

GEORGIA BANCSHARES INC//
Form PRER14A
November 21, 2005
SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

Exchange Act of 1934 (Amendment No. 1)

Filed by the registrant X

Filed by a party other than the registrant O

Check the appropriate box:

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

Preliminary proxy statement

Definitive proxy statement

Definitive additional materials

Soliciting material pursuant to Rule 14a-11(c) or Rule 14a-12

GEORGIA BANCSHARES, INC.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than Registrant)

Payment of filing fee (Check the appropriate box):

No fee required

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(1) Title of each class of securities to which transaction applies:

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(1) Amount previously paid:

(2) Form, Schedule or Registration Statement no.:

(3) Filing Party:

(4) Date Filed:

GEORGIA BANCSHARES, INC.

100 Westpark Drive

Peachtree City, Georgia 30269

(770) 631-9488

, 2005

Dear Shareholder:

You are cordially invited to attend a special meeting of shareholders, which will be held at : a.m./p.m. on , 2005, at our office located at 100 Westpark Drive, Peachtree City, Georgia 30269. I hope that you will be able to attend the meeting, and I look forward to seeing you.

At the meeting, shareholders will vote on a proposed amendment to our articles of incorporation (the Articles of Amendment). The Articles of Amendment provide for the reclassification of shares (the Reclassification) of our common stock held by shareholders who are the record holders of fewer than 1,500 shares of common stock into shares of Series A Preferred Stock, on the basis of one share of Series A Preferred Stock for each share of common stock held by such shareholders. No cash will be paid to shareholders as consideration for their shares only shares of Series A Preferred Stock will be issued. All other shares of common stock will remain outstanding and be unaffected by the Reclassification.

Generally, the Series A Preferred Stock has limited voting rights, dividend and liquidation preferences to our common stock, participates equally with the common stock on a sale or change in control of the Company, and contains a call provision that allows the Company to call the Series A Preferred Stock at a price equal to the greater of the book value of the Series A Preferred Stock, the fair market value of the Series A Preferred Stock or the fair market value of our common stock.

The primary effect of the Reclassification will be to reduce our total number of record holders of common stock to below 300. As a result, we will terminate the registration of our common stock under federal securities laws, which will allow us to realize significant cost savings resulting from the termination of our reporting obligations under the Securities Exchange Act of 1934 (the Securities Exchange Act).

Our principal reasons for effecting the Reclassification are the estimated direct and indirect cost savings of approximately \$240,000 per year that we expect to experience as a result of the deregistration of our common stock under the Securities Exchange Act. We also believe that while our shareholders will lose the benefits of holding registered stock, such as a reduction in the amount of publicity available information about the Company and the elimination of certain corporate governance safeguards resulting from the Sarbanes-Oxley Act, these benefits are outweighed by the costs relating to the registration of our common stock. These costs and benefits are discussed in more detail in the enclosed proxy statement.

We plan to effect the Reclassification by filing the Articles of Amendment as soon as possible after we obtain shareholder approval to do so. This date will also serve as the record date for determining the ownership of shares for purposes of the Reclassification.

The board of directors has established , 2005 as the record date for determining shareholders who are entitled to notice of the special meeting and to vote on the matters presented at the meeting. Whether or not you plan to attend the special meeting, please complete, sign and date the proxy card and return it in the envelope provided in time for it to be received by , 2005. If you attend the meeting, you may vote in person, even if you have previously returned your proxy card.

The board of directors has determined that the Reclassification is fair to Georgia Bancshares unaffiliated shareholders and has voted in favor of the approval of the Articles of Amendment. On behalf of the board of directors, I urge you to vote **FOR** approval of the Articles of Amendment.

Sincerely,
/s/ Ira P. Shepherd, III
President and Chief Executive Officer

GEORGIA BANCSHARES, INC.

100 Westpark Drive

Peachtree City, Georgia 30269

(770) 631-9488

NOTICE OF THE SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON _____, 2005

A special meeting of shareholders of Georgia Bancshares, Inc. will be held at _____ a.m./p.m. on _____, 2005, at our office located at 100 Westpark Drive, Peachtree City, Georgia 30269, for the following purposes:

(1) To vote on a proposed amendment to the articles of incorporation (the *Articles of Amendment*) of Georgia Bancshares, which provides for the reclassification of shares (the *Reclassification*) of Georgia Bancshares common stock held by shareholders who are the record holders of fewer than 1,500 shares of common stock into shares of Georgia Bancshares Series A Preferred Stock, on the basis of one share of Series A Preferred Stock for each share of common stock held by such shareholders. The text of the Articles of Amendment is set forth in *Appendix A* to the enclosed proxy statement; and

(2) To transact any other business as may properly come before the meeting or any adjournment of the meeting.

The board of directors recommends that you vote FOR the above proposals.

The board of directors has set the close of business on _____, 2005 as the record date for determining the shareholders who are entitled to notice of, and to vote at, the meeting or any adjournment of the meeting.

We hope that you will be able to attend the meeting. We ask, however, whether or not you plan to attend the meeting, that you mark, date, sign, and return the enclosed proxy card as soon as possible. Promptly returning your proxy card will help ensure the greatest number of shareholders are present whether in person or by proxy.

If you attend the meeting in person, you may revoke your proxy at the meeting and vote your shares in person. You may revoke your proxy at any time before the proxy is exercised.

By Order of the Board of Directors,
/s/ Ira P. Shepherd, III
President and Chief Executive Officer

_____, 2005

GEORGIA BANCSHARES, INC.

100 Westpark Drive

Peachtree City, Georgia 30269

(770) 631-9488

PROXY STATEMENT

For the Special Meeting of Shareholders

To Be Held on _____, 2005

The board of directors of Georgia Bancshares, Inc. (Georgia Bancshares or the Company) is furnishing this proxy statement in connection with its solicitation of proxies for use at a Special Meeting of Shareholders. At the meeting, shareholders will be asked to vote on a proposed amendment to our articles of incorporation (the Articles of Amendment) providing for the reclassification of certain shares (the Reclassification) of the Company s common stock into Series A Preferred Stock.

The Reclassification is designed to reduce the number of Georgia Bancshares common shareholders of record to below 300, which will allow us to terminate the registration of our common stock under the Securities Exchange Act of 1934, as amended (the Securities Exchange Act). The board has determined that it is in the best interests of Georgia Bancshares and our shareholders to effect the Reclassification because the Company will realize significant cost savings as a result of the termination of our reporting obligations under the Securities Exchange Act. The board believes these cost savings and the other benefits of deregistration described in this proxy statement outweigh the loss of the benefits of registration to our shareholders, such as a reduction in publicly available information about the Company and the elimination of certain corporate safeguards resulting from the Sarbanes-Oxley Act.

In the Reclassification, shareholders who are the record holders of fewer than 1,500 shares of Georgia Bancshares common stock, no par value, will receive one share of Georgia Bancshares Series A Preferred Stock, no par value, for each share of common stock they own on the effective date of the Reclassification. No cash will be paid to shareholders as consideration for their shares only shares of Series A Preferred Stock will be issued. All other shares of Georgia Bancshares common stock will remain outstanding and will be unaffected by the Reclassification.

Generally, the Series A Preferred Stock has limited voting rights, dividend and liquidation preferences to our common stock, participates equally with the common stock on a sale or change in control of the Company, and contains a call provision that allows the Company to call the Series A Preferred Stock at a price equal to the greater of the book value of the Series A Preferred Stock, the fair market value of the Series A Preferred Stock or fair market value of our common stock.

This proxy statement provides you with detailed information about the proposed Reclassification. We encourage you to read this entire document carefully.

The board of directors has determined that the Reclassification is fair to Georgia Bancshares unaffiliated shareholders and has approved the Articles of Amendment. The Reclassification cannot be completed, however, unless the Articles of Amendment are approved by the holders of a majority of the votes entitled to be cast on the proposal to approve the Articles of Amendment. The current directors and executive officers of Georgia Bancshares own approximately 30.27% of the outstanding shares, and if they exercise all of their vested warrants and options, they would own 44.21% of the outstanding shares. The directors and executive officers have indicated that they intend to vote their shares in favor of the Articles of Amendment.

Neither the Securities and Exchange Commission (the SEC) nor any state securities commission has approved or disapproved the Reclassification or the transactions contemplated thereby or has determined if this proxy statement is truthful or complete. The SEC has not passed upon the fairness or merits of the Reclassification or the transactions contemplated thereby, nor upon the accuracy or

adequacy of the information contained in this proxy statement. Any representation to the contrary is a criminal offense.

The date of this proxy statement is _____, 2005. We first mailed this proxy statement to the shareholders of Georgia Bancshares on or about that date.

IMPORTANT NOTICES

Neither our common stock nor our Series A Preferred Stock is a deposit or bank account and is not insured by the Federal Deposit Insurance Corporation (the FDIC) or any other governmental agency.

We have not authorized any person to give any information or to make any representations other than the information and statements included in this proxy statement. You should not rely on any other information. The information contained in this proxy statement is correct only as of the date of this proxy statement, regardless of the date it is delivered or when the Reclassification is effected.

We will update this proxy statement to reflect any factors or events arising after its date that individually or together represent a material change in the information included in this document.

We make forward-looking statements in this proxy statement that are subject to risks and uncertainties. Forward-looking statements include information about possible or assumed future results of the operations or our performance after the Reclassification is accomplished. When we use words such as believes, anticipates, expects, intends, targeted, and similar expressions, we are making forward-looking statements that are subject to risks and uncertainties. Various future events or factors may cause our results of operations or performance to differ materially from those expressed in our forward-looking statements. These factors include:

- (1) changes in economic conditions, both nationally and in our primary market area;
- (2) changes in governmental monetary and fiscal policies, as well as legislative and regulatory changes;
- (3) the effect of changes in interest rates on the level and composition of deposits, loan demand, and the values of loan collateral, securities and interest rate protection agreements;
- (4) the effects of competition from other financial service providers operating in our primary market area and elsewhere; and
- (5) the failure of assumptions underlying the establishment of reserves for loan losses and estimations of values of collateral and various financial assets and liabilities.

The words we, our, and us, as used in this proxy statement, refer to Georgia Bancshares and its wholly-owned subsidiary, The Bank of Georgia, collectively, unless the context indicates otherwise.

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SUMMARY TERM SHEET

The following is a summary of the material terms of the Articles of Amendment. This summary is qualified in its entirety by reference to the more detailed information appearing elsewhere in or accompanying this proxy statement, including the financial information and appendices. We urge you to review the entire proxy statement and accompanying materials carefully.

- **Structure of the Reclassification.** The Articles of Amendment provide for the Reclassification of shares of Georgia Bancshares common stock into shares of Series A Preferred Stock. In the Reclassification, shareholders who are the record holders of fewer than 1,500 shares of Georgia Bancshares common stock will receive one share of Series A Preferred Stock for each share of Georgia Bancshares common stock they own on the effective date of the Reclassification. No cash will be paid to shareholders as consideration for their shares only shares of Series A Preferred Stock will be issued. All other shares of Georgia Bancshares common stock will remain outstanding and will be unaffected by the Reclassification.

We selected this structure, as opposed to a transaction in which some of our shareholders would receive cash for their shares, principally because it would enable the Company to conserve capital that could be deployed instead to support future growth and because it presented a means by which all of our shareholders could retain an equity interest in the Company.

See page for additional information.

- **Terms of the Series A Preferred Stock to be Issued in the Reclassification.** Our board has designated 5,000,000 shares of our authorized stock as Series A Preferred Stock. The terms of the Series A Preferred Stock are set forth in Appendix A and provide as follows:

- *Voting Rights.* Unlike the common stock, the Series A Preferred Stock will not have voting rights except under very limited circumstances. Except as provided by law, holders of Series A Preferred Stock are entitled to vote only upon proposals for a business combination resulting in the transfer of a majority of the outstanding common stock or of all or substantially all of the Company's assets (a Change in Control) and upon which holders of our common stock are entitled to vote. For those matters on which holders of Series A Preferred Stock are entitled to vote, such holders have the right to one vote for each share held, and are entitled to receive notice of any shareholders meeting held to act upon such matters in accordance with the bylaws of Georgia Bancshares. When voting on a proposed Change in Control, the holders of Series A Preferred Stock will vote together with the holders of common stock and not as a separate class.

Generally, under Section 14-2-1004 of the Georgia Code, the holders of the Series A Preferred Stock will be entitled to vote as a separate voting group on any future amendments to our articles of incorporation that would adversely affect the designations, rights, preferences or limitations of all or part of the shares of Series A Preferred Stock. However, this section does not apply to the creation of a new series of shares pursuant to the authority reserved to the board of directors under our articles of incorporation.

After the Reclassification, we will have 5,000,000 shares of authorized but unissued preferred stock. Our articles authorize the board, without further action by the holders of our common stock or the Series A Preferred Stock to provide for the issuance of these shares in one or more classes or series and to establish the relative rights, preferences and limitations of each class or series of preferred stock. As a result, after the Reclassification our board, which will be elected by the holders of the common stock, may authorize the issuance of other classes or series of preferred stock or equity securities that rank senior to or on parity with the Series A Preferred Stock.

- *Rank:* The Series A Preferred Stock ranks senior to our common stock with respect to dividend rights and rights upon liquidation, dissolution or winding up of the Company. The relative rights and preferences of the Series A Preferred Stock may be subordinated to the relative rights and preferences of holders of subsequent issues of other series or classes of stock and equity securities designated by the board of directors. The Series A Preferred Stock is junior to indebtedness issued from time to time by the Company, including notes and debentures.
- *Dividend Rights:* Holders of Series A Preferred Stock are entitled to a 10% preference in the distribution of dividends, when and if declared and paid by Georgia Bancshares, so that holders of the Series A Preferred shares are entitled to receive dividends in an amount not less than 110% of that paid to common shareholders prior to the receipt of dividends by the holders of common stock. Georgia Bancshares is not required to pay any dividends on the Series A Preferred Stock and has the right to waive the declaration or payment of dividends. Any dividends waived by Georgia Bancshares will not accumulate to future periods and will not represent a contingent liability of Georgia Bancshares.
- *Perpetual Stock:* The Series A Preferred Stock is perpetual stock, which means stock that does not have a maturity date, cannot be redeemed at the option of the holder, and has no other provisions that will require future redemption of the issue.
- *Conversion Rights:* The shares of Series A Preferred Stock automatically convert to shares of common stock upon a Change in Control, with each share of Series A Preferred Stock convertible into one share of common stock.
- *Liquidation Rights:* Holders of Series A Preferred Stock are entitled to a preference in the distribution of assets of Georgia Bancshares in the event of any liquidation, dissolution or winding-up of Georgia Bancshares, whether voluntary or involuntary, equal to the greater of book value per share at the time of payment, the amount per share to be paid to common shareholders, or \$7.75 per share.
- *Preemptive Rights:* Holders of Series A Preferred Stock do not have any preemptive rights to purchase any additional shares of Series A Preferred Stock or shares of any other class of capital stock of Georgia Bancshares that may be issued in the future.
- *Antidilution Adjustments:* If the number of our outstanding shares of common stock are increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company or any other company, by reason of any merger, consolidation, liquidation, reclassification, recapitalization, stock split up, combination of shares or stock dividend, an appropriate adjustment shall be made by the board of directors in the number and relative terms of the Series A Preferred Stock.
- *Redemption Rights:* Holders of Series A Preferred Stock have no right to require that Georgia Bancshares redeem their shares.
- *Call Rights:* Georgia Bancshares has the right to repurchase all or any part of the Series A Preferred Stock at any time at a purchase price per share equal to the greater of the book value per share of the Series A Preferred Stock, as determined under generally accepted accounting principles, fair market value per share of the Series A Preferred Stock or fair market value of our common stock. Fair market value is determined reasonably and in good faith by the Company's board of directors, and means the price a third party would pay for the Series A Preferred Stock or common stock as of the applicable valuation date on a per-share basis. Additionally, the call provision provides for an appraisal procedure in the event that the holder of Series A Preferred Stock that is called by the Company disagrees with the board's determination of the fair market value of the Series A Preferred Stock or the common stock.

See page for more information regarding the terms of the Series A Preferred Stock.

- **Series A Preferred Stock Issued in Reliance on Exemption from Registration.** We are issuing the shares of Series A Preferred Stock without registration under the Securities Act of 1933 in reliance on an exemption under Section 3(a)(9) of the Securities Act for the exchange by a company of any security with its existing shareholders exclusively, where no commission or other remuneration is paid or given directly or indirectly for solicitation the exchange. We believe that exemption is available for the Reclassification because we are only issuing the Series A Preferred Stock to our holders of common stock, and to no other persons or entities. Further, we are not paying any commission or other remuneration for soliciting the exchange. See page for additional information.
- **Determination of Shares Held of Record.** Because SEC rules require that we count record holders for purposes of determining our reporting obligations, the Reclassification is based on shares held of record without regard to the ultimate control of the shares. A shareholder of record is the shareholder whose name is listed on the front of the stock certificate, regardless of who ultimately has the power to vote or sell the shares. For example, if a shareholder holds separate certificates individually, as a joint tenant with someone else, as trustee, and in an IRA, those four certificates represent shares held by four different record holders, even if a single shareholder controls the voting or disposition of those shares. Similarly, shares held by a broker in