizens and SHB, including those contained in certificates of officers of First Citizens and SHB, and specified assumptions, including an assumption regarding the completion of the merger in the manner contemplated by the Merger Agreement. In addition, the opinions of the parties' respective counsel have assumed, and such counsel's ability to provide the opinions at the closing of the merger will depend on, the absence of changes to the anticipated facts or changes in law between the date of this Proxy Statement/Prospectus and the closing date. If any of those representations, covenants or assumptions is inaccurate, the parties' respective counsel may not be able to provide one or more of the required opinions to be delivered at the closing of the merger and/or the tax consequences of the merger could differ from those described in the opinions that counsel have delivered. The opinions of the parties' respective counsel do not

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bind the Internal Revenue Service ( IRS ) and do not preclude the IRS or the courts from adopting a contrary position. First Citizens and SHB have not requested and do not intend to obtain a ruling from the IRS on the tax consequences of the merger.

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## U.S. Federal Income Tax Consequences of the Merger to SHB Shareholders

### *SHB Shareholders Receiving Only First Citizens Stock*

No gain or loss will be recognized by a holder of SHB stock as a result of the surrender of shares of SHB stock solely in exchange for shares of First Citizens stock pursuant to the merger (except with respect to cash received instead of a fractional share of First Citizens stock, as discussed below). The aggregate tax basis of the shares of First Citizens stock received in the merger (including any fractional shares of First Citizens stock deemed received) will be the same as the aggregate tax basis of the shares of SHB stock surrendered in exchange for the First Citizens stock. The holding period of the shares of First Citizens stock received (including any fractional shares of First Citizens stock deemed received) will include the holding period of shares of SHB stock surrendered in exchange for the First Citizens stock, provided that such shares of SHB stock were held as capital assets of the shareholder at the effective time of the merger.

### *SHB Shareholders Receiving Only Cash*

A holder of SHB stock that does not receive any shares of First Citizens stock pursuant to the merger (and is not treated as constructively owning, after the merger, First Citizens stock held by certain family members and entities affiliated with the holder under the Code) will generally recognize gain or loss equal to the difference between the amount of cash received and the holder's adjusted tax basis in the shares of SHB stock exchanged in the merger. Such gain or loss will be a capital gain or loss, provided that such shares of SHB stock were held as capital assets by the shareholder at the effective time of the merger. Such capital gain or loss will be a long-term capital gain or loss to the extent that, at the effective time of the merger, the holder has a holding period in such SHB stock of more than one year. The Code contains limitations on the extent to which a taxpayer may deduct capital losses from ordinary income.

### *SHB Shareholders Receiving Both Cash and First Citizens Stock*

A holder of SHB stock who receives a combination of cash and First Citizens stock (other than cash received instead of a fractional share of First Citizens stock) in exchange for shares of SHB stock pursuant to the merger generally will recognize gain (but not loss) in an amount equal to the lesser of (1) the amount of cash received by such holder of SHB stock (in each case excluding any cash received instead of fractional share interests in First Citizens stock, which shall be treated as discussed below), and (2) the amount by which the sum of the fair market value of the First Citizens stock and cash received by a holder of SHB stock exceeds such holder's tax basis in its SHB stock. Any recognized gain could be taxed as a capital gain or a dividend. Such gain will generally be capital gain (provided that such shares of SHB stock were held as capital assets by the shareholder at the effective time of the merger), unless the holder's exchange of SHB stock for cash and First Citizens stock has the effect of the distribution of a dividend after giving effect to the constructive ownership rules of the Code, in which case such gain might be treated as ordinary income. If any gain of a former SHB shareholder is treated as a dividend under Section 356 of the Code, the amount of the gain so treated as a dividend is equal to each former SHB shareholder's ratable share of the accumulated earnings and profits of SHB, not First Citizens, and any amount of gain in excess of such ratable share is treated as capital gain. Any capital gain recognized generally will be long-term capital gain to the extent that, at the effective time of the merger, the holder has a holding period in the SHB stock exchanged in the merger of more than one year. Because the determination of whether a cash payment will be treated as having the effect of a dividend depends primarily upon the facts and circumstances of each SHB shareholder, SHB shareholders are urged to consult their own tax advisors regarding the tax treatment of any cash received in the merger. A SHB shareholder who receives a combination of First Citizens stock and cash in exchange for his or her SHB stock will not be permitted to recognize any loss for U.S. federal income tax purposes.

The aggregate initial tax basis of the shares of First Citizens stock received in the merger (including any fractional share of First Citizens stock deemed received) will be the same as the aggregate tax basis of the shares of SHB stock surrendered in the merger, increased by the amount of gain recognized in the exchange (whether characterized as capital gain or a dividend, but excluding any gain recognized with respect to any cash received in lieu of a fractional share of First Citizens stock) and reduced by the amount of cash received in the exchange (excluding any cash received in lieu of a fractional share of First Citizens stock). The holding period of the shares of First Citizens stock received (including any fractional share of First Citizens stock deemed received) will include the holding period of shares of SHB stock surrendered in exchange for the First Citizens stock, provided that such shares of SHB stock were held as capital assets of the shareholder at the effective time of the merger.

A SHB shareholder's U.S. federal income tax consequences will also depend on whether his or her shares of SHB stock were purchased at different times at different prices. If they were, the SHB shareholder could realize gain with respect to some of the shares of SHB stock and loss with respect to other shares. Such SHB shareholder would have to recognize such gain to the extent such shareholder receives cash with respect to those shares of SHB stock in which the shareholder's adjusted tax basis is less than the amount of cash plus the fair market value at the effective time of the merger of the First Citizens stock received, but could not recognize loss with respect to those shares of SHB stock in which the SHB shareholder's adjusted tax basis is greater than the amount of cash plus the fair market value at the effective time of the merger of the



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First Citizens stock received. Any disallowed loss would be included in the adjusted basis of the First Citizens stock. Such a SHB shareholder is urged to consult his or her own tax advisor respecting the tax consequences of the merger to that shareholder.

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*Cash In Lieu of Fractional Shares of First Citizens Stock*

Holders of SHB stock who receive cash in lieu of a fractional share of First Citizens stock will be treated as having received the fractional share in the merger and then as having the fractional share redeemed by First Citizens in exchange for the cash actually distributed instead of the fractional share, with such redemption qualifying as an exchange under Section 302 of the Code. Accordingly, such holders will generally recognize gain or loss equal to the difference between the tax basis of the holder's SHB stock allocable to that fractional share and the amount of cash received. The gain or loss generally will be capital gain or loss, and long-term capital gain or loss if the SHB stock exchanged has been held for more than one year. The deductibility of capital losses is subject to limitations.

*Backup Withholding*

A holder of SHB stock may be subject, under certain circumstances, to backup withholding at a rate of 28% with respect to the amount of cash, if any, received in the merger, including cash received instead of fractional shares of First Citizens stock, unless the holder provides proof of an applicable exemption satisfactory to First Citizens and the exchange agent or furnishes its correct taxpayer identification number, and otherwise complies with applicable requirements of the backup withholding rules. Any amount withheld under the backup withholding rules is not additional tax and may be refunded or credited against the holder's U.S. federal income tax liability, so long as the required information is timely furnished to the IRS.

*Certain Tax Reporting Rules*

Under applicable Treasury regulations, significant holders of SHB stock will be required to comply with certain reporting requirements and generally will be required to file a statement with the holder's U.S. federal income tax return for the taxable year in which the consummation of the merger occurs. That statement must set forth the holder's adjusted tax basis in, and the fair market value of, the shares of SHB stock surrendered pursuant to the merger (both as determined immediately before the surrender of shares), the date of the merger, and the name and employer identification number of First Citizens and SHB, and the holder will be required to retain permanent records of these facts. We urge each holder of SHB stock to consult its tax advisor as to whether such holder may be treated as a significant holder.

**The preceding discussion is intended only as a summary of material United States federal income tax consequences of the merger. It is not a complete analysis or discussion of all potential tax effects that may be important to you. SHB shareholders are strongly encouraged to consult their own tax advisor as to the specific tax consequences resulting from the merger, including tax return reporting requirements, the applicability and effect of federal, state, local and other tax laws and the effect of any proposed changes in the tax laws.**

## **Dissenters' Rights**

### **Introductory Information**

*General.* Dissenters' rights with respect to SHB's voting stock are governed by the Tennessee Banking Act, which incorporates the dissenters' rights provisions of the Tennessee Business Corporation Act. Shareholders of SHB have the right to dissent from the merger and to obtain payment of the fair value of their shares (as specified in the statute) in the event SHB completes the merger. Strict compliance with the dissent procedures is mandatory. Subject to the terms of the Merger Agreement, SHB could elect to terminate the Merger Agreement even if it is approved by SHB's shareholders, thus cancelling dissenters' rights.

The term "fair value" means the value of a share of SHB's outstanding voting stock immediately before the completion of the merger, taking into account all relevant factors, but excluding any appreciation or depreciation in anticipation of the merger.

If you contemplate exercising your right to dissent, we urge you to read carefully the provisions of Chapter 23 of the Tennessee Business Corporation Act which are attached to this Proxy Statement/Prospectus as Annex B. A more detailed discussion of the provisions of the statute is included there. The discussion describes the steps that you must take if you want to exercise your right to dissent. You should read both the summary contained in this section of the Proxy Statement/Prospectus and the full text of the law. We cannot give you legal advice. To completely understand this law, you may want, and we encourage you, to consult with your legal advisor. If you wish to dissent, do not send in a signed proxy unless you mark your proxy to vote against the merger or you will lose the right to dissent.

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*Address for Notices.* Send or deliver any written notice or demand required concerning your exercise of dissenters' rights to J. Lee Stewart, President and Chief Executive Officer, Southern Heritage Bancshares, Inc., 3020 Keith Street NW, Cleveland, Tennessee 37312.

We urge you to act carefully. We cannot and do not accept the risk of late or undelivered notices or demands. You may call SHB at (423) 473-7980 and ask for J. Lee Stewart or Steve Ledbetter to receive confirmation that your notice or demand has been received. If your notice or demand is not timely received by SHB, then you will not be entitled to exercise your dissenters' rights. SHB's shareholders bear the risk of non-delivery and of untimely delivery.

If you intend to dissent, or if you think that dissenting might be in your best interests, you should read Annex B carefully.

### **Summary of Chapter 23 of the Tennessee Business Corporation Act Dissenters Rights**

The following is a summary of Chapter 23 of the Tennessee Business Corporation Act and the procedures that a shareholder must follow to dissent from the proposed merger and to perfect his, her or its dissenters rights and receive cash rather than shares of First Citizens stock if the Merger Agreement is approved and the merger is completed. This summary is qualified in its entirety by reference to Chapter 23, which is reprinted in full as part of this Annex B to this Proxy Statement/Prospectus. Annex B should be reviewed carefully by any shareholder who wishes to perfect his or her dissenters rights. Failure to strictly comply with the procedures set forth in Chapter 23 will, by law, result in the loss of dissenters rights. It may be prudent for a person considering whether to dissent to obtain professional counsel.

If the proposed merger of SHB with and into First Citizens is completed, any shareholder who has properly perfected his or her statutory dissenters rights in accordance with Chapter 23 has the right to obtain, in cash, payment of the fair value of such shareholder s shares of SHB stock. By statute, the fair value is determined immediately prior to the completion of the merger and excludes any appreciation or depreciation in anticipation of the merger.

To exercise dissenters rights under Chapter 23, a SHB shareholder must:

- ◆ deliver to SHB, before the annual meeting, written notice of her, his or its intent to demand payment for her, his or its shares of SHB s outstanding stock if the merger is completed; and
- ◆ not vote her, his or its shares in favor of approving and adopting the merger.

A shareholder of record who fails to satisfy both of these two requirements is not entitled to payment for her, his or its shares of SHB stock under Chapter 23. In addition, any shareholder who returns a signed proxy but fails to provide instructions as to the manner in which such shares are to be voted will be deemed to have voted in favor of approving and adopting the merger and will not be entitled to assert dissenters rights.

A shareholder may assert dissenters rights as to fewer than all the shares registered in her, his or its name only if she, he or it dissents with respect to all shares beneficially owned by any one beneficial shareholder and notifies SHB in writing of the name and address of each person on whose behalf she, he or it is asserting dissenters rights. The rights of such a partial dissenter are determined as if the shares as to which he or she dissents and his or her other shares are registered in the names of different SHB shareholders.

If the merger is approved and adopted at the SHB shareholders meeting, SHB must deliver a written dissenters notice (the Dissenters Notice ) to all SHB shareholders who satisfied the two requirements of Chapter 23 described above. The Dissenters Notice must be sent no later than 10 days after the effective time (the date that the merger is completed) and must:

- ◆ State where the demand for payment must be sent and where and when certificates for certificated shares must be deposited;
- ◆ Inform holders of uncertificated shares to what extent transfer of those shares will be restricted after the demand for payment is received;
- ◆ Supply a form for demanding payment that includes the date of the announcement of the proposed merger to the public (March 20, 2014) and requires that the shareholder asserting dissenters rights certify whether or not she, he or it acquired beneficial ownership of such shares prior to said date;
- ◆ Set a date by which SHB must receive the demand for payment (which date may not be fewer than 40 nor more than 60 days after the Dissenters Notice is delivered) and states that the shareholder shall have waived his or her right to demand payment unless the form is received by such specified date;
- ◆ State SHB's estimate of the fair value of the shares;
- ◆ State that upon written request SHB will provide to such SHB shareholders the number of SHB shareholders who return the forms and the number of shares held thereby;
- ◆ State the date by which the notice to withdraw his or her demand must be sent, which must be within 20 days of the date upon which the form must be received by SHB; and
- ◆ Be accompanied by a copy of Chapter 23, if not previously provided to such shareholder (set forth in Annex B to this document).

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A SHB shareholder of record on the record date who receives the Dissenters' Notice must demand payment, certify that she, he or it acquired beneficial ownership of such shares prior to the date set forth in the Dissenters' Notice and deposit her, his or its stock certificates in accordance with the terms of the Dissenters' Notice. SHB may elect to withhold payment required by Chapter 23 from the dissenting shareholder unless such shareholder was the beneficial owner of the shares prior to the public announcement of the proposed merger on or about March 20, 2014. A dissenting shareholder will retain all other rights of an SHB shareholder until those rights are canceled or modified by the completion of the merger. A shareholder of record who does not demand payment or deposit her, his or its share certificates where required, each by the date set in the Dissenters' Notice, is not entitled to payment for his, her or its shares under Chapter 23 or otherwise as a result of the merger. A demand for payment may not be withdrawn unless consented to by SHB.

SHB may restrict the transfer of any uncertificated shares from the date the demand for their payment is received until the merger is completed. A SHB shareholder for whom dissenters' rights are asserted as to uncertificated shares of SHB stock retains all other rights of an SHB shareholder until these rights are canceled or modified by the completion of the merger.

At the effective time or upon receipt of a demand for payment, whichever is later, SHB must offer to pay each dissenting shareholder who strictly and fully complied with Chapter 23 the amount that SHB estimates to be the fair value of her, his or its shares, plus accrued interest from the effective time. The offer of payment must be accompanied by:

- ◆ Certain recent SHB financial statements;
- ◆ SHB's estimate of the fair value of the shares and interest due;
- ◆ An explanation of how the interest was calculated;
- ◆ A statement of the dissenter's right to demand payment under T.C.A. Section 48-23-209; and

A copy of Chapter 23, if not previously provided to such shareholder.

If the merger is not completed within two months after the date set for demanding payment and depositing share certificates, SHB must return the deposited certificates and release the transfer restrictions imposed on the uncertificated shares. If, after such return or release, the merger is completed, SHB must send a new Dissenters' Notice and repeat the payment procedure described above.

If a dissenting SHB shareholder is dissatisfied with or rejects SHB's calculation of fair value, such dissenting shareholder must notify SHB in writing of her, his or its own estimate of the fair value of those shares and the interest due, and may demand payment of her, his or its estimate, if:

- ◆ She, he or it believes that the amount offered or paid by SHB is less than the fair value of her, his or its shares or that the interest due has been calculated incorrectly;
- ◆ SHB fails to make payment within two months after the date set forth for demanding payment; or
- ◆ SHB, having failed to complete the merger, does not return the deposited certificates or release the transfer restrictions imposed on uncertificated shares within two months after the date set for demanding payment.

A dissenting shareholder waives her, his or its right to dispute SHB's calculation of fair value unless she, he or it notifies SHB of her, his or its demand in writing within one month after SHB makes or offers payment for such person's shares.

If a demand for payment by an SHB shareholder remains unsettled, SHB must commence a proceeding in the appropriate court, as specified in Chapter 23, within two months after receiving the demand for payment, and petition the court to determine the fair value of the shares and accrued interest. If SHB does not commence the proceeding within two months, SHB is required to pay each dissenting shareholder whose demand remains unsettled, the amount demanded. SHB is required to make all dissenting SHB shareholders whose demands remain unsettled parties to the proceeding and to serve a copy of the petition upon each dissenting shareholder. The court may appoint one or more appraisers to receive evidence and to recommend a decision on fair value. Each dissenting shareholder made a party to the proceeding is entitled to judgment for the fair value of such person's shares plus interest to the date of judgment.

In an appraisal proceeding commenced under Chapter 23, the court must determine the costs of the proceeding, including the reasonable compensation and expenses of appraisers appointed by the court. The court will assess these costs against SHB, except that the court may assess the costs against all or some of the dissenting shareholders to the extent the court finds they acted arbitrarily, vexatiously, or not in good faith in demanding payment under Chapter 23. The court also may assess the fees and expenses of attorneys and experts for the respective parties against SHB if the court finds that SHB did not substantially comply with the requirements of Chapter 23, or against either SHB or a dissenting shareholder if the court finds that such party acted arbitrarily, vexatiously, or not in good faith with respect to the rights provided by Chapter 23.

If the court finds that the services of the attorneys for any dissenting shareholder were of substantial benefit to other dissenting shareholders similarly situated, and that the fees for those services should not be assessed against SHB, the court may award those attorneys reasonable fees out of the amounts awarded the dissenting shareholders who were benefitted.

The foregoing does not purport to be a complete statement of the provisions of the Tennessee Business Corporation Act relating to statutory dissenters' rights and is qualified in its entirety by reference to the dissenters' rights provisions, which are reproduced in full in Annex B to this Proxy Statement/Prospectus and which are incorporated herein by reference.

**If you intend to dissent, or if you think that dissenting might be in your best interests, you should read Annex B carefully.**

**Interests of Certain Persons in the Merger**

Certain members of management of SHB and SHB's board of directors may be deemed to have interests in the merger that are in addition to their interests as SHB shareholders generally. SHB's board of directors was aware of these interests and considered them, among other matters, in approving the Merger Agreement. These interests include:

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- ◆ **Employment Agreements.** As a condition to the merger, First Citizens has required that three of the officers of SHB (J. Lee Stewart, Steve Ledbetter, and Virginia Kibble) enter into employment agreements with non-competition and non-solicitation obligations to be effective upon completion of the merger whereby each individual is entitled to receive a salary, annual bonus, and certain additional incentives;
- ◆ **Insurance.** The directors and officers of SHB and Southern Heritage Bank currently covered under comparable policies held by SHB at First Citizens' expense will receive directors' and officers' liability insurance coverage for a period of five years after completion of the merger.
- ◆ **Indemnification.** The Merger Agreement provides that First Citizens will indemnify each director and officer of SHB or Southern Heritage Bank as of the effective time of the merger against any costs or expenses (including reasonable attorneys' fees), judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of matters existing or occurring at or before the effective time of the merger, whether asserted or claimed before, at or after the effective time of the merger, arising in whole or in part out of or pertaining to the fact that he or she was acting in his or her capacity as a director or officer of SHB or Southern Heritage Bank to the fullest extent that the indemnified party would be entitled under charter or bylaws or the similar constituent documents of SHB or Southern Heritage Bank, as applicable, as in effect on the date of the Merger Agreement and to the extent permitted by applicable law.

Executive officers and directors of SHB will receive shares of First Citizens voting stock in the merger on the same basis as other SHB shareholders. The following chart shows the number of shares of First Citizens voting stock that may be issued to executive officers, directors and holders of more than 10% of SHB voting stock in the merger:

Beneficial ownership by executive officers, directors and holders of more than 10% of SHB voting stock, and their affiliates, as of April 30, 2014	248,149
Maximum number of shares of First Citizens stock to be received in the merger (based on such beneficial ownership)	71,367

### Comparison of Rights of Shareholders

At the effective time of the merger, SHB shareholders who do not exercise dissenters' rights and receive shares of First Citizens stock will automatically become First Citizens shareholders. First Citizens is a Tennessee corporation governed by the provisions of the Tennessee Business Corporation Act and First Citizens' charter, as amended, and bylaws, as amended. SHB is a Tennessee corporation governed by provisions of the Tennessee Business Corporation Act, and SHB's charter, as amended, and bylaws, as amended. See **COMPARISON OF RIGHTS OF SHAREHOLDERS**.

### Restrictions on Resales by Affiliates

The shares of First Citizens stock issued in connection with the merger will not be subject to any restrictions on transfer arising under the Securities Act, except for shares issued to any SHB shareholder who may be deemed to be an affiliate of First Citizens after completion of the merger. An affiliate of a corporation, as defined by the rules promulgated under the Securities Act, is a person who directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, that corporation. Affiliates generally include directors, executive officers and beneficial owners of 10% or more of a company's capital stock. Former SHB shareholders who are not affiliates of First Citizens after the completion of the merger may sell their shares of First Citizens stock received in the merger at any time.

Former SHB shareholders who become affiliates of First Citizens after completion of the merger will be subject to the volume and sale limitations of Rule 144 under the Securities Act until they are no longer affiliates of First Citizens. This Proxy Statement/Prospectus does not cover resales of First Citizens stock received by any person upon completion of the merger, and no person is authorized to make any use of or rely on this Proxy Statement/Prospectus in connection with or to effect any resale of First Citizens shares.



**Source of Funds for Cash Portion of Merger Consideration**

First Citizens intends to pay the cash portion of the merger consideration to the SHB shareholders from funds available to First Citizens at closing. First Citizens currently intends these funds to be comprised primarily of \$12 million of borrowing from First Tennessee Bank National Association, \$2 million from the proceeds of an equity offering by its indirect, wholly-owned real estate investment trust subsidiary, and \$2 million from a cash dividend paid by First Citizens National Bank, with the remainder to be paid with cash on hand.

## THE MERGER AGREEMENT

The following summary of certain terms and provisions of the Merger Agreement is qualified in its entirety by reference to the Merger Agreement, which is incorporated into this Proxy Statement/Prospectus by reference and, with the exception of exhibits and schedules to the Merger Agreement, is attached as Annex A to this Proxy Statement/Prospectus.

### General

The Merger Agreement provides for the merger of SHB with and into First Citizens, at which time the separate corporate existence of SHB will cease and First Citizens will be the surviving corporation. First Citizens will continue to exist as a Tennessee corporation. Southern Heritage Bank will become a wholly-owned subsidiary of First Citizens. Subject to the satisfaction or waiver of certain conditions set forth in the Merger Agreement, the merger will become effective upon the filing of the articles of merger in the office of the Secretary of State of Tennessee in accordance with the Tennessee Business Corporation Act. See THE MERGER AGREEMENT – Conditions to the Merger. On June 27, 2014, First Citizens and SHB amended the Merger Agreement to correct a clerical error in the amount to be paid to SHB's shareholders for fractional shares. See Annex A to this Proxy Statement/Prospectus for a copy of the First Amendment to the Merger Agreement.

The merger will have the effects set forth in Section 48-21-108 of the Tennessee Business Corporation Act.

During a special meeting on July 16, 2014, First Citizens' shareholders voted on and approved the First Citizens Charter Amendment authorizing an additional class of common stock (Class A common stock) and a reclassification of First Citizens' outstanding common stock. Upon the filing of the First Citizens Charter Amendment, each share of First Citizens common stock outstanding immediately prior to such filing owned by a shareholder of record who owned between one and 299 shares of such common stock was, by virtue of the filing of the First Citizens Charter Amendment and without any action on the part of the holders, reclassified as Class A common stock, on the basis of one share of Class A common stock per each share of common stock so reclassified. Each share of First Citizens common stock outstanding immediately prior to the filing of the First Citizens Charter Amendment owned by a shareholder of record who owned 300 or more shares of such common stock was not reclassified and continued to be classified as common stock. The First Citizens common stock continues to have unlimited voting rights. The First Citizens Class A common stock has no voting rights, except as may be required by law.

First Citizens' charter, as amended, in effect as of the effective time of the merger will be the charter of the surviving corporation. First Citizens bylaws, as amended, in effect as of the effective time of the merger will be the bylaws of the surviving corporation.

### Terms of the Merger

Under the terms of the Merger Agreement, if the Merger Agreement is approved and the merger is completed, all outstanding shares of SHB stock will be canceled and converted into the right to receive an aggregate of (i) \$16,085,903.75 in cash and (ii) shares of First Citizens stock in the amounts as follows: 269,302 shares of First Citizens common stock, no par value per share and 108,356 shares of First Citizens Class A common stock, no par value per share, subject to adjustments as provided in the Merger Agreement and further described herein.

The Merger Agreement provides that, at the effective time of the merger, each share of SHB stock issued and outstanding immediately prior to the effective time of the merger will, subject to the election set forth below, be converted into the right to receive (i) \$12.25 in cash, plus (ii) 0.2876 of a share of First Citizens stock. The amount of per share merger consideration is subject to adjustment as provided in the Merger Agreement and further described herein. The SHB shareholders who hold SHB common stock, \$1.00 par value per share, will receive First Citizens common stock and the SHB shareholders who hold (i) SHB Class A common stock, \$1.00 par value per share, (ii) SHB Class B common stock, \$1.00 par value per share, or (iii) SHB Series A preferred stock, no par value per share, will receive First Citizens Class A common stock.

Under the terms of the Merger Agreement, shareholders of SHB who hold more than one share of SHB stock may elect to receive consideration in exchange for each share of SHB common stock in the form of: (a) 0.5751 shares of First Citizens stock or (b) \$24.50 in cash, as subject to adjustment pursuant to the merger consideration adjustments as provided in the Merger Agreement and further described herein.

The allocation of the total form of consideration and the total and per share consideration amount is subject to proration and adjustment under certain circumstances as provided in the Merger Agreement, including the requirement that SHB have a certain minimum net worth at closing.

and an adjustment for SHB's Accumulated Other Comprehensive Income (Loss) if applicable. Shareholders may not receive the form of consideration they elect. The exchange agent under the Merger Agreement will effectuate the allocation among the shareholders of the right to receive the stock consideration, the cash consideration or a combination of both the stock consideration and the cash consideration in the merger in accordance with the adjustments set forth in the Merger Agreement.

On the closing date, the Minimum Net Worth (as defined in the Merger Agreement) of SHB is required to be an amount greater than or equal to \$22,863,000. If the estimated closing equity balance of SHB, to be delivered by SHB to First Citizens not more than 15 business days prior to the closing date, is less than the Minimum Net Worth, the cash consideration will be reduced by an amount equal to the difference between the estimated closing equity balance of SHB and the Minimum Net Worth.

In order for First Citizens to maintain satisfactory capital ratios, if, as of the closing date, SHB's Accumulated Other Comprehensive Income (Loss) is a loss greater than \$3,400,000, then First Citizens may, at the closing and in its sole discretion, increase the stock consideration and decrease the cash consideration so that the aggregate value of the shares of First Citizens stock, utilizing the First Citizens Measuring Price (as defined below), issued to the holders of SHB stock in connection with the merger is equal to up to 55% of the sum of (i) the aggregate value of the shares of First Citizens stock to be issued to the holders of SHB stock in connection with the merger utilizing the First Citizens Measuring Price and (ii) the aggregate cash value consideration. For the purposes of determining adjustments for Accumulated Other Comprehensive Income (Loss), the value of the stock consideration is determined by utilizing a value for the First Citizens common stock of \$42.60 per share and a value for the First Citizens Class A common stock of \$42.60 per share (the First Citizens Measuring Price). In the event that the stock consideration and cash consideration are adjusted for Accumulated Other Comprehensive Income (Loss), all references in the Merger Agreement to the stock consideration and the cash consideration will refer to the stock consideration and cash consideration as adjusted.

At the effective time of the merger, each share of SHB stock held in treasury of SHB or owned by any direct or indirect wholly owned subsidiary of SHB immediately prior to the effective time of the merger (other than shares of SHB stock held (i) directly or indirectly in trust accounts, managed accounts and the like or otherwise held in a fiduciary capacity for the benefit of third parties (any such shares, whether held directly or indirectly, being referred to herein as Trust Account Shares ) and (ii) by SHB or any of its subsidiaries in respect of a debt previously contracted (any such shares of SHB stock, whether held directly or indirectly (the Treasury Shares )), will be canceled and will cease to exist, and no First Citizens stock or other consideration will be delivered in exchange therefor. Any shares of First Citizens stock that are owned by SHB or any of its subsidiaries (other than shares of First Citizens stock held (i) directly or indirectly in trust accounts, managed accounts and the like or otherwise held in a fiduciary capacity for the benefit of third parties, and (ii) by SHB or any of its subsidiaries in respect of a debt previously contracted) shall become treasury stock of First Citizens.

At the effective time of the merger, SHB shareholders, other than those who perfect dissenters' rights in accordance with Tennessee law, will have no further rights as SHB shareholders, other than the right to receive their per share merger consideration.

If, prior to the merger, shares of First Citizens stock are changed into a different number or class of shares as a result of any reclassification, recapitalization, split-up, combination, exchange of shares or readjustment, or if a stock dividend is declared on the shares of First Citizens stock with a record date prior to the merger, the stock portion of the merger consideration will be adjusted accordingly.

### **Treatment of Options**

SHB has represented in the Merger Agreement that there are no outstanding subscriptions, options, warrants, calls, commitments or agreements of any character calling for the purchase or issuance of any shares of SHB common stock or SHB preferred stock or any other equity security or capital stock of SHB or any securities representing the right to purchase or otherwise receive any shares of SHB stock or any other equity security or capital stock of SHB.

### **Exchange of Certificates in the Merger**

Before the effective time of the merger, First Citizens will appoint Computershare or another bank or trust company as an exchange agent to handle the exchange of SHB stock certificates for shares of First Citizens stock and the payment of cash for fractional shares. After the merger is approved by the SHB shareholders and the merger becomes effective, the exchange agent will send to each holder of record of shares of SHB stock on the record date for the meeting of SHB shareholders a letter of transmittal, an election form and other appropriate materials for such holder to make a stock election, cash election, mixed election, or no election. The letter of transmittal will contain instructions explaining the procedure for surrendering SHB stock certificates. **You should not return certificates with the enclosed proxy card.**

SHB shareholders who surrender their stock certificates, together with a properly completed letter of transmittal and election form, will receive shares of First Citizens stock into which the shares of SHB stock were converted in the merger, cash, or a combination of both consistent with each shareholder's election form except as such election may be modified consistent with the Merger Agreement. After the effective date of the merger, each certificate that previously represented shares of SHB stock will only represent the right to receive the shares of First Citizens stock, cash, or a combination of both (and cash in lieu of fractions thereof) into which those shares of SHB stock have been converted.

If a certificate for SHB stock has been lost, stolen or destroyed, the exchange agent will issue the consideration properly payable under the Merger Agreement upon receipt of appropriate affidavit as to that loss, theft or destruction, appropriate evidence as to the ownership of that certificate by the claimant, and appropriate and customary indemnification.

### **Fractional Shares**

No fractional shares of First Citizens common stock will be issued in connection with the merger. Instead, SHB shareholders will receive, without interest, a cash payment from First Citizens equal to \$42.60 multiplied by the fraction of a share of First Citizens stock to which the shareholder otherwise would be entitled.

**Dividends and Distributions**

Until SHB stock certificates are surrendered for exchange, any dividends or other distributions declared after the effective time with respect to First Citizens common stock into which shares of SHB stock may have been converted will accrue but will not be paid. First Citizens will pay to former SHB shareholders any unpaid dividends or other distributions without interest only after they have duly surrendered their SHB stock certificates. After the effective time of the merger, there will be no transfers on the stock transfer books of SHB of any shares of SHB common or preferred stock. If certificates representing shares of SHB common or preferred stock are presented for transfer after the completion of the merger, they will be cancelled and exchanged for the merger consideration into which the shares of SHB common or preferred stock represented by that certificate have been converted.

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## Effective Time

The merger will be completed when the articles of merger are filed with the Secretary of State of the State of Tennessee. First Citizens and SHB may, however, agree to a later time for completion of the merger and specify that time in the articles of merger. While we anticipate that the merger will be completed on or before September 30, 2014, completion of the merger could be delayed if there is a delay in obtaining the required regulatory approvals or in satisfying any other conditions to the merger. There can be no assurances as to whether, or when, First Citizens and SHB will obtain all of the required approvals or complete the merger. If the merger is not completed on or before September 30, 2014, either First Citizens or SHB may terminate the Merger Agreement, unless the failure to complete the merger by that date is due to the failure of the party seeking to terminate the Merger Agreement to perform its covenants and agreements in the Merger Agreement. See THE MERGER AGREEMENT Conditions to the Completion of the Merger .

## Representations and Warranties

The Merger Agreement contains a number of representations and warranties by SHB and First Citizens regarding aspects of their respective business, financial condition, structure and other facts pertinent to the merger that are customary for a transaction of this kind. They include, among other things, representations and warranties as to:

- the organization, existence, corporate power and authority of each company;
- the capitalization of each company;
- the absence of conflicts with and violations of law and various documents, contracts and agreements;
- the consents or approvals of or filings or registrations with any governmental authority or third party necessary in connection with the consummation of the merger;
- the filing of all reports, registrations and statements with applicable regulatory agencies;
- the fair presentation in all material respects of reports and financial statements provided to the other company;
- the absence of any broker's or finder's fees due in connection with the merger other than the brokers specifically identified in the Merger Agreement;
- the absence of any event or circumstance which is reasonably likely to have a material adverse effect;
- the absence of any proceedings pending, knowledge of any proceedings threatened, or knowledge of any basis for such proceedings to be brought;
- the absence of any knowledge that the merger will fail to qualify as a reorganization under Section 368(a) of the Code;
- the absence of any untrue statement of material fact or omission of a material fact necessary to make the statements contained in the Proxy Statement/Prospectus not misleading;
- the absence of regulatory actions pending, or to the knowledge of the companies, threatened against the companies or any of their respective subsidiaries by or before any governmental body or arbitrator having jurisdiction over the companies or their subsidiaries;
- the absence of any reason to believe required regulatory approvals will not be obtained;
- the adequacy and efficiency of insurance policies;
- compliance with the Bank Secrecy Act and Federal Community Reinvestment Act; and
- the accuracy of the statements contained in the Merger Agreement.

The Merger Agreement also contains an additional warranty solely by First Citizens regarding First Citizens having sufficient funds and capitalization to enable First Citizens to timely pay the cash consideration and consummate the transactions contemplated by the Merger Agreement.

The Merger Agreement also contains a number of additional representations and warranties solely by SHB regarding aspects of its business, financial condition, structure and other facts pertinent to the merger that are customary for a transaction of this kind. They include, among other things, representations and warranties as to:

- the timely filing and accuracy of tax returns and timely payment of taxes due and owing;
- compensation and the operation of all employee benefit plans in accordance with applicable law;
- the existence, performance and legal effect of certain contracts and commitments;
- the absence of any anti-takeover laws to which SHB or the merger may be subject;
- compliance with applicable environmental laws;
- loan portfolio matters;
- ownership of real and personal property;
- the absence of certain loans and related matters;
- matters related to the business and customer relationships of SHB and its subsidiaries;
- maintenance of accurate books and records;
- ownership of intellectual property rights and the absence of actions for infringement of intellectual property;
- lack of knowledge of any plan or intention on the part of any shareholder of SHB to make written demand for payment of the fair value of such holder's share of SHB stock; and
- participation in the SBLF Program.

Most of the representations and warranties of the parties will be deemed to be true and correct if such representations are true and correct in all material respects, or, to the extent qualified as to materiality or material adverse effect, shall be true and correct in all respects subject to the applicable materiality qualification or unless the totality of facts, circumstances or events inconsistent with the representations or warranties has had or is reasonably likely to result in losses, damages, liabilities, costs, expenses, judgments or fines in amount of \$750,000 or greater, or is materially adverse to (i) the business, condition, assets, properties, rights, prospects or results of operations of the party or its subsidiaries making the representations and warranties taken as a whole, or (ii) on the ability of the party and its subsidiaries to consummate the transactions contemplated by the Merger Agreement. In determining whether a material adverse effect has occurred or is reasonably likely, the parties will disregard any effects resulting from (1) any change in banking laws, rules or regulations of general applicability, (2) any change in GAAP or regulatory accounting principles applicable to banks or their holding companies generally, (3) any action or omission of a party or any subsidiary of that party taken with the express prior written consent of the other party, (4) general changes in national or Tennessee's economic, monetary, market or financial conditions, including changes in prevailing interest rates, inflation, credit markets or capital market conditions, or in the industries in which each party operates, except, in all cases, to the extent such changes disproportionately affect that party, (5) changes in global or national political conditions, including the outbreak or escalation of acts of terrorism, or (6) the public disclosure of the Merger Agreement or the transactions contemplated by the Merger Agreement.

### **Conduct of Business Prior to the Merger and Other Covenants**

In the Merger Agreement, SHB agreed that, except as expressly contemplated or permitted by the Merger Agreement or with the prior written consent of First Citizens, SHB will carry on its business in the ordinary course consistent with past practice. Each of the parties also agreed to refrain from engaging in, or permitting its subsidiaries to engage in, certain activities which are described in the Merger Agreement.

SHB has agreed to refrain, among other things, from:

- declaring or paying any dividends on, or making other distributions in respect of, any of its capital stock during any period, other than its normal annual dividend consistent with past practices (not to exceed \$550,000) and dividends or distributions by a subsidiary of SHB to SHB;
- repurchasing, redeeming or otherwise acquiring (except for the redemption or repurchase of the Series D preferred stock) any shares of SHB stock or of any SHB subsidiary; splitting, combining or reclassifying any shares of SHB stock; or splitting, combining or reclassifying any shares of the capital stock of SHB or its subsidiaries; or issuing, delivering, selling or authorizing or proposing the issuance, delivery or sale of any shares of the SHB capital stock or any securities convertible into or exercisable for, or any rights, warrants or options to acquire any such shares;
- amending any provision of the charter, bylaws or similar governing documents of SHB;
- making capital expenditures in excess of \$100,000 in the aggregate;
- entering into any new line of business;

- making any equity investment in, or purchase outside of the ordinary course of business any property or assets of any other person, except as permitted by the Merger Agreement;
- taking any action that is intended or may reasonably be expected to result in any of its representations and warranties set forth in the Merger Agreement being or becoming untrue or in any of the conditions set forth in the Merger Agreement not being satisfied;
- changing its accounting methods, except as required by changes in GAAP or regulatory accounting principles;
- adopting, amending or terminating any employee benefit plan or any agreement, arrangement, plan or policy with one or more of its current or former directors, officers or employees;
- increasing in any manner the compensation or fringe benefits of any of its employees, directors or consultants other than in the ordinary course of business pursuant to policies currently in effect;
- granting or awarding any stock options, stock appreciation rights, restricted stock, restricted stock units, performance units or shares of any other equity or equity-based awards;
- selling, leasing, encumbering, assigning or otherwise disposing of or agreeing to sell, lease, encumber, assign or otherwise dispose of any of its material assets, properties or other rights or agreements other than as in the ordinary course of business consistent with past practice;
- incurring any indebtedness outside the ordinary course of business for borrowed money or assuming, guaranteeing, endorsing or otherwise as an accommodation becoming responsible for the obligations of any other individual, corporation or other entity;
- filing an application to relocate or terminate the operations of any banking office of it or any of its subsidiaries;
- entering into, creating, renewing, amending, extending or terminating or giving notice of a proposed renewal, amendment, extension or termination of, any contract, agreement or lease for goods, services or office space to which SHB or any of its subsidiaries is a party or by which SHB or any of its subsidiaries or their respective properties is bound involving aggregate payment obligations in excess of \$100,000 over the term of the agreement or contract, or amending or waiving the provisions of any confidentiality or standstill agreement to which SHB or any of its affiliates is a party as of the signing date of the Merger Agreement;
- taking any action or entering into any agreement that could reasonably be expected to jeopardize or materially delay the receipt of any required regulatory approvals;
- entering or committing to enter into any new loans outside the ordinary course of business, or in an amount in excess of \$1,000,000, or renewing, or committing to renewing, any existing loans in a principal amount in excess of \$1,000,000, without having provided prior written notice to First Citizens, or entering into new loan transactions subject to the requirements of Regulation O of the Federal Reserve Board in excess of \$250,000 in the aggregate without having provided prior written notice to First Citizens;
- directly or indirectly soliciting, initiating, accepting or participating in any discussion relating to any business combination involving it or any or any offer to acquire all of or a substantial portion of its assets; or
- agreeing or committing to do any of the above listed items.

SHB has agreed to, among other things:

- notify First Citizens in writing within two business days after receipt of any unsolicited acquisition proposal, provide reasonable detail as to the identity of the person making such acquisition proposal and immediately cease and cause to be terminated any existing activities, discussion, or negotiations with any person conducted that relate to any acquisition proposal;
- call and hold a meeting of its shareholders and, through its board of directors, to recommend the Merger Agreement and the transactions contemplated thereby for approval to its shareholders;
- furnish First Citizens with all information concerning SHB or any of its subsidiaries required for inclusion in any regulatory applications or SEC filings;
- furnish First Citizens with copies of written communications received by SHB or any of its subsidiaries from or delivered by any governmental entity in respect of the transactions contemplated by the Merger Agreement;
- use its commercially reasonable best efforts to obtain all third-party consents required under certain of its contracts; and
- use its commercially reasonable best efforts to cause the redemption of all outstanding Small Business Lending Fund securities.



First Citizens has agreed to refrain, among other things, from:

- declaring or paying any dividends on, or making other distributions in respect of, any of its capital stock during any period, other than its normal quarterly dividends consistent with past practices and dividends or distributions by a subsidiary of First Citizens to First Citizens;
- repurchasing, redeeming or otherwise acquiring any shares of First Citizens stock or any First Citizens subsidiary; or issuing, delivering, selling or authorizing or proposing the issuance, delivery or sale of any shares of the First Citizens capital stock or any securities convertible into or exercisable for, or any rights, warrants or options to acquire any such shares;
- amending any provision of the charter, bylaws or similar governing documents of First Citizens, other than the First Citizens Charter Amendment as described in the Merger Agreement and herein;
- taking any action that is intended or may reasonably be expected to result in any of its representations and warranties set forth in the Merger Agreement from being or becoming untrue or in any of the conditions set forth in the Merger Agreement not being satisfied;
- taking any action or entering into any agreement that could reasonably be expected to jeopardize or materially delay the receipt of any required regulatory approvals;
- changing its accounting methods, except as required by changes in GAAP or regulatory accounting principles; or
- agreeing or committing to do any of the above listed items.

First Citizens has agreed to, among other things:

- prepare and file all necessary regulatory filings and take all reasonable action to aid and assist in the consummation of the merger; and provide copies of such regulatory filings to SHB for which confidential treatment has not been requested;
- prepare and file with the SEC this Proxy Statement/Prospectus and any other applicable documents necessary to cause this Proxy Statement/Prospectus to become effective;
- furnish SHB with all information concerning First Citizens or any of its subsidiaries required for inclusion in any regulatory applications or SEC filings;
- furnish SHB with copies of written communications received by First Citizens or any of its subsidiaries from or delivered by any governmental entity in respect of the transactions contemplated by the Merger Agreement; and
- under certain conditions and time limits per the terms of the Merger Agreement, indemnify and hold harmless each present director and officer and certain affiliates of SHB;

The Merger Agreement also contains other agreements relating to the conduct of the parties prior to the merger, including, among other things, those requiring each party to:

- take all actions required to comply with any legal requirements to complete the merger;
- afford to the other party and its representatives access during normal business hours to all of such party's information concerning its business, properties and personnel as the other party may reasonably request;
- provide prompt notice of any event or circumstance that could cause any of its representations or warranties to be false or misleading in any material respect after the date of the signing of the Merger Agreement or that may cause any condition set forth in the Merger Agreement to not be satisfied in anticipation of the closing date of the merger;
- cooperate as necessary in conjunction with all approvals, filings and other steps necessary to cause the consummation of the merger;
- use reasonable best efforts not to, and use reasonable best efforts not to permit any subsidiaries to, take any action that would reasonably be expected to prevent the merger from qualifying as a reorganization with the meaning of 368(a) of the Code; and
- not to issue any publication, press release or public announcement with respect to the transactions contemplated by the Merger Agreement without the consent of the other party, except as otherwise required by law.

First Citizens has agreed to cause the employees of SHB and its subsidiaries, at the discretion of First Citizens, to either continue to participate in the SHB employee plans, or, to the extent permissible under the First Citizen plans, become eligible to participate in First Citizens' employee benefit plans in which similarly situated employees of First Citizens or its subsidiaries participate, to the same extent as similarly situated employees of First Citizens or its subsidiaries with some exceptions as provided in the Merger Agreement. With respect to each First Citizens plan that is an employee benefit plan, for purposes of determining eligibility to participate and entitlement benefits, service with SHB will be treated as service with First Citizens; provided, however, that such service will not be recognized to the extent that such recognition would result in a duplication or increase of benefits; provided, further, that past service credit shall not be taken into account for determining eligibility, vesting or accrual of benefits under any First Citizens defined benefit or nonqualified plan.



SHB has agreed to make stay-pay or retention bonus payments to such employees and officers of SHB and its subsidiaries as defined in the disclosure schedules to the Merger Agreement in an aggregate amount not to exceed \$150,000 for the purpose of encouraging such employees and officers to continue in the employ of SHB or its subsidiaries until the effective time of the merger.

### Conditions to the Completion of the Merger

Completion of the merger is subject to various conditions. While it is anticipated that all of these conditions will be satisfied, there can be no assurance as to whether or when all of the conditions will be satisfied or, where permissible, waived.

The respective obligations of First Citizens and SHB to complete the merger are subject to the following conditions:

- approval by SHB's shareholders of the Merger Agreement;
- approval by First Citizens' shareholders of the First Citizens Charter Amendment authorizing an additional class of common stock to be issued to the shareholders of First Citizens;
- receipt of all required regulatory approvals and expiration of all related statutory waiting periods;
- effectiveness of First Citizens' registration statement on Form S-4 of which this Proxy Statement/Prospectus constitutes a part;
- absence of any order, injunction or decree of a court or agency of competent jurisdiction which prohibits completion of the merger;
- accuracy of the other party's representations and warranties contained in the Merger Agreement, except, in the case of most of such representations and warranties, where the failure to be accurate would not be reasonably likely to have a material adverse effect on the party making the representations and warranties (see THE MERGER AGREEMENT - Representations and Warranties), and the performance by the other party of its obligations contained in the Merger Agreement in all material respects;
- absence of any statute, rule, regulation, order, injunction or decree which prohibits or makes illegal completion of the merger;
- the holders of less than 10% of the total outstanding share of SHB stock have exercised dissenters' rights with respect to the merger;
- the receipt of opinions of legal counsel to each company, dated the effective time of the merger, substantially to the effect that the merger will be treated as a reorganization under Section 368(a) of the Code and that First Citizens and SHB will each be a party to the reorganization;
- the required consents shall have been obtained and First Citizens shall have received evidence thereof;
- the required tail coverage shall have been obtained by both companies;
- First Citizens shall have succeeded to SHB's rights, interests and obligations pursuant to the indenture and the predecessor trustee shall have been replaced by the successor trustee; and
- each of the employment agreements, direct support agreements, and director/officer releases shall remain in full force and effect.

In addition, SHB has agreed to use its best efforts to cause the redemption of all outstanding preferred stock related to its participation in the SBLF program prior to the completion of the merger.

### Director Support Agreements

In connection with the execution of the Merger Agreement, each of the directors of SHB and its subsidiaries executed director support agreements. The director support agreements require each director of SHB and its subsidiaries to use his or her reasonable best efforts to refrain from harming the goodwill of First Citizens, SHB, their respective subsidiaries and customer and client relationships. The director support agreements also include restrictions on disclosure of certain confidential information of First Citizens, SHB and their respective subsidiaries by the directors prior to the consummation of the merger or the termination of the Merger Agreement.

## Employment Agreements

First Citizens has entered into agreements with J. Lee Stewart, Steve Ledbetter and Virginia Kibble. These agreements will be effective, if at all, upon consummation of the merger, and obligate First Citizens to cause its subsidiary bank (Southern Heritage Bank upon consummation of the merger) to employ Messrs. Stewart and Ledbetter and Ms. Kibble. These agreements include noncompetition, nonsolicitation and confidentiality obligations to Southern Heritage Bank, First Citizens and the affiliated entities that are controlled by First Citizens, and provide for annual salary and annual performance-based cash incentive bonuses and certain additional incentives from Southern Heritage Bank. The agreements of Messrs. Stewart and Ledbetter provide for supplemental executive retirement plan agreements as well.

## Release by Officers and Directors of SHB

Upon execution of the Merger Agreement, all of the directors and certain officers of SHB executed release agreements. These agreements release SHB and its subsidiaries and their respective successors, assigns, and related parties from all claims arising from liabilities and obligations existing prior to the effective time of the merger, subject to certain limitations.

## Termination of the Merger Agreement

The Merger Agreement may be terminated at any time prior to the effective time of the merger, whether before or after approval of the merger by the SHB shareholders, as set forth in the Merger Agreement, including by mutual consent of First Citizens and SHB. In addition, the Merger Agreement may generally be terminated by either party:

- 60 days after the date on which any request or application for a requisite regulatory approval has been denied or withdrawn at the request or recommendation of the governmental entity which must grant such requisite regulatory approval, unless within the 60-day period following such denial or withdrawal a petition for rehearing or an amended application has been filed with the applicable governmental entity; provided, however, that no party shall have the right to terminate the Merger Agreement in this manner if such denial or request or recommendation for withdrawal is due to the failure of the party seeking to terminate the Merger Agreement to perform or observe the covenants and agreements of such party as set forth in the Merger Agreement;
- if a governmental entity of competent jurisdiction issues a final nonappealable order enjoining or otherwise prohibiting the merger;
- if the merger is not completed on or before September 30, 2014, unless one or more regulatory approvals have not been received or the party seeking to terminate the Merger Agreement has failed to perform or observe the covenants and agreements of such party set forth in the Merger Agreement;
- if SHB shareholders fail to approve the Merger Agreement;
- if First Citizens shareholders fail to approve the required First Citizens Charter Amendment within 15 business days prior to the closing date of the merger (which vote was obtained on July 16, 2014); or
- if any of the representations or warranties provided by the other party set forth in the Merger Agreement become untrue or incorrect or the other party materially breaches its covenants or other agreements set forth in the Merger Agreement, and the representation or material breach is not cured within the prescribed time limit.

First Citizens may terminate the Merger Agreement if SHB's board of directors fails to recommend in the proxy statement that SHB's shareholders approve and adopt the Merger Agreement, SHB's board of directors has withdrawn, modified or changed, in a manner adverse to First Citizens, its approval or recommendation of the Merger Agreement and the transactions contemplated thereby, or SHB resolves to accept a competing acquisition proposal.

First Citizens may also terminate the Merger Agreement if any legal proceedings are filed or threatened relating to the consummation of the merger (but not relating to the adequacy of the merger consideration) or if any actions by a governmental authority are filed or threatened relating to the consummation of the merger.

## Termination Fee

If the Merger Agreement is terminated by First Citizens because:

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- SHB's board of directors fails to recommend in the proxy statement that SHB's shareholders approve and adopt the Merger Agreement;
- SHB's board of directors withdraws, modifies, or changes in any manner adverse to First Citizens, its recommendation or approval of the Merger Agreement or the merger; or
- SHB enters into any letter of intent, agreement in principle, or acquisition or similar agreement related to a competing acquisition proposal,

then, unless First Citizens is in material breach of any covenant or obligation under the Merger Agreement, SHB will be required to pay First Citizens a termination fee of \$1,000,000 in cash on demand.

If either First Citizens or SHB terminates the Merger Agreement, and within 12 months of termination of the Merger Agreement SHB enters into an acquisition agreement with a third party:

- if SHB takes any action that is intended or may reasonably be expected to result in any of its representations or warranties set forth in the Merger Agreement being or becoming untrue or materially breaching its covenants set forth in the Merger Agreement, and the representation or material breach is not cured within the prescribed time limit, and an acquisition proposal exists at the time of termination (the Superior Proposal );
- if SHB shareholders do not approve the Merger Agreement and a Superior Proposal exists at the time of termination,

then, unless First Citizens is in material breach of any covenant or obligation under the Merger Agreement, SHB will be required to pay First Citizens a termination fee of \$1,000,000 in cash at the time of the acceptance and execution of the Superior Proposal.

### **Indemnification**

First Citizens has agreed to provide indemnification following the closing of the merger to the officers and directors of SHB and its subsidiaries for claims arising out of matters existing or occurring at or prior to the effective time of the merger, subject to restrictions imposed by law.

### **Amendment of the Merger Agreement**

Subject to compliance with applicable law, the Merger Agreement may be amended by SHB and First Citizens by action taken or authorized by their respective boards of directors at any time. After any approval of the Merger Agreement by SHB shareholders, however, there may not be, without further approval of the SHB shareholders, any amendment of the Merger Agreement which reduces the amount or changes the form of consideration due under the Merger Agreement, other than as contemplated in the Merger Agreement. The Merger Agreement may not be amended except by an instrument in writing signed on behalf of First Citizens and SHB.

### **Waiver**

Prior to the merger, First Citizens and/or SHB, as applicable, may extend the time frame for the performance of any of the obligations or other acts of the other party to the Merger Agreement, waive any inaccuracies in the representations or warranties of the other party contained in the Merger Agreement or waive compliance with any of the agreements or conditions of the other party contained in the Merger Agreement.

### **Expenses**

Each party to the Merger Agreement will bear all expenses incurred by it in connection with the Merger Agreement and the merger.

### **Management and Operations Following the Merger**

The officers and directors of each of First Citizens and First Citizens National Bank immediately prior to the effective time of the merger will continue to be the officers and directors of First Citizens and First Citizens National Bank, respectively, following the merger. Mr. J. Lee Stewart, the current president and chief executive officer of SHB, will be joining the board of directors of First Citizens and First Citizens National Bank. Certain other executive officers of SHB will be retained by First Citizens and may serve as officers of SHB's subsidiary bank but will not serve as executive officers of First Citizens. SHB will be merged with and into First Citizens, with First Citizens being the surviving corporation. The surviving corporation will operate under the name First Citizens Bancshares, Inc. and will continue to engage in the same business as prior to the merger.

Following the merger, the board of directors of First Citizens will consist of 19 members. Eighteen of these directors will be the current members of the board of directors of First Citizens. For more information on these individuals, see INFORMATION ABOUT FIRST CITIZENS

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- Management of First Citizens. J. Lee Stewart, the current president and chief executive officer of SHB, will be joining the First Citizens board of directors as the 19<sup>th</sup> member. He will also be joining the First Citizens National Bank board of directors. If, prior to the closing date, Mr. Stewart becomes unavailable for any reason to serve as a member of the board of directors of First Citizens or First Citizens National Bank following the merger, the board of directors of First Citizens and First Citizens National Bank will continue with their current members. Biographical information with respect to Mr. Stewart is set forth below:

Mr. Stewart has more than 40 years of banking experience. He began his career in 1972 at American National Bank in Chattanooga as Business Development Officer and Credit Officer. In 1980, he joined First National Bank of Columbus, GA, to organize the bank's internal loan review functions, and later he was promoted to Vice President of Commercial Lending. In 1985, he joined First American National Bank in Bristol, Tennessee, as Senior Vice President for Commercial Lending and was promoted to City President in 1988 before being transferred in early 1990 to the Cleveland office of First American, where he served as City President until mid-1998.

Mr. Stewart is a graduate of Tennessee Wesleyan College, The National Commercial Lending Graduate School at the University of Oklahoma and the Stonier Graduate School of Banking. His civic activities include involvement with the United Way of Bristol, where he was awarded outstanding volunteer of the year in 1989, and the United Way of Bradley County, where he has served as a Campaign Co-Chairman and as Chairman of the Board. In 2000 he was recognized with the top United Way Volunteer award, the William F. Johnson Sr. Community Service Award. He was a member of the organizing committee of the Greater Cleveland Soccer Association and served as President of the group. He has been active in the Cleveland/Bradley Chamber of Commerce, serving as Treasurer and Chairman of the Board. In 2003 he received the Robert Varnell Leadership Award from the Cleveland/Bradley Chamber of Commerce. He has served on the boards of Cleveland Family YMCA, Junior Achievement and Cherokee Council of Boy Scouts. He is a founding member of the Bradley Sunrise Rotary Club and served as President.

Southern Heritage Bank will, as a result of the merger, become a wholly-owned subsidiary of First Citizens. Southern Heritage Bank will be managed by the same executive officers as existed prior to the merger. Southern Heritage Bank will take such actions that necessary or appropriate to appoint Jeffrey