

BANCORPSOUTH INC
Form DEF 14A
March 22, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

BANCORPSOUTH, INC.

(Name of Registrant as Specified In Its Charter)

N/A

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

Payment of Filing Fee (Check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

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

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

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

- (4) Proposed maximum aggregate value of transaction:

- (5) Total fee paid:

Fee paid previously with preliminary materials.

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

- (1) Amount previously paid:

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

- (3) Filing party:

(4) Date Filed:

**2017 Notice of
Annual Meeting
and Proxy Statement**

One Mississippi Plaza
201 South Spring Street
Tupelo, Mississippi 38804

March 22, 2017

TO THE SHAREHOLDERS OF

BANCORPSOUTH, INC.:

On Wednesday, April 26, 2017, at 9:00 a.m. (Central Time), the annual meeting of shareholders of BancorpSouth, Inc. will be held at the BancorpSouth Corporate Headquarters, Fourth Floor Board Room, One Mississippi Plaza, 201 South Spring Street, Tupelo, Mississippi 38804. You are cordially invited to attend and participate in the meeting.

Please read our enclosed Annual Report to Shareholders and the attached Proxy Statement. They contain important information about BancorpSouth and the matters to be addressed at the annual meeting.

Whether or not you plan to attend the annual meeting, I urge you to vote your proxy as soon as possible to assure your representation at the meeting. For your convenience, you can vote your proxy in one of the following ways:

Use the Internet at the website shown on your proxy card;

Use the telephone number shown on your proxy card; or

Complete, sign, date and return your proxy card in the postage-paid envelope provided.

Instructions regarding each method of voting are contained in the attached Proxy Statement and on the enclosed proxy card. If you attend the annual meeting and desire to vote your shares personally rather than by proxy, you may withdraw your proxy at any time before it is exercised.

I look forward to seeing you at this year's annual meeting.

Sincerely,

JAMES D. ROLLINS III

*Chairman of the Board and
Chief Executive Officer*

Enclosures:

1. Proxy Card and Business Reply Envelope
2. Annual Report to Shareholders

YOUR VOTE IS VERY IMPORTANT.

**PLEASE VOTE YOUR PROXY PROMPTLY BY INTERNET, TELEPHONE OR BY
COMPLETING, SIGNING, DATING AND RETURNING THE ENCLOSED PROXY CARD.**

**One Mississippi Plaza
201 South Spring Street
Tupelo, Mississippi 38804**

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held April 26, 2017

TO THE SHAREHOLDERS OF

BANCORPSOUTH, INC.:

The annual meeting of shareholders of BancorpSouth, Inc. will be held on Wednesday, April 26, 2017, at 9:00 a.m. (Central Time) at the BancorpSouth Corporate Headquarters, Fourth Floor Board Room, One Mississippi Plaza, 201 South Spring Street, Tupelo, Mississippi 38804 for the following purposes:

- (1) To elect seven (7) directors;
- (2) To conduct a non-binding, advisory vote on the compensation of our named executive officers;
- (3) To conduct a non-binding, advisory vote to determine whether a non-binding, advisory shareholder vote to approve the compensation of our named executive officers should occur every one, two or three years;
- (4) To ratify the Audit Committee's appointment of KPMG LLP as the independent registered public accounting firm of BancorpSouth, Inc. for the year ending December 31, 2017; and
- (5) To transact such other business as may properly come before the annual meeting or any adjournments or postponements thereof.

The Board of Directors has fixed the close of business on March 15, 2017 as the record date for determining shareholders entitled to notice of and to vote at the meeting.

By order of the Board of Directors,

JAMES D. ROLLINS III
*Chairman of the Board and
Chief Executive Officer*

March 22, 2017

IMPORTANT:

WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING IN PERSON, TO ASSURE THE PRESENCE OF A QUORUM, PLEASE VOTE YOUR PROXY PROMPTLY BY INTERNET, TELEPHONE OR BY COMPLETING, SIGNING, DATING AND RETURNING THE ENCLOSED PROXY CARD. IF YOU ATTEND THE ANNUAL MEETING AND WISH TO VOTE YOUR SHARES PERSONALLY, YOU MAY DO SO AT ANY TIME BEFORE THE PROXY IS EXERCISED.

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One Mississippi Plaza

201 South Spring Street

Tupelo, Mississippi 38804

PROXY STATEMENT

GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

This Proxy Statement is furnished in connection with the solicitation of proxies by our Board of Directors for the purposes set forth in the accompanying notice. The proxies will be voted at our annual meeting of shareholders to be held at the BancorpSouth Corporate Headquarters, Fourth Floor Board Room, One Mississippi Plaza, 201 South Spring Street, Tupelo, Mississippi 38804 on April 26, 2017, at 9:00 a.m. (Central Time), and at any adjournments or postponements thereof. This Proxy Statement and the accompanying Annual Report to Shareholders and proxy card are first being sent to shareholders on or about March 22, 2017.

If a proxy is properly given by a shareholder of record and not revoked, it will be voted in accordance with the instructions provided, if any, and if no instructions are provided, it will be voted:

FOR the election of each of the seven (7) director nominees to serve on the Board of Directors;

FOR the approval of the compensation of our Named Executive Officers;

1 YEAR with respect to how frequently a non-binding, advisory shareholder vote to approve the compensation of our named executive officers should occur;

FOR the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2017; and

In accordance with the recommendations of our Board of Directors on any other proposal that may properly come before the annual meeting.

Shareholders are encouraged to vote their proxies by Internet, telephone or completing, signing, dating and returning the enclosed proxy card. Shareholders should only vote by one of the foregoing methods. If a shareholder votes by more than one method, only the last vote that is submitted will be counted, and each previous vote will be disregarded. A shareholder who votes by proxy using any method before the annual meeting has the right to revoke the proxy at any time before it is exercised by submitting a written request to us or by voting another proxy at a later date. The grant of a proxy will not affect the right of any shareholder to attend the annual meeting and vote in person. For a general description of how votes will be counted, please refer to the section below entitled **GENERAL INFORMATION** Counting of Votes.

Pursuant to the Mississippi Business Corporation Act and our governing documents, a proxy to vote submitted by Internet or telephone has the same validity as one submitted by mail. To submit a proxy to vote by Internet, access the

website www.envisionreports.com/bxs, enter the 15-digit control number found on the enclosed proxy card and follow the instructions on the website. To submit a proxy to vote by telephone, call toll free 1-800-652-8683, enter the 15-digit control number on the enclosed proxy card and follow the instructions. A proxy to vote by Internet or telephone may be submitted at any time until 2:00 a.m. (Central Time) on April 26, 2017 and either method should only require a few minutes to complete. To submit a proxy to vote by mail, complete, sign, date and return the enclosed proxy card in the enclosed business reply envelope.

If shares are held in street name through a broker, bank or other holder of record, the beneficial holder will receive instructions from the registered holder that must be followed in order for the shares to be voted on behalf of the beneficial holder. Each method of voting listed above is offered to shareholders who own their shares through a broker, bank or other holder of record. If a beneficial holder provides specific voting instructions, the shares will be voted as instructed and as the proxy holders may determine within their discretion with respect to any other matters that may properly come before the annual meeting.

The close of business on March 15, 2017 has been fixed as the record date for the determination of shareholders entitled to notice of and to vote at the annual meeting. As of such date, we had 500,000,000 authorized shares of common stock, \$2.50 par value per share, of which 93,590,931 shares were outstanding, and 500,000,000 authorized shares of preferred stock, \$0.01 par value per share, of which no shares were outstanding. Each share of our common stock is entitled to one vote. The common stock is our only outstanding class of voting stock. Holders of a majority of the outstanding shares of our common stock must be present, in person or by proxy, to constitute a quorum for the transaction of business at the annual meeting.

PROPOSAL 1: ELECTION OF DIRECTORS

Size and Tenure of Board of Directors

Our Amended and Restated Articles of Incorporation (the *Articles*) provide that the Board of Directors shall consist of at least nine (9) and no more than fifteen (15) members, with the exact number to be determined from time to time by the full Board of Directors. Currently, the Board of Directors has thirteen (13) members. In addition, the *Articles* provide that the Board of Directors shall be divided into three classes of as nearly equal size as possible. Approximately 70% percent of the continuing non-executive directors on our Board have a tenure of nine years or less.

Retirement Policy

Our retirement policy for directors provides that directors' normal retirement age is 75. Any director who reaches the age of 75 during his or her term of office may continue to serve until expiration of the then-current term; thereafter, under appropriate circumstances, a director may be eligible for nomination to the Board only with Board approval. Our Nominating and Corporate Governance Committee may also consider new candidates for the Board who are 75 years of age or older under appropriate circumstances.

Required Vote and Voting Process

Directors are elected by a plurality of the votes cast by the holders of shares of our common stock represented at a meeting at which a quorum is present. The holders of our common stock do not have cumulative voting rights with respect to the election of directors. Consequently, each shareholder may cast only one vote per share for each nominee. Unless a proxy specifies otherwise, the persons named in the proxy shall vote the shares covered by the proxy for the nominees listed below. Should any nominee become unavailable for election, shares covered by a proxy will be voted for a substitute nominee selected by the current Board of Directors.

Majority Vote Policy

Our Amended and Restated Bylaws provide that, in an uncontested election, any nominee for director who receives a greater number of votes withheld from than votes for his or her election must promptly tender his or her resignation following certification of the shareholder vote. The Nominating and Corporate Governance Committee will consider any such resignation offer and recommend to the Board of Directors whether to accept it. The Board of Directors will act on any such recommendation of the Nominating and Corporate Governance Committee within 90 days following certification of the shareholder vote.

Nominees for Election

The Board of Directors has nominated the seven (7) individuals named below in the sections entitled *Class II Nominees*, *Class I Nominees* and *Class III Nominees* to serve until the annual meeting of shareholders in 2020, 2018 or 2019 respectively, or until their earlier retirement. Each nominee has consented to be a candidate and to serve as a director if elected. The Board has no reason to believe that any nominee will be unavailable to serve as a director. Assuming the election of the seven (7) director nominees at the annual meeting of shareholders, the Board of Directors will consist of eleven (11) members with four (4) Class I directors, three (3) Class II directors and four (4) Class III directors. Current directors W.G. Holliman, Jr. and Robert C. Nolan will not be standing for re-election at the annual meeting.

The biographies in the table below show the name, age, principal occupation and directorships with other public companies held by each of the nominees designated by the Board of Directors for election as a director. In addition,

each of the nominees has had the principal occupation indicated for more than five years unless otherwise indicated. We have also provided a brief discussion of the specific experience, qualifications, attributes or skills that led to the Nominating and Corporate Governance Committee's conclusion that each nominee should serve as one of our directors.

Director Nominees Background and Qualifications

Class II Nominees

Gus J. Blass III, 65

Background: Mr. Blass is the General Partner of Capital Properties, LLC, an investment management company with which he has been associated for over 30 years. Mr. Blass has served on the boards of directors for public, non-public as well as non-profit organizations. Mr. Blass qualifies as an audit committee financial expert as defined under Securities and Exchange Commission regulations.

Class II - Term Expires in 2020

Directorships:

BancorpSouth, Inc. (*Since 2012*)
BancorpSouth Bank (*Since 2004*)
U.S. Bentonite, Inc.
St. Vincent Development Foundation
CHI St. Vincent's Medical Center
Positive Atmosphere Reaches Kids

Former Directorships:

Capital Savings and Loan
Pinnacle Bank of Little Rock
Heatwurx, Inc. (OTC BB: HUWX) (*audit committee member*)

Qualifications: Mr. Blass brings business knowledge and experience in real estate development to the Board. He also possesses significant and important institutional knowledge and an understanding of financial services industry issues through his service as a director of BancorpSouth Bank.

Deborah M. Cannon, 65

Background: Mrs. Cannon is the former President and Chief Executive Officer of Houston Zoo, Inc. from 2005 to 2015. From 1974 to July 2004, Mrs. Cannon served in a number of different positions with Bank of America, including as Executive Vice President and President of the Houston Region. Mrs. Cannon qualifies as an audit committee financial expert as defined under Securities and Exchange Commission regulations.

Class II - Term Expires in 2020

Directorships:

BancorpSouth, Inc. (*Since 2015*)
BancorpSouth Bank (*Since 2015*)

Memorial Hermann Health Systems (Chairman)

Former Directorships:

The United Way of the Texas Gulf Coast
Greater Houston Partnership (Former Chairman)

Qualifications: Mrs. Cannon brings to the Board valuable banking knowledge from her years of service in the financial services industry. She also brings valuable leadership and civic involvement to the Board through her service as a director of BancorpSouth Bank.

Warren A. Hood, Jr., 65

Background: Mr. Hood has served and continues to serve on numerous community and philanthropic boards. Mr. Hood is currently the Chairman and Chief Executive Officer of Hood Companies, Inc., a corporation with 60 manufacturing and distribution sites throughout the United States, Canada, and Mexico. Mr. Hood qualifies as an audit committee financial expert as defined under Securities and Exchange Commission regulations.

Class II - Term Expires in 2020

Directorships:

BancorpSouth, Inc. (*Since 2011*)
BancorpSouth Bank (*Since 2007*)
Hood Companies, Inc. (*Chairman*)
Southern Company (NYSE: SO) (*audit committee member*)

Former Directorships

First American Corporation
First American National Bank
Mississippi Power Company
Deposit Guaranty Corporation

Qualifications: Mr. Hood brings a wealth of governance and strategic planning experience, as well as skills navigating financial statements and financial disclosure issues, gained through his service on the board and the audit committee of another New York Stock Exchange listed company. He also possesses significant and important institutional knowledge and an understanding of financial services industry issues through his service as a director of BancorpSouth Bank.

Class I Nominees

Larry G. Kirk, 70

Background: Mr. Kirk served as the Chairman of the Board of both publicly held and non-profit organizations. Mr. Kirk currently serves as Chairman of the Audit Committee, a position he has held since 2003. Mr. Kirk qualifies as an audit committee financial expert as defined under Securities and Exchange Commission regulations.

Class I - Term Expires in 2018

Directorships:

BancorpSouth, Inc. (*Since 2002*) (*Chairman of the Audit Committee since 2003*)
BancorpSouth Bank (*Since 1996*)
Health Link, Inc.
Acclaim, Inc.
CREATE, Inc.

Journal, Inc.

Former Directorships:

Hancock Fabrics, Inc (*Chairman and Chief Executive Officer*)
(1996-2005)

Community Development Foundation
North Mississippi Health Services, Inc.

Qualifications: Mr. Kirk brings financial expertise and public accounting knowledge to the Board. He also possesses practical business experience as the former Chief Financial Officer and then Chief Executive Officer of a public company. He also possesses significant and important institutional knowledge and an understanding of financial services industry issues through his service as a director of BancorpSouth Bank.

Guy W. Mitchell III, 73

Background: Mr. Mitchell is an attorney with the law firm Mitchell, McNutt & Sams, P.A. Mr. Mitchell has been active in the practice of law since 1972. During the course of his career, Mr. Mitchell has advised numerous corporate clients concerning the risks involved in the operation of their businesses, industries, partnerships and associations. In his previous directorships Mr. Mitchell's duties were in the areas of analyzing financial results of operations, setting budgets, reviewing and approving compensation plans, and risk assessments. Mr. Mitchell represented the City of Tupelo, Mississippi as general counsel for over 30 years.

Class I - Term Expires in 2018

Directorships:

BancorpSouth, Inc. (*Since 2003*)
BancorpSouth Bank (*Since 2001*)
North Mississippi Health Services, Inc.
Community Development Foundation
CREATE, Inc.

Former Directorships:

Mitchell, McNutt & Sams, P.A.
North Mississippi Medical Center, Inc.

Qualifications: Mr. Mitchell brings to the Board an extensive background in law, executive decision making and risk assessment skills resulting from his experience as an attorney and as a board member of numerous companies and charitable organizations. He also possesses significant and important institutional knowledge and an understanding of financial services industry issues through his service as a director of BancorpSouth Bank.

**Class III
Nominees**

Shannon A. Brown, 59

Background: Mr. Brown is the Senior Vice President, Chief Human Resources and Diversity Officer for FedEx Express, a wholly owned subsidiary of FedEx Corporation, the largest express transportation company in the world. Mr. Brown has been associated with FedEx for more than 30 years. Prior to holding his position at FedEx Express, Mr. Brown was the Senior Vice President, Human Resources with FedEx Ground from 2005 to 2008.

Class III - Term Expires in 2019

Directorships:

BancorpSouth, Inc. (*Since 2016*)
BancorpSouth Bank (*Since 2016*)
United Way of the Mid-South



Central Board of the Boys & Girls Clubs of Greater Memphis
Teach for America - Memphis
Memphis in May International Festival

Former Directorship:

Buckeye Technologies Inc. (NYSE: BKI) (2012-2013)

Qualifications: Mr. Brown brings to the Board valuable practical business skills, as shown in his career advancement at FedEx from package handler to his current role as Senior Vice President, and Chief Human Resources and Diversity Officer. Mr. Brown also possesses extensive leadership and development skills, as well as expertise in recruitment, employee benefits and compensation. He also possesses an understanding of financial services industry issues through his service as a director of BancorpSouth Bank.

Alan W. Perry, 69

Background: Mr. Perry is an attorney with the law firm Bradley Arant Boult Cummings, LLP. Prior to February 2015, Mr. Perry was a member of the law firm Forman Perry Watkins Krutz & Tardy LLP for 28 years. Mr. Perry serves on the boards of two charitable foundations with the primary purpose of supporting colleges and universities in Mississippi. He is a former member of the Standing Committee on Rules of Practice and Procedure of the Judicial Conference of the United States and served as Law Clerk to Judge Charles Clark, United States Court of Appeals, Fifth Circuit.

Class III - Term Expires in 2019

Directorships:

BancorpSouth, Inc. (*Since 1994*)
BancorpSouth Bank (*Since 1991*)
Mississippi Institutions of Higher learning
Robert M. Hearin Foundation

Qualifications: Mr. Perry brings a wealth of legal, governance and risk management skills to the Board, gained both as a board member and as an attorney representing corporate boards. He also possesses significant and important institutional knowledge and an understanding of financial services industry issues through his service as a director of BancorpSouth Bank.

Continuing Directors Background and Qualifications

The biographies in the table below show the name, age, principal occupation and directorships with other public companies held by each of the continuing directors. In addition, each of the continuing directors has had the principal occupation indicated for more than five years unless otherwise indicated. We have also provided a brief discussion of the specific experience, qualifications, attributes or skills that led to the Nominating and Corporate Governance Committee's conclusion that each continuing director should serve as one of our directors.

Continuing Directors

James E. Campbell III, 67

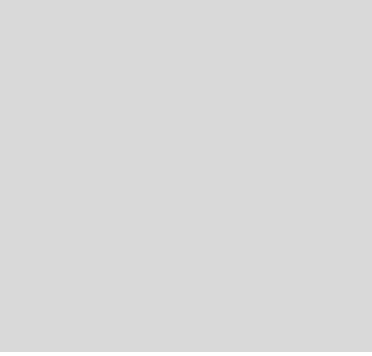
Background: Mr. Campbell is the Chief Executive Officer of H+M Company, Inc., a company that provides engineering and construction-related services with aggregate annual sales of \$500 million and employs over 600 individuals. Mr. Campbell's experience in retail distribution and institutional and heavy industrial projects in all areas of the United States provides him with insight into the areas of asset quality, particularly real estate development and construction risk, trust and brokerage, insurance and personnel.

Class I - Term Expires in 2018

Directorships:

BancorpSouth, Inc. (*Since 2008*)

BancorpSouth Bank (*Since 1992*)



Qualifications: Mr. Campbell brings executive decision-making and risk assessment skills to the Board as a result of his experience in the construction industry. His experience in real estate development and construction is especially important in light of the composition of our loan portfolio. He also possesses significant and important institutional knowledge and an understanding of financial services industry issues through his service as a director of BancorpSouth Bank.

Keith J. Jackson, 52

Background: Mr. Jackson is the President of Positive Atmosphere Reaches Kids, a non-profit organization founded by Mr. Jackson in 1993 that is headquartered in Little Rock, Arkansas, and works with at-risk youth to provide positive reinforcement for success.

Class I - Term Expires in 2018

Directorships:

BancorpSouth, Inc. (*Since 2012*)
BancorpSouth Bank (*Since 2007*)
Positive Atmosphere Reaches Kids
University of Oklahoma Foundation (Trustee)

Qualifications: Mr. Jackson brings valuable leadership and civic involvement to the Board. He also possesses significant and important institutional knowledge and an understanding of financial services industry issues through his service as a director of BancorpSouth Bank.

James D. Rollins III, 58

Background: Mr. Rollins has served as Chairman of the Board since April 2014 and Chief Executive Officer since November 2012. Prior to that, he served as President and Chief Operating Officer of Prosperity Bancshares, Inc., headquartered in Houston, Texas, and director of Prosperity Bancshares from 2006 to 2012. Mr. Rollins served as Senior Vice President of Prosperity Bancshares from 2001 until 2006, and became President of Prosperity Bank in 2005. He served as Executive Vice President of Prosperity Bank from 2002 to 2004 and President of the Matagorda Banking Centers of Prosperity Bank from 1994 to 2002. From 1983 to 1994, Mr. Rollins worked for First State Bank and Trust Company in Port Lavaca and Bay City, Texas.

Class III - Term Expires in 2019


Directorships:

BancorpSouth, Inc. (*Since 2012*) (*Chairman since 2014*)
BancorpSouth Bank (*Since 2012*) (*Chairman since 2014*)
North Mississippi Health Services, Inc.
Healthcare Foundation of North Mississippi
Mississippi Economic Council (MEC)

Former Directorships

Prosperity Bancshares, Inc.

Qualifications: Mr. Rollins brings to the Board valuable banking knowledge from his years of service in the financial services industry, particularly his

 experience on the senior management team and as a director of a public bank holding company.

Thomas R. Stanton, 52

Background: Mr. Stanton has served as Chief Executive Officer of ADTRAN, Inc. since 2005 and Chairman of the Board since 2007. Prior to joining ADTRAN, Inc., he served as an executive for Transcrypt International, Inc. and held several senior management positions with the E. F. Johnson Company.

Class III - Term Expires in 2019

Directorships:

BancorpSouth, Inc. (*Since 2015*)
BancorpSouth Bank (*Since 2015*)
ADTRAN, Inc. (NASDAQ: ADTN) (*Chairman*)
Economic Development Partnership of Alabama (EDPA)

Former Directorships

Federal Reserve Bank of Atlanta's Birmingham Branch (*Chairman*)
(2009- 2014)
Chamber of Commerce of Huntsville/Madison County
Telecommunications Industry Association (*Chairman*)

Qualifications: Mr. Stanton brings technological experience to our Board as the Chairman and Chief Executive Officer of a public company. He also possesses important institutional knowledge and an understanding of financial services industry issues through his service as a director of BancorpSouth Bank.

Voting Recommendation

THE BOARD OF DIRECTORS RECOMMENDS THAT

SHAREHOLDERS VOTE FOR EACH OF

THE SEVEN (7) NOMINEES FOR DIRECTOR NAMED ABOVE

CORPORATE GOVERNANCE

Role of the Board of Directors

The role of the Board of Directors is to facilitate BancorpSouth's long-term success consistent with its fiduciary responsibilities to its shareholders. In this role, our Board of Directors is responsible for, among other things:

- formulating, reviewing, monitoring and changing, when necessary, fundamental operating, financial and other corporate plans, strategies and objectives with the advice and assistance of management;
- overseeing the management of the Company's activities, including management's risk culture and risk appetite;
- selecting, monitoring, evaluating and, if necessary, replacing the Company's Chief Executive Officer and other executive officers;
- addressing management succession issues timely;
- monitoring the Company's performance against strategic and business plans;
- overseeing and monitoring compliance with laws, regulations, auditing and accounting principles;
- exercising oversight for the development and performance of internal controls and the ability of employees and other stakeholders to report unethical or improper conduct;
- considering and when appropriate approving mergers, acquisitions, and other similar transactions for the Company and its subsidiaries; and
- participating in assessing the Board's own effectiveness in fulfilling these and other responsibilities.

The Company discloses that members of its Board of Directors evaluate not only Committee performance but also the performance of the Board generally, on an annual basis.

Director Attendance at Board, Committee and Annual Meetings

During 2016, our Board of Directors held eight meetings. Each director attended at least 75% of the aggregate of the total number of all meetings of the Board of Directors and all committees on which the director served. We encourage our Board members to attend the annual meeting of shareholders. In 2016, all of our directors attended the annual meeting of shareholders.

Committees of the Board of Directors

The Board of Directors has five standing committees—the Executive Committee, the Audit Committee, the Executive Compensation and Stock Incentive Committee, the Nominating and Corporate Governance Committee, and the Risk Management Committee. A copy of the charter of each of the Audit Committee, the Executive Compensation and Stock Incentive Committee, the Nominating and Corporate Governance Committee and the Risk Management Committee is available on our website at www.bancorpsouth.com on our Investor Relations webpage under the caption "Corporate Information—Committee Charting."

The following table shows the current membership of each committee of the Board of Directors:

Director	Executive Committee	Audit Committee	Executive Compensation and Stock Incentive Committee	Nominating and Corporate Governance Committee	Risk Management Committee
Gus J. Blass III *g		X			X
Shannon Brown *g					
James E. Campbell III *g	X		X		
Deborah M. Cannon *g		X	X		
W. G. Holliman, Jr. * +	X	X	Chair	X	
Warren A. Hood, Jr. *		X		X	
Keith J. Jackson *g				X	X
Larry G. Kirk *g		Chair			
Guy W. Mitchell III *	X			Chair	X
Robert C. Nolan *g +	X		X	X	
Alan W. Perry *g	X				Chair
James D. Rollins III	Chair				
Thomas R. Stanton *g			X		X

* Reflects an independent director. For more information, see the section below entitled Director Independence.

§ Reflects a Bank Board Committee member.

+ Will not be standing for re-election at the annual meeting.

Executive Committee

The Executive Committee acts on behalf of the Board of Directors on all matters concerning the management and conduct of our business and affairs, except those matters enumerated in the charter of the Executive Committee and those matters reserved to the Board of Directors under state law. The Executive Committee held two meetings during 2016.

Audit Committee

The Audit Committee is responsible for, among other things:

Monitoring the integrity of our financial statements, our compliance with legal and regulatory requirements and our financial reporting process and systems of internal controls;

Monitoring the work of the Audit Committee of BancorpSouth Bank;

Evaluating the independence and qualifications of our independent registered public accounting firm;

Evaluating the performance of our independent registered public accounting firm and our internal auditing department;

Providing an avenue of communication among our independent registered public accounting firm, management, our internal audit department, our subsidiaries and our Board of Directors; and

Selecting, engaging, overseeing, evaluating and determining the compensation of our independent registered public accounting firm.

This committee has the authority, in its sole discretion, to select, retain and obtain the advice of and terminate the services of one or more independent legal counsel, accountants or other advisers as it determines necessary to fulfill or assist with the execution of its duties and responsibilities.

This committee's performance is evaluated annually. The Board of Directors has determined that each member of the Audit Committee is independent under the listing standards of the New York Stock Exchange. Our Board of Directors has also determined that each of Messrs. Kirk, Blass, Holliman, Hood and Mrs. Cannon is an audit committee financial expert as defined in rules adopted by the Securities and Exchange Commission. The Audit Committee held nine meetings during 2016.

Executive Compensation and Stock Incentive Committee

Pursuant to its charter, the Executive Compensation and Stock Incentive Committee reviews corporate goals and objectives pertaining to the compensation of our Named Executive Officers, evaluates the performance of our Named Executive Officers and determines the salary, benefits and other compensation of our Named Executive Officers. After consultation with management, this committee makes recommendations to the Board of Directors with respect to the salaries, benefits and other compensation of our executive officers other than the Named Executive Officers. This committee also administers our incentive-compensation plans, equity-based plans and other compensation plans, policies and programs, including the Executive Compensation Policy. See COMPENSATION DISCUSSION AND ANALYSIS.

This committee has the authority, in its sole discretion, to select, retain and obtain the advice of and terminate the services of one or more compensation consultants, independent legal counsel, accountants or other advisers as it determines necessary to fulfill or assist with the execution of its duties and responsibilities.

This committee's performance is evaluated annually. This committee must conduct its activities in accordance with the policies and principles set forth in our Corporate Governance Principles. On occasion, the Chief Executive Officer attends Executive Compensation and Stock Incentive Committee meetings. The Board of Directors has determined that each committee member is independent under the listing standards of the New York Stock Exchange, applicable provisions of the Internal Revenue Code of 1986, as amended, (the Code) and Securities and Exchange Commission regulations. The Executive Compensation and Stock Incentive Committee held four meetings during 2016.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee identifies and recommends to the Board nominees for election to the Board and candidates for appointment to Board committees consistent with criteria approved by the Board. This committee reviews and re-assesses our Corporate Governance Principles, Related Person Transactions Policies and Procedures and Stock Ownership Guidelines. It also oversees the annual evaluation of the Board, appoints a Lead Director (as identified in Board Leadership Structure below) and reviews and recommends to the Board for approval all related person transactions. Pursuant to its charter, the committee evaluates and recommends to the Board the form and amount of non-management director compensation and, at least every two years, reviews non-management director compensation.

This committee has the authority, in its sole discretion, to select, retain and obtain the advice of and terminate the services of one or more compensation consultants, independent legal counsel, accountants or other advisers as it determines necessary to fulfill or assist with the execution of its duties and responsibilities.

This committee's performance is evaluated annually. The Board of Directors has determined that each committee member is independent under the listing standards of the New York Stock Exchange. The Nominating and Corporate Governance Committee held four meetings during 2016.

Risk Management Committee

The Risk Management Committee is responsible for the oversight of our enterprise-wide risk management practices and ascertains whether management has adequately considered all material risks that we face and determines whether procedures have been effectively implemented to mitigate sufficiently the risks identified. The Board of Directors has determined that the Chairman of the Risk Management Committee, Mr. Perry, is independent under the rules adopted by the Board of Governors of the Federal Reserve System effective January 1, 2016 to

regulate the composition and activities of risk committees of publicly-traded bank holding companies with over \$10 billion in assets. In addition, the Board of Directors has determined that each committee member is independent under the listing standards of the New York Stock Exchange. The Risk Management Committee held six meetings during 2016.

Communications with the Board of Directors

You may send communications to the Board of Directors, the Lead Director, the non-management directors as a group or any individual director by writing to the Board of Directors or an individual director in care of the Corporate Secretary at One Mississippi Plaza, 201 South Spring Street, Tupelo, Mississippi 38804. The Corporate Secretary will directly forward written communications addressed to the entire Board of Directors to the Lead Director, written communications addressed to the non-management directors to the non-management directors and all other written communications to the individual director(s) to whom they are addressed.

Governance Information

In addition to the committee charters described above, our Stock Ownership Guidelines, Code of Business Conduct and Ethics, Whistleblower and Unethical Conduct Reporting Policy, Corporate Governance Principles and Director Independence Standards are available on our website at www.bancorpsouth.com on our Investor Relations webpage under the caption Corporate Information Governance Documents. These materials as well as the committee charters described above are also available in print to any shareholder upon request. Such requests should be sent to the following address:

BancorpSouth, Inc.

One Mississippi Plaza

201 South Spring Street

Tupelo, Mississippi 38804

Attention: Corporate Secretary

Director Independence

The Board of Directors reviews the independence of all directors and affirmatively makes a determination as to the independence of each director on an annual basis. No director will qualify as independent unless the Board of Directors affirmatively determines that the director has no material relationship with BancorpSouth (either directly or indirectly, including, without limitation, as a partner, shareholder or officer of an organization that has a relationship with BancorpSouth). In each case, the Board of Directors broadly considers all relevant facts and circumstances when making independence determinations. To assist the Board of Directors in determining whether a director is independent, the Board of Directors has adopted Director Independence Standards, which are available on our website at www.bancorpsouth.com on our Investor Relations webpage under the caption Corporate Information Governance Documents. The Board of Directors has determined that each of Messrs. Blass, Brown, Campbell, Holliman, Hood, Jackson, Kirk, Mitchell, Nolan, Perry and Stanton and Mrs. Cannon, a majority of our Board members, meets our standards as well as the current listing standards of the New York Stock Exchange for independence.

During 2016, the Board of Directors considered the following relationships and transactions in making its independence determinations with respect to each director identified as independent:

Five Star, LLC, a private company of which Mr. Holliman is an owner, leased office space at BancorpSouth Bank's corporate office building in Tupelo, Mississippi in 2016;

Mitchell, McNutt & Sams, P.A., a law firm of which Mr. Mitchell is an employee, provided legal services to us in 2016;

Bradley Arant Boult Cummings, LLP, a law firm of which Mr. Perry became an employee in February 2015, provided legal services to us in 2016; and

FedEx Express, a wholly owned subsidiary of FedEx Corporation, of which Mr. Brown is the Senior Vice President, Chief Human Resources and Diversity Officer, provided package delivery services to us in 2016.

The Board of Directors has determined that the above relationships and transactions were not material and did not affect the ability of any of Messrs. Holliman, Mitchell, Perry or Brown to exercise independent judgment.

Director Qualification Standards

The Nominating and Corporate Governance Committee and our Chief Executive Officer actively seek individuals qualified to become members of our Board of Directors for recommendation to our Board of Directors and shareholders. The Nominating and Corporate Governance Committee considers nominees proposed by our shareholders to serve on our Board of Directors who are properly submitted in accordance with our Amended and Restated Bylaws, as amended, as discussed in the section below entitled **GENERAL INFORMATION** Shareholder Nominations and Proposals. Although we have no formal policy addressing diversity, the Nominating and Corporate Governance Committee believes that diversity is an important attribute of the members who comprise our Board of Directors and that the members should represent an array of backgrounds and experiences and should be capable of articulating a variety of viewpoints. In recommending candidates and evaluating shareholder nominees for our Board of Directors, the Nominating and Corporate Governance Committee considers each candidate's qualifications regarding independence, diversity, age, ownership, influence and skills, such as an understanding of financial services industry issues, all in the context of an assessment of the perceived needs of BancorpSouth at that point in time. Our director qualifications are set forth in our Corporate Governance Principles, which are available on our website at www.bancorpsouth.com on our Investor Relations webpage under the caption **Corporate Information** Governance Documents. The Nominating and Corporate Governance Committee meets at least annually with our Chief Executive Officer to discuss the qualifications of potential new members of our Board of Directors. After consulting with our Chief Executive Officer, the Nominating and Corporate Governance Committee recommends the director nominees to the Board of Directors for their approval. We have not paid any third party a fee to assist the Nominating and Corporate Governance Committee in the director nomination process in connection with this annual meeting.

The Nominating and Corporate Governance Committee determines the appropriate characteristics, skills and experiences for the Board of Directors as a whole as well as for individual directors and nominees, with the objective of having a Board with diverse backgrounds and experiences. In considering the structure of the Board, the Nominating and Corporate Governance Committee evaluates each nominee, with the objective of recommending a group of nominees that can best perpetuate the success of BancorpSouth and represent shareholder interests through the exercise of sound judgment using the Board's diversity of experience.

Board Leadership Structure

As specified in our Corporate Governance Principles, the Board of Directors does not have a policy with respect to the separation of the offices of Chairman of the Board and the Chief Executive Officer. The Board believes this issue is part of the succession planning process and that it is in the best interests of BancorpSouth and our shareholders to retain the flexibility to combine or separate these functions.

In April 2014, Mr. Rollins, our Chief Executive Officer, became the Chairman of the Board. At that time, the Board determined that it was appropriate under the circumstances to combine the roles of Chairman of the Board and Chief Executive Officer.

In March 2016, the Nominating and Corporate Governance Committee appointed Mr. W.G. Holliman, Jr. to serve as the Lead Director. The Nominating and Corporate Governance Committee appointed Guy W. Mitchell III to serve as the Lead Director, effective as of April 26, 2017. The Lead Director:

Presides at all meetings of the Board at which the Chairman of the Board or the Chief Executive Officer is not present, including executive sessions of the independent directors;

Serves as liaison between the Chairman of the Board and the independent directors and between senior management and the independent directors;

Advises and consults with the Chairman of the Board and the Chief Executive Officer in matters related to corporate governance and performance of the Boards; and

Performs such other duties as the Boards may from time to time delegate.

Executive Sessions

Our independent directors meet in executive session at least semi-annually. The Lead Director presides at these meetings.

Stock Ownership Guidelines

We have adopted Stock Ownership Guidelines that apply to each director, the Chief Executive Officer and each other individual identified as an executive officer of the Company (each a Covered Participant). The Stock Ownership Guidelines do not apply, however, to a Covered Participant after the effective date of his or her retirement or resignation from the Company. Each Covered Participant must beneficially own Common Stock at a minimum ownership level for as long as he or she is a Covered Participant, as follows:

Position	Minimum Ownership Level
Chief Executive Officer	6x base salary
All Other Executive Officers	3x base salary
Non-Employee Directors	10x annual cash retainer (excluding any committee fees)

Each Covered Participant must retain at least 75% of the number of net shares of common stock acquired on vesting of restricted stock or on exercise of stock options until he or she achieves the appropriate minimum ownership level. The Nominating and Corporate Governance Committee administers the Stock Ownership Guidelines and may, in its discretion, consider exceptions if the guidelines place a severe financial hardship on an individual, or for charitable gifts, estate planning transactions and certain other limited circumstances. The Stock Ownership Guidelines are available on our website at www.bancorpsouth.com on our Investor Relations webpage under the caption Corporate Information Governance Documents.

Risk Oversight

Our Board of Directors oversees a company-wide approach to risk management, designed to support the achievement of organizational objectives, including strategic objectives, to improve long-term organizational performance and enhance shareholder value. Effective risk oversight is an important priority of the Board. The Board has implemented a risk governance framework to:

Understand critical risks in our business and strategy;

Allocate responsibilities for risk oversight among the full Board, its committees and management;

Evaluate our risk management processes and ensure that they function adequately;

Facilitate open communication between management and the Board; and

Foster an appropriate culture of integrity and risk awareness.

In 2016, BancorpSouth retained Frederic W. Cook & Co. to assist in assessing risk within BancorpSouth's incentive compensation plans and programs, which include the Amended and Restated Executive Performance Incentive Plan and the Long-Term Equity Incentive Plan described under COMPENSATION DISCUSSION AND ANALYSIS - Annual Incentive Compensation and -Long-term Incentive Compensation.

While the Board has the ultimate oversight responsibility for the risk management process, management is charged with actively managing risk. Management has internal processes and policies to identify and manage risks and to communicate with the Board. These include the Risk Management Committee, the Enterprise Risk Oversight Committee, the Enterprise Risk Management Department, a real estate risk management group, regular internal meetings of the executive officers, ongoing long-term strategic planning, regular reviews of regulatory and litigation

compliance, a Code of Business Conduct and Ethics, and a comprehensive internal and external audit process. The Board and the Audit Committee monitor and evaluate the effectiveness of the internal controls at least annually. Management communicates routinely with the Board and its committees, and the Risk Management Committee communicates routinely with the Board regarding the significant risks identified and how they are being managed.

The Board implements its risk oversight function both as a whole and through its committees. All committees of the Board play a significant role in carrying out the risk oversight function. In particular:

The Audit Committee oversees risks related to our financial statements, our compliance with legal and regulatory requirements, our financial reporting process and system of internal controls. The Audit Committee evaluates the performance of our independent auditors and our internal auditing department. The Audit Committee periodically meets privately in separate executive sessions with management, our internal audit department, and our independent auditors;

The Executive Compensation and Stock Incentive Committee oversees the risks and rewards associated with our compensation philosophy and programs. As discussed in more detail below in the section entitled COMPENSATION DISCUSSION AND ANALYSIS, this committee determines and approves the compensation for our Named Executive Officers, reviews and recommends to the Board the compensation for our other executive officers, approves, administers and evaluates our incentive-compensation plans, equity-based plans and other compensation plans, policies and programs and administers the Executive Compensation Policy;

The Nominating and Corporate Governance Committee oversees risks related to our corporate governance principles and risks arising from related person transactions; and

The Risk Management Committee oversees enterprise-wide risk management practices. The committee's focus includes the identification, monitoring, management and planning for our exposure to applicable risks, including, without limitation, market risk, interest rate risk, credit risk, liquidity risk, operational risk, capital risk, technology risk, legal/compliance/regulatory risk, human resource risk, reputational risk and acquisition/strategic risk, and other such risks as may from time to time be material to us. The committee seeks to determine whether management has adequately considered all material risks facing us and whether procedures have been effectively implemented in order to mitigate sufficiently the risks identified. The committee provides advice to the Board of Directors and its other committees as to appropriate risk mitigation procedures and structures, which helps the Board fulfill its responsibilities to effectively monitor and review actions of management. The Risk Management Committee uses information from management's Enterprise Risk Oversight Committee, the Enterprise Risk Management Department, and other risk managers in fulfilling the Committee's role relative to risk assessment, monitoring and reporting.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The table below sets forth certain information, as of January 31, 2017 (except as otherwise specified), with respect to the beneficial ownership of our common stock by (1) each person known by us to be the beneficial owner of more than 5% of the outstanding shares of our common stock, (2) each director and nominee for director as of the date of this Proxy Statement, (3) each of our Named Executive Officers and (4) all of our directors and executive officers as a group. As of January 31, 2017, 93,928,251 shares of our common stock were outstanding. Our Stock Ownership Guidelines generally require our directors and Named Executive Officers to beneficially own a minimum number of shares of our common stock. For more information, see the section above entitled "CORPORATE GOVERNANCE Stock Ownership Guidelines." The number of shares of common stock owned by each officer and director reflected in the table below includes such shares. We relied on information supplied by our directors, nominees for director and executive officers and public filings made by beneficial owners for purposes of this table.

Name and Address of Beneficial Owner ⁽¹⁾	Amount and Nature of Beneficial Ownership ⁽²⁾	Percent of Class
BancorpSouth, Inc. 401(k) Profit-Sharing Plan	3,817,024	4.06%
Blackrock, Inc.	8,765,147 (3)	9.3%
Silvercrest Asset Management Group LLC	4,761,186 (4)	5.1%
The Vanguard Group	6,633,189 (5)	7.08%
Chris A. Bagley	131,689	*
Gus J. Blass III	133,723 (6)	*
Shannon A. Brown	84	*
James E. Campbell III	132,139	*
Deborah M. Cannon	6,256	*
James R. Hodges	79,108	*
W. G. Holliman, Jr.	721,185 (7)	*
Warren G. Hood, Jr.	20,456	*
Keith J. Jackson	20,870	*
Larry G. Kirk	48,322	*
Guy W. Mitchell III	60,213	*
Robert C. Nolan	519,304 (8)	*
Alan W. Perry	100,694	*
William L. Prater	53,367 (9)	*
James D. Rollins III	287,791	*
Thomas R. Stanton	----	*
W. James Threadgill, Jr.	54,232 (10)	*
All directors and executive officers as a group (19 persons)	2,474,827	2.63%

* Less than 1%.

- (1) The address of each person or entity listed, other than Blackrock, Inc., Silvercrest Asset Management Group LLC and The Vanguard Group is c/o BancorpSouth, Inc., One Mississippi Plaza, 201 South Spring Street, Tupelo, Mississippi 38804. The address of Blackrock, Inc. is 40 East 52nd Street, New York, New York 10022. The address of Silvercrest Asset Management Group LLC is 1330 Avenue of the Americas, 38th Floor, New York, NY 10019. The address of The Vanguard Group is 100 Vanguard Boulevard, Malvern, Pennsylvania 19355.

- (2) Beneficial ownership is deemed to include shares of common stock that an individual has a right to acquire within 60 days after January 31, 2017, including upon the exercise of options granted under our various equity incentive plans described in the sections entitled CORPORATE GOVERNANCE Committees of the Board of Directors Executive Compensation and Stock Incentive Committee and COMPENSATION DISCUSSION AND ANALYSIS Components of Compensation as follows:

Name	Common Stock Underlying Options Exercisable within 60 Days
Chris A. Bagley	----
Gus J. Blass III	----
Shannon A. Brown	----
James E. Campbell III	----
Deborah M. Cannon	----
James R. Hodges	----
W. G. Holliman, Jr.	3,600
Warren G. Hood, Jr.	----
Keith J. Jackson	----
Larry G. Kirk	3,600
Guy W. Mitchell III	3,600
Robert C. Nolan	3,600
Alan W. Perry	3,600
William L. Prater	----
James D. Rollins III	----
Thomas R. Stanton	----
W. James Threadgill, Jr.	----

These shares are deemed to be outstanding for the purposes of computing the percent of class for that individual, but are not deemed outstanding for the purposes of computing the percentage of any other person.

Information in the table for individuals also includes shares held for their benefit in our 401(k) Profit-Sharing Plan, and in individual retirement accounts for which the shareholder can direct the vote. Except as indicated in the footnotes to this table, each person listed has sole voting and investment power with respect to all shares of common stock shown as beneficially owned by him or her pursuant to applicable law.

- (3) Based on shares beneficially owned by BlackRock, Inc. as set forth in a Schedule 13G/A dated as of January 18, 2017 and filed with the SEC on January 19, 2017. BlackRock, Inc. reported that it possesses sole voting power with respect to 8,572,219 of such shares and sole dispositive power with respect to 8,765,147 of such shares.
- (4) Based on shares beneficially owned by Silvercrest Asset Management Group LLC as set forth in a Schedule 13G dated as of February 14, 2017 and filed with the SEC on February 14, 2017. Silvercrest Asset Management Group LLC reported that it possesses sole voting power with respect to none of such shares and sole dispositive power with respect to none of such shares.
- (5) Based on shares beneficially owned by The Vanguard Group as set forth in a Schedule 13G/A dated as of February 9, 2017 and filed with the SEC on February 10, 2017. The Vanguard Group reported that it possesses sole voting power with respect to 103,001 of such shares and sole dispositive power with respect to 6,525,904 of such shares.
- (6) Includes 5,518 shares held in a trust of which Mr. Blass is the trustee for the benefit of his son, of which Mr. Blass disclaims beneficial ownership.

- (7) Includes 141,417 shares owned by Mr. Holliman's wife, of which Mr. Holliman disclaims beneficial ownership.
- (8) Includes 21,055 shares held in trusts of which Mr. Nolan is the co-trustee for the benefit of his grandchildren, of which Mr. Nolan disclaims beneficial ownership, 302,484 shares held in a trust of which Mr. Nolan is the co-trustee for the benefit of his nieces, nephews, children and the lineal descendants of four co-trustees, of which Mr. Nolan disclaims beneficial ownership, and 4,227 shares owned by Mr. Nolan's wife, of which Mr. Nolan disclaims beneficial ownership.
- (9) Mr. Prater retired from BancorpSouth, Inc. and BancorpSouth Bank effective as of March 10, 2017.
- (10) Mr. Threadgill retired from BancorpSouth, Inc. and BancorpSouth Bank effective as of January 2, 2017.

COMPENSATION DISCUSSION AND ANALYSIS

The purpose of this Compensation Discussion and Analysis is to discuss our philosophy, practices and procedures with respect to our executive compensation program and the objectives of our Executive Compensation and Stock Incentive Committee in selecting and setting the elements of the compensation that is paid or awarded to certain of our executive officers.

Throughout this Compensation Discussion and Analysis, James D. Rollins III, our Chairman and Chief Executive Officer, Chris A. Bagley, our President and Chief Operating Officer, William L. Prater, our former Senior Executive Vice President, Treasurer and Chief Financial Officer, W. James Threadgill, Jr., our former Senior Executive Vice President and Chief Business Development Officer and James R. Hodges, our Senior Executive Vice President and Chief Credit Officer, are collectively referred to as our named executive officers (the **Named Executive Officers**).

As previously announced, Messrs. Prater and Threadgill retired from BancorpSouth effective as of March 10, 2017 and January 2, 2017, respectively.

Executive Summary

We believe that our executive compensation program plays a significant role in our ability to attract, motivate and retain a highly experienced team of executives that is critical to our success. We believe that the program is structured in a manner that supports our company and our business objectives, as well as our culture and the traditions that have allowed us for over 140 years to meet the needs of our shareholders, customers and employees and to support the communities in which we operate.

Our Executive Compensation and Stock Incentive Committee regularly reviews our executive compensation program to ensure it achieves the desired goals of linking the compensation paid to our executive officers with our shareholders interests and current market practices, while avoiding the encouragement of unnecessary or excessive risk-taking. Under this program, our Named Executive Officers are rewarded for the achievement of specific annual, long-term and strategic goals, the attainment of corporate goals, and the realization of increased shareholder value.

Our principal measures of success in achieving our business objectives are total shareholder return, earnings per share growth, asset quality, efficiency ratio, return on average equity, loan growth, dividend growth, deposit growth and fee income. We believe our executive compensation program's mix of base salary, annual and long-term incentive compensation, benefits and perquisites as described below in the section entitled **Compensation Policy** is properly aligned with these objectives.

In 2016 the Executive Compensation and Stock Incentive Committee retained Frederic W. Cook & Co. to assist in assessing risks within BancorpSouth's incentive compensation plans and programs, which included the Amended and Restated Executive Performance Incentive Plan and the Long-Term Equity Incentive Plan in which our Named Executive Officers participate as described below. The results of the Incentive Compensation Plan Risk Assessment delivered by Frederic W. Cook & Co. indicate that our incentive plans are well designed and are not structured in a way that encourages risky behaviors and, from a compensation risk perspective, that we have no compensation practices that are reasonably likely to have a material adverse effect on BancorpSouth. We believe that our incentive compensation plans and policies include terms designed to mitigate any potential material risks created by the performance-based metrics used in the incentive compensation plans; for example, annual and long-term incentive compensation is subject to recovery by BancorpSouth under our Executive Compensation Policy and our executive officers must maintain ownership of significant amounts of BancorpSouth common stock in compliance with stock ownership guidelines.

As required by Section 14A of the Securities Exchange Act of 1934, as amended, and the rules promulgated thereunder (the Exchange Act), in connection with the 2011 annual meeting of shareholders, we solicited an advisory vote by our shareholders on the frequency with which the advisory vote on Named Executive Officer compensation would be solicited, commonly referred to as the Say-When-On-Pay vote. As a result of the Say-When-On-Pay vote taken in 2011, the Board of Directors determined to hold an advisory vote on the compensation of the Named Executive Officers every three years, commonly referred to as the Say-On-Pay vote. We last held a Say-On-Pay vote in 2014, and approximately 96.5% of our shareholders who attended the meeting (in person or by proxy) approved, on a non-binding, advisory basis, the compensation of our Named Executive Officers. In

respect of this strong shareholder support, since the 2014 Say-On-Pay vote, the Executive Compensation and Stock Incentive Committee has continued to adhere to its compensation principles and philosophy which has resulted in the implementation of an executive compensation program that closely ties compensation to our overall performance and the enhancement of shareholder value.

Pursuant to Proposal 2 and Proposal 3 in this Proxy Statement, we are again conducting Say-On-Pay and Say-When-On-Pay votes at the 2017 annual meeting. As it continues to evaluate its compensation principles and philosophy and implement compensation practices, the Executive Compensation and Stock Incentive Committee will carefully consider the results of these Say-On-Pay and a Say-When-On-Pay votes, will evaluate whether any actions are necessary to address shareholders' concerns evidenced by the voting results and will continue to consider shareholder concerns and feedback in the future.

In formulating its recommendation for the Say-When-On-Pay vote this year, our Board considered that compensation decisions are made annually and that an annual non-binding, advisory vote on executive compensation will allow shareholders the opportunity to provide more frequent and timely input on our compensation philosophy, policies and practices than the three-year cycle to which our shareholders previously approved. Moreover, an annual advisory vote on executive compensation is consistent with our policy of regularly seeking input from, and actively engaging in discussions with, our shareholders regarding corporate governance matters and our executive compensation program.

Compensation Overview

The Executive Compensation and Stock Incentive Committee administers our executive compensation program. The Executive Compensation and Stock Incentive Committee is composed entirely of directors who are independent under the listing standards of the New York Stock Exchange, our Director Independence Standards, Section 162(m) of the Code and Exchange Act Rule 16b-3. The Director Independence Standards are available on our website at www.bancorpsouth.com on our Investor Relations webpage under the caption Corporate Information Governance Documents. The charter of the Executive Compensation and Stock Incentive Committee is available on our website at www.bancorpsouth.com on our Investor Relations webpage under the caption Corporate Information Committee Charting. The charter is reviewed annually by the Executive Compensation and Stock Incentive Committee and was most recently revised in June 2016.

The Executive Compensation and Stock Incentive Committee generally meets four times a year and more often if necessary. Prior to each regular meeting, the Corporate Secretary sends materials to each committee member, including minutes of the previous meeting, an agenda, recommendations for the upcoming meeting and other materials relevant to the agenda items. Historically, the Chief Executive Officer has attended committee meetings to provide information to the committee concerning the performance of executive officers, discuss performance measures relating to executive officer compensation and to make recommendations to the committee concerning the compensation of executive officers. The committee holds executive sessions consisting only of committee members. The Chief Executive Officer does not engage in discussions with the committee regarding his own compensation, except to respond to questions posed by committee members outside of executive session deliberations.

The Executive Compensation and Stock Incentive Committee annually reviews and approves in advance the compensation paid to each of our Named Executive Officers. In performing its duties, among other things, the Executive Compensation and Stock Incentive Committee:

Reviews and approves annually the corporate goals and objectives relevant to the compensation of the Chief Executive Officer, evaluates at least annually the Chief Executive Officer's performance in light of those goals and objectives and determines and approves the Chief Executive Officer's compensation

based on this evaluation;

In determining the long-term incentive component of the Chief Executive Officer's compensation, considers (1) our performance and relative shareholder return, (2) the salary, bonus and value of similar incentive awards to chief executive officers at comparable financial and bank holding companies, (3) the salary, annual and long-term awards given to the Chief Executive Officer in past years, (4) the Chief Executive Officer's total compensation and (5) such other factors as it may deem relevant;

For the (1) Chief Executive Officer, Chief Financial Officer and the other Named Executive Officers, annually determines and approves, and (2) other executive officers, annually reviews and recommends to the Board:

The annual base salary level(s);

Annual incentive compensation;

Awards under long-term incentive compensation plans and equity-based plans;

Performance goals upon which incentive compensation awards are conditioned, if any;

Employment agreements, severance arrangements and change-in-control agreements, in each case as, when and if appropriate; and

Benefits and perquisites under any special or supplemental benefits plans or programs;

At least annually and more often as circumstances dictate, reports its actions to the Board; and

Annually reviews and re-assesses the adequacy of the Executive Compensation and Stock Incentive Committee's charter and recommends any proposed changes to the Board for approval.

Compensation Policy

Our principal measures of success in achieving our business objectives are total shareholder return, earnings per share growth, asset quality, efficiency ratio, return on average equity, loan growth, dividend growth, deposit growth and fee income. The variable, performance-based elements of our executive compensation program are designed to reward our executive officers based on our overall performance in achieving defined performance goals relative to these measures.

Through our executive compensation program, we seek to provide:

Base salaries at levels that will attract and permit us to retain qualified executive officers;

Compensation that differentiates pay on the basis of performance;

Incentive compensation opportunities that will motivate executive officers to achieve both our short-term and long-term business objectives and that will provide compensation commensurate with our performance achievements;

Total compensation that is competitive with that of comparable financial and bank holding companies within the context of our performance; and

Protection of shareholder interests by requiring achievement of successful results as a condition to earning above-average compensation.

Our executive compensation program consists of the following primary elements:

Base salary is intended to provide a foundation element of compensation that is relatively secure and that reflects the skills and experience that an executive brings to us; we seek to pay base salaries that are competitive with those paid to executive officers in comparable positions at comparable financial and bank holding companies;

Cash bonus payments that are separate from the annual incentive compensation paid under our Amended and Restated Executive Performance Incentive Plan are awarded in the discretion of the Executive Compensation and Stock Incentive Committee;

Annual incentive compensation is a variable non-equity element that is based on the achievement of defined goals for a given fiscal year that are tied to our overall performance;

Long-term incentive compensation is a variable equity element that provides an emphasis on long-term performance goals, stock price performance, ongoing improvement and continuity of performance;

Employee benefits are intended to provide reasonable levels of security with respect to retirement, medical, death and disability protection and paid time off; and

Certain perquisites are used to supplement the other elements of compensation, facilitating the attraction and retention of executive officers of the caliber we believe necessary to remain competitive.

The Executive Compensation and Stock Incentive Committee uses the variable compensation elements of our executive compensation program (i.e., annual incentive compensation and long-term incentive compensation) as incentives that are based on our performance. While increases to annual base salaries also take individual and our overall performance into consideration, they are not predicated solely on performance achievements and are not subject to the same degree of variability as the performance-based incentives. The variable elements of compensation are intended to align the interests of our Named Executive Officers with shareholder interests by focusing executives attention on key measures of performance that we believe either drive shareholder return or directly reflect our stock price performance.

The allocation of compensation across each of the elements of our executive compensation program is based on the following considerations:

The need to provide a level of basic compensation (i.e., base salary and employee benefits) necessary to enable us to attract and retain high-quality executives, regardless of external business conditions;

The goal of providing a substantial number of compensation opportunities through performance-based, variable-compensation vehicles;

The goal of reflecting reasonable compensation practices of comparable financial and bank holding companies within the context of our performance achievements; and

The desire to align our executives and our shareholders interests through the use of equity-based compensation vehicles that are tied to our performance.

The Executive Compensation and Stock Incentive Committee does not, however, target a specific percentage of total compensation for base salary, annual incentive compensation, long-term incentive compensation, benefits or perquisites under our executive compensation program.

The following table reflects the percentage of total compensation reflected in each element of compensation, as set forth below in the section entitled EXECUTIVE COMPENSATION Summary Compensation Table, for each of the Named Executive Officers for 2016:

Name	Salary	Bonus	Non-Equity Incentive Plan	Stock Awards	Change in Pension Value and Nonqualified Deferred	All Other Compensation	Total
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	Compensation			Compensation Earnings			
James D. Rollins III	28%	-%	23%	36%	11%	2%	100%
Chris A. Bagley	37%	-%	23%	30%	8%	2%	100%
William L. Prater	51%	-%	28%	13%	5%	3%	100%
W. James Threadgill, Jr.	31%	-%	13%	17%	37%	2%	100%
James R. Hodges	29%	-%	12%	16%	41%	2%	100%

Executive Compensation Policy

In January 2016, the Executive Compensation and Stock Incentive Committee recommended and the Board of Directors approved a new Executive Compensation Policy. The former Executive Officer Incentive-Based Compensation Recovery Policy was incorporated with the Executive Compensation Policy. The Executive Compensation Policy sets forth the conditions under which we may recover excess incentive-based compensation

paid or awarded to or received by any of our current or former executive officers. In the event we are required to prepare an accounting restatement of our financial statements as a result of our material noncompliance with any financial reporting requirement under applicable federal securities laws, we will recover from each former or current executive officer any excess incentive-based compensation paid or awarded to or received by such executive officer during the three-year period preceding the date of filing with the SEC of the latest document containing materially noncompliant financial statements that are subject to the restatement. The amount of any such recovery will be equal to the amount of compensation that is in excess of the amount that would have been paid or awarded to such executive officer based on the restated financial statements.

Stock Ownership Guidelines

We have adopted Stock Ownership Guidelines that generally require our directors and any executive officer that has been a Named Executive Officer during any of the prior three years to beneficially own a minimum number of shares of our common stock. For more information, see the section above entitled CORPORATE GOVERNANCE Stock Ownership Guidelines.

Insider-Trading Policy Restrictions

Our Insider Trading Policy prohibits directors, officers and other employees from hedging the economic risk of ownership of any shares of our common stock that they own, with certain limited exceptions in the context of business combinations.

Compensation Process

The Executive Compensation and Stock Incentive Committee reviews the compensation of the Chief Executive Officer and our other Named Executive Officers relative to the compensation paid to similarly situated executives at financial and bank holding companies that we determine to be peer companies. The committee does not benchmark the compensation of the Named Executive Officers to a certain percentage or range of compensation within our peer group, but rather believes that the compensation paid to similarly situated executives should be a point of reference for measurement and not the determinative factor for our Named Executive Officers' compensation. Because this peer group analysis is just one of the analytical tools used in setting the compensation of our Named Executive Officers, the committee has discretion in determining the nature and extent of its use. In addition, given the limitations associated with comparative pay information for setting individual executive compensation, including the difficulty of assessing and comparing wealth accumulation through equity gains and post-employment amounts, the committee may elect to not use the peer group analysis at all in the course of making compensation decisions.

For 2016, the Executive Compensation and Stock Incentive Committee reviewed publicly available compensation information that is furnished to the public by reporting companies that were deemed to be in our peer group. The peer group consists of firms that, based on the total assets, are between approximately 50% and 200% of our size as well as certain other banks that have assets between \$10 billion and \$20 billion. The peer group consisted of the following:

Commerce Bancshares, Inc.; Cullen/Frost Bankers, Inc.; First Horizon National Corporation; FirstMerit Corporation; Fulton Financial Corporation; Hancock Holding Company; IBERIABANK Corporation; International Bancshares Corporation; Old National Bancorp; Prosperity Bancshares, Inc.; Trustmark Corporation; United Community Banks, Inc.; Valley National Bancorp.; and Webster Financial Corporation.

The Executive Compensation and Stock Incentive Committee's analysis included the following:

The Named Executive Officer's positions from both a pay rank perspective (i.e., highest paid, second-highest paid, third-highest paid, etc.) and a position match perspective (i.e., Chief Executive Officer for Mr. Rollins);

Base salary, annual incentive award, total cash compensation (salary plus cash incentive award), long-term incentive opportunity and total direct compensation (salary plus cash incentive award and long-term incentive opportunity), including peer average and median levels in each component of compensation;

Our percentile ranking versus the peer group for each pay element; and

For each position, the amount we provide to each Named Executive Officer above or below the peer group median.

In addition to this information, the Executive Compensation and Stock Incentive Committee considered the performance of our competitors and general economic and market conditions. In reviewing the 2016 compensation of our Named Executive Officers, the committee reviewed all components of their respective compensation, including base salary, annual non-equity incentive compensation and long-term incentive compensation. In addition, the committee reviewed each Named Executive Officer's compensation history and comparative performance information.

The Executive Compensation and Stock Incentive Committee believes that the overall compensation for our Named Executive Officers is competitive with our peer group and is commensurate with the responsibilities assigned to their respective positions. The differences in the compensation paid to each of our Named Executive Officers in relation to one another is a reflection of differences in the level and scope of responsibility of their respective positions and the market's pattern of providing progressive award opportunities at higher levels.

Components of Compensation

In determining executive compensation, the Executive Compensation and Stock Incentive Committee focuses both on the mix of individual components that make up each executive's total compensation as well as the amount of total compensation itself. Each of the components of compensation is discussed in more detail below.

Base Salary

The Executive Compensation and Stock Incentive Committee views base salary as one element of overall compensation that is designed to reward competence in the executive role and not a principal means to provide incentive to our executive officers. We believe that base salary ranges should reflect the competitive employment market and the relative internal responsibilities of each executive's position, with an executive's salary within a salary range being based upon his or her individual performance.

For 2016, the Executive Compensation and Stock Incentive Committee endeavored to understand competitive pay and compensation opportunities for similarly situated executive officers of comparable financial and bank holding companies and to provide reasonably competitive compensation within the context of our achievements. The committee reviewed the base salaries of our executive officers based on the following considerations:

Our salary budget for the applicable fiscal year, which includes the salary of all our employees;

The executive officer's pattern of achievement with respect to the budget and business plan performance in his or her area(s) of responsibility and overall managerial effectiveness with respect to planning, personnel development, communications, regulatory compliance and similar matters;

Assessment of the competitiveness of the executive's salary as compared to competitive market data (using base salaries for comparable positions at comparable financial and bank holding companies as a reference, described above in the Section entitled " - Compensation Process "); in its review of market data, the committee found that, while there were some variances of our executives' salaries from salaries for

comparable positions, the variances were deemed appropriate and the salaries of our executives on the whole reasonably approximated the salaries at comparable financial and bank holding companies;

The current level of the executive officer's base salary in relation to market competitive salary levels;

Marketplace trends in salary increases (both geographical and by industry); and

Consideration of our overall performance and aggregate cost affordability, retention risks, fairness in view of our overall salary increases and the executive officer's potential for future contributions to the organization.

As a result of considering these factors, the Executive Compensation and Stock Incentive Committee increased the base salary of each of the Named Executive Officers for 2016 as set forth in the table below. For more information, see the section below entitled EXECUTIVE COMPENSATION Summary Compensation Table.

Name	2016 Base Salary	Percent Increase from 2015 Base Salary
James D. Rollins III	\$ 840,000	5.0%
Chris A. Bagley	495,000	4.2
William L. Prater	395,000	
W. James Threadgill, Jr.	388,000	2.1
James R. Hodges	382,500	2.0

In January 2017, the Executive Compensation and Stock Incentive Committee determined the base salary for the executive officers, with the exception of Messrs. Prater and Threadgill, for 2017 based on the same methodology described above. As a result, the base salaries for the Named Executive Officers effective as of January 1, 2017 are as follows:

Name	2017 Base Salary
James D. Rollins III	\$ 885,000
Chris A. Bagley	525,000
William L. Prater	395,000
W. James Threadgill, Jr.	
James R. Hodges	395,000

Annual Incentive Compensation

Annual non-equity incentive compensation is a component of our executive compensation program designed to reward performance in executive roles. This component of overall compensation furthers our objectives to provide compensation that differentiates pay on the basis of performance, provide compensation commensurate with our performance achievements and protect shareholder interests by requiring achievement of successful results as a condition to earning above-average compensation. We believe that annual incentive compensation should reflect the competitive employment market and the relative internal responsibilities of each executive's position and should provide meaningful compensation opportunities in relation to our achievement of key annual performance goals. We believe that such compensation opportunities motivate executives to achieve our established goals. The Executive Compensation and Stock Incentive Committee considers annual incentive awards for similarly situated executive officers of similarly-sized financial and bank holding companies within the context of the competitive market data described above in the section entitled Compensation Process. We provide annual non-equity incentive compensation opportunities to our executive officers under the Amended and Restated Executive Performance Incentive Plan.

Amended and Restated Executive Performance Incentive Plan. The Amended and Restated Executive Performance Incentive Plan provides for the payment of cash incentive awards and equity-based awards (issued through the Long-Term Equity Incentive Plan, discussed below) based upon the achievement of performance goals established by the Executive Compensation and Stock Incentive Committee. This plan is intended to increase shareholder value and our success by encouraging outstanding performance by our executive officers who are eligible to participate. In 2016, all of the executive officers participated in the Amended and Restated Executive Performance Incentive Plan. Payments made under the Amended and Restated Executive Performance Incentive Plan are intended to be performance-based compensation within the meaning of Section 162(m) of the Code. The amount of the cash incentive awards may vary among participants from year to year.

The Executive Compensation and Stock Incentive Committee administers the Amended and Restated Executive Performance Incentive Plan. The committee may establish performance goals for awards granted under the plan based on any of the following business criteria:

Return on average equity or average assets;

Deposits and other funding sources;

Revenue, including interest income and/or non-interest income, and/or return on revenue;

Cash flow (operating, free cash flow return on equity, cash flow return on investment);

Earnings, before or after taxes, interest, depreciation and/or amortization;

Earnings per share;

Net interest margin;

Improvement in credit quality measures, including non-performing asset ratio, net charge-off ratio or reserve coverage of non-performing loans vs. peers;

Efficiency ratio;

Loan growth; and

Total shareholder return.

The Executive Compensation and Stock Incentive Committee may take into account several factors when establishing performance goals for incentive awards, but these goals must be objectively determinable and based on levels of achievement of the business criteria listed above. No later than 90 days after the beginning of each fiscal year or any other performance period, the committee specifies in writing:

The type of award (i.e., cash or equity);

The target amount payable to each participant;

The maximum amount payable to each participant;

The performance goals upon which each participant's award is conditioned; and

The formula to determine the amount payable or shares that become vested based on the achievement of the specified goals.

The amount of awards may vary among participants from year to year, but the maximum cash incentive compensation payable to any participant under the Amended and Restated Executive Performance Incentive Plan in a year is \$4 million.

Following the applicable performance period, the Executive Compensation and Stock Incentive Committee certifies in writing for each participant whether the performance goals and any other material conditions have been met. If these goals and conditions have been met, the committee may authorize payment of the amount earned under an award. The committee has discretion to reduce or eliminate, but not increase, an amount that is payable under an award. The certification of achievement of performance goals under the Amended and Restated Executive Performance Incentive Plan, and the corresponding cash incentive payments, occurs in connection with the filing of our Annual Report on Form 10-K.

2016 Non-Equity Incentive Awards. Awards under the Amended and Restated Executive Performance Incentive Plan were made in 2016 to provide cash incentive award opportunities that were a percentage of each participant's base salary, subject to the achievement of the performance goals described below. The cash incentive award opportunities for 2016 for the Named Executive Officers were as follows:

Award Opportunity as a Percentage of Salary

Name	Target	Maximum
James D. Rollins III	100%	200%
Chris A. Bagley	75	150
William L. Prater	65	130
W. James Threadgill, Jr.	50	100
James R. Hodges	50	100

The target and maximum award opportunities were based on each executive's role and scope of responsibility in the organization. The performance goals set forth below were established by the Executive Compensation and Stock Incentive Committee for the Named Executive Officers with respect to the enumerated performance criteria. Our performance in 2016 for each criterion is also set forth in the following table, based on our audited financial results for the year ended December 31, 2016:

Performance Goal	Target	Calculation Factor	2016 Performance
Total shareholder return	8%	2% per 1% above target	31.30%
Increase in earnings per share	7	2% per 1% above target	5.22
Increase in deposits	5	1% per 1% above target	3.45
Increase in loans	5	1% per 1% above target	4.23
Increase in fee income	5	1% per 1% above target	0.38
Efficiency ratio	70	2% per 1% below target	69.92
Return on average equity	7	2% per 1% above target	8.31
Classified assets/Equity and loan loss reserves	27.5	2% per 1% below target	20.51
Increase in dividends	5	2% per 1% above target	28.57

Based on our audited financial results for the year ended December 31, 2016, the following cash incentive payments were made to the Named Executive Officers in 2017:

Name	2016 Cash Incentive Award	Cash Incentive Award as a Percentage of Salary
James D. Rollins III	\$ 701,568	83.5%
Chris A. Bagley	310,068	62.6
William L. Prater	214,438	54.3
W. James Threadgill, Jr.	162,029	41.8
James R. Hodges	159,732	41.8

Long-Term Incentive Compensation

Long-term incentive compensation is another important part of our executive compensation program and provides equity-based awards to reward performance in executive roles and more closely align the interests of our executives with those of our shareholders. The Executive Compensation and Stock Incentive Committee's approach has been to provide annual awards of long-term incentive compensation to our executives and other employees through grants of restricted stock and performance shares. Under the relevant shareholder-approved plan—the Long-Term Equity Incentive Plan—the committee may grant non-qualified stock options, incentive stock options, performance shares, restricted stock and restricted stock units. This plan prohibits option repricing without shareholder approval. We believe that the level of long-term incentive compensation should reflect the competitive employment market and the relative internal responsibilities of each executive's position. The Executive Compensation and Stock Incentive Committee considers long-term incentive compensation for executive officers at comparable financial and bank

holding companies within the context of the competitive market data described above in the section entitled Compensation Process.

The Executive Compensation and Stock Incentive Committee has the ability to use different types of long-term incentive awards for achieving our compensation objectives. For example, the committee may grant:

Stock options to focus on stock price appreciation;

Restricted stock and restricted stock units as an incentive for continued service or to emphasize both our overall performance and executive retention; and

Performance shares as an incentive to improve our overall long-term performance.

In 2016, equity-based awards were granted to executive officers, including the Named Executive Officers, and other key employees in order to attract and retain key employees and enable those persons to participate in our long-term success. Under this component of compensation, we granted both restricted stock awards and performance shares to certain officers in 2016. In determining the total number of equity-based awards to be granted to recipients in 2016, the Executive Compensation and Stock Incentive Committee considered the number of shares available

under the Long-Term Equity Incentive Plan but had no fixed formula for determining the total number of shares to be granted. In selecting the award recipients and determining the level of equity grants made in 2016, the committee considered a combination of the following:

Market competitive data;

The scope of responsibility of each officer;

The degree to which the business unit(s) influenced by each officer contributed to our profits;

The degree to which asset quality and other risk decisions were influenced by each officer's direction;

The number of awards currently held by each officer; and

The long-term management potential of each officer.

No single factor was weighed more heavily than any other factor in determining the amount of equity grants.

Performance Shares. Performance shares granted under our Long-Term Equity Incentive Plan are long-term incentive awards denominated in shares of our common stock. The value of earned performance shares is determined by the market value of our common stock. The number of shares earned is based on the achievement of goals related to our overall financial and operating performance as determined by the Executive Compensation and Stock Incentive Committee. The award cycle for performance shares is three years and is comprised of a two-year performance period followed by a one-year retention period. The performance period is set at two years to reflect a realistic time period for establishing credible performance goals in the current economic environment for the financial services industry and the retention period is set at one year to enhance the retentive power of the performance share awards (three years overall) and so that the impact of stock price performance reflects a longer period. During the retention period, the holders of performance shares generally are not entitled to receive dividends or exercise voting rights with respect to these shares. Prior to January 2014, the Executive Compensation and Stock Incentive Committee established a circuit breaker for each award that must have been satisfied before performance shares were eligible to be earned for the performance period. Once the circuit breaker was satisfied, awards were earned if threshold performance was achieved with respect to at least one of the two performance measures, subject to continued service during the retention period. The award cycle for long-term incentive compensation is configured so that a new three-year award cycle will begin every year that performance shares are granted.

The performance shares granted in 2015 were subject to the following performance goals for the 2015 through 2016 performance period:

Performance Goal	Threshold	Target	Maximum	Actual Performance
2-Year Compounded Operating EPS Growth	8%	10%	11%	10.4%
2-Year Average ROA	.80%	1.0%	1.10%	1.01%

Our actual performance for these performance goals was based on our audited financial results for the two years ended December 31, 2016. With respect to the performance shares that were granted in 2015, the Executive Compensation and Stock Incentive Committee determined in 2017 the number of performance shares actually earned from the applicable matrix based on our actual performance, with straight-line interpolation used for performance between goal levels. The committee determined the performance shares were earned at the 134% level. Accordingly, the following performance shares granted in 2015 have been earned, subject to continued service during the retention period through December 31, 2017:

Name	Number of Performance Shares Earned
James D. Rollins III	22,110
Chris A. Bagley	8,040
William L. Prater	2,680
W. James Threadgill, Jr.	3,484
James R. Hodges	3,484

In January 2016, the Executive Compensation and Stock Incentive Committee granted the following number of performance shares to the Named Executive Officers, subject to the achievement of enumerated performance goals during the 2016 through 2017 performance period and continued service during the retention period:

Name	Threshold	Target	Maximum
James D. Rollins III	2310	18,335	36,670
Chris A. Bagley	851	6,750	13,500
William L. Prater	208	1,650	3,300
W. James Threadgill, Jr.	441	3,500	7,000
James R. Hodges	441	3,500	7,000

The Executive Compensation and Stock Incentive Committee established the following performance goals for the 2016 through 2017 performance period with respect to the performance shares granted in 2016:

Performance Goal	Threshold Amount	Target Amount	Maximum Amount
2-Year Compounded Operating EPS Growth	8%	10%	11%
2-Year Average Return on Assets	.85%	1.05%	1.15%

Subject to continued service during the retention period, performance shares are earned if at least threshold performance is achieved with respect to one of the two performance measures. The number of performance shares actually earned is then determined from a matrix based on the actual performance achieved with respect to each measure.

In January 2017, the Executive Compensation and Stock Incentive Committee granted, to the Named Executive Officers, with the exception of Messrs. Prater and Threadgill, the following number of performance shares, subject to the achievement of enumerated performance goals during the 2017 through 2018 performance period and continued service during the retention period:

Name	Threshold Amount	Target Amount	Maximum Amount
James D. Rollins III	2,503	19,868	39,736
Chris A. Bagley	1,071	8,500	17,000
William L. Prater			
W. James Threadgill, Jr.			
James R. Hodges	378	3,000	6,000

The Executive Compensation and Stock Incentive Committee established the following performance goals for the 2017 through 2018 performance period with respect to the performance shares granted in 2017:

Performance Goal	Threshold Amount	Target Amount	Maximum Amount
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2-Year Compounded Operating EPS Growth	8%	10%	11%
2-Year Average Return on Assets	.85%	1.05%	1.15%

Stock Options. Stock options granted under the Long-Term Equity Incentive Plan vest ratably on the basis of continued employment over the three-year period following the date of grant. The exercise price is equal to the closing price of our common stock on the date of grant and the maximum term of the stock option is seven years.

The Executive Compensation and Stock Incentive Committee did not grant stock options to our executives in 2016.

Restricted Stock. Restricted stock granted under the Long-Term Equity Incentive Plan is subject to forfeiture if the Named Executive Officer terminates employment before a stated vesting date. The holder is entitled to receive dividends and exercise voting rights prior to the vesting date. In the first quarter of 2013, the Executive

Compensation and Stock Incentive Committee granted the following number of shares of restricted stock to the Named Executive Officers, all of which vest on May 15, 2018, except as otherwise noted below:

Name	Shares of Restricted Stock
James D. Rollins III ⁽¹⁾	21,341
Chris A. Bagley	
William L. Prater	15,000
W. James Threadgill, Jr.	10,000
James R. Hodges	10,000

(1) The award to Mr. Rollins provides for pro-rata vesting on May 15 of each year, conditioned on achievement of either a 0.10% return on average assets or a 2.5% return on average equity for the prior year, subject to the certification of achievement of the performance goals by the Executive Compensation and Stock Incentive Committee. Under this formula, 7,114 shares vested on May 15, 2014, 7,114 shares vested on May 15, 2015, and 7,113 shares vested on May 15, 2016.

In the first quarter of 2014, the Executive Compensation and Stock Incentive Committee granted the following number of shares of restricted stock to Named Executive Officers, all of which vest on May 15, 2019, except as otherwise set forth below:

Name	Shares of Restricted Stock
James D. Rollins III	22,950
Chris A. Bagley ⁽¹⁾	75,000
William L. Prater	6,650
W. James Threadgill, Jr.	5,050
James R. Hodges	4,700

(1) The award to Mr. Bagley was granted on February 3, 2014 and became vested with respect to 40,000 shares on February 1, 2015; 35,000 additional shares will vest on February 1, 2018.

In the first quarter of 2015, the Executive Compensation and Stock Incentive Committee granted the following number of shares of restricted stock to the Named Executive Officers, all of which vest on May 15, 2020:

Name	Shares of Restricted Stock
James D. Rollins III	33,050
Chris A. Bagley	12,000
William L. Prater	4,000

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W. James Threadgill, Jr	5,200
James R. Hodges	5,200

In the first quarter of 2016, the Executive Compensation and Stock Incentive Committee granted the following number of shares of restricted stock to the Named Executive Officers, all of which vest on May 15, 2021:

Name	Shares of Restricted Stock
James D. Rollins III	36,665
Chris A. Bagley	13,500
William L. Prater	3,350
W. James Threadgill, Jr	7,000
James R. Hodges	7,000

In the first quarter of 2017, the Executive Compensation and Stock Incentive Committee granted the following number of shares of restricted stock to the Named Executive Officers, with the exception of Messrs. Prater and Threadgill all of which vest on May 15, 2022:

Name	Shares of Restricted Stock
James D. Rollins III	40,337
Chris A. Bagley	17,000
William L. Prater	
W. James Threadgill, Jr	
James R Hodges	6,000

Executive Benefits

We provide our executive officers with benefits in amounts that we believe are reasonable, competitive and consistent with our executive compensation program. We believe that such benefits help us to attract and retain executive officers of the caliber we believe necessary to remain competitive. We offer group life, disability, medical, dental and vision insurance to all our employees, including our Named Executive Officers. We also maintain a Retirement Plan, which is discussed in detail below in the section entitled EXECUTIVE COMPENSATION Pension Benefits Retirement Plan. In addition, we maintain bank-owned life insurance that can be used for funding supplemental benefits to certain executive officers.

Perquisites

We provide our executive officers with perquisites in amounts that we believe help us attract and retain highly-qualified leaders. For certain executives, including the Named Executive Officers, we provide a company automobile and pay the cost of an annual physical examination. On a case-by-case basis we may provide an allowance to the executive for the payment of his or her country club dues. In addition, we own and operate corporate aircraft to facilitate the business travel of our executive officers (including the Named Executive Officers) and the attendance of Board members at Board and Committee meetings. Executives other than Messrs. Rollins and Bagley are generally not entitled to use our aircraft for personal travel except for limited circumstances described in the Company's Use of Corporate Aircraft Policy.

Internal Revenue Code Section 162(m)

Section 162(m) of the Code generally limits the corporate tax deduction for compensation in excess of \$1 million that is paid to our executives. Qualifying performance-based compensation, however, is fully deductible without regard to the \$1 million limit if certain requirements are met. Section 162(m) also permits full deductibility for certain pension contributions and other payments. The Executive Compensation and Stock Incentive Committee has carefully considered the impact of Section 162(m) and its limits on deductibility, and intends that certain of our compensation plans qualify for an exception to the limitations of Section 162(m) so that we may fully deduct compensation paid under these plans. The Amended and Restated Executive Performance Incentive Plan is considered performance-based for this purpose, as are certain awards under the Long-Term Equity Incentive Plan.

A portion of the compensation that is payable under certain of our other executive compensation arrangements may exceed the Section 162(m) limitation and, therefore, may not be deductible by us. In adopting these executive compensation arrangements, the Executive Compensation and Stock Incentive Committee determined that the benefits of these arrangements to us and our shareholders outweighed the inability to deduct a portion of the compensation for federal income tax purposes.

Accounting for Stock-Based Compensation

We account for stock-based compensation in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation Stock Compensation.

Employment Agreements and Change in Control Arrangements

Employment Agreement

We have no written employment agreements with any of our Named Executive Officers.

Change in Control Agreements

We have entered into a Change in Control Agreement with certain of our executives, including each of the Named Executive Officers, that provides certain benefits in the event that we experience a change in control and we terminate the executive's employment without cause (includes conviction of a felony or crime moral turpitude, acts of dishonesty or material inattention of duties), or the executive resigns for good reason (includes a diminished duties, reduction in compensation, involuntary relocation or a material breach of employment policies) within 24 months after a change in control.

The cash amount payable is a multiple of each Named Executive Officer's respective annual base compensation and the maximum annual cash incentive award. For Mr. Rollins, the amount payable is 300% of such amounts, 250% for Mr. Bagley, 200% for Messrs. Prater, Threadgill, and Hodges. In addition, each Named Executive Officer

will receive continued participation in our health and welfare benefit plans and fringe benefit programs for a certain period following termination of employment. For Messrs. Rollins and Bagley, participation is continued for 36 months, 24 months for Messrs. Prater, Threadgill and Hodges. If continued participation is not available under such benefit plans and programs, a cash payment equal to the value of participation will be made to the Named Executive Officer. Upon a change in control, each Named Executive Officer will become fully vested in stock incentive awards that vest over time and will become vested in at least a portion of the awards that are performance based.

Each agreement includes a double trigger (i.e., requiring both a change in control and termination of the executive's employment for the executive to receive payment) so that the executive will only receive additional benefits if a change in control also has an adverse impact on the executive and the surviving entity is not required to provide such benefits if it desires to maintain the services of the executive.

The Named Executive Officers are not entitled to tax gross-up or similar payments on any amounts received under the Change in Control Agreements to account for excise taxes on parachute payments that are defined in Sections 280G and 4999 of the Code. Instead, payments and benefits on a change in control are reduced in the event that the aggregate change in control payments to any Named Executive Officer would result in such a parachute payment. A parachute payment generally is three times average annual compensation. The reduction would be applied to reduce payments and benefits to one dollar below this amount, thereby avoiding imposition of the excise tax that would be imposed on the Named Executive Officer under Section 4999 of the Code. This reduction does not apply, however, in the event that the aggregate payments due on the change in control, net of the excise tax under Section 4999 of the Code, would be greater than the aggregate payments received after applying the reduction.

Pursuant to the terms of the Change in Control Agreements for Messrs. Rollins and Bagley, they are subject to certain restrictive covenants during the term of their employment and for a period of two years after termination of their employment, except in the case of a resignation for good reason. Under these covenants, Messrs. Rollins and Bagley may not (1) operate, own, be employed by or consult with any competing business, (2) directly or indirectly solicit customers or employees of BancorpSouth or any of its affiliates or (3) divulge confidential information about us or our affiliates.

For more information about the amounts payable to the Named Executive Officers under the Change in Control Agreements, see the section below entitled EXECUTIVE COMPENSATION Potential Payments Upon Termination or Change-in-Control.

Retirement Benefits

We maintain certain compensatory arrangements as part of our executive compensation program that are intended to provide payments to certain of our employees, including the Named Executive Officers, upon their resignation or retirement. These include our 401(k) Profit-Sharing Plan, a defined benefit retirement plan referred to as our Retirement Plan, a supplemental defined benefit plan referred to as our Restoration Plan, a supplemental defined benefit plan referred to as our Supplemental Executive Retirement Plan and a contributory deferred compensation arrangement referred to as our Deferred Compensation Plan. The purpose of these plans is to provide competitive retirement benefits that enable us to attract and retain talented leaders who will exert considerable influence on our direction and success.

All of our employees who have attained the age of 18 are eligible to participate in our 401(k) Profit-Sharing Plan after 30 days of employment. Eligible employees are automatically enrolled into the plan at a contribution rate of three percent of eligible compensation, which is increased annually by one percent to a maximum of five percent of compensation. Alternatively, each participant can elect to contribute any amount up to 75% of their compensation, not to exceed \$18,000 for 2016. Employees over the age of 50 may also contribute catch-up contribution up to \$6,000. The plan has a safe harbor matching contribution design under IRS rules that provide a dollar for dollar match on

elective contributions up to the first five percent of eligible compensation. Catch-up contributions are not matched.

We maintain the Retirement Plan, a tax-qualified, non-contributory, defined benefit retirement plan, for our employees. The Retirement Plan provides benefits for employees who are at least age of 18 and have completed one year of service. Eligible employees accrue benefits based on a cash balance formula. However, eligible employees who were hired prior to January 1, 2006 accrued benefits through December 31, 2016 that were based on a formula that included final average compensation and length of service. Beginning January 1, 2017, the cash balance formula

applies for all eligible employees. For 2016, the maximum annual benefit allowable under the Code with respect to the Retirement Plan was \$210,000 and the maximum amount of allowable annual compensation considered was \$265,000.

We have also adopted the Restoration Plan, a non-qualified, non-contributory, unfunded defined benefit pension plan for certain officers. Benefits under the Restoration Plan are based on the same formulae as those in the Retirement Plan, but only to the extent that compensation and annual benefit accruals exceed the limits under the Code and, therefore, are not included in the Retirement Plan.

We maintain the Supplemental Executive Retirement Plan, a non-qualified, non-contributory, unfunded defined benefit pension arrangement for selected key employees in the form of a deferred compensation agreement. Benefits under the Supplemental Executive Retirement Plan are based primarily on final average compensation. This arrangement supplements the benefits under the Retirement Plan and the Restoration Plan.

We also maintain the Deferred Compensation Plan to allow certain members of senior management to defer a portion of their cash compensation. Amounts that are deferred are credited with a market interest rate and are paid out upon retirement or termination of employment.

All of our Named Executive Officers participate in the Retirement Plan and the Restoration Plan. Messrs. Rollins, Bagley and Prater accrue benefits that are based on a cash balance formula. Messrs. Threadgill and Hodges accrued benefits under the final average compensation and length of service formula until December 31, 2016, after which they will accrue benefits based on a cash balance formula.

Each of the Named Executive Officers are eligible for normal or early retirement pursuant to the 401(k) Profit-Sharing Plan, the Retirement Plan, the Restoration Plan, the Supplemental Executive Retirement Plan and the Deferred Compensation Plan. The amounts each Named Executive Officer would have received under these plans if he had retired on December 31, 2016 are provided below in the section entitled EXECUTIVE COMPENSATION Potential Payments Upon Termination or Change-in-Control.

Life Insurance Plans

Life Insurance Plan

BancorpSouth Bank maintains a Split Dollar Life Insurance Plan that provides benefits to us and certain executive officers upon death. Messrs. Rollins and Prater participate in this plan. The death benefit is an amount up to 250% of the participant's total compensation, subject to certain limitations and a maximum death benefit is \$750,000. However, the maximum death benefit for Mr. Rollins is \$1 million. Mr. Bagley currently participates in the group term life insurance program that we maintain for our non-executive employees and is entitled to a death benefit of \$600,000 through that program. BancorpSouth Bank is the sole owner of the corresponding life insurance policies and pays the premiums due on the policies. The Split Dollar Life Insurance Plan provides that a participant's beneficiary will be entitled to certain death benefits if the participant's death occurs:

Before his or her separation from service;

Within 24 months following a change in control (as defined in the Split Dollar Life Insurance Plan); or

After the employee has reached age 55 and completed five years of participation. All proceeds in excess of the death benefits received by the participant's beneficiary are retained by BancorpSouth Bank to offset the cost of providing the benefit. With respect to Mr. Bagley, there are no excess death benefits payable under the group term insurance program.

Survivor Income Agreements

We have entered into a Survivor Income Agreement with each of Messrs. Threadgill and Hodges. The death benefit under these agreements is an amount up to 250% of the participant's total compensation, subject to certain limitations. The maximum death benefit for each of Messrs. Threadgill and Hodges is \$550,000. We own the corresponding life insurance policies, prepaid all premiums due on the policies and are generally required to maintain the policies in full force and effect. Upon the executive's retirement or a change of control (as defined in

the Survivor Income Agreement), however, the executive may elect to have a portion of the life insurance policy converted to a split dollar arrangement, in which case the executive will become the owner of a portion of the policy and we will pay a gross-up for any taxes owed by the executive in connection with the conversion. Further, we may generally elect to terminate any of the life insurance policies at any time, in which case the executive will have 30 days to purchase the policy from us. The agreements provide that the executive's beneficiary will be entitled to certain death benefits if the executive's death occurs:

While he or she is an active employee; or

After he or she ceases to be an active employee because of disability but before recovering from such disability.

All proceeds in excess of the death benefits received by the executive's beneficiary are retained by us to offset the cost of providing the benefit.

Risk Management Considerations

The Executive Compensation and Stock Incentive Committee reviews the risks and rewards associated with our compensation programs. The Executive Compensation and Stock Incentive Committee designs our compensation programs with features that mitigate risk without diminishing the incentive nature of the compensation. The committee believes that our compensation programs encourage and reward prudent business judgment and appropriate risk-taking over the long term. As discussed above in the section entitled "Executive Summary", we believe that our incentive compensation plans and policies include terms designed to mitigate any potential material risks created by the performance-based metrics used in the incentive compensation plans. In addition, as discussed above in the section entitled "Compensation Policy", we have an Executive Compensation Policy, which sets forth the conditions under which we may recover excess incentive-based compensation paid or awarded to or received by any of our current or former executive officers. The Chairman of the Risk Management Committee meets at least annually with either the Executive Compensation and Stock Incentive Committee or its Chairman.

Together, the features of our executive compensation program are intended to:

Ensure that our compensation opportunities do not encourage excessive risk taking; and

Focus our executive officers on managing BancorpSouth towards creating long-term, sustainable value for our shareholders.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Executive Compensation and Stock Incentive Committee is comprised of Messrs. Campbell, Holliman (Chair), Nolan and Stanton and Mrs. Cannon.

None of the members of the Executive Compensation and Stock Incentive Committee has at any time been one of our officers or employees. Members of the committee may, from time to time, have banking relationships in the ordinary course of business with our subsidiary, BancorpSouth Bank, as described below in the section entitled **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**. Except as described in that section and in the section above entitled **Director Independence**, Messrs. Campbell, Holliman, Nolan and Stanton and Mrs. Cannon had no other relationship during 2016 requiring disclosure by us.

During 2016, none of our executive officers served as a member of another entity's compensation committee, one of whose executive officers served on our Executive Compensation and Stock Incentive Committee or on our Board of Directors, and none of our executive officers served as a director of another entity, one of whose executive officers served on our Executive Compensation and Stock Incentive Committee.

EXECUTIVE COMPENSATION AND STOCK INCENTIVE COMMITTEE REPORT

The Executive Compensation and Stock Incentive Committee has reviewed and discussed the Compensation Discussion and Analysis required by Securities and Exchange Commission Regulation S-K, Item 402(b) with management. Based on such review and discussions, the Executive Compensation and Stock Incentive Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference in BancorpSouth's Annual Report on Form 10-K for the year ended December 31, 2016.

Executive Compensation and Stock Incentive Committee:

W.G. Holliman, Jr. (*Chairman*)

James E. Campbell III

Deborah M. Cannon

Robert C. Nolan

Thomas R. Stanton

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth certain information concerning compensation paid or accrued by us for the last three years with respect to each of our Named Executive Officers the Chief Executive Officer, the Chief Financial Officer, our three other most highly compensated executive officers who were serving as executive officers at December 31, 2016 and whose total compensation for 2016 exceeded \$100,000:

Name and Principal Position	Year	Salary	Bonus	Non-Equity Incentive Plan Compensation ⁽¹⁾	Stock Awards ⁽²⁾	Change in Pension Value and Nonqualified Deferred Compensation Earnings ⁽³⁾	All Other Compensation ⁽⁴⁾	Total
James D. Rollins III <i>Chairman and Chief Executive Officer</i>	2016	\$ 840,000		\$ 701,568	\$ 1,076,350	\$ 302,349	\$ 62,860	\$ 2,983,127
	2015	800,000		739,726	1,102,488	70,357	40,573	2,753,144
	2014	800,000		546,599	844,560	482,371	48,938	2,722,468
Chris A. Bagley <i>President and Chief Operating Officer</i>	2016	495,000		310,068	396,293	105,969	32,589	1,339,919
	2015	475,000		329,409	400,500	229,500	36,777	1,471,186
	2014	337,500	119,404 ⁽⁵⁾	230,596 ⁽⁵⁾	1,701,750	358,992	9,404	2,757,646
William L. Prater ⁽⁶⁾ <i>Senior Executive Vice President, Treasurer and Chief Financial Officer</i>	2016	395,000		214,438	97,850	43,768	25,318	776,374
	2015	395,000		237,406	133,500	84,310	27,290	877,506
	2014	395,000		175,424	244,800	175,095	25,074	1,015,393
W. James Threadgill, Jr. ⁽⁷⁾ <i>Senior Executive Vice President and Chief Business Development Officer</i>	2016	388,000		162,029	205,485	463,557	27,970	1,247,041
	2015	380,000		175,685	173,550	150,696	28,991	908,922
	2014	365,000		124,693	186,048	706,762	28,032	1,410,535

James R. Hodges <i>Senior Executive Vice President and Chief Credit Officer</i>	2016	382,500		159,732	205,485	536,687	18,939	1,303,343
	2015	375,000		173,373	173,550	354,887	18,731	1,095,541
	2014	355,000		121,277	172,584	912,875	18,831	1,580,567

- (1) The amounts shown reflect cash awards earned under the Amended and Restated Executive Performance Incentive Plan.
- (2) Reflects the aggregate grant date fair value of restricted stock and performance shares computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Stock Compensation, or FASB ASC Topic 718. For more information about the restricted stock and performance shares, see the sections above entitled COMPENSATION DISCUSSION AND ANALYSIS - Components of Compensation - Long-Term Incentive Compensation - Restricted Stock and COMPENSATION DISCUSSION AND ANALYSIS - Components of Compensation - Long-Term Incentive Compensation - Performance Shares, respectively.
- (3) The key assumptions used to determine the pension values are described below in the section entitled Pension Benefits Assumptions Used to Calculate Pension Values.
- (4) Details of the amounts reported as All Other Compensation for 2016 are as follows:

Name	401(k) Contribution	Company Automobile	Club Allowance	Physical Exam	Imputed Income for Life Insurance Benefit*	Corporate Aircraft Use**	Total
James D. Rollins III	\$ 13,250	23,775		\$ 525	1,107	\$ 24,203	\$ 62,860
Chris A. Bagley	13,250	13,234		525	1,122	4,458	32,589
William L. Prater	13,250	10,829		525	714		25,318
W. James Threadgill, Jr.	13,250	9,565	3,780	525	850		27,970
James R. Hodges	13,250	4,107		525	1,057		18,939

- * Reflects the amount of imputed income with respect to participation in BancorpSouth Bank's life insurance plans. For more information about these plans, see the section above entitled COMPENSATION DISCUSSION AND ANALYSIS Life Insurance Plan.

- ** We report use of corporate aircraft by the Named Executive Officers as a perquisite or other personal benefit only if it is not integrally and directly related to the performance of the executive's duties. While we maintain aircraft, the Named Executive Officers other than Messrs. Rollins and Bagley are generally not entitled to use our aircraft for personal travel except for limited circumstances described in the Company's corporate aircraft policy. SEC rules require us to report any such use as compensation in an amount equal to our aggregate incremental cost. We estimate our aggregate incremental cost to be equal to the average operating cost per hour for the year (which includes items such as fuel, maintenance, landing fees, additional crew expenses and other expenses incurred based on the number of hours flown per year) multiplied by the number of hours for each flight. The amount reported for Mr. Rollins represents the total flight hours attributed to his personal use of our corporate aircraft (14.77 hours) multiplied by our incremental cost rate for 2016 of \$1,638.66 per hour. The amount reported for Mr. Bagley represents the total flight hours attributed to his personal use of our corporate aircraft (3.20 hours) multiplied by our incremental cost rate for 2016 of \$1,393.13 per hour.

(5) The amount in the Non-Equity Incentive Plan Compensation column reflects the amount that Mr. Bagley earned under the Amended and Restated Executive Performance Incentive Plan for 2014 based on performance. This was less than the \$350,000 guaranteed minimum bonus that Mr. Bagley was entitled to receive as a condition of employment. The amount in the Bonus column for 2014 reflects the difference between the guaranteed amount and the amount earned under the Amended and Restated Executive Performance Incentive Plan.

(6) Mr. Prater retired from BancorpSouth, Inc. and BancorpSouth Bank effective as of March 10, 2017.

(7) Mr. Threadgill retired from BancorpSouth, Inc. and BancorpSouth Bank effective as of January 2, 2017.

Change in Pension Value and Nonqualified Deferred Compensation Earnings

The change in each executive's pension value that is reported in the Summary Compensation Table is the change in our obligation to provide pension benefits (at a future retirement date) from the beginning of the fiscal year to the end of the fiscal year. The obligation is the value of a benefit, as of December 31 of each respective year, that will be paid at the executive's normal retirement date (age 65) based on the benefit formula and the executive's current pay and service.

Change in pension values may be a result of various sources such as:

Service accruals. As the executive earns an additional year of service, the present value of the liability increases because the executive has earned one year more service than he had at the prior measurement date.

Compensation increases/decreases. As the executive's compensation increases, the present value of the liability increases because the executive's average compensation under each plan has increased since the prior measurement date. If the executive's compensation decreases, however, the average compensation under each plan normally will not decrease as a result of the definition of average compensation.

Aging. The change in pension values shown in the Summary Compensation Table are present values of retirement benefits that will be paid in the future. Generally, as the executive approaches retirement age, the present value of the liability increases because the executive is one year closer to retirement.

Changes in assumptions. The change in pension values shown in the Summary Compensation Table is the present value of the increase in pension benefits during the applicable year. A discount rate and mortality table are used to calculate these values. The discount rates used under the Retirement Plan, the Restoration Plan and the Supplemental Executive Retirement Plan all decreased since the prior year, which caused an increase in the present value of the benefit as of December 31, 2016. The mortality table was updated since the prior year to reflect the latest mortality improvements, which decreased the present value of the benefit as of December 31, 2016.

The pension benefits and assumptions used to calculate these values are described in more detail in the section below entitled Pension Benefits.

Realized Compensation for 2016

The SEC's calculation of total compensation, as shown in the section above entitled Summary Compensation Table, includes several items that are driven by accounting and actuarial assumptions, which are not necessarily

reflective of compensation actually realized by the Named Executive Officers. To supplement the SEC-required disclosure, we have included the following additional table, which shows compensation actually realized in 2016 by each Named Executive Officer:

Name and Principal Position	Total 2016 Realized Compensation ⁽¹⁾
James D. Rollins III <i>Chairman and Chief Executive Officer</i>	\$ 1,760,060
Chris A. Bagley <i>President and Chief Operating Officer</i>	837,657
William L. Prater <i>Senior Executive Vice President, Treasurer and Chief Financial Officer</i>	827,396
W. James Threadgill, Jr. <i>Senior Executive Vice President and Chief Business Development Officer</i>	759,073
James R. Hodges <i>Senior Executive Vice President and Chief Credit Officer</i>	733,534

(1) Amounts reported as realized compensation differ substantially from the amounts determined under SEC rules and reported as total compensation in the section above entitled Summary Compensation Table. Realized compensation is not a substitute for total compensation. As compared to the amounts reported in the Summary Compensation Table, Total Realized Compensation represents (a) the amount calculated under applicable SEC rules and set forth in the Total column of the Summary Compensation Table, *minus* (b) the aggregate grant date fair value of equity awards (as reflected in the Stock Awards and Option Awards columns of the Summary Compensation Table), *minus* (c) the year-over-year change in pension value and nonqualified deferred compensation earnings (as reflected in the Change in Pension Value and Nonqualified Deferred Compensation Earnings column of the Summary Compensation Table), *plus* (d) the value realized from the exercise of stock options and the vesting of restricted stock or performance shares before payment of any applicable withholding taxes and brokerage commissions (as reflected in the Option Exercises and Stock Vested table below).

Grants of Plan-Based Awards

The following table sets forth certain information regarding plan-based awards granted to the Named Executive Officers during 2016:

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾		Threshold	Estimated Future Payouts Under Equity Incentive Plan Awards ⁽²⁾		All Other Stock Awards: Number of Shares of Stock or Units ⁽³⁾	Grant Date Fair Value of Stock and Option Awards ⁽⁴⁾
		Target	Maximum		Target	Maximum		
James D. Rollins III		840,000	1,680,000					

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	1/27/2016		2310	18,335	36,670		358,816 ⁽⁵⁾
	1/27/2016					36,665	717,534
Chris A. Bagley	371,250	742,500					
	1/27/2016		851	6,750	13,500		132,098 ⁽⁵⁾
	1/27/2016					13,500	264,195
William L. Prater	256,750	513,500					
	1/27/2016		208	1,650	3,300		32,290 ⁽⁵⁾
	1/27/2016					3,350	65,560
W. James Threadgill, Jr.	194,000	388,000					
	1/27/2016		441	3,500	7,000		68,495 ⁽⁵⁾
	1/27/2016					7,000	136,990
James R. Hodges	191,250	382,500					
	1/27/2016		441	3,500	7,000		68,495 ⁽⁵⁾
	1/27/2016					7,000	136,990

- (1) The estimated payouts shown reflect cash incentive awards granted under the Amended and Restated Executive Performance Incentive Plan, where receipt is contingent upon the achievement of certain performance goals. For more information about the awards, see the section above entitled **COMPENSATION DISCUSSION AND ANALYSIS** Components of Compensation Annual Incentive Compensation.
- (2) Reflects the number of performance shares granted under our Long-Term Equity Incentive Plan that will vest on January 1, 2019 upon the achievement of certain performance goals for the 2016 through 2017 performance period and continued service through the 2018 retention period. For more information, see the section above entitled **COMPENSATION DISCUSSION AND ANALYSIS** Components of Compensation Long-Term Incentive Compensation Performance Shares.
- (3) Reflects shares of restricted stock granted under the Long-Term Equity Incentive Plan, all of which vest on May 15, 2021.

(4) Reflects the aggregate grant date fair value computed in accordance with FASB ASC Topic 718.

(5) With respect to performance shares granted under our Long-Term Equity Incentive Plan, the amounts shown assume that target performance goals are attained during the 2016 through 2017 performance period and service continues through the 2018 retention period. For additional information, see the section above entitled COMPENSATION DISCUSSION AND ANALYSIS Components of Compensation Long-Term Incentive Compensation Performance Shares.

Outstanding Equity Awards at 2016 Fiscal Year-End

The following table provides certain information with respect to the Named Executive Officers regarding outstanding equity awards as of December 31, 2016:

Stock Awards

Name	Number of Securities Underlying		Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock Held that Have Not Vested ⁽²⁾	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested ⁽³⁾	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ⁽²⁾
	Unexercised Options ⁽¹⁾	Option Exercisable					
James D. Rollins III				116,748 ⁽⁴⁾	\$ 3,625,025	40,445	\$ 1,255,817
Chris A. Bagley				60,500 ⁽⁵⁾	1,878,525	14,790	459,230
William L. Prater				29,000 ⁽⁶⁾	900,450	4,330	134,447
W. James Threadgill, Jr.				27,250 ⁽⁶⁾	846,113	6,984	216,853
James R. Hodges				26,900 ⁽⁶⁾	835,245	6,984	216,853

(1) The amounts shown reflect option awards granted under the Long-Term Equity Incentive Plan.

(2) Based upon the closing sale price of our common stock of \$31.05 per share, as reported on the New York Stock Exchange on December 31, 2016.

(3) Reflects the aggregate target number of performance shares granted in 2015 and 2016 under the Long-Term Equity Incentive Plan subject to the achievement of certain performance goals at the target level and continued service. For the performance shares granted in 2015, the performance goals were attained at 134% of the target level and the performance shares earned will become vested on December 31, 2017, conditioned on continued service. For the performance shares granted in 2016, the target number of shares is reflected in the table. For more information about the awards, see the section above entitled COMPENSATION DISCUSSION AND ANALYSIS Components of Compensation Long-Term Incentive Compensation Performance Shares.

(4) Reflects (a) 24,083 shares of restricted stock granted pursuant to the terms of Mr. Rollins' previous Employment Agreement, which are subject to forfeiture until fully vested on November 27, 2017, 92,665 shares of restricted stock granted under the Long-Term Equity Incentive Plan, a portion of which vests on May 15, 2019, May 15, 2020 and May 15, 2021.

- (5) Reflects 35,000 shares of restricted stock granted under the Long Term Incentive Plan, which are subject to forfeiture until fully vested on February 1, 2018; the remainder reflects shares of restricted stock granted under the Long Term Equity Incentive Plan which fully vest on May 15, 2020 and May 15, 2021.
- (6) Reflects shares of restricted stock granted under the Long-Term Equity Incentive Plan, a portion of which vests on May 15, 2018, May 15, 2019, May 15, 2020 and May 15, 2021.

Option Exercises and Stock Vested

The following table shows the amounts received by the Named Executive Officers upon the exercise of options or the vesting of restricted stock or performance shares during 2016:

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized Upon Exercise	Number of Shares Acquired on Vesting ⁽¹⁾	Value Realized on Vesting
James D. Rollins III			7,113	\$ 155,632 ⁽²⁾
Chris A. Bagley				
William L. Prater			8,030	192,640 ⁽³⁾
W. James Threadgill, Jr.	15,000	\$ 23,460	6,570	157,614 ⁽³⁾
James R. Hodges	2,500	4,241	7,008	168,122 ⁽³⁾

- (1) The vested shares acquired by Mr. Rollins were from restricted stock awards. The vested shares acquired by Messrs. Prater, Threadgill and Hodges were from performance awards.

(2) Based upon the closing sale price of our common stock of \$21.88 per share, as reported on the New York Stock Exchange on May 13, 2016.

(3) Based upon the closing sale price of our common stock of \$23.99 per share, as reported on the New York Stock Exchange on December 31, 2015.

Pension Benefits

The following table provides information regarding the present value of the accumulated benefit to each of the Named Executive Officers based on the number of years of credited service under our defined benefit retirement plans as of December 31, 2016:

Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit	Payments During Last Fiscal Year
James D. Rollins III	Retirement Plan	N/A	\$ 22,583	\$
	Restoration Plan	N/A	96,639	
	Supplemental Executive Retirement Plan	N/A	1,552,353	
Chris A. Bagley	Retirement Plan	N/A	10,764	
	Restoration Plan	N/A	23,076	
	Supplemental Executive Retirement Plan	N/A	661,115	
William L. Prater	Retirement Plan	N/A	27,360	
	Restoration Plan	N/A	32,160	
	Supplemental Executive Retirement Plan	N/A	610,842	
W. James Threadgill, Jr.	Retirement Plan	30 years	1,002,057	
	Restoration Plan	30 years	1,244,314	
	Supplemental Executive Retirement Plan	N/A	658,457	
James R. Hodges	Retirement Plan	44 years ⁽¹⁾	1,275,961	
	Restoration Plan	44 years ⁽¹⁾	1,378,383	
	Supplemental Executive Retirement Plan	N/A	678,607	

(1) Benefit service is capped at 35 years.

Retirement Plan

We maintain a tax-qualified, non-contributory, defined benefit retirement plan for our employees who have reached the age of 18 and have completed one year of service. Eligible employees accrue benefits in the Retirement Plan through a cash balance formula. Through December 31, 2016, the Retirement Plan also included a final average pay formula for employees who were hired prior to January 1, 2006. Beginning January 1, 2017, all benefits are accrued

under the cash balance formula.

The key provisions of the Retirement Plan are as follows:

Monthly benefit. Participants with a vested benefit will be eligible to receive retirement benefits, calculated using the following formulae, each month for the rest of their lives beginning on their normal retirement date (i.e., the date they reach age 65):

Cash balance formula. The cash balance formula is based on the following:

Retirement benefit will be based on the value of a hypothetical account balance that is credited with 2.5% of pay for each year that the participant works at least 1,000 hours; and

Interest credits will be added to the hypothetical account each year based on the yield of the six-month Treasury Bill as of the prior September, plus 1.5%.

Final average pay formula. This formula applies for employees hired prior to January 1, 2006 and was frozen effective December 31, 2016. Participants who were eligible for this formula will retain the value of accruals through 2016. Accruals in 2017 will be based on the cash balance formula. The final average pay formula is the sum of:

0.65% of the average compensation times years of service up to 35 years; plus

0.65% of the average compensation in excess of covered compensation (average of the Social Security wage base) times years of service up to 35 years.

Benefits are limited to the annual benefit limit set forth in Code Section 415, which was \$210,000 per year in 2016 for an annuity form of payment.

Average compensation. Average compensation is the average of eligible pay earned over the period of five consecutive years that produces the highest average. This amount is subject to the annual compensation limit in Code Section 401(a)(17), which was \$265,000 in 2016.

Integration with Social Security (covered compensation). As permitted by the Code, the final average pay formula provides higher benefit accruals for participants earning in excess of covered compensation (a 35-year average of the taxable wage base) so that their total retirement income (including Social Security benefits) as a percentage of compensation will be comparable to that of other employees. Integration with Social Security is not applied in the cash balance formula.

Vesting. Participants become vested after reaching three years of service.

Early retirement benefits. Participants may elect to retire prior to their normal retirement date. If a participant is at least age 55 and has at least ten years of service, then he or she may receive benefits early. The normal form of monthly benefit is a single life annuity that is actuarially equivalent to the cash balance account value payable as of the early retirement date. There is no reduction for early retirement under the cash balance formula. A reduction applies under the final average pay formula. The reduction is 6.67% per year for each year the participant elects to retire that is prior to age 65, up to five, plus 3.33% per year for each year the participant elects to retire prior to age 60.

Death benefits. The participant's beneficiary will receive the value of the accrued benefit under the cash balance formula upon the death of a participant. Under the final average pay formula, the beneficiary will receive a life annuity equal to the greater of (1) 50% of the amount the participant would have received if he or she had survived and elected the qualified joint and 50% contingent option payable at the earliest date allowed under the plan or (2) an amount that can be provided by the present value of the participant's accrued benefit based on the final average pay formula plus the cash balance account value as of the participant's date of death. If the participant made a valid election as of December 31, 2008, the beneficiary will receive a lump sum payment with respect to benefits accrued prior to January 1, 2004.

Disability benefits. Disabled participants will receive their accrued benefit determined as of the date of disability.

Special note on lump sum payments. A participant may elect to receive a lump sum payment of the entire benefit accrued under the cash balance formula. For benefits accrued under the final average pay formula, a lump sum payment may be elected for benefits accrued prior to December 31, 2003. Benefits accrued after that date that do not exceed \$20,000 may be paid in a lump sum. If the value of benefits accrued after December 31, 2003 exceeds \$20,000, that portion of the participant's benefit will be paid as a residual annuity in addition to any lump sum payment option.

Restoration Plan

This plan provides a supplement to our Retirement Plan for amounts that exceed the statutory limits on qualified plans under the Code. As a result, the executives, officers and management employees designated to participate in this plan will have a similar total retirement income as a percentage of total compensation as our other employees. This plan applies to compensation earned in excess of the limitation of Section 401(a)(17) of the Code (*i.e.*, \$265,000 in 2016). It also provides benefits that would otherwise be reduced by the annual limitation on annuity payments under Section 415 of the Code (*i.e.*, \$210,000 in 2016). Benefits are calculated by applying the same benefit formulae that apply under the Retirement Plan to the compensation earned by the participant in excess of the compensation limit and in amounts that would exceed the limit on annual annuity payments. For this purpose,

compensation is the same as defined in the Retirement Plan but excludes commissions and includes compensation that is deferred under the Deferred Compensation Plan. Benefits are forfeited if the participant has not earned three years of vesting service under the Retirement Plan, is terminated for cause or violates certain noncompete or confidentiality covenants. Benefits are paid out of our general assets and are not dependent on investment returns or interest earned. Benefits under the cash balance formula are paid as a lump sum within 90 days after separation from service. Benefits under the final average pay formula are paid in the form of an annuity at the later of age 55 or separation from service.

In general, the Restoration Plan is similar to the Retirement Plan, other than the required limits in the Retirement Plan that are discussed above. The benefit payable under the Restoration Plan is the difference between the gross benefit calculated without the required Code limits and the amount of the benefit that is payable under the Retirement Plan.

Supplemental Executive Retirement Plan

We sponsor a non-qualified, non-contributory, unfunded defined benefit pension arrangement for select key employees. Benefits are paid out of our general assets and are not impacted by investment returns or interest earned. The key provisions of the Supplemental Executive Retirement Plan are as follows:

Monthly benefit. Eligible participants will receive 15% of average compensation, payable on the date of the participant's retirement after age 65. The Executive Compensation and Stock Incentive Committee has the authority to provide additional benefits in an amount up to \$1,000 per month for the maximum payment period.

Average compensation. Average compensation is the average of eligible pay earned over the period of 36 months beginning January 1, 2006 or later that produces the highest average. Earnings in this plan include compensation that is deferred under the Deferred Compensation Plan.

Eligibility. Participants are a select group of management or highly compensated employees who are designated by the Executive Compensation and Stock Incentive Committee to participate.

Early retirement benefits. Participants may elect to retire and commence payments as early as age 55. The monthly benefit is calculated in the same manner as the normal retirement benefit, but is reduced 5% for each year that the participant elects to retire prior to age 65.

Death, disability and change in control benefits. If a participant dies or becomes totally and permanently disabled prior to retirement, the participant's designated beneficiary will receive the early retirement benefit described above, but such an amount will not be less than one-half of the normal retirement benefit (i.e., 7.5% of average monthly compensation). Upon termination of employment following a change in control, the participant will receive the full retirement benefit with no reduction for termination prior to age 65.

Form of benefit payment. All benefits will be paid in equal consecutive monthly installments over a period of ten years.

Forfeiture of benefits. Except in the event of death, disability or a change in control, benefits under the plan are forfeited by participants who terminate employment prior to age 55. Benefits are also forfeited if a participant violates noncompete or confidentiality covenants.

Compounding Effect of Compensation Increases

The Executive Compensation and Stock Incentive Committee is aware that compensation increases for executive officers may have the effect of enhancing benefits under its pension plans, particularly the Restoration Plan and the Supplemental Executive Retirement Plan. Through December 31, 2016, the Restoration Plan provided benefits based on final average pay formula, as described above. Effective January 1, 2017, benefits for the Restoration Plan are calculated under a cash balance formula so that compensation increases do not tend to have a compounding effect on benefits. Willis Towers Watson, in its capacity as benefits consultant and pension actuary, provides us with

relevant information so that the committee is able to consider the compounding effect of compensation adjustments under these programs.

Assumptions Used to Calculate Pension Values

Because the pension amounts shown in the Summary Compensation Table and the Pension Benefits Table are projections of future retirement benefits, numerous assumptions have been applied. In general, the assumptions should be the same as those used to calculate the pension liabilities in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 715, Compensation Retirement Benefits, or FASB ASC Topic 715, on the measurement date, although SEC rules specify certain exceptions (as noted in the table below).

The changes in pension values shown in the Summary Compensation Table are determined as the change in the values during the fiscal year (including the impact of changing assumptions from the prior fiscal year). The accumulated pension values shown in the Pension Benefits Table are based on the assumptions applied as of December 31, 2016.

The following key assumptions are used to determine the pension values:

Assumption	Basis for Assumption	December 31, 2015	December 31, 2016
Discount rate	Under SEC rules, discount rate used to measure pension liabilities under FASB ASC Topic 715.	4.44% for the Retirement Plan; 4.20% for the Restoration Plan; 3.40% for the Supplemental Executive Plan	4.101% for the Retirement Plan; 3.938% for the Restoration Plan; 3.349% for the Supplemental Executive Plan
Rate of future salary increases	Under SEC rules, no salary projection.	0%	0%
Form of payment	<i>Retirement Plan</i> : normal form of payment. ⁽¹⁾ <i>Restoration Plan</i> : normal form of payment. ⁽²⁾ <i>Supplemental Executive Retirement Plan</i> : normal form of payment.	Life annuity Specified by participant Ten-year certain annuity	Life annuity Specified by participant Ten-year certain annuity
Date of retirement	For Summary Compensation Table and Pension Benefits Table, use normal retirement age pursuant to SEC rules. For Potential Payments Upon Termination or Change-in- Control Tables, use the determination date.	Age 65 Immediate ⁽³⁾	Age 65 Immediate ⁽³⁾
Lump sum interest			

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rate	<p>For Summary Compensation Table and Pension Benefits Table, use same assumption to measure pension liabilities under FASB ASC Topic 715.</p> <p>For Potential Payments Upon Termination or Change-in- Control Tables, use interest rate defined by the plan for the upcoming plan year pursuant to §417(e) of the Code.</p>	<p>Assumed equal to the discount rate used for the Retirement Plan.</p> <p>Rates as specified at the time of payment by the Treasury under §417(e) of the Code.</p>	<p>Assumed equal to the discount rate used for the Retirement Plan.</p> <p>Rates as specified at the time of payment by the Treasury under §417(e) of the Code.</p>
Post-retirement mortality	<p>For Summary Compensation Table and Pension Benefits Table, use same assumption to measure pension liabilities under FASB ASC Topic 715.</p>	<p>RP-2014 Healthy Annuitants mortality table adjusted backward to 2006 with Scale MP-2014 and projected with Scale MP-2015 generationally</p>	<p>RP-2014 Healthy Annuitants mortality table adjusted backward to 2006 with Scale MP-2014 and projected with Scale MP-2016 generationally</p>

Assumption	Basis for Assumption	December 31,	December 31,
		2015	2016
	For Potential Payments Upon Termination or Change-in- Control Tables, use Mortality Table pursuant to §417(e) of the Code.	RP-2000 (50/50 Blend) projected to 2015	RP-2000 (50/50 Blend) projected to 2016

(1) For the Retirement Plan, information in the Summary Compensation Table and the Pension Benefits Table assumes the normal form of payment is a life annuity. For these tables, it is assumed that 5% of participants elect the normal form for benefits accrued prior to January 1, 2004 and 95% elect a lump sum payment for benefits accrued prior to January 1, 2004. For benefits accrued after December 31, 2003, it is assumed that participants elect the normal form for benefits. For the cash balance formula benefit, it is assumed that 95% of participants elect a lump sum and 5% elect an annuity. Results in the Potential Payments Upon Termination or Change-in-Control Tables show the lump sum value of the participant s accrued benefit as of December 31, 2003 plus an additional life annuity. For more information, see the subsection above entitled Retirement Plan Special Note on Lump Sum Payments.

(2) For the Restoration Plan, certain participants were allowed to make an election as of December 31, 2008 to receive the benefits accrued prior to January 1, 2004 as a lump sum payment or as a life annuity. Mr. Threadgill elected to receive a life annuity while Mr. Hodges elected to receive a lump sum. For benefits accrued after December 31, 2003, it is assumed that participants elect the normal form for benefits. In the event that a lump sum payment was elected, results in the Potential Payments Upon Termination or Change-in-Control Tables show the lump sum value of the participant s accrued benefit as of December 31, 2003 plus an additional life annuity.

(3) For the Retirement Plan and the Restoration Plan, participants may retire immediately under the early retirement provisions of each plan if they have reached age 55 and earned at least ten years of vesting service. Participants who retire prior to age 65 and do not meet early retirement eligibility requirements may elect an immediate annuity that is actuarially equivalent to their accrued benefit. Cash balance formula benefits are payable as a lump sum at any time after termination, with the option to elect an actuarially equivalent annuity. For the Supplemental Executive Retirement Plan, participants may retire immediately under the early retirement provisions of the plan if they have reached age 55. Participants who terminate employment prior to retirement eligibility will not be eligible for a benefit under the Supplemental Executive Retirement Plan.

Nonqualified Deferred Compensation

The following table shows the activity during 2016 and the aggregate balance held by each of the Named Executive Officers at December 31, 2016 under the Deferred Compensation Plan:

Name	Executive Contribution	BancorpSouth Contributions	Aggregate Earnings	Aggregate Withdrawals	Aggregate Balance at December 31, 2016

James D. Rollins III	\$	\$	\$	\$	\$
Chris A. Bagley					
William L. Prater					
W. James Threadgill, Jr.					
James R. Hodges					

We maintain the Deferred Compensation Plan as a nonqualified contribution benefit arrangement for our executive officers. This plan permits eligible employees to elect to defer a portion of their compensation. We do not make a matching or other contribution under this plan. Each participant's account is credited with interest effective June 30 and December 31 of each calendar year. Interest is credited at the rate equal to the yield on the most recently-issued U.S. Treasury note with an original maturity of ten years or the most recently-issued U.S. Treasury note with an original maturity of one year, whichever is greater, as quoted in *The Wall Street Journal* for the last business day of the calendar year. Participant accounts are distributed following retirement or separation from service in installment payments over ten years, unless the participant timely elects a different form of payment. Generally, payments cannot commence until six months following separation from service.

These programs supplement our tax-qualified 401(k) Profit-Sharing Plan, as the Code limits the amounts that can be accrued in a qualified plan for highly paid executives. Both programs are subject to the rules under Section 409A of the Code.

Potential Payments Upon Termination or Change-in-Control

The following tables show the amounts that each Named Executive Officer would have received assuming that the Named Executive Officer resigned or retired, his employment was terminated, a change in control occurred or he died or became disabled effective December 31, 2016. Additional information regarding the payments described below is summarized above under COMPENSATION DISCUSSION AND ANALYSIS - Employment Agreements and Change in Control Agreements and under Pension Benefits.

Mr. Rollins

Executive Benefits and Payments upon Termination	Retirement	Involuntary Termination without Cause	Termination Related to Change in Control	Death or Disability
Base Salary	\$	\$	\$ 2,520,000 ⁽¹⁾	\$
Non-Equity Incentive Plan Compensation			5,040,000 ⁽¹⁾	706,272 ⁽¹⁾
Restricted Stock (unvested)			3,845,884 ⁽²⁾	3,845,884 ⁽²⁾
Performance Shares (unvested)	971,166 ⁽³⁾		1,255,817 ⁽³⁾	971,166 ⁽³⁾
Insurance Benefits			49,366 ⁽⁴⁾	1,000,000 ⁽⁵⁾
Restoration Plan ⁽⁶⁾	114,523	114,523	114,523	114,523
Supplemental Executive Retirement Plan ⁽⁶⁾	148,943	148,943	229,144	148,943
Accrued Vacation	72,692	72,692	72,692	72,692
Perquisites			72,900 ⁽⁷⁾	

(1) The amounts shown reflect the product of 300% of Mr. Rollins' base salary and maximum cash incentive under our Amended and Restated Executive Performance Incentive Plan pursuant to the terms of his Change in Control Agreement. The amount shown for death or disability reflects the terms of our Amended and Restated Executive Performance Incentive Plan.

(2) The amount shown reflects the market value of 123,861 shares of restricted stock that would have vested pursuant to the terms of Mr. Rollins' restricted stock award agreements.

(3) The amount shown reflects the market value of 31,278 shares that would have been earned and vested under Mr. Rollins' performance share award agreement, except that 40,445 shares would have become vested on a change in control.

(4) The amount shown reflects the value for participation in our health and welfare benefit plans for a 36-month period following a change in control in accordance with the terms of Mr. Rollins' Change in Control Agreement.

(5) The amount shown reflects the proceeds due under our split dollar life insurance program. There is no disability benefit under this program.

(6) The amounts shown reflect the present value of benefits accrued that would be payable.

(7) The amount shown is equal to 300% of the value of perquisites provided to Mr. Rollins under his Change in Control Agreement.

Mr. Bagley

Executive Benefits and Payments upon Termination	Involuntary Termination		Termination Related to Change in Control	Death or Disability
	Retirement without Cause			
Base Salary	\$	\$	\$ 1,237,500 ⁽¹⁾	\$
Non-Equity Incentive Plan Compensation			1,856,250 ⁽¹⁾	312,147 ⁽¹⁾
Restricted Stock (unvested)			1,878,525 ⁽²⁾	1,878,525 ⁽²⁾
Performance Shares (unvested)	459,230 ⁽³⁾		668,817 ⁽³⁾	459,230 ⁽³⁾
Insurance Benefits			64,787 ⁽⁴⁾	600,000 ⁽⁵⁾
Restoration Plan ⁽⁶⁾	28,653	28,653	28,653	28,653
Supplemental Executive Retirement Plan ⁽⁶⁾	57,172	57,172	103,949	57,172
Accrued Vacation	56,163	56,163	56,163	56,163
Perquisites			41,277 ⁽⁷⁾	

(1) The amounts shown reflect the product of 250% of Mr. Bagley's base salary and maximum cash incentive under our Amended and Restated Executive Performance Incentive Plan pursuant to the terms of his Change in Control Agreement. The amount shown for death or disability reflects the terms of our Amended and Restated Executive Performance Incentive Plan.

(2) The amounts shown reflect the market value of 60,500 shares of restricted stock that would have vested pursuant to the terms of Mr. Bagley's restricted stock award agreement.

(3) The amount shown reflects the market value of 14,790 shares that would have been earned and vested under Mr. Bagley's performance share awards that would have vested pursuant to the terms of his performance award agreement, except that 21,540 shares would have become vested on a change in control.

(4) The amount shown reflects the value for participation in our health and welfare benefit plans for a 36-month period in accordance with the terms of Mr. Bagley's Change in Control Agreement.

(5) The amount shown reflects the proceeds due under our group term life insurance program. There is no disability benefit under this program.

(6) The amounts shown reflect the present value of benefits accrued that would be payable.

(7) The amount shown is equal to 300% of the value of perquisites provided to Mr. Bagley under his Change in Control Agreement.

Mr. Prater

Executive Benefits and Payments upon Termination	Retirement	Involuntary Termination without Cause	Termination Related to Change in Control	Death or Disability
Base Salary	\$	\$	\$ 790,000 ⁽¹⁾	\$
Non-Equity Incentive Plan Compensation			1,027,000 ⁽¹⁾	215,875 ⁽¹⁾
Restricted Stock (unvested)			900,450 ⁽²⁾	900,450 ⁽²⁾
Performance Shares (unvested)	108,830		134,447 ⁽³⁾	108,830 ⁽³⁾
Insurance Benefits			26,935 ⁽⁴⁾	750,000 ⁽⁵⁾
Restoration Plan ⁽⁶⁾	39,289	39,289	39,289	39,289
Supplemental Executive Retirement Plan ⁽⁶⁾	51,676	51,676	93,957	51,676
Accrued Vacation	30,764	30,764	30,764	30,764
Perquisites			22,708 ⁽⁷⁾	

(1) The amounts shown reflect the product of 200% of Mr. Prater's base salary and maximum cash incentive under our Amended and Restated Executive Performance Incentive Plan pursuant to the terms of his Change in Control Agreement. The amount shown for death or disability reflects the terms of our Amended and Restated Executive Performance Incentive Plan.

(2) The amounts shown reflect the market value of 29,000 shares of restricted stock that would have vested pursuant to the terms of Mr. Prater's restricted stock award agreement.

(3) The amount shown reflects the market value of 3,505 shares that would have been earned and vested under Mr. Prater's performance award agreement, except that 4,330 shares would have become vested on a change in control.

(4) The amount shown reflects the value for participation in our health and welfare benefit plans for a 24-month period in accordance with the terms of Mr. Prater's Change in Control Agreement.

(5) The amount shown reflects the proceeds due under our split dollar life insurance program. There is no disability benefit under this program.

(6) The amounts shown reflect the present value of benefits accrued that would be payable.

(7) The amount shown is equal to 200% of the value of perquisites provided to Mr. Prater under his Change in Control Agreement.

Mr. Threadgill

Executive Benefits and Payments upon Termination	Retirement	Involuntary Termination without Cause	Termination Related to Change in Control	Death or Disability
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Base Salary	\$	\$	\$ 776,000 ⁽¹⁾	\$
Non-Equity Incentive Plan Compensation			776,000 ⁽¹⁾	163,115 ⁽¹⁾
Restricted Stock (unvested)			846,113 ⁽²⁾	846,113 ⁽²⁾
Performance Shares (unvested)	216,853		325,528 ⁽³⁾	216,853 ⁽³⁾
Insurance Benefits			27,207 ⁽⁴⁾	750,000 ⁽⁵⁾
Restoration Plan ⁽⁶⁾	83,087	83,087	83,087	112,695
Supplemental Executive Retirement Plan ⁽⁶⁾	72,019	72,019	84,729	72,019
Accrued Vacation	4,800	4,800	4,800	4,800
Perquisites			27,740 ⁽⁷⁾	

(1) The amounts shown reflect the product of 200% of Mr. Threadgill's base salary and maximum cash incentive under our Amended and Restated Executive Performance Incentive Plan pursuant to the terms of his Change in Control Agreement. The amount shown for death or disability reflects the terms of our Amended and Restated Executive Performance Incentive Plan.

(2) The amounts shown reflect the market value of 27,250 shares of restricted stock that would have vested pursuant to the terms of Mr. Threadgill's restricted stock award agreement.

(3) The amount shown reflects the market value of 6,984 shares that would have been earned and vested under Mr. Threadgill's performance award agreement, except that 10,484 shares would have become vested on a change in control.

(4) The amount shown reflects the value for participation in our health and welfare benefit plans for a 24-month period in accordance with the terms of Mr. Threadgill's Change in Control Agreement.

(5) The amount shown reflects the proceeds due under our split dollar life insurance program. There is no disability benefit under this program.

(6) The amount in the table reflects the disability benefit under the Restoration Plan; the death benefit would be \$73,426.

(7) The amount shown is equal to 200% of the value of perquisites provided to Mr. Threadgill under his Change in Control Agreement.

Mr. Hodges

Payments upon Termination	Retirement	Involuntary Termination without Cause	Termination Related to in Co
		\$	\$
Plan Compensation (vested)			765,000
			765,000
			835,240
		216,853	325,520
			24,830
		115,684	115,684

Retirement Plan⁽⁶⁾ coating revenue on steel coils subsequently acquired by our engineered building systems and metal components segments during fiscal 2008, 2007 and 2006, respectively, were netted against cost of goods sold, which reduced gross revenues. Pre-tax income was reduced only to the extent that the related steel coils remained in ending inventory which resulted in a negative impact on pre-tax income in fiscal 2008, 2007 and 2006 of \$0.3 million, \$0.6 million and \$0.2 million, respectively.

4. ACQUISITIONS

On January 31, 2007, we completed the purchase of substantially all of the assets of Garco Building Systems, Inc. (Garco), which designs, manufactures and distributes steel building systems primarily for markets in the northwestern United States and western Canada. Garco is now a division of our Company and the results of Garco s operations beginning January 31, 2007 are included in our Consolidated Financial Statements. Garco is headquartered in Spokane, Washington, where it operates a manufacturing facility for steel building systems for industrial, commercial, institutional and agricultural applications. The aggregate purchase price for this acquisition was \$17.2 million, comprised of \$15.4 million in cash and \$1.8 million in restricted common stock (35,448 shares). At the date of purchase, there was no excess of cost over fair value of the acquired assets. We obtained third-party valuations of certain tangible and intangible assets. As a result of the valuation work, we recorded \$5.7 million in intangible assets which includes \$2.5 million in customer relationships. The \$1.8 million in restricted NCI common stock relates to a 5-year non-compete agreements with certain of the sellers of Garco. We will expense the fair value of the restricted stock ratably over the terms of the agreements. In addition, we recorded \$6.5 million in property, plant and equipment and \$5.0 million in working capital. Garco s results of operations are included in the engineered building systems segment. This acquisition was not material to the financial statements as a whole, and accordingly, pro forma information has not been provided.

On April 7, 2006, we completed our acquisition of RCC. We acquired 100% of the issued and outstanding shares of RCC. RCC is now a wholly-owned subsidiary and the results of RCC s operations from April 7, 2006 are included in our Consolidated Financial Statements. RCC operates the Ceco Building Systems, Star Building Systems and Robertson Building Systems divisions and is a leader in the metal buildings industry. This transaction resulted in goodwill of \$277.3 million as it has created an organization with greater product and geographic diversification, a stronger customer base and a more extensive distribution network than either

company had prior to the date of acquisition.

The aggregate consideration paid for the acquisition was as follows (in thousands):

Cash consideration	\$ 371,014
Transaction costs	5,136
	\$ 376,150

The purchase price was subject to a post-closing adjustment based on net working capital, as defined in the stock purchase agreement, of RCC at the closing date. This adjustment was finalized in March 2007 and resulted in an additional purchase price of \$4.5 million.

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The following table summarizes the fair values of the assets acquired and liabilities assumed and recorded on April 7, 2006, as part of the purchase accounting of RCC:

(In thousands)	April 7, 2006
Current assets	\$ 88,841
Current deferred income taxes	6,203
Property, plant and equipment	65,108
Goodwill	277,323
Intangible assets	33,282
Other assets	80
Assets acquired	470,837
Current liabilities	57,370
Long-term debt	2,524
Deferred income taxes	28,007
Other liabilities	6,786
Liabilities assumed	94,687
Net assets acquired	\$ 376,150

The excess of the purchase price over the fair values of assets acquired and liabilities assumed was allocated to goodwill. Goodwill of \$17.0 million, \$17.8 million and \$242.5 million has been recorded in our metal coil coating, metal components and engineered building systems segments, respectively. None of the goodwill recorded as a result of this transaction is expected to be deductible for tax purposes. See Note 10 for further information regarding our allocation of purchase price to intangible assets.

As previously disclosed, we report on a fiscal year that ends the Sunday closest to October 31. RCC previously reported on a calendar year that ended on December 31. The unaudited pro forma financial information discussed below was prepared based on financial information for RCC for the calendar months of November through October, which correlates to our fiscal year. This unaudited pro forma financial information does not necessarily represent what would have occurred if the transaction had taken place on the dates presented and should not be taken as representative of our future consolidated results of operations. The unaudited pro forma financial information in the table below for the 2006 fiscal year gives effect to the transaction as if it had occurred at the beginning of the earliest fiscal period presented.

(In thousands except per share amounts)	Unaudited Pro Forma Fiscal Year Ended October 29, 2006
Sales	\$ 1,755,267
Net income	\$ 75,429

Earnings per share:		
Basic	\$	3.78
Diluted	\$	3.53

Upon acquisition of RCC, we began to assess RCC's manufacturing operations in Ontario, Canada and formulate a plan to exit these activities. In the second quarter of fiscal 2007, we finalized our RCC integration plans to shut-down, exit and dispose of this manufacturing facility. Our plan called for the sales, marketing, engineering, drafting and customer service capabilities in Ontario to continue, but in accordance with our plan, manufacturing activities were ceased. The liquidation plans called for a small portion of the manufacturing equipment to be transferred to existing manufacturing facilities and the remainder, including the real estate and buildings, were to be sold to third parties which included the manufacturing facility that was sold in August of 2007. In the second quarter of fiscal 2007, we established an accrual of \$1.2 million for certain severance and

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exit costs relating to the closure of the manufacturing facility, which was recognized as a liability at the date of acquisition. Accrued severance costs related to the terminated employees was primarily paid in the fourth quarter of fiscal 2007. Additionally, the preliminary carrying value of the plant and equipment in Ontario was reduced by \$2.5 million to reflect its estimated fair market value upon disposition. Costs associated with these actions were recognized as a component of purchase accounting, resulting in an adjustment to increase goodwill by \$2.8 million, net of tax effects. The liability balance related to the Robertson exit activities had been substantially paid as of November 2, 2008.

5. OTHER ACCRUED EXPENSES

Other accrued expenses are comprised of the following (in thousands):

	November 2, 2008	October 28, 2007
Deferred rebates ⁽¹⁾	\$ 4,129	\$ 4,129
Accrued income tax	4,873	13,168
Customer deposits	10,116	4,177
Accrued warranty obligation and deferred warranty revenue	16,484	14,843
Sales and use tax payable	6,648	6,262
Other accrued expenses	21,892	24,066
Total other accrued expenses	\$ 60,013	\$ 66,645

⁽¹⁾ Relates to the receipt of prepaid vendor rebates, which are recognized as a reduction of cost of goods sold as the related products are purchased and used in accordance with EITF 02-16, Accounting by a Customer (including a Reseller) for Certain Consideration Received from a Vendor.

6. WARRANTY

The following table represents the rollforward of our accrued warranty obligation and deferred warranty revenue activity for the fiscal years ended November 2, 2008 and October 28, 2007 (in thousands):

	November 2, 2008	October 28, 2007
Beginning balance	\$ 14,843	\$ 14,863
Warranties sold	3,405	2,664
Revenue recognized	(1,323)	(1,000)
Costs incurred	(217)	(1,573)
Other	(224)	(111)
Ending balance	\$ 16,484	\$ 14,843

7. SUPPLEMENTARY CASH FLOW INFORMATION

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The following table sets forth interest and taxes paid in each of the three fiscal years presented (in thousands):

	Fiscal Year Ended		
	November 2, 2008	October 28, 2007	October 29, 2006
Interest paid, net of amounts capitalized	\$ 26,872	\$ 26,166	\$ 26,124
Taxes paid	57,837	42,739	44,412

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Debt is comprised of the following (in thousands):

	November 2, 2008	October 28, 2007
\$400 Million Term Loan, due June 2010 (4.7% - 6.3% at November 2, 2008 and 6.5% - 7.0% at October 28, 2007)	\$ 293,290	\$ 315,000
2.125% Convertible Senior Subordinated Notes, due November 2024	180,000	180,000
Industrial Revenue Bond	1,110	2,030
Capital lease commitments		7
	474,400	497,037
Current portion of long-term debt	(920)	(22,312)
Total long-term debt, less current portion	\$ 473,480	\$ 474,725

The scheduled maturity of our debt is as follows (in thousands):

2009	\$ 920
2010	473,480
2011	
2012	
2013 and thereafter	
	\$ 474,400

Our senior secured credit facility includes a \$125 million five-year revolving credit facility maturing on June 18, 2009, with a sub-facility for letters of credit of a maximum of \$50 million, and a \$400 million term loan maturing June 18, 2010. The term loan requires principal payments of \$1.0 million each quarter and a final payment of \$374.7 million at maturity. However, we made additional principal payments during fiscal 2006 and, as a result, will not be required to make any more principal payments until the maturity date except under the mandatory prepayment provisions in our senior secured credit facility. At October 28, 2007 under the mandatory prepayment provisions of our senior secured credit facility, an excess cash flow calculation required that \$21.7 million of our term loan be paid within ninety days after the end of our fiscal year. Therefore, \$22.3 million of our indebtedness primarily related to our term loan was classified as a current obligation at October 28, 2007. We are not required to make any other principal payments on our term loan until the maturity date except to payments required under the excess cash flow calculation. In addition, the credit facility provides for an incremental facility of \$180 million to fund the payment of the cash portion of the conversion price from any future conversions of our 2.125% convertible senior subordinated notes due 2024 (discussed below). At November 2, 2008 and October 28, 2007, letters of credit totaling approximately \$13.1 million and \$14.1 million, respectively,

were outstanding on the revolving credit facility. There were no other amounts outstanding on the revolving credit facility at both November 2, 2008 and October 28, 2007. At November 2, 2008 and October 28, 2007, \$293.3 million and \$315.0 million, respectively, were outstanding under the term loan.

Loans under the senior secured credit facility bear interest, at our option, as follows: (1) base rate loans at the base rate plus a margin, which for term loans is 0.5% and for revolving loans fluctuates based on our leverage ratio and ranges from 0.25% to 1.25%, and (2) LIBOR loans at LIBOR plus a margin, which for term loans is 1.50% and for revolving loans fluctuates based on our leverage ratio and ranges from 1.25% to 2.25%. Base rate is defined as the higher of the Wachovia Bank, National Association prime rate or the overnight Federal Funds rate and LIBOR is defined as the applicable London interbank offered rate adjusted for reserves. Based on our current leverage ratios, we will pay a margin of 0.50% on base rate loans and 1.50% on LIBOR loans under the revolving credit facility and a margin of 0.50% on base rate loans and 1.50% on LIBOR loans under the term loan facility during the first quarter of fiscal 2009.

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The senior secured credit facility is secured by (1) 100% of our accounts receivable, inventory and equipment and related assets such as our software, chattel paper, instruments and contract rights (excluding foreign operations) and (2) 100% of the capital stock and other equity interests in each of our direct and indirect operating domestic subsidiaries and 65% of the capital stock in each of our foreign subsidiaries.

The senior secured credit facility requires compliance with various covenants and provisions customary for agreements of this nature, including a restricted payments test, minimum ratio of Consolidated EBITDA (as defined in the senior secured credit facility) to interest expense of 5.0 to 1 and maximum ratios of total debt and senior debt to Consolidated EBITDA of 4.0 to 1 and 2.75 to 1, respectively. At November 2, 2008, our interest coverage, leverage, and senior leverage ratios were 8.73, 2.48 and 1.56, respectively, and we were in compliance with all ratio requirements and covenants in our senior credit facility. At October 28, 2007, our interest coverage, leverage, and senior leverage ratios were 6.32, 2.91 and 1.87, respectively, and we were in compliance with all ratio requirements and covenants in our senior credit facility. The senior secured credit facility also restricts our ability to incur additional debt and/or equity financing.

Borrowings under the senior secured credit facility may be repaid at anytime, in certain amounts, without premium or penalty but subject to LIBOR breakage costs. We are required to make mandatory payments on the senior secured credit facility upon the occurrence of certain events, including the sale of assets and the issuance and sale of equity securities, or to the extent that our cash flow exceeds certain thresholds on a fiscal year basis, in each case subject to certain limitations and conditions. These payments must first be applied to the term loan and then to the reduction of the revolving credit facility.

On April 7, 2006, we amended our senior secured credit facility as a result of the RCC acquisition (see Note 4). In accordance with EITF 96-19, *Debtors Accounting for a Modification or Exchange of Debt Instruments*, we accounted for the amendments to our senior secured credit facility as a modification, and we have expensed \$0.2 million of legal and other professional fees paid to third-parties in connection with amending the facility in fiscal 2006. At November 2, 2008 and October 28, 2007, the unamortized balance in deferred financing costs was \$4.6 million and \$5.4 million, respectively. In addition, during fiscal 2008 we deferred financing costs of \$0.9 million which are included in prepaid expenses and other assets in the Consolidated Balance Sheet.

At November 2, 2008 and October 28, 2007, we had approximately \$111.9 million and \$110.9 million, respectively, in unused borrowing capacity (net of letters of credit outstanding of approximately \$13.1 million and \$14.1 million, respectively) under the revolving credit facility, of which a total of \$50.0 million may be utilized for standby letters of credit at both November 2, 2008 and October 28, 2007. In addition, we had \$180.0 million of borrowing capacity under the incremental facility.

During June 2006, we entered into an interest rate swap agreement relating to \$160 million of the \$400 million Term Loan due June 2010. At November 2, 2008 and October 28, 2007, the notional amount of the interest rate swap agreement was \$105 million and \$145 million, respectively. See Note 9 for further information.

In November 2004, we completed an offering of \$180 million aggregate principal amount 2.125% convertible senior subordinated notes due 2024 (the Convertible Notes) with interest payable semi-annually. Interest on the Convertible Notes is not deductible for income tax purposes, which creates a permanent tax difference that is reflected in our effective tax rate (as discussed further in Note 11). The Convertible Notes are general unsecured obligations and are subordinated to our present and future senior indebtedness. We have the right to redeem the Convertible Notes, beginning on November 20, 2009, for a price equal to 100% of the principal amount plus accrued and unpaid interest, if any. Each holder has the right to require that we repurchase the Convertible Notes after five, 10 and 15 years at 100% of the principal amount plus accrued and unpaid interest, if any, beginning November 15, 2009. Based on our current stock price, we anticipate that the holders of our Convertible Notes will require us to purchase the Convertible Notes in November 2009. Upon the occurrence of certain designated events, holders of the Convertible Notes will also have the right to require that we purchase all or some of their Convertible Notes at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest, if any, and, in certain circumstances, a make whole premium. We must pay the repurchase

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price of the aggregate principal amount of the Convertible Notes in cash. The Convertible Notes are convertible into cash or, in certain circumstances, a combination of cash and shares of our common stock, at a ratio of 24.9121 shares of common stock per \$1,000 principal amount notes, which is equivalent to an initial conversion price of approximately \$40.14 per common share. The ratio is subject to adjustments if certain events take place, and holders may convert only if the closing sale price per common share exceeds 120% of the conversion price for at least 20 trading days in the 30 consecutive trading day period ending on the last trading day of the preceding calendar quarter. At both November 2, 2008 and October 28, 2007, \$180 million principal amount of the Convertible Notes was outstanding. Our stock price did not exceed the conversion threshold of the Convertible Notes for at least 20 trading days in the 30 consecutive trading day periods ended March 31, 2008, June 30, 2008 and September 30, 2008. Therefore, our Convertible Notes currently may not be converted until such time as our stock price again exceeds the conversion threshold for the specified 20 of the last 30 consecutive trading days of a calendar quarter or if upon other specified events, including if we call the Convertible Notes for redemption, which we may do beginning November 20, 2009. Our senior secured credit facility prohibits us from making payments on the Convertible Notes upon conversion, optional redemption or mandatory repurchase unless our senior leverage ratio is less than 2.75 to 1.0 and we have \$25 million available under our revolving credit facility, or unless our senior leverage ratio is less than 1.0 to 1.0. A failure to pay upon a conversion, redemption or repurchase would constitute an event of default under the indenture under which the Convertible Notes were issued. See Note 15.

9. FINANCIAL INSTRUMENTS*Interest rate swap*

On June 15, 2006, we entered into a forward interest rate swap transaction (the Swap Agreement) hedging a portion of our \$400 million variable rate term loan due June 2010 with a notional amount of \$160 million beginning October 11, 2006. The notional amount decreased to \$145 million on October 11, 2007 and decreased again to \$105 million on October 14, 2008. The notional amount will further decrease on October 13, 2009 to \$65 million. The term of the Swap Agreement is four years. Under the Swap Agreement, we will pay a fixed rate of 5.55% on a quarterly basis in exchange for receiving floating rate payments based on the three-month LIBOR rate.

We utilize interest rate swaps to manage our risk associated with changing interest rates and account for them under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended (SFAS 133). SFAS 133 requires that all derivatives be marked to market (fair value). We do not purchase or hold any derivative instruments for trading purposes.

We designated our Swap Agreement as a cash flow hedge, as defined by SFAS 133. The fair value of the Swap Agreement, which is adjusted quarterly, is recorded in other long-term liabilities in the Consolidated Balance Sheet and the unrealized loss is recorded in other comprehensive income. Amounts recorded in accumulated other comprehensive income (loss) are amortized as an adjustment to interest expense over the term of the related hedge.

We are exposed to credit loss in the event of nonperformance by the counterparty on the Swap Agreement. If the counterparty fails to meet the terms of the agreement, our exposure is limited to the net amount that would have been received, if any, over the remaining life of the Swap Agreement. We do not anticipate nonperformance as the contract is with a creditworthy counterparty and no material loss would be expected from nonperformance by the counterparty.

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The carrying amounts of cash and cash equivalents, trade accounts receivable and accounts payable approximate fair value as of November 2, 2008 and October 28, 2007 because of the relatively short maturity of these instruments. The fair values of the remaining financial instruments recognized on our Consolidated Balance Sheets at the respective fiscal year ends were:

	November 2, 2008		October 28, 2007	
	Carrying Amount (in thousands)	Fair Value	Carrying Amount (in thousands)	Fair Value
2.125% Convertible Senior Subordinated Notes	\$ 180,000	\$ 149,456	\$ 180,000	\$ 203,037
\$400 Million Term Loan	\$ 293,200	\$ 251,980	\$ 315,000	\$ 315,000
Swap Agreement liability	\$ 3,928	\$ 3,928	\$ 3,228	\$ 3,228

The fair value of the Convertible Notes were determined from the market rates as of the last trading day prior to our fiscal year end. The fair value of the Term Loan was based on recent trading activities of comparable market instruments. Fair value estimates presented for the Swap Agreement, excluding accrued interest, were determined based on the present value of all future cash flows, the fixed rate in the contract and assumptions regarding forward interest rates from a yield curve.

10. GOODWILL AND OTHER INTANGIBLE ASSETS

In accordance with SFAS 142, *Goodwill and Other Intangible Assets*, goodwill is tested for impairment at least annually at the reporting unit level, which is defined as an operating segment or a component of an operating segment that constitutes a business for which financial information is available and is regularly reviewed by management. Management has determined that we have six reporting units for the purpose of allocating goodwill and the subsequent testing of goodwill for impairment. Our metal components and engineered building systems segments are each split into two reporting units and the metal coil coating segment is its own reporting unit for goodwill impairment testing purposes.

At the beginning of the fourth quarter of each fiscal year, we perform an annual assessment of the recoverability of goodwill and indefinite lived intangibles. Additionally, we assess goodwill and indefinite lived intangibles for impairment whenever events or changes in circumstances indicate that such carrying values may not be recoverable. The results of our annual assessment of the recoverability of goodwill and indefinite lived intangibles indicated that the fair value of all of the Company's reporting units were in excess of the carrying value of those reporting units, including goodwill, and thus no impairment existed as of July 27, 2008. Subsequent to our annual assessment of the recoverability of goodwill and indefinite lived intangibles, and beginning largely in late September, our stock price and market capitalization decreased from \$36.51 and \$720.3 million, respectively, at July 27, 2008 to \$18.61 and \$367.3 million, respectively, at November 2, 2008. We evaluated whether the recent decline in our stock price and market capitalization represents a significant decline in the underlying fair value of the Company. Based upon our analysis we concluded that the decline in our stock price and the resulting

decline in our market capitalization do not require us to perform an additional goodwill and indefinite lived intangibles impairment test because we do not believe the decline was caused by significant underperformance of the Company relative to historical or projected future operating results, a significant change in the manner of our use of the acquired assets or the strategy for our overall business, or a significant sustained negative industry or economic trend. We will, however, continue to monitor our stock price and assess whether a continued decline in our market capitalization or our failure to meet our cash flow projections in the future represent triggering events that would require us to perform an interim goodwill and indefinite lived intangibles impairment test in subsequent periods. In the event such a test is required, we might be required to record a significant charge for the impairment of our goodwill and indefinite lived intangibles.

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Our goodwill balance and changes in the carrying amount of goodwill by operating segment are as follows (in thousands):

	Metal Coil Coating	Metal Components	Engineered Building Systems	Total
Balance as of October 29, 2006	\$ 98,959	\$ 149,180	\$ 366,322	\$ 614,461
Additions ⁽¹⁾			1,785	1,785
Other			154	154
Balance as of October 28, 2007	\$ 98,959	\$ 149,180	\$ 368,261	\$ 616,400
Additions				
Transfer ⁽²⁾		(1,940)	1,940	
Other			226	226
Balance as of November 2, 2008	\$ 98,959	\$ 147,240	\$ 370,427	\$ 616,626

⁽¹⁾ Represents goodwill adjustments associated with our acquisition of RCC. See Note 4.

⁽²⁾ During the fourth quarter of fiscal 2008, we changed the reporting structure and management team responsibilities to better align certain of our products in order to respond effectively to current market opportunities. As a result of this change, certain amounts of goodwill have been transferred accordingly. See Note 18. Fiscal 2007 segment presentation has been reclassified to conform to fiscal 2008 presentation.

The following table represents all our intangible assets activity for the fiscal years ended November 2, 2008 and October 28, 2007 (in thousands):

	Range of Life (years)	November 2, 2008	October 28, 2007
Amortized intangible assets:			
Cost:			
Trade names	15	\$ 5,588	\$ 5,588
Backlog	1	3,019	3,019
Customer lists and relationships	15	8,710	8,710
Non-competition agreements	5-10	8,132	8,132
Property rights	7	990	990
		\$ 26,439	\$ 26,439
Accumulated Amortization:			
Trade names		\$ (1,345)	\$ (973)
Backlog		(3,019)	(2,847)
Customer lists and relationships		(1,356)	(776)
Non-competition agreements		(3,273)	(2,308)
Property rights		(472)	(330)

	\$ (9,465)	\$ (7,234)
Net book value	\$ 16,974	\$ 19,205
Indefinite-lived intangible assets:		
Trade names	\$ 24,704	\$ 24,704
Total intangible assets at net book value	\$ 41,678	\$ 43,909

RCC's Star and Ceko trade name assets have an indefinite life and are not amortized, but are reviewed annually and tested for impairment. The RCC trade names were determined to have indefinite lives due to the length of time the trade names have been in place, with some having been in place for decades. Our past practice with other significant acquisitions and current intentions are to maintain the trade names indefinitely. All other intangible assets are amortized on a straight-line basis over their expected useful lives. As of November 2, 2008, the weighted average amortization period for all our intangible assets was 13.0 years.

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Amortization expense of intangibles was \$2.2 million, \$3.4 million and \$2.8 million for fiscal 2008, 2007 and 2006, respectively. We expect to recognize amortization expense over the next five fiscal years as follows (in thousands):

2009	\$ 2,070
2010	2,070
2011	2,070
2012	1,757
2013	1,575

In accordance with SFAS 142, we evaluate the remaining useful life of these intangible assets on an annual basis. We also review for recoverability when events or changes in circumstances indicate the carrying values may not be recoverable in accordance with SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*.

11. INCOME TAXES

Income tax expense is based on pretax financial accounting income. Deferred income taxes are recognized for the temporary differences between the recorded amounts of assets and liabilities for financial reporting purposes and such amounts for income tax purposes. The income tax provision (benefit) for the fiscal years ended 2008, 2007 and 2006, consisted of the following (in thousands):

	Fiscal year ended		
	November 2, 2008	October 28, 2007	October 29, 2006
Current:			
Federal	\$ 44,330	\$ 42,369	\$ 43,696
State	6,903	5,817	4,719
Total current	51,233	48,186	48,415
Deferred:			
Federal	179	(6,404)	(2,277)
State	87	(686)	(902)
Total deferred	266	(7,090)	(3,179)
Total provision	\$ 51,499	\$ 41,096	\$ 45,236

The reconciliation of income tax computed at the United States federal statutory tax rate to the effective income tax rate is as follows:

	Fiscal year ended		
	November 2, 2008	October 28, 2007	October 29, 2006
Statutory federal income tax rate	35.0%	35.0%	35.0%

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State income taxes	3.5%	3.4%	3.2%
Canada valuation allowance	1.3%	0.8%	
Non-deductible interest expense	1.2%	1.5%	1.2%
Production activities deduction	(2.0)%	(1.1)%	(1.0)%
Other	0.5%	(0.4)%	(0.4)%
Effective tax rate	39.5%	39.2%	38.0%

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Deferred income taxes reflect the net impact of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for income tax purposes. The tax effects of the temporary differences for fiscal 2008 and 2007 are as follows (in thousands):

	As of November 2, 2008	As of October 28, 2007
Deferred tax assets:		
Inventory	\$ 1,281	\$ 2,450
Bad debt reserve	2,115	1,251
Accrued and deferred compensation	14,212	14,416
Accrued insurance reserves	2,211	1,981
Deferred revenue	6,712	6,099
Interest rate swap	1,508	1,236
Net operating loss carryover	3,943	3,983
Depreciation and amortization	867	565
Other reserves	218	1,235
Total deferred tax assets	33,067	33,216
Less valuation allowance	(4,972)	(4,613)
Net deferred tax assets	28,095	28,603
Deferred tax liabilities:		
Depreciation and amortization	(47,809)	(48,802)
Other	(359)	
Total deferred tax liabilities	(48,168)	(48,802)
Net deferred tax liability	\$ (20,073)	\$ (20,199)

Other accrued expenses include accrued income taxes payable of \$4.9 million at November 2, 2008 and \$13.2 million at October 28, 2007.

We carry out our business operations through legal entities in the U.S., Canada and Mexico. These operations require that we file corporate income tax returns that are subject to U.S., state and foreign tax laws. We are subject to income tax audits in these multiple jurisdictions.

Our foreign operations have a net operating loss carryforward of approximately \$13.6 million that will start to expire in fiscal 2009 if unused. The utilization of these losses is uncertain and we currently have a full valuation allowance against the deferred tax asset related to this loss carryforward. Of the \$4.9 million valuation allowance, \$3.3 million was recorded as part of the purchase accounting related to the acquisition of RCC. Subsequent recognition of the deferred tax asset related to this portion of the valuation allowance would result in a reduction of goodwill recorded in connection with the acquisition.

FIN 48

Prior to fiscal 2008, in evaluating the exposures connected with the various tax filing positions, the company established an accrual when, despite

management's belief that the company's tax return positions are supportable, management believed that certain positions may be successfully challenged and a loss was probable. When facts and circumstances changed, these accruals were adjusted.

We adopted FASB Interpretation No. 48 Accounting for Uncertainty in Income Taxes interpretation of FASB Statement No. 109 (FIN 48) on October 29, 2007. The cumulative effect of adopting FIN 48 was recorded as of October 29, 2007 as a decrease to retained earnings of \$0.4 million. The total amount of unrecognized tax benefits as of October 29, 2007 was \$0.9 million, of which \$0.4 million would impact the

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Company's effective tax rate if recognized. The total amount of unrecognized tax benefits at November 2, 2008 was \$1.3 million, of which \$0.9 million would impact the Company's effective tax rate if recognized. The company does not anticipate any significant changes in the total amount of unrecognized tax benefits to occur within the next twelve months.

The following table summarizes the activity related to the Company's unrecognized tax benefits during fiscal 2008 (in thousands):

	November 2, 2008
Unrecognized tax benefits upon adoption of FIN 48 as of October 29, 2007	\$ 864
Additions for tax positions related to prior years	590
Reductions due to lapse of applicable statute of limitations	(133)
Unrecognized tax benefits at end of year	\$ 1,321

We recognize interest and penalties related to uncertain tax positions in income tax expense. To the extent accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision in the period that such determination is made. We did not have a material amount of accrued interest and penalties related to uncertain tax positions as of November 2, 2008.

We file income tax returns in the U.S. federal jurisdiction and multiple state and foreign jurisdictions. Our tax years are closed with the IRS through the year ended October 30, 2004 as the statute of limitations related to these tax years has closed. In addition, open tax years related to state and foreign jurisdictions remain subject to examination but are not considered material.

12. OPERATING LEASE COMMITMENTS

We have operating lease commitments expiring at various dates, principally for real estate, office space, office equipment and transportation equipment. Certain of these operating leases have purchase options that entitle us to purchase the respective equipment at fair value at the end of the lease. In addition, many of our leases contain renewal options at rates similar to the current arrangements. As of November 2, 2008, future minimum rental payments related to noncancellable operating leases are as follows (in thousands):

2009	\$ 7,980
2010	5,574
2011	3,083
2012	1,225
2013	439

Thereafter	1,871
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Rental expense incurred from operating leases, including leases with terms of less than one year, for fiscal 2008, 2007 and 2006 was \$12.4 million, \$12.2 million and \$11.9 million, respectively.

13. STOCK REPURCHASE PROGRAM

Our Board of Directors has authorized a stock repurchase program. Subject to applicable federal securities law, such purchases occur at times and in amounts that we deem appropriate. Shares repurchased are used primarily for later re-issuance in connection with our equity incentive and 401(k) profit sharing plans. During fiscal 2008, we did not repurchase any shares of our common stock. However, shares of restricted stock were withheld in fiscal 2008 to satisfy tax-withholding obligations arising in connection with the vesting of awards of restricted stock. At November 2, 2008, there were 0.6 million shares remaining authorized for repurchase under the program. There is no time limit on the duration of the program.

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Changes in treasury common stock, at cost, were as follows (in thousands):

	Number of Shares	Amount
Balance, October 29, 2006	1,817	\$ 78,251
Purchases	773	36,122
Balance, October 28, 2007	2,590	114,373
Purchases	80	2,226
Balance, November 2, 2008	2,670	\$ 116,599

14. SHARE-BASED COMPENSATION

Our 2003 Long-Term Stock Incentive Plan (the Incentive Plan) is an equity-based compensation plan that allows us to grant a variety of types of awards, including stock options, restricted stock, restricted stock units, stock appreciation rights, performance share awards, phantom stock awards and cash awards. In fiscal 2005, our stockholders approved the amendment and restatement of the Incentive Plan, which, among other things, increased the number of shares of common stock reserved for issuance under the plan by approximately 1.1 million shares of common stock and allowed us to grant performance awards, including performance-based cash awards, under the plan. As amended, the aggregate number of shares of common stock that may be issued under the plan may not exceed 2.6 million. As a general rule, awards terminate on the earlier of (i) 10 years from the date of grant, (ii) 30 days after termination of employment or service for a reason other than death, disability or retirement, (iii) one year after death or (iv) one year for incentive stock options or five years for other awards after disability or retirement. Awards are non-transferable except by disposition on death or to certain family members, trusts and other family entities as the Compensation Committee of our Board of Directors (the Committee) may approve. Awards may be paid in cash, shares of our common stock or a combination, in lump sum or installments and currently or by deferred payment, all as determined by the Committee. As of November 2, 2008 and for all periods presented, our share-based awards under these plans have consisted of restricted stock grants and stock option grants, neither of which can be settled through cash payments. Both our stock options and restricted stock awards contain only service condition requirements and typically vest over four years, although from time to time certain individuals have received special one-time restricted stock awards that vest at retirement, upon termination, after a change of control without cause or for good reason, as defined by the agreements governing such awards. A total of approximately 495,000 and 840,000 shares were available at November 2, 2008 and October 28, 2007, respectively, under the Incentive Plan for the further grants of awards.

Since December 2006, the Committee's policy has been to provide for grants of restricted stock once per year, with the size of the awards based on a dollar amount set by the Committee. For executive officers and designated members of senior management, a portion of the award may be fixed and a portion may be subject to adjustment, up or down, depending on the average rate of growth in NCI's earnings per share over the three fiscal years ended prior to the award date. The number of shares awarded on the grant date equals the dollar value specified by the Committee (after

adjustment with regard to the variable portion) divided by the closing price of the stock on the grant date, or if the grant date is not a trading day, the trading day prior to the grant date. The restricted stock vests ratably over four years. All restricted stock awards to all award recipients, including executive officers, are subject to a cap in value set by the Committee.

Our option awards and restricted stock awards are typically subject to graded vesting over a service period, which is typically four years. We recognize compensation cost for these awards on a straight-line basis over the requisite service period for the entire award. In addition, certain of our awards provide for accelerated vesting upon qualified retirement, after a change of control or upon termination without cause or for good reason. We recognize compensation cost for such awards over the period from grant date to the date the employee first becomes eligible for retirement. In December 2008, the Committee determined to change its policy to provide for semi-annual grants of restricted stock in December and June of each year. In addition, the Committee proposed

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an amendment to the Incentive Plan to increase the number of shares available for issuance thereunder, subject to approval at the Company's 2009 annual meeting of shareholders.

The fair value of each option award is estimated as of the date of grant using a Black-Scholes-Merton option pricing formula. Expected volatility is based on historical volatility of our stock over a preceding period commensurate with the expected term of the option. The risk-free rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Expected dividend yield was not considered in the option pricing formula since we historically have not paid dividends and have no current plans to do so in the future. The weighted average grant-date fair value of options granted during the fiscal year ended October 29, 2006 was \$21.63. There were no options granted during the fiscal years ended November 2, 2008 and October 28, 2007. The weighted average assumptions for the periods indicated are noted in the following table:

	Fiscal Year Ended October 29, 2006
Expected volatility	40.7 - 41.5%
Expected term (in years)	6.25
Risk-free interest rate	4.4 - 4.9%

We have estimated a forfeiture rate of 10% for our non-officers and 0% to 10% for our officers in our calculation of share-based compensation expense for the fiscal years ended November 2, 2008, October 28, 2007 and October 29, 2006. These estimates are based on historical forfeiture behavior exhibited by our employees.

The following is a summary of stock option transactions during fiscal 2008, 2007 and 2006 (in thousands, except weighted average exercise prices, weighted average remaining life):

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Life	Aggregate Intrinsic Value
Balance October 29, 2005	1,251	\$ 25.33		
Granted	53	44.78		
Cancelled	(36)	(23.27)		
Exercised	(367)	(23.19)		
Balance October 29, 2006	901	\$ 27.43		
Granted				
Cancelled	(3)	(35.75)		
Exercised	(153)	(25.59)		
Balance October 28, 2007	745	\$ 27.78		
Granted				
Cancelled	(18)	(31.21)		
Exercised	(34)	(19.86)		

Balance November 2, 2008	693	\$ 28.09	5.2 years
Exercisable at November 2, 2008	645	\$ 27.22	5.1 years

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The total intrinsic value of options exercised during fiscal 2008, 2007 and 2006 was \$0.4 million, \$3.9 million and \$11.6 million, respectively. Options exercisable at fiscal years ended 2008, 2007 and 2006 were 0.6 million, 0.6 million and 0.5 million, respectively. The weighted average exercise prices for options exercisable at fiscal years ended 2008, 2007 and 2006 were \$27.22, \$25.71 and \$23.85, respectively. The following summarizes additional information concerning outstanding options at November 2, 2008:

Options Outstanding				Weighted Average	
Range of Exercise Prices		Number of Options	Weighted Average Remaining Life	Exercise Price	
\$15.13	19.38	143,332	3.5 years	\$	16.85
20.64	30.18	244,643	5.1 years		26.72
31.00	38.01	260,931	5.9 years		32.69
44.00	60.64	44,367	7.1 years		44.94
		693,273	5.2 years	\$	28.09

Options Exercisable				Weighted Average	
Range of Exercise Prices		Number of Options	Exercise Price		
\$15.13	19.38	143,332	\$	16.85	
20.64	30.18	244,643		26.72	
31.00	38.01	234,448		32.42	
44.00	60.64	22,184		44.94	
		644,607	\$	27.22	

Restricted stock transactions during fiscal 2008, 2007 and 2006 were as follows (in thousands, except weighted average grant prices):

	Number of Shares	Weighted Average Grant Price
Balance October 29, 2005	491,462	\$ 32.38
Granted	18,032	50.30
Distributed	(73,222)	36.55
Balance October 29, 2006	436,272	\$ 32.42
Granted	151,456	53.82
Distributed	(67,482)	37.26
Forfeited	(5,346)	43.47
Balance October 28, 2007	514,900	\$ 37.97
Granted	251,295	26.01
Distributed	(273,685)	34.64
Forfeited	(10,791)	39.09

Balance November 2, 2008	481,719	\$	33.59
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The total pre-tax share-based compensation cost that has been recognized in results of operations was \$9.5 million, \$8.6 million and \$7.2 million for the fiscal years ended November 2, 2008, October 28, 2007 and October 29, 2006, respectively. Of these amounts, \$8.5 million, \$7.8 million and \$6.2 million were included in selling, general and administrative expense for the fiscal years ended November 2, 2008, October 28, 2007 and October 29, 2006, respectively, with the remaining costs in each period in cost of goods sold. As of November 2, 2008, we do not have any amounts capitalized for share-based compensation cost in inventory or similar assets. The total income tax benefit recognized in results of operations for share-based compensation arrangements was \$3.6 million, \$3.3 million and \$2.7 million for the fiscal years ended November 2, 2008, October 28, 2007 and

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October 29, 2006, respectively. As of November 2, 2008, there was approximately \$10.7 million of total unrecognized compensation cost related to share-based compensation arrangements. That cost is expected to be recognized over a weighted-average remaining period of 3.9 years.

Cash received from option exercises was \$0.7 million, \$3.9 million and \$8.5 million during fiscal 2008, 2007 and 2006, respectively. The actual tax benefit realized for the tax deductions from option exercises totaled \$0.2 million, \$1.5 million and \$3.2 million for fiscal 2008, 2007 and 2006, respectively.

15. EARNINGS PER SHARE

Basic earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per common share considers the effect of common stock equivalents. The reconciliation of the numerator and denominator used for the computation of basic and diluted earnings per share is as follows (in thousands, except per share data):

	Fiscal year ended		
	November 2, 2008	October 28, 2007	October 29, 2006
Numerator for Basic and Diluted Earnings Per Share			
Net income	\$ 78,881	\$ 63,729	\$ 73,796
Denominator for Diluted Earnings Per Share			
Weighted average shares outstanding for basic earnings per share	19,332	19,582	19,959
Common stock equivalents:			
Employee stock options	104	211	262
Unvested restricted stock awards	50	78	83
Convertible Notes ⁽¹⁾		922	1,091
Adjusted weighted average shares and assumed conversions for diluted earnings per share	19,486	20,793	21,395
Earnings per share			
Basic	\$ 4.08	\$ 3.25	\$ 3.70
Diluted	\$ 4.05	\$ 3.06	\$ 3.45

⁽¹⁾ The indenture under which the Convertible Notes were issued contains a net share settlement provision as described in EITF 04-08, *Effect of Contingently Convertible Instruments on Diluted Earnings Per Share*, whereby conversions are settled for a combination of cash and shares, and shares are only issued to the extent the conversion value exceeds the principal amount. The incremental shares that we would have been required to issue had the Convertible Notes been converted at the

average trading price during the period have been included in the diluted earnings per share calculation because our average stock trading price had exceeded the \$40.14 conversion threshold. However, the Convertible Notes can only be converted by the holders when our stock price trades above the initial conversion price of our Convertible Notes (see Note 8) for at least 20 trading days in each of the 30 consecutive trading day period of the preceding calendar quarter or if upon other specified events, including if we call the Convertible Notes for redemption, which we may do beginning November 20, 2009.

The number of weighted average options that were not included in the diluted earnings per share calculation because the effect would have been anti-dilutive was approximately 309,000, 2,500 and 800 shares for the fiscal years ended November 2, 2008, October 28, 2007 and October 29, 2006, respectively. The anti-dilutive weighted average unvested restricted shares that were not included in the diluted earnings per share calculation was approximately 142,000 shares for the fiscal year ended November 2, 2008. For fiscal years ended October 28, 2007 and October 29, 2006, there were no anti-dilutive weighted average unvested restricted shares excluded from the diluted earnings per share calculation.

Table of Contents**16. EMPLOYEE BENEFIT PLANS**

Defined Contribution Plan We have a 401(k) profit sharing plan (the Savings Plan) that covers all eligible employees. The Savings Plan requires us to match employee contributions up to 6% of a participant's salary. Contributions expense for the fiscal years ended 2008, 2007 and 2006 was \$8.6 million, \$9.0 million and \$7.8 million, respectively, for contributions to the Savings Plan. In fiscal 2008, 2007 and 2006, Company matching contributions were paid in cash. Our match ranges from 67% to 100% of the participant's contribution, depending on the return on adjusted operating assets. Our match was 83.3% in fiscal years 2008 and 2007 and 100% in fiscal year 2006.

Deferred Compensation Plan On October 23, 2006, the Board approved an Amended and Restated Deferred Compensation Plan for NCI (as amended and restated, the Deferred Compensation Plan) effective for compensation beginning in calendar 2007. The Deferred Compensation Plan allows our officers and key employees to defer up to 80% of their annual salary and up to 90% of their bonus until a specified date in the future, including at or after retirement. Additionally, the Deferred Compensation Plan allows our directors to defer up to 100% of their annual fees and meeting attendance fees until a specified date in the future, including at or after retirement. The Deferred Compensation Plan also permits us to make contributions on behalf of our key employees who are impacted by the federal tax compensation limits under the NCI 401(k) plan, and to receive a restoration matching amount which, under the current NCI 401(k) terms, will be at 4% and up to 6% of compensation in excess of those limits, based on our Company's performance. In addition, the Deferred Compensation Plan provides for us to make discretionary contributions to employees who have elected to defer compensation under the plan. Deferred Compensation Plan participants will vest in our discretionary contributions ratably over three years from the date of each of our discretionary contributions. As of November 2, 2008 and October 28, 2007, the liability balance of the Deferred Compensation Plan is \$2.6 million and \$1.6 million, respectively, and is included in accrued compensation and benefits in the Consolidated Balance Sheet. We have accrued restoration matching contributions in the amount of \$0.3 million and \$0.2 million for fiscal 2008 and 2007, respectively. We have not made any discretionary contributions to the Deferred Compensation Plan.

With the Deferred Compensation Plan, the Board also approved the establishment of a rabbi trust to fund the Deferred Compensation Plan and the formation of an administrative committee to manage the Deferred Compensation Plan and its assets. The investments in the rabbi trust are \$2.6 million and \$1.6 million at November 2, 2008 and October 28, 2007, respectively. The rabbi trust investments include debt and equity securities, along with cash equivalents and are accounted for as trading securities.

Defined Benefit Plan As a result of the closing of the RCC acquisition on April 7, 2006, we assumed a defined benefit plan (the RCC Benefit Plan). Benefits under the RCC Benefit Plan are primarily based on years of service and the employee's compensation. The RCC Benefit Plan is frozen and, therefore, employees do not accrue additional service benefits. Plan assets of the RCC Benefit Plan are invested in broadly diversified portfolios of government obligations, hedge funds, mutual funds, stocks, bonds and fixed income securities. In accordance with SFAS No. 141, *Business Combinations*, we quantified the projected benefit obligation and fair value of the plan assets of the RCC Benefit Plan and recorded the

difference between these two amounts as an assumed liability.

Adoption of SFAS 158. On October 28, 2007, we adopted the recognition and disclosure provisions of SFAS 158. SFAS 158 requires us to recognize the funded status of the RCC Benefit Plan in our statement of financial position and recognize the changes in the RCC Benefit Plan's funded status in comprehensive income in the year in which the changes occur. The effects of the adoption of the recognition and disclosure provisions of SFAS 158 on our Consolidated Balance Sheet as of October 28, 2007 are presented in the following table. The adoption of SFAS 158 had no effect on our Consolidated Statements of Operations for the fiscal year ended October 28, 2007, or for any prior period presented, and it will not affect our Consolidated Statements of Operations in future periods.

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The impact of adopting SFAS 158 on our Consolidated Balance Sheet at October 28, 2007 is as follows (in thousands):

	As of October 28, 2007	
	Effect of Adopting SFAS 158	As Reported at October 28, 2007
Non-current pension asset	\$ 2,292	\$ 2,292
Non-current accrued pension liability	1,016	
Long-term deferred tax liability	(1,289)	(1,289)
Accumulated other comprehensive income, net of tax	(2,019)	(2,019)

The following table reconciles the change in the benefit obligation for the RCC Benefit Plan from the beginning of the fiscal year to the end of the fiscal year (in thousands):

	November 2, 2008	October 28, 2007
Accumulated benefit obligation	\$ 38,127	\$ 48,805
Projected benefit obligation beginning of fiscal year	\$ 48,805	\$ 52,443
Interest cost	2,810	2,891
Benefit payments	(4,580)	(4,414)
Actuarial gains	(8,908)	(2,115)
Projected benefit obligation end of fiscal year	\$ 38,127	\$ 48,805

Actuarial assumptions used to determine benefit obligations were as follows:

	November 2, 2008	October 28, 2007
Assumed discount rate	8.50%	6.00%

The following table reconciles the change in plan assets of the RCC Benefit Plan from the beginning of the fiscal year to the end of the fiscal year (in thousands):

	November 2, 2008	October 28, 2007
Fair value of assets beginning of fiscal year	\$ 51,097	\$ 49,041
Actual return on plan assets	(7,658)	5,525
Employer contributions		945
Benefit payments	(4,580)	(4,414)

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Fair value of assets end of fiscal year **\$ 38,859** \$ 51,097

The following table sets forth the funded status of the RCC Benefit Plan and the amounts recognized in the Consolidated Balance Sheet (in thousands):

	November 2, 2008	October 28, 2007
Fair value of assets	\$ 38,859	\$ 51,097
Benefit obligation	38,127	48,805
Funded status	\$ 732	\$ 2,292
Unrecognized actuarial loss (gain)	(634)	(3,308)
Prepaid benefit cost (benefit)	\$ 98	\$ (1,016)

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The amounts in accumulated other comprehensive income that have not yet been recognized as components of net periodic benefit income (in thousands):

	November 2, 2008	October 28, 2007
Net actuarial gains	\$ (634)	\$ (3,308)

The following table sets forth the components of the net periodic benefit income (in thousands):

	November 2, 2008	October 28, 2007
Interest cost	\$ 2,810	\$ 2,891
Expected return on assets	(3,924)	(3,588)
Net periodic benefit income	\$ (1,114)	\$ (697)

At November 2, 2008, there are no amounts included in accumulated other comprehensive income that are expected to be recognized during the next fiscal year.

Actuarial assumptions used to determine net periodic benefit income were as follows:

	Fiscal 2008	Fiscal 2007
Assumed discount rate	6.0%	5.75%
Expected rate of return on plan assets	8.0%	8.0%

The basis used to determine the overall expected long-term asset return assumption was a ten year forecast of expected return based on the target asset allocation for the plan. The expected return for this portfolio over the forecast period is 8.0%, net of investment related expenses.

The weighted-average asset allocations by asset category are as follows:

Investment Type	November 2, 2008	October 28, 2007
Equity securities	21%	32%
Debt securities	56	40
Real estate	3	4
Hedge funds	12	10
Cash and cash equivalents and other	8	14
Total	100%	100%

The investment policy is to maximize the expected return for an acceptable level of risk. Our expected long-term rate of return on plan assets is based on a target allocation of assets, which is based on our goal of earning the highest rate of return while maintaining risk at acceptable levels. The RCC Benefit Plan strives to have assets sufficiently diversified so that adverse or unexpected results from one security class will not have an unduly detrimental impact on the entire portfolio. We regularly review our actual asset allocation and the RCC Benefit Plan's investments are periodically rebalanced to our target allocation when considered appropriate. We have set the target asset allocation for the plan as follows: 2% cash, 40% US bonds, 12% alpha strategies (hedge funds), 15% large cap US equities, 6% small cap US equities, 7% real estate investment trusts, 8% foreign equity, 4% emerging markets and 6% commodity futures.

We do not expect to contribute any amount to the RCC Benefit Plan in fiscal 2009.

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We expect the following benefit payments to be made (in thousands):

Fiscal Years Ended	Pension Benefits
2009	\$ 3,938
2010	4,246
2011	3,917
2012	3,934
2013	3,775
2014-2018	17,964

17. CONTINGENCIES

In September 2003, Bethlehem Steel Corporation and several of its related entities (collectively, Bethlehem) filed a preference-avoidance lawsuit against us and several of our operating subsidiaries in the United States Bankruptcy Court for the Southern District of New York. The lawsuit was filed as part of the Bethlehem consolidated bankruptcy proceedings, seeking reimbursement of allegedly preferential transfers made by the respective debtors in the 90-day period preceding their bankruptcy filings. Bethlehem alleged that it made preferential payments to our subsidiaries of approximately \$7.7 million. On December 1, 2008, we settled this claim for \$0.3 million.

We have discovered the existence of trichloroethylene in the ground water at our Southlake, Texas facility. We have filed an application with the Texas Commission of Environmental Quality (TCEQ) for entry into the voluntary cleanup program which was accepted. Remediation of the affected ground water plume has commenced. The cost of required remediation of the affected plume will vary depending on the ultimate extent of the contamination. As of November 2, 2008, we have accrued \$0.1 million to complete site analysis and testing. However, based on available information, we do not believe there will be a material adverse effect on our business, consolidated financial position or results of operations.

We discovered the existence of unknown debris containing soil and paint materials in the storm-water outfalls in and around an embankment on the north side of our Rocky Mount, North Carolina facility. Test results revealed that surface soil concentrations of chromium above North Carolina's soil remediation goals were present. Costs associated with site analysis and testing were incurred in the second quarter of fiscal 2008. Full remediation of this contamination in and around the embankment on the north side of our Rocky Mount, North Carolina facility took place in the third quarter of fiscal 2008. The total costs incurred of \$0.4 million in connection with the resolution of the issue did not have a material adverse effect on our business, consolidated financial position or results of operations.

The New York State Department of Conservation (DEC) has notified H.H. Robertson, as predecessor to Robertson Building Systems Limited (RBSL), of its potential liability for a portion of the cleanup of the former Frontier Chemical waste handling facility in Niagara Falls. The DEC has indicated that remediation of soils and upper bedrock groundwater will cost between approximately \$11 million and \$14 million. Whether deeper bedrock ground water will need to be remediated and the cost of any such

remediation has not been determined. DEC records indicated that numerous entities sent waste materials to the Frontier site from 1974 to 1992. During the second quarter of fiscal 2008, a group of other potentially responsible parties (PRPs) alleged that H.H. Robertson Building Technical Center (RBTC) also contributed waste to the Frontier site. Because of the large numbers of other PRPs and the relatively small alleged contributions of RBSL and RBTC, we do not believe this matter will have a material adverse effect on our business, consolidated financial position or results of operations.

From time to time, we are involved in various other legal proceedings and contingencies, including environmental matters, considered to be in the ordinary course of business. While we are not able to predict whether we will incur any liability in excess of insurance coverages or to accurately estimate the damages, or the range of damages, if any, we might incur in connection with these legal proceedings, we believe these legal proceedings and claims will not have a material adverse effect on our business, consolidated financial position or results of operations.

Table of Contents**18. BUSINESS SEGMENTS**

We have aggregated our operations into three reportable segments based upon similarities in product lines, manufacturing processes, marketing and management of our businesses: metal coil coating; metal components; and engineered building systems. All business segments operate primarily in the nonresidential construction market. Sales and earnings are influenced by general economic conditions, the level of nonresidential construction activity, metal roof repair and retrofit demand and the availability and terms of financing available for construction. Products of our business segments use similar basic raw materials. The metal coil coating segment consists of cleaning, treating, painting and slitting continuous steel coils before the steel is fabricated for use by construction and industrial users. The metal components segment products include metal roof and wall panels, doors, metal partitions, metal trim and other related accessories. The engineered building systems segment includes the manufacturing of main frames, Long Bay® Systems and value-added engineering and drafting, which are typically not part of metal components or metal coil coating products or services. The reporting segments follow the same accounting policies used for our Consolidated Financial Statements.

We evaluate a segment's performance based primarily upon operating income before corporate expenses. Intersegment sales are recorded based on standard material costs plus a standard markup to cover labor and overhead and consist of (i) hot-rolled, light gauge painted and slit material and other services provided by the metal coil coating segment to both the metal components and engineered building systems segments; (ii) building components provided by the metal components segment to the engineered building systems segment; and (iii) structural framing provided by the engineered building systems segment to the metal components segment.

Corporate assets consist primarily of cash but also include deferred financing costs, deferred taxes and property, plant and equipment associated with our headquarters in Houston, Texas. These items (and income and expenses related to these items) are not allocated to the business segments.

Summary financial data by segment is as follows (in thousands):

	2008 ⁽¹⁾	2007 ⁽¹⁾ (As restated)	2006 ⁽¹⁾ (As restated)
Total sales:			
Metal coil coating	\$ 305,657	\$ 272,543	\$ 278,814
Metal components	715,255	663,331	700,375
Engineered building systems	1,110,534	1,021,544	894,489
Intersegment sales	(367,287)	(332,350)	(302,495)
Total net sales	\$ 1,764,159	\$ 1,625,068	\$ 1,571,183
External sales:			
Metal coil coating	\$ 96,957	\$ 83,583	\$ 117,873
Metal components	600,010	561,622	600,011
Engineered building systems	1,067,192	979,863	853,299

Total net sales	\$ 1,764,159	\$ 1,625,068	\$ 1,571,183
Operating income:			
Metal coil coating	\$ 29,381	\$ 25,136	\$ 24,948
Metal components	82,094	49,609	77,539
Engineered building systems	107,851	113,265	87,122
Corporate	(64,616)	(56,276)	(51,621)
Total operating income	\$ 154,710	\$ 131,734	\$ 137,988
Unallocated other expense	(24,330)	(26,909)	(18,956)
Income before income taxes	\$ 130,380	\$ 104,825	\$ 119,032

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	2008 ⁽¹⁾	2007 ⁽¹⁾ (As restated)	2006 ⁽¹⁾ (As restated)
Depreciation and amortization:			
Metal coil coating	\$ 6,574	\$ 6,510	\$ 5,543
Metal components	9,384	8,856	8,652
Engineered building systems	15,940	16,794	12,384
Corporate	3,690	3,375	4,510
Total depreciation and amortization expense	\$ 35,588	\$ 35,535	\$ 31,089
Capital expenditures:			
Metal coil coating	\$ 3,073	\$ 4,150	\$ 7,675
Metal components	9,109	17,693	9,318
Engineered building systems	10,912	15,839	8,617
Corporate	1,709	4,359	1,446
Total capital expenditures	\$ 24,803	\$ 42,041	\$ 27,056
Property, plant and equipment, net:			
Metal coil coating	\$ 39,738	\$ 43,283	
Metal components	84,026	86,383	
Engineered building systems	108,876	116,045	
Corporate	18,523	16,283	
Total property, plant and equipment, net	\$ 251,163	\$ 261,994	
Total assets as of fiscal year end 2008 and 2007:			
Metal coil coating	\$ 196,615	\$ 180,930	
Metal components	371,464	352,224	
Engineered building systems	716,671	707,544	
Corporate	95,951	102,360	
	\$ 1,380,701	\$ 1,343,058	

⁽¹⁾ During the fourth quarter of fiscal 2008, we changed the reporting structure and management team responsibilities to better align certain of our products to respond effectively to current market opportunities. As a result of this change, we transferred certain segment activities within the engineered building systems and metal components segments in fiscal 2008. Segment information for fiscal 2007 and 2006 has been restated to conform to the fiscal 2008 segment designations. For fiscal 2007, the conforming restatement resulted in a decrease at the metal components segment and an increase at the engineered building systems segment of \$51.7 million in sales and \$10.7 million in operating income. In addition, total assets at October 28, 2007 decreased at the metal components segment and increased at the engineered building systems segment by \$11.7 million as a result of the conforming restatement. For fiscal 2006, the conforming restatement resulted in a decrease at the metal components segment and an increase at the engineered building

systems segment of \$70.8 million in sales and \$14.5 million in operating income.

During the fourth quarter of fiscal 2007, we committed to a plan to exit our residential overhead door product line, included in our metal components segment. During the fiscal year ended November 2, 2008, we incurred expenses of \$0.9 million related to this exit plan. In fiscal 2007, the residential door business produced revenue of \$12.4 million and pretax loss of \$0.5 million. This line of business is not considered material and is, therefore, not presented as discontinued operations in the consolidated financial statements.

Table of Contents**19. QUARTERLY RESULTS (Unaudited)**

Shown below are selected unaudited quarterly data (in thousands, except per share data):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
FISCAL YEAR 2008				
Sales	\$ 361,489	\$ 416,143	\$ 477,596	\$ 508,931
Gross profit	\$ 82,431	\$ 103,440	\$ 128,525	\$ 124,139
Net income	\$ 7,510	\$ 14,866	\$ 31,891	\$ 24,614
Earnings per share: ⁽¹⁾				
Basic	\$ 0.39	\$ 0.77	\$ 1.65	\$ 1.27
Diluted	\$ 0.39	\$ 0.76	\$ 1.63	\$ 1.26
FISCAL YEAR 2007				
Sales	\$ 359,501	\$ 367,912	\$ 434,081	\$ 463,574
Gross profit	\$ 87,882	\$ 85,575	\$ 110,028	\$ 120,120
Net income	\$ 10,453	\$ 6,511	\$ 21,327	\$ 25,438
Earnings per share: ⁽¹⁾				
Basic	\$ 0.53	\$ 0.33	\$ 1.09	\$ 1.31
Diluted	\$ 0.49	\$ 0.31	\$ 1.02	\$ 1.27

⁽¹⁾ The sum of the quarterly income per share amounts may not equal the annual amount reported, as per share amounts are computed independently for each quarter and for the full year based on the respective weighted average common shares outstanding.

During the fourth quarter of fiscal 2008, we changed the reporting structure and management team responsibilities to better align certain of our products to respond effectively to current market opportunities. As a result of this change, we transferred certain segment activities within the engineered building systems and metal components segments in fiscal 2008. Segment information for each of the quarters in fiscal 2008, 2007 and 2006 have been reclassified to conform to the fiscal 2008 segment designations, as follows:

	Fiscal Three Months Ended			
	January 27, 2008 (As restated)	April 27, 2008 (As restated)	July 27, 2008 (As restated)	November 2, 2008
Total sales:				
Metal coil coating	\$ 62,275	\$ 80,171	\$ 90,732	\$ 72,479
Metal components	145,167	165,384	202,826	201,878
Engineered building systems	226,399	259,653	292,715	331,767
Intersegment sales	(72,352)	(89,065)	(108,677)	(97,193)
Total net sales	\$ 361,489	\$ 416,143	\$ 477,596	\$ 508,931
External sales:				
Metal coil coating	\$ 19,382	\$ 27,288	\$ 27,890	\$ 22,397
Metal components	123,363	139,353	168,459	168,835

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Engineered building systems	218,744	249,502	281,247	317,699
Total net sales	\$ 361,489	\$ 416,143	\$ 477,596	\$ 508,931
Operating income:				
Metal coil coating	\$ 2,695	\$ 6,705	\$ 11,360	\$ 8,621
Metal components	9,522	15,171	32,174	25,227
Engineered building systems	20,438	25,292	28,514	33,607
Corporate	(14,159)	(17,656)	(16,333)	(16,468)
Total operating income	\$ 18,496	\$ 29,512	\$ 55,715	\$ 50,987
Unallocated other expense	(6,284)	(5,237)	(4,399)	(8,410)
Income before income taxes	\$ 12,212	\$ 24,275	\$ 51,316	\$ 42,577

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	Fiscal Three Months Ended			
	January 28, 2007 (As restated)	April 29, 2007 (As restated)	July 29, 2007 (As restated)	October 28, 2007
Total sales:				
Metal coil coating	\$ 59,219	\$ 63,844	\$ 72,275	\$ 77,205
Metal components	146,093	149,684	178,312	189,242
Engineered building systems	229,169	229,861	271,151	291,363
Intersegment sales	(74,980)	(75,477)	(87,657)	(94,236)
Total net sales	\$ 359,501	\$ 367,912	\$ 434,081	\$ 463,574
External sales:				
Metal coil coating	\$ 16,431	\$ 20,825	\$ 23,262	\$ 23,065
Metal components	123,255	126,308	151,463	160,596
Engineered building systems	219,815	220,779	259,356	279,913
Total net sales	\$ 359,501	\$ 367,912	\$ 434,081	\$ 463,574
Operating income:				
Metal coil coating	\$ 4,643	\$ 5,761	\$ 8,165	\$ 6,567
Metal components	8,839	7,548	14,153	19,069
Engineered building systems	23,948	17,315	33,575	38,427
Corporate	(13,197)	(13,149)	(13,646)	(16,284)
Total operating income	\$ 24,233	\$ 17,475	\$ 42,247	\$ 47,779
Unallocated other expense	(7,152)	(6,655)	(7,074)	(6,028)
Income before income taxes	\$ 17,081	\$ 10,820	\$ 35,173	\$ 41,751

	Fiscal Three Months Ended			
	January 29, 2006 (As restated)	April 30, 2006 (As restated)	July 30, 2006 (As restated)	October 29, 2006
Total sales:				
Metal coil coating	\$ 63,302	\$ 61,054	\$ 74,813	\$ 79,645
Metal components	159,962	156,631	186,809	196,973
Engineered building systems	133,791	172,153	270,550	317,995
Intersegment sales	(63,693)	(60,260)	(82,597)	(95,945)
Total net sales	\$ 293,362	\$ 329,578	\$ 449,575	\$ 498,668
External sales:				
Metal coil coating	\$ 29,062	\$ 32,846	\$ 28,617	\$ 27,348
Metal components	138,893	134,139	161,754	165,225
Engineered building systems	125,407	162,593	259,204	306,095

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Total net sales	\$ 293,362	\$ 329,578	\$ 449,575	\$ 498,668
Operating income:				
Metal coil coating	\$ 4,422	\$ 5,564	\$ 8,436	\$ 6,526
Metal components	19,131	14,851	23,869	19,688
Engineered building systems	12,036	13,838	24,371	36,877
Corporate	(12,768)	(12,176)	(15,019)	(11,658)
Total operating income	\$ 22,821	\$ 22,077	\$ 41,657	\$ 51,433
Unallocated other expense	(1,676)	(3,712)	(7,327)	(6,241)
Income before income taxes	\$ 21,145	\$ 18,365	\$ 34,330	\$ 45,192

Table of Contents**20. SUBSEQUENT EVENTS**

In anticipation of the current market downturn, we have resized and realigned our manufacturing operations related to four facilities. In November 2008, subsequent to our fiscal year end, our executive management approved a plan to close three of our engineered building systems manufacturing plants located in Lockeford, California, Mattoon, Illinois, and Hernando, Mississippi. The purpose of these closures is to rationalize our least efficient facilities and to retool certain of these facilities to allow us to better utilize our assets and expand into new markets or better provide products to our customers, such as insulated panel systems. Impairment charges related to the restructuring during fiscal 2008 were \$0.2 million and are included in cost of goods sold. We expect to incur additional restructuring and facility closure costs of approximately \$3.0 million. Of this amount, \$1.6 million relates to employee or severance costs, \$1.2 million relates to asset relocation or impairment costs and \$0.2 million relates to other costs. Most of the remaining charges are expected to be recorded in the first quarter of fiscal 2009.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 9A. Controls and Procedures.

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of November 2, 2008. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding the required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of November 2, 2008, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective.

Management's report on internal control over financial reporting is included in the financial statement pages at page 44.

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during

the fiscal quarter ended November 2, 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance.

We have adopted a Code of Business Conduct and Ethics, a copy of which is available on our website at www.ncilp.com under the heading Investor Relations Corporate Governance. Any amendments to, or waivers from the Code of Business Conduct and Ethics that apply to our executive officers and directors will be posted on the Investor Relations Corporate Governance section of our Internet web site located at www.ncilp.com.

The information under the captions Election of Directors, Management, Section 16(a) Beneficial Ownership Reporting and Compliance, Board of Directors and Corporate Governance in our definitive proxy statement for our annual meeting of shareholders to be held on March 12, 2009 is incorporated by reference herein.

Item 11. Executive Compensation.

The information under the captions Compensation Discussion and Analysis, Report of the Compensation Committee and Executive Compensation in our definitive proxy statement for our annual meeting of shareholders to be held on March 12, 2009 is incorporated by reference herein.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information under the captions Outstanding Capital Stock and Securities Reserved for Issuance Under Equity Compensation Plans in our definitive proxy statement for our annual meeting of shareholders to be held on March 12, 2009 is incorporated by reference herein.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information under the captions Board of Directors and Transactions with Directors, Officers and Affiliates in our definitive proxy statement for our annual meeting of shareholders to be held on March 12, 2009 is incorporated by reference herein.

Item 14. Principal Accounting Fees and Services.

The information under the caption Audit Committee and Auditors Our Independent Registered Public Accounting Firm and Audit Fees in our definitive proxy statement for our annual meeting of shareholders to be held on March 12, 2009 is incorporated by reference herein.

Item 15. Exhibits, Financial Statement Schedules.

(a) The following documents are filed as a part of this report:

1. Consolidated Financial Statements (see Item 8).

2. Consolidated Financial Statement Schedules. Schedule II Valuation and Qualifying Accounts

All other schedules are omitted because they are inapplicable or the requested information is shown in the financial statements or noted therein.

3. Exhibits

Those exhibits required to be filed by Item 601 of Regulation S-K are listed in the Index to Exhibits immediately preceding the exhibits filed herewith and such listing is incorporated herein by reference.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 23rd day of December, 2008.

NCI BUILDING SYSTEMS,
INC.

By: /s/ NORMAN C.
CHAMBERS
Norman C. Chambers,
President and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated as of the 23rd day of December, 2008.

Name	Title
/s/ NORMAN C. CHAMBERS Norman C. Chambers	Chairman of the Board, President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ MARK E. JOHNSON Mark E. Johnson	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)
* William D. Breedlove	Director
* Larry Edwards	Director
* Gary L. Forbes	Director
* Philip J. Hawk	Director
* Max L. Lukens	Director

* Director

George Martinez

* Director

Ed Phipps

* Director

W.B. Pieper

* Director

John K. Sterling

*By: /s/ NORMAN C.
CHAMBERS
Norman C. Chambers,
Attorney-in-Fact

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(in thousands)

Description	Balance at Beginning of Period	Additions Charged to costs and expenses	Charged to other accounts	Deductions	Balance at End of Period
Year ended October 29, 2006:					
Reserves and allowances deducted from asset accounts:					
Allowance for uncollectible accounts and backcharges	\$ 6,724	\$ 2,004	\$ 8,874 ⁽¹⁾	\$ 2,377 ⁽²⁾	\$ 15,225
Reserve for obsolete materials and supplies	\$ 2,816		\$ 1,664 ⁽¹⁾	\$ 743	\$ 3,737
Valuation allowance on deferred tax assets			\$ 3,277 ⁽¹⁾	\$ 106	\$ 3,171
Year ended October 28, 2007:					
Reserves and allowances deducted from asset accounts:					
Allowance for uncollectible accounts and backcharges	\$ 15,225	\$ 330		\$ 6,580 ⁽²⁾	\$ 8,975
Reserve for obsolete materials and supplies	\$ 3,737	\$ 1,710		\$ 1,014	\$ 4,433
Valuation allowance on deferred tax assets	\$ 3,171	\$ 1,432			\$ 4,603
Year ended November 2, 2008:					
Reserves and allowances deducted from asset accounts:					
Allowance for uncollectible accounts and backcharges	\$ 8,975	\$ 3,468		\$ 2,113 ⁽²⁾	\$ 10,330

Reserve for obsolete materials and supplies	\$ 4,433	\$ 252	\$ 2,878	\$ 1,807
Valuation allowance on deferred tax assets	\$ 4,603	\$ 369		\$ 4,972

(1) Amounts resulting from acquisition.

(2) Uncollectible accounts, net of recoveries.

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Index to Exhibits

- 3.1 Restated Certificate of Incorporation, as amended through September 30, 1998 (filed as Exhibit 3.1 to NCI's Annual Report on Form 10-K for the fiscal year ended November 2, 2002 and incorporated by reference herein)
- 3.2 Certificate of Amendment to Restated Certificate of Incorporation, effective as of March 12, 2007 (filed as Exhibit 3.2 to NCI's Quarter Report on Form 10-Q for the quarter ended April 29, 2007 and incorporated by reference herein)
- 3.3 Amended and Restated By-Laws, effective as of December 11, 2008 (filed as Exhibit 3.1 to NCI's Current Report on Form 8-K dated December 11, 2008 and incorporated by reference herein)
- 4.1 Form of certificate representing shares of NCI's common stock (filed as Exhibit 1 to NCI's registration statement on Form 8-A filed with the SEC on July 20, 1998 and incorporated by reference herein)
- 4.2 Credit Agreement, dated June 18, 2004, by and among NCI, certain of its subsidiaries, as guarantors, Wachovia Bank, National Association, as administrative agent, Bank of America, N.A., as syndication agent, and the several lenders named therein (filed as Exhibit 4.1 to NCI's Form 10-Q/A, filed with the SEC on September 16, 2004, amending its quarterly report on Form 10-Q for the quarter ended July 31, 2004 and incorporated by reference herein)
- 4.3 First Amendment to Credit Agreement, dated as of November 9, 2004, between NCI Building Systems, Inc, as borrower, certain of its subsidiaries, as guarantors, Wachovia National Bank, National Association, as administrative agent and lender, and the several lenders named therein (filed as Exhibit 10.1 to NCI's Current Report on Form 8-K dated November 16, 2004 and incorporated by reference herein)
- 4.4 Second Amendment to Credit Agreement, dated as of October 14, 2005, between NCI Building Systems, Inc, as borrower, certain of its subsidiaries, as guarantors, Wachovia National Bank, National Association, as administrative agent and lender, and the several lenders named therein (filed as Exhibit 10.1 to NCI's Current Report on Form 8-K dated October 14, 2005 and incorporated by reference herein)
- 4.5 Third Amendment, dated April 7, 2006, to Credit Agreement, dated June 18, 2004, by and among NCI Building Systems, Inc, as borrower, certain of its subsidiaries, as guarantors, Wachovia Bank, National Association, as administrative agent and lender, and the several lenders parties thereto (filed as Exhibit 10.2 to NCI's Current Report on Form 8-K dated April 7, 2006 and incorporated by reference herein)
- 4.6 Indenture, dated November 16, 2004, by and among NCI, and The Bank of New York (filed as Exhibit 4.1 to NCI's Current Report on Form 8-K dated November 16, 2004 and incorporated by reference herein)

- 10.1 Employment Agreement, dated April 12, 2004, among the Company, NCI Group, L.P. and Norman C. Chambers (filed as Exhibit 10.1 to NCI's Quarterly Report on Form 10-Q for the quarter ended May 1, 2004 and incorporated by reference herein)
- * 10.2 Amended and Restated Bonus Program, as amended and restated as of September 4, 2008
- 10.3 Stock Option Plan, as amended and restated on December 14, 2000 (filed as Exhibit 10.4 to NCI's Annual Report on Form 10-K for the fiscal year ended October 31, 2000 and incorporated by reference herein)
- 10.4 Form of Nonqualified Stock Option Agreement (filed as Exhibit 10.5 to NCI's Annual Report on Form 10-K for the fiscal year ended October 31, 2000 and incorporated by reference herein)

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- 10.5 2003 Long-Term Stock Incentive Plan, as amended and restated December 7, 2006 (filed as Exhibit 10.1 to NCI's Current Report on Form 8-K dated December 7, 2006 and incorporated by reference herein)
- 10.6 Form of Nonqualified Stock Option Agreement (filed as Exhibit 4.2 to NCI's registration statement no. 333-111139 and incorporated by reference herein)
- 10.7 Form of Incentive Stock Option Agreement (filed as Exhibit 4.3 to NCI's registration statement no. 333-111139 and incorporated by reference herein)
- 10.8 Form of Restricted Stock Award Agreement for Senior Executive Officers (Electronic) (filed as Exhibit 10.2 to NCI's Current Report on Form 8-K dated December 7, 2006 and incorporated by reference herein)
- 10.9 Form of Restricted Stock Award Agreement for Key Employees (filed as Exhibit 10.3 to NCI's Current Report on Form 8-K dated December 7, 2006 and incorporated by reference herein)
- 10.10 Form of Restricted Stock Unit Agreement (filed as Exhibit 10.1 to NCI's Current Report on Form 8-K dated December 7, 2006 and incorporated by reference herein)
- 10.11 Form of Restricted Stock Award Agreement for Non-Employee Directors (filed as Exhibit 10.4 to NCI's Current Report on Form 8-K dated October 23, 2006 and incorporated by reference herein)
- 10.12 Amended and Restated Supplemental Benefit Plan (as amended and restated on December 12, 2002 (filed as Exhibit 10.8 to NCI's Annual Report on Form 10-K for the fiscal year ended November 2, 2002 and incorporated by reference herein)
- 10.13 Supplemental Benefit Agreement, dated December 13, 2002, between NCI and A.R. Ginn, Jr. (filed as Exhibit 10.9 to NCI's Annual Report on Form 10-K for the fiscal year ended November 2, 2002 and incorporated by reference herein)
- 10.14 Agreement dated October 24, 2006, between NCI and Albert R. Ginn, Jr. (filed as Exhibit 10.1 to NCI's Current Report on Form 8-K dated October 23, 2006 and incorporated by reference herein)
- 10.15 Supplemental Benefit Agreement, dated August 26, 2004, between NCI and Ken Maddox (filed as Exhibit 10.14 to NCI's Annual Report on Form 10-K for the fiscal year ended October 29, 2005 and incorporated by reference herein)
- 10.16 Special Long-Term Restricted Stock Award Agreement, dated August 28, 2003 between NCI and Kelly R. Ginn (filed as Exhibit 10.21 to NCI's Annual Report on Form 10-K for the fiscal year ended November 1, 2003 and incorporated by reference herein)
- 10.17 First Amendment, dated May 27, 2004, to Special Long-Term Restricted Stock Award Agreement, dated August 28, 2003, between NCI and Kelly R. Ginn (filed as Exhibit 10.1 to NCI's Quarterly Report on Form 10-Q for the quarter ended July 30, 2005 and incorporated by reference herein)

- 10.18 Second Amendment, dated October 24, 2005, to Special Long-Term Restricted Stock Award Agreement, dated August 28, 2003, between NCI and Kelly R. Ginn (filed as Exhibit 10.17 to NCI's Annual Report on Form 10-K for the fiscal year ended October 29, 2005 and incorporated by reference herein)
- 10.19 Special Long-Term Restricted Stock Award Agreement, dated May 28, 2004, between NCI and A.R. Ginn (filed as Exhibit 10.15 to NCI's Annual Report on Form 10-K for the fiscal year ended October 30, 2004 and incorporated by reference herein)
- 10.20 First Amendment, dated October 24, 2005, to Special Long-Term Restricted Stock Award Agreement, dated May 28, 2004, between NCI and A.R. Ginn (filed as Exhibit 10.19 to NCI's Annual Report on Form 10-K for the fiscal year ended October 29, 2005 and incorporated by reference herein)

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- 10.21 Restricted Stock Agreement, dated April 26, 2004, between NCI and Norman C. Chambers (filed as exhibit 10.2 to NCI's Quarterly Report on Form 10-Q for the quarter ended May 1, 2004 and incorporated by reference herein)
 - 10.22 First Amendment, dated October 24, 2005, to Restricted Stock Agreement, dated April 26, 2004, between NCI and Norman C. Chambers (filed as Exhibit 10.21 to NCI's Annual Report on Form 10-K for the fiscal year ended October 29, 2005 and incorporated by reference herein)
 - 10.23 Amended and Restated NCI Building Systems, Inc. Deferred Compensation Plan (as amended and restated effective January 1, 2007) (filed as Exhibit 10.23 to NCI's Annual Report on Form 10-K for the fiscal year ended October 29, 2006 and incorporated by reference herein)
 - 10.24 Form of Employment Agreement between NCI and executive officers (filed as Exhibit 10.25 to NCI's Annual Report on Form 10-K for the fiscal year ended October 28, 2007 and incorporated by reference herein)
 - 10.25 Separation and Consulting Agreement, dated February 4, 2008, between NCI and Kenneth W. Maddox (filed as Exhibit 10.1 to NCI's Current Report on Form 8-K dated January 31, 2008 and incorporated by reference herein)
 - 10.26 Agreement, dated March 27, 2008, between NCI and Frances P. Hawes (filed as Exhibit 10.1 to NCI's Current Report on Form 8-K dated March 27, 2008 and incorporated by reference herein)
 - 10.27 Agreement, dated March 27, 2008, between NCI and Kelly R. Ginn (filed as Exhibit 10.1 to NCI's Current Report on Form 8-K dated March 27, 2008 and incorporated by reference herein)
 - 10.28 Form of Indemnification Agreement for Officers and Directors (filed as Exhibit 10.1 to NCI's Current Report on Form 8-K dated October 20, 2008 and incorporated by reference herein)
 - *21.1 List of Subsidiaries
 - *23.1 Consent of Independent Registered Public Accounting Firm
 - *24.1 Powers of Attorney
 - *31.1 Rule 13a-14(a)/15d-14(a) Certifications (Section 302 of the Sarbanes-Oxley Act of 2002)
 - *31.2 Rule 13a-14(a)/15d-14(a) Certifications (Section 302 of the Sarbanes-Oxley Act of 2002)
 - *32.1 Certifications pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code (Section 906 of the Sarbanes-Oxley Act of 2002)
 - *32.2 Certifications pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code (Section 906 of the Sarbanes-Oxley Act of 2002)
- * Filed herewith
Management contracts or compensatory plans or arrangements

