GUARANTY BANCSHARES INC /TX/
Form DEF 14A
March 17, 2004

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

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

Filed by the Registrant **x**
Filed by a Party other than the Registrant **o**

Check the appropriate box:

o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
x Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to Rule 14a-12

GUARANTY BANCSHARES, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

o 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:

o Fee paid previously with preliminary materials.

o 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:

GUARANTY BANCSHARES, INC.

100 West Arkansas
Mount Pleasant, Texas 75455

NOTICE OF 2004 ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON TUESDAY, APRIL 20, 2004

Shareholders of Guaranty Bancshares, Inc.:

The 2004 Annual Meeting of Shareholders (the Meeting) of Guaranty Bancshares, Inc. (the Company) will be held at 100 West Arkansas, Mount Pleasant, Texas, on Tuesday, April 20, 2004, beginning at 2:00 p.m. (local time), for the following purposes:

1. To elect three directors of Class I to serve on the Board of Directors of the Company until the Company s 2007 Annual Meeting of Shareholders and until their successors are duly elected and qualified;

2. To consider and act upon a proposal to ratify the appointment of McGladrey & Pullen, LLP as the independent auditors of the books and accounts of the Company for the year ending December 31, 2004; and

3 . To transact such other business as may properly be presented at the Meeting or any adjournment thereof.

The close of business on March 1, 2004 has been fixed as the record date for the determination of shareholders entitled to notice of and to vote at the Meeting or at any adjournments thereof. A list of shareholders entitled to vote at the Meeting will be available for inspection by any shareholder at the offices of the Company during ordinary business hours for a period of at least ten days prior to the Meeting.

You are cordially invited and urged to attend the Meeting. Regardless of whether you plan to attend the Meeting, you are urged to sign and date the enclosed proxy and return it promptly in the enclosed envelope. If you attend the Meeting, you may vote in person, regardless of whether you have given your proxy. Your proxy may be revoked at any time before it is voted.

By order of the Board of Directors,

Arthur B. Scharlach, Jr.
President & CEO

Mount Pleasant, Texas
March 15, 2004

YOUR VOTE IS IMPORTANT.

To ensure your representation at the Meeting, you are urged to complete, date, and sign the enclosed proxy and return it in the accompanying envelope at your earliest convenience, regardless of whether you plan to attend the Meeting. No additional postage is necessary if the proxy is mailed in the United States. The proxy is revocable at any time before it is voted at the Meeting.

GUARANTY BANCSHARES, INC.
100 West Arkansas
Mount Pleasant, Texas 75455

March 15, 2004

PROXY STATEMENT
FOR
2004 ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON TUESDAY, APRIL 20, 2004

VOTING, REVOCABILITY AND SOLICITATION OF PROXIES

This Proxy Statement is being issued in connection with the solicitation of proxies by the Board of Directors of Guaranty Bancshares, Inc. (the Company) for use at the 2004 Annual Meeting of Shareholders of the Company to be held at 100 West Arkansas, Mount Pleasant, Texas, on Tuesday, April 20, 2004, beginning at 2:00 p.m. (local time), and any adjournment thereof (the Meeting), for the purposes set forth in this Proxy Statement and the accompanying Notice of 2004 Annual Meeting of Shareholders (Notice of Meeting). This Proxy Statement, the Notice of Meeting and the enclosed form of proxy will first be sent to shareholders on or about March 18, 2004.

Voting of Proxies

Shares represented at the Meeting by an executed and unrevoked proxy in the form enclosed will be voted in accordance with the instructions contained therein. If no instructions are given on an executed and returned form of proxy, the proxies intend to vote the shares represented thereby in favor of each of the proposals to be presented to and voted upon by the shareholders as set forth herein.

The Board of Directors knows of no other matters to be presented at the Meeting. If any other matter should be presented at the Meeting upon which a vote may be properly taken, shares represented by an executed and unrevoked proxy received by the Board of Directors may be voted with respect thereto in accordance with the judgment of the proxies. The proxy also confers on the proxies the discretionary authority to vote with respect to any matter presented at the Meeting for which advance notice was not received by the Company in accordance with the Company s Amended and Restated Bylaws.

Revocability of Proxies

Any proxy given by a shareholder may be revoked by such shareholder at any time before it is exercised by submitting to the Secretary of the Company a duly executed proxy bearing a later date, delivering to the Secretary of the Company a written notice of revocation, or attending the Meeting and voting in person. In the event a shareholder s shares are held in street name, such shareholder must contact his bank or broker to revoke his proxy.

Solicitation

The cost of this solicitation of proxies is being borne by the Company. Solicitations will be made only by the use of the mail, except that, if deemed desirable, officers and regular employees of the Company may solicit proxies by telephone, telegraph or personal calls, without being paid additional compensation for such services. Brokerage houses, custodians, nominees and fiduciaries will be requested to forward the proxy soliciting material to the beneficial owners of the common stock, par value $1.00 per share, of the Company (the Common Stock) held of record by such persons, and the Company will reimburse them for their reasonable expenses incurred in connection with such forwarding.

Annual Report

The Company s Annual Report to Shareholders, including financial statements, for the year ended December 31, 2003, as filed with the Securities and Exchange Commission, accompanies but does not constitute part of this Proxy Statement.

VOTING SHARES AND VOTING RIGHTS

Only holders of record of Common Stock at the close of business on March 1, 2004 (the Record Date), are entitled to notice of and to vote at the Meeting and any adjournments or postponements thereof. At that time, there were outstanding 2,921,928 shares of Common Stock, which is the only outstanding class of voting securities of the Company. A majority of the outstanding shares of Common Stock must be represented at the Meeting in person or by proxy in order to constitute a quorum for the transaction of business. Abstentions and shares held of record by a broker or nominee that are voted on in any matter are included in determining whether a quorum exists. Each holder of Common Stock shall have one vote for each share of Common Stock registered on the Record Date, in such holder s name on the books of the Company.

The affirmative vote of the holders of a plurality of the outstanding shares of Common Stock represented at the Meeting is required to elect the Class I nominees to the Board of Directors. Accordingly, the three Class I nominees receiving the highest number of votes cast by the holders of Common Stock will be elected. There will be no cumulative voting in the election of directors. A broker non-vote or a withholding of authority to vote, with respect to one or more nominees for director will not have the effect of a vote against such nominee or nominees.

The affirmative vote of the holders of a majority of the outstanding shares of Common Stock represented at the Meeting is required to approve the appointment of the auditors. An abstention will have the effect of a vote against the appointment. However, a broker non-vote will be deemed shares not present to vote on such matter and will not count as votes for or against the proposal and will not be included in calculating the number of votes necessary for approval of such matter.

A broker non-vote occurs if a broker or other nominee of shares does not have discretionary authority to vote the shares and has not received voting instructions with respect to a particular matter. Under the applicable rules, all of the proposals for consideration at the Meeting are considered discretionary items upon which brokers or other nominees may vote in their discretion on behalf of their clients if such clients have not furnished voting instructions.

ELECTION OF DIRECTORS

Election Procedures and Term of Office

The Board of Directors currently consists of ten directors. In accordance with the Company s Amended and Restated Bylaws, members of the Board of Directors are divided into three classes, Class I, Class II and Class III. The members of each class are elected for a term of office to expire at the third succeeding annual meeting of shareholders following their election. The term of office of the current Class I directors expires at the Meeting. The terms of the Class II and Class III directors expire at the annual meeting of shareholders in 2005 and 2006, respectively. Due in part to the death of one director, the board of directors is recommending and, to a limited

extent, reconstituting, Class I and Class II so that the classes of directors will be a nearly equal in number as possible. Accordingly, Jonice Crane, who is presently serving as a Class II director has been nominated as a Class I director. The Board of Directors, based upon the recommendation of the Company s independent directors, has also nominated Carl Johnson, Jr. and Clifton A. Payne for the election as Class I directors at the Meeting. Messrs. Johnson and Payne are currently serving as Class I directors. The three Class I nominees, if elected at the Meeting, will serve until the annual meeting of shareholders in 2007.

The Class I nominees receiving the affirmative vote of the holders of a plurality of the shares of Common Stock represented at the Meeting will be elected. Unless the authority to vote for the election of directors is withheld as to one or more of the nominees, all shares of Common Stock represented by proxy will be voted **FOR** the election of the three nominees. If the authority to vote for the election of directors is withheld as to one but not all of the nominees, all shares of Common Stock represented by any such proxy will be voted **FOR** the election of the nominee or nominees, as the case may be, as to whom such authority is not withheld.

If a nominee becomes unavailable to serve as a director for any reason before the election, the shares represented by proxy will be voted for such other person, if any, as may be designated by the Board of Directors. The Board of Directors, however, has no reason to believe that any nominee will be unavailable to serve as a director. All of the nominees have consented to being named herein and to serve if elected.

Any director vacancy occurring after the election may be filled only by a majority of the remaining directors, even if less than a quorum of the Board of Directors. A director elected to fill a vacancy will be elected for the unexpired portion of the term of his predecessor in office.

Nominees for Election

The following table sets forth information with respect to each nominee for election as a director of the Company:

Name	**Age**	**Positions with Company and Guaranty Bond Bank (the Bank)**
Carl Johnson, Jr.	48	Class I Director of the Company; Director of the Bank
Clifton A. Payne	46	Class I Director and Sr. Vice President/ Secretary and Chief Financial Officer of the Company; Director, Executive Vice President and Chief Financial Officer of the Bank
Jonice Crane	77	Class II Director of the Company; Director of the Bank

Carl Johnson, Jr. Mr. Johnson was appointed a director of the Company in 2003 and has served as a director of the Bank since 1991. Mr. Johnson is a Certified Public Accountant and has been a partner of Baker & Johnson, PC for more than the past five years.

Clifton A. Payne. Mr. Payne joined the Bank in 1984 after four years in private practice with a Certified Public Accountant firm. He became a Vice President of the Bank in 1986 and was elected an Executive Vice President in 1996 and Chief Financial Officer in 1998. In 1995, Mr. Payne was elected to the Board of Directors of the Company and the Bank. Mr. Payne is also Senior Vice President / Secretary and Chief Financial Officer of the Company.

Jonice Crane. Ms. Crane joined the Bank in 1943 and had 53 years of continuous service until her retirement as an officer of the Bank in 1996. She served as an Executive Vice President of the Bank from 1971 to 1996 and has served as a director of the Bank since 1971 and a director of the Company since its inception in 1980.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE <u>FOR</u> THE ELECTION OF EACH OF THE NOMINEES LISTED ABOVE FOR ELECTION TO THE BOARD OF DIRECTORS.

CONTINUING DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth certain information with respect to the Company s Class II and Class III directors, whose terms of office do not expire at the Meeting, and certain executive officers of the Company and the Bank (other than Mr. Clifton A. Payne):

Name	**Positions**	**Age**

Tyson T. Abston	Class III Director and Senior Vice President of the Company; Director and President of the Bank	38
C.A. Hinton, Sr.	Class II Director of the Company; Director of the Bank	80
Bill G. Jones	Class III Director of the Company; Chairman of the Board of the Company; Vice Chairman of the Board of the Bank	74
Kirk Lee	Executive Vice President and Director of the Bank	42
Weldon Miller	Class III Director of the Company; Director of the Bank	68
Bill Priefert	Class III Director of the Company; Director of the Bank	55
Byron M. Rhea	Executive Vice President and Director of the Bank	47
Arthur B. Scharlach, Jr.	Class II Director and President and Chief Executive Officer of the Company; Director Chairman of the Board and Chief Executive Officer of the Bank	64
Gene Watson	Class II Director of the Company; Director the Bank	67

Tyson T. Abston. Mr. Abston joined the Bank as Senior Vice President in 1997 after serving five years as Executive Vice President of a Northeast Texas bank. He became President of the Texarkana location in 1997 and then in 1999 transferred to Mount Pleasant and was elected as Executive Vice President of the Bank. Mr. Abston has served as a director of the Bank since 1999 and a director of the Company since 2002. In 2002, Mr. Abston was elected President of the Bank and Senior Vice President of the Company.

C.A. Hinton, Sr. Mr. Hinton has served as a director of the Bank since 1960 and as a director of the Company since its inception in 1980. Mr. Hinton has been the Chairman of Hinton Production Company in Mount Pleasant, Texas for more than the past five years.

Bill G. Jones. Mr. Jones joined the Bank as President and a director in 1969 and became Chairman of the Board in 1979. He retired as an officer of the Bank in 1996 but continued to serve as Chairman of the Board. In 2002, Mr. Jones was elected to Vice Chairman of the Board of the Bank. Mr. Jones has been Chairman of the Board of the Company since 1992.

Kirk Lee. Mr. Lee joined the Bank in 1992 and served as the President of the Paris location until 2002 when he was elected Executive Vice President of the Bank. Mr. Lee was also elected to the Bank s Board of Directors in 2002.

Weldon Miller. Mr. Miller became a director of the Company in 1980 and has served as a director of the Bank since 1969. Mr. Miller has been the President of Everybody s Furniture Company in Mount Pleasant, Texas for more than the past five years.

Bill Priefert. Mr. Priefert has served as a director of the Bank since 1983 and a director of the Company since 2002. Mr. Priefert has been President of Priefert Manufacturing, Inc. in Mount Pleasant, Texas for more than the past five years.

Byron M. Rhea. Mr. Rhea joined the Bank in 1980 and serves as Executive Vice President and Senior Credit Officer. Mr. Rhea was elected to the Bank s Board of Directors in 1998.

Arthur B. Scharlach, Jr. Mr. Scharlach is President, Chief Executive Officer and a director of the Company and Chairman of the Board and Chief Executive Officer of the Bank. He joined the Bank in 1970 as a Vice President and Loan Officer and was elected to the Bank s Board of Directors in 1971. He was elected a Senior Vice President of the Bank in 1974, President in 1979, Chief Operating Officer in 1983 and Chief

Executive Officer in 1989. In 2002 he was elected to Chairman and CEO of the Bank. He has served as a director of the Company since its inception and as President since 1992 and in 2002 was elected Chief Executive Officer.

Gene Watson. Mr. Watson has served as a director of the Bank since 1999 and a director of the Company since 2002. He had been the Chairman and a director since 1981 of First American Financial Corporation, which was acquired by the Company in September 1999. Mr. Watson retired from Watson Company Realtors in Sulphur Springs, Texas in 1999.

Each officer of the Company is elected by the Board of Directors of the Company and holds office until his successor is duly elected and qualified or until his or her earlier death, resignation or removal.

CORPORATE GOVERNANCE

General

The Company periodically reviews its corporate governance policies and procedures to ensure that the Company meets the highest standards of ethical conduct, reports financial and other results with accuracy and transparency and is in full compliance with the laws, rules and regulations that govern the Company s operations.

Meetings of the Board of Directors

The Board of Directors of the Company held 12 meetings during 2003. None of the directors attended less than 75% of the aggregate of the (i) total number of meetings of the Board and (ii) total number of meetings held by committees on which each such director served, except for Mr. D.R.Zachry, Jr. who did not attend any of such meetings. Mr. Zachry served as a director of the Company from 1980 until his death in January 2004.

Committees of the Board of Directors

The Board of Directors has two committees, the Audit Committee and Compensation Committee, which are described below.

Audit Committee

The primary purpose of the Audit Committee is to provide independent and objective oversight with respect to the Company s financial reports and other financial information provided to shareholders and others. The committee also provides oversight on the Company s internal controls and the Company s audit, accounting and financial reporting processes generally. The Audit Committee reports to the Board of Directors concerning such matters. The Audit Committee reviews the general scope of the audit conducted by the Company s independent auditors and matters relating to the Company s internal control systems. In performing its function, the Audit Committee meets separately with representatives of the Company s independent auditors and with representatives of senior management. During 2003, the Audit Committee held 15 meetings. The Audit Committee is comprised of Messrs. Miller (Chairman), Watson and Johnson, each of whom is an independent director of the Company as defined in Rule 4200(a)(14) of The Nasdaq Stock Market, Inc. listing standards. During 2003, the Company added Mr. Johnson to its audit committee. The Board of Directors has determined that Mr. Johnson has the requisite attributes of an audit committee financial expert as defined by SEC regulations and that such attributes were acquired through relevant education and/or experience. The Board of Directors has also determined that Mr. Johnson is independent as defined by the listing standards of The Nasdaq Stock Market, Inc.

Compensation Committee

The Compensation Committee is responsible for making recommendations to the Board of Directors with respect to the compensation of the Company s executive officers and is responsible for the establishment of policies dealing with various compensation and employee benefit matters. The Compensation Committee also administers the Company s stock option plan and makes recommendations to the Board of Directors as to option grants to Company and Bank employees under such plan. During 2003, the Compensation Committee held four meetings. The Compensation Committee is comprised of Messrs. Miller (Chairman), Hinton, Watson and Ms. Crane, each of whom is an outside director.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee consists of Jonice Crane, C.A. Hinton, Sr., Weldon Miller, and Gene Watson each of whom is an outside director of the Company. During 2003, no member of the Compensation Committee was an officer or employee of the Company or the Bank.

Nominating Procedures

General. The Company does not have a standing nominating committee. The director nominees to be elected at this meeting were recommended for nomination to the Board of Directors by a majority of the Company s independent directors, as defined under the rules of The Nasdaq Stock Market, Inc.

The independent directors will consider nominees to serve as directors of the Company and recommend such persons to the Board of Directors. The independent directors will also consider director candidates recommended by shareholders who appear to be qualified to serve on the Company s Board of Directors. The independent directors may choose not to consider an unsolicited recommendation if no vacancy exists on the Board of Directors and the independent directors do not perceive a need to increase the size of the board. In order to avoid the unnecessary use of the director s resources, the independent directors will consider only those director candidates recommended in accordance with the procedures set forth below.

Procedures to be Followed by Shareholders. To submit a recommendation of a director candidate to the independent directors, a shareholder should submit the following information in writing, addressed to the Chairman of the Board, care of the Corporate Secretary, at the Company s main office:

1. The name of the person recommended as a director candidate;

2. All information relating to such person that is required to be disclosed in solicitations of proxies for election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended;

3. The written consent of the person being recommended as a director candidate to being named in the proxy statement as a nominee and to serving as a director if elected;

4. As to the shareholder making the recommendation, the name and address, as they appear on the Company s books, of such shareholder; provided, however, that if the shareholder is not a registered holder of the Company s Common Stock, the shareholder should submit his or her name and address along with a current written statement from the record holder of the shares that reflects ownership of the Company s Common Stock; and

5. A statement disclosing whether such shareholder is acting with or on behalf of any other person and, if applicable, the identity of such person.

In order for a director candidate to be considered for nomination at the Company s annual meeting of shareholders, the recommendation must be received by the Board of Directors at least 120 calendar days prior to the date the Company s proxy statement was released to shareholders in connection with the previous year s annual meeting, advanced by one year.

Criteria for Director Nominees. The Board of Directors has adopted a set of criteria that it considers when it selects individuals to be nominated for election to the Board of Directors. The Board of Directors has historically considered the following in selecting nominees: financial, regulatory and business experience; familiarity with and participation in the Bank s local communities; integrity, honesty and reputation; dedication to the Company and its shareholders; and any other factors the directors deem relevant, including size of the Board of Directors and regulatory disclosure obligations. The independent directors considered these same criteria when they recommended the nominees for election at the 2004 annual meeting of shareholders.

In addition, prior to nominating an existing director for re-election to the Board of Directors, the independent directors and the Board will consider and review an existing director s board and committee attendance and performance; length of board service; and experience, skills and contributions that the existing director brings to the board.

Process for Identifying and Evaluating Director Nominees. Pursuant to Board resolutions, the independent directors of the Company are responsible for the process relating to director nominations, including identifying, interviewing and selecting individuals who may be nominated for election to the Board of Directors. The process that the independent directors intend to follow when they identify and evaluate individuals to be nominated for election to the Board of Directors is as follows:

Identification. For purposes of identifying nominees for the Board of Directors, the independent directors will rely on personal contacts of the members of the Board of Directors as well as their knowledge of members of the Bank s local communities. The independent directors will also consider director candidates recommended by shareholders in accordance with the policy and procedures set forth above in the paragraph titled Procedures to be Followed by Shareholders. The Board has not previously used an independent search firm in identifying nominees.

Evaluation. In evaluating potential nominees, the independent directors will determine whether the candidate is eligible and qualified for service on the Board of Directors by evaluating the candidate under the selection criteria set forth above. In addition, for any new director nominee, the independent directors intend to conduct a check of the individual s background and interview the candidate.

Shareholder Communications

The Company encourages shareholder communications to the Board of Directors and/or individual directors. Written communications may be made to the Board of Directors or to specific members of the Board by delivering them to the intended addressee, care of the Corporate Secretary, Guaranty Bancshares, Inc., 100 West Arkansas, Mount Pleasant, Texas 75455.

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In addition, the Board of Directors encourages directors to attend the annual meeting of shareholders. Ten directors attended the Company s 2003 annual meeting of shareholders held on April 15, 2003.

Independent Directors

The Company s Board of Directors is comprised of ten directors. The Board of Directors has determined that the following directors are independent directors under the corporate listing standards of The Nasdaq Stock Market, Inc.: Ms. Crane, Messrs. Hinton, Johnson, Miller, Priefert and Watson.

Director Compensation

Directors of the Company receive fees for attending Company Board meetings. Directors who are also employees of the Company or the Bank are paid $250 for each meeting attended, and outside directors are paid $500 for each meeting attended. The Board of Directors of the Bank also meets monthly. Directors of the Bank who are also employees of the Bank are paid $450 for each meeting of the Bank s Board of Directors attended, and outside directors are paid $600 for each meeting attended. An Executive Committee of the Bank meets weekly and consists of all current members of the Board of Directors of the Company. Directors who are also employees of the Bank are paid $275 for each Executive Committee meeting attended and outside directors are paid $350 for each Executive Committee meeting attended.

Code of Ethics

The Company s Board of Directors has adopted a Code of Ethics that applies to the Chief Executive Officer and the Chief Financial Officer. A copy of the Code of Ethics can be obtained at no charge by making a written request to the Corporate Secretary, Guaranty Bancshares, Inc., 100 W Arkansas St., Mount Pleasant, Texas 75455.

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EXECUTIVE COMPENSATION AND OTHER MATTERS

Summary Compensation Table

The following table provides certain summary information concerning compensation paid or accrued by the Company to or on behalf of the Company s Chief Executive Officer and each of the other five most highly compensated Executive Officers of the Company and the Bank (determined as of the end of the last fiscal year) (named executive officers) for each of the three fiscal years ended December 31, 2003:

		Annual Compensation			
Name and Principal Position	Year	Salary	Bonus	Securities Underlying Options	All Other Compensation
Bill G. Jones	2003	$ 55,200	$ 16,533	-	$ 39,809(1)
Chairman of the Board	2002	53,400	17,422	-	40,638
	2001	51,000	13,640	-	40,190
Arthur B. Scharlach, Jr.	2003	266,548	64,230	-	139,420(2)

President and Chief Executive Officer	2002	256,625	68,034	-	131,280
	2001	243,130	56,254	-	123,574
Tyson T. Abston	2003	138,125	46,593	5,000	15,810(3)
Senior Vice President	2002	123,565	41,361	-	16,194
	2001	100,174	32,910	-	13,638
Clifton A. Payne	2003	125,700	42,955	3,000	15,236(4)
Senior Vice President and Chief Financial Officer	2002	120,450	45,515	-	16,840
	2001	114,200	37,376	-	15,724
Kirk Lee	2003	111,000	34,970	2,500	12,641(5)
Executive Vice President of the Bank	2002	104,292	32,760	1,000	13,384
	2001	97,111	25,988	-	12,368
Byron M. Rhea	2003	132,600	35,403	1,000	14,882(6)
Executive Vice President of the Bank	2002	129,313	37,631	-	16,603
	2001	115,733	31,180	-	15,656

(1) Consists of contributions by the Company to the 401(k) Plan of $4,483, $5,312, and $4,864 in 2003, 2002 and 2001, respectively, and the payment of $35,326, $35,326 and $35,326 in 2003, 2002 and 2001, respectively, in connection with a supplemental retirement plan.

(2) Consists of contributions by the Company to the 401(k) Plan of $12,500, $15,000 and $12,750 in 2003, 2002 and 2001, respectively, and the accrual of $126,920, $116,280 and $110,824 in 2003, 2002 and 2001, respectively, in connection with a salary continuation plan.

(3) Consists of contributions by the Company to the 401(k) Plan of $10,722, $11,655 and $9,821 in 2003, 2002, and 2001, respectively, and the accrual of $5,088, $4,539 and $3,817, in 2003, 2002 and 2001, respectively, in connection with an incentive retirement plan.

(4) Consists of contributions by the Company to the 401(k) Plan of $10,280, $12,094 and $11,156 in 2003, 2002 and 2001, respectively, and the accrual of $4,956, $4,746, and $4,568 in 2003, 2002 and 2001, respectively, in connection with an incentive retirement plan.

(5) Consists of contributions by the Company to the 401(k) Plan of $8,561, $9,604 and $8,928 in 2003, 2002 and 2001, respectively, and the accrual of $4,080, $3,780 and $3,440 in 2003, 2002 and 2001, respectively, in connection with an incentive retirement plan.

(6) Consists of contributions by the Company to the 401(k) Plan of $9,938, $11,803 and $11,038 in 2003, 2002 and 2001, respectively, and the accrual of $4,944, $4,800 and $4,618 in 2003, 2002 and 2001, respectively, in connection with an incentive retirement plan.

Stock Option Plan

The Company s Board of Directors and shareholders approved the Guaranty Bancshares, Inc. 1998 Stock Incentive Plan in 1998 (the 1998 Plan), which authorizes the issuance of up to 1,000,000 shares of Common Stock under both non-qualified and incentive stock options to employees and non-qualified stock options to directors who are not employees. Generally, under the 1998 Plan it is intended that the options will vest 20% at the end of the first year following the date of grant and an additional 20% at the end of each subsequent year and becoming fully vested at the end of year five. Options under the 1998 Plan generally must be exercised within ten years following the date of grant or no later than three months after optionee s termination with the Company, if earlier. The 1998 Plan also provides for the granting of restricted stock awards, stock appreciation rights, phantom stock awards and performance awards on substantially similar terms. The l998 Plan provides that in the event of a change in control of the Company, all options granted immediately vest and become exercisable. In addition, the 1998 Plan permits the Compensation Committee, which administers the 1998 Plan, discretion in the event of a change in control to modify in certain respects the term of awards under the 1998 Plan, including (i) providing for the payment of cash in lieu of such award, (ii) limiting the time during which an option may be exercised (iii) making adjustments to options to reflect the change in control and (iv) providing that options shall be exercisable for another form of consideration in lieu of the Common Stock pursuant to the terms of the transaction resulting in a change in control. For the year ended December 31, 2003, 40,000 options were granted under the 1998 Plan, 29% of which were granted to the named executive officers. Options to purchase an additional 853,500 shares are available for issuance under the 1998 Plan. Certain other named officers have previously received stock options as indicated on page 12 under Stock Option Exercises and Fiscal Year-End Option Values .

Option Grants in Last Fiscal Year

The following table sets forth certain information concerning option grants to each of the named executive officers for the year ended December 31, 2003:

Option Grants for Year Ended December 31, 2003

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Options Term (1)	
Name	**Number of Shares Underlying Options**	**% of Total Options Granted To Employees In the Year**	**Exercise Price**	**Expiration Date**	**5% Appreciation Gain**	**10% Appreciation Gain**
Tyson T. Abston	5,000	12.5%	$ 15.23	4/29/2011	$ 36,350	$ 87,100
Clifton A. Payne	3,000	7.50	15.23	4/29/2011	21,810	52,260
Kirk Lee	2,500	6.25	15.23	4/29/2011	18,175	43,550
Byron M Rhea	1,000	2.50	15.23	4/29/2011	7,270	17,420

(1) Options to purchase 40,000 shares of common stock were granted to the Company s employees during 2003.

(2) The potential realizable value portion of the foregoing table illustrates values that might be realized upon exercise of the options immediately prior to the expiration of their term assuming the specified compounded rates of appreciation of the Company s Common Stock over the term of the options. These numbers do not take into account provisions of certain options providing for termination of the options following termination of employment, non-transferability or differences in vesting periods. Regardless of the theoretical value of an option, its ultimate value will depend on the market value of the Common Stock at a future date, and that value will depend on a variety of factors, including the overall condition of the stock market and the Company s results of operations and financial condition. Accordingly, the ultimate value realized may be materially different from the amounts presented in the foregoing table.

Stock Option Exercises and Fiscal Year-End Option Values

Aggregated Options Exercised for the Year Ended December 31, 2003 and Year End Option Values as of December 31, 2003

The following table sets forth certain information concerning the number and value of unexercised options held by each of the named executive officers at December 31, 2003. No stock options were exercised by the named executive officers during 2003.

			Number of Securities Underlying Unexercised Options at December 31, 2003		Value of Unexercised In-The-Money Options at December 31, 2003(1)	
Name	**Number of Shares Acquired on Exercise**	**Dollar Value Realized**	**Exercisable**	**Unexercisable**	**Exercisable**	**Unexercisable**
Arthur B. Scharlach, Jr.	_	_	16,000	4,000	$ 328,800	$ 82,200
Tyson T. Abston	_	_	8,000	7,000	164,400	143,850
Clifton A. Payne	_	_	8,000	5,000	164,400	102,750
Kirk Lee	_	_	6,400	4,600	131,520	94,530

Byron M. Rhea	_	_	8,000	3,000	164,400	61,650

(1) The value of the unexercised options is based on the difference between the exercise price and the closing price of the Company common stock reported on the Nasdaq Stock Market on December 31, 2003 of $20.55.

Bonus Plan

The Company has established an incentive compensation program (the Bonus Plan) for its officers, including executive officers, and employees of the Company and the Bank The Bonus Plan provides for a bonus pool in an amount based on a graduated percentage of the Bank s return on equity. For the year ended December 31, 2003, the bonus pool is funded with 9.5% of after-tax income based upon the Bank achieving a return on equity of 9.74%. The bonus pool increases to a maximum of 12.0% of after-tax income if the Bank achieves a return on equity of 14.53% or greater. The Bank s actual return on equity for the year ended December 31, 2003 was 11.81% and the bonus pool was funded with 10.4% of after-tax income. The percent of after-tax income used to fund the bonus pool and the minimum return on equity requirements are determined annually by the Board of Directors based on the Company s and the Bank s budget for that year. Allocation of the bonus pool is at the discretion of the Board of Director s and is generally based upon management s recommendations regarding an employee s merit. The bonus pool was $597,000, $874,000, and $679,000 for the year ended December 31, 2003, 2002 and 2001, respectively.

Benefit Plans

Employee Stock Ownership Plan. Effective January 1, 1992, the Board of Directors of the Company voted to restate the existing 401(k) profit sharing (defined contribution) plan as an Employee Stock Ownership Plan (with 401(k) provisions) (401(k) Plan). The 401(k) Plan covers substantially all employees of the Company and five persons, three of whom are members of the Company s Board of Directors, serve as trustees. The 401(k) Plan calls for an employer matching contribution on behalf of each 401(k) Plan participant of up to 4.0% of such participant s qualified compensation. At December 3l, 2003, the book value of 401(k) Plan assets was approximately $7.2 million, with an approximate market value of $13.5 million. Contributions to the 401(k) Plan charged to expenses are as follows:

	Years Ended December 31,		
	2003	2002	2001
401(k) plan expense	$ 410,000	$ 462,000	$ 390,000

Supplemental Retirement Plan. In l992, the Company established a non-qualified, non-contributory retirement plan for the Company s Chairman Bill G. Jones who retired from the Bank in 1996. The plan generally provides benefits equal to amounts payable under the Bank s retirement plan and certain social security benefits to aggregate a predetermined percentage of Mr. Jones average salary over the five year period immediately prior to his retirement. Accordingly, this plan amount is not based on the salary and bonus of Mr. Jones as listed in the Summary Compensation Table on page 8. The recorded accrued liability with respect to this plan accrues an annual interest rate of 9%. The Company pays to Mr. Jones $35,326 each year with respect to this plan without withholding any social security tax from such amount. Plan expenses are as follows:

	Years Ended December 31,		
	2003	2002	2001
Supplemental retirement plan expense	$ 9,000	$ 11,000	$ 13,000

Executive Incentive Retirement Plan. In 1998, the Company established a non-qualified, non-contributory incentive retirement plan for certain executive officers of the Company and the Bank. The plan provides retirement benefits in amounts based on a selected percentage of salary, which varies depending upon each officer s responsibility and longevity with the Company or the Bank. Accordingly, an executive officer s bonus as listed in the Summary Compensation Table on page 8 is not used in calculating this benefit. The percentage of salary which is contributed to the retirement plan by the Company is determined by the performance of the Company, however, no contribution to this plan is made in any given year in which the Company s earnings fail to meet the minimum targeted performance goal for that year. The executive officer is not required to pay social security tax until a payment is received by the executive officer under the plan. The plan is non-funded. Plan expenses are as follows:

	Years Ended December 31,		
	2003	2002	2001
Executive incentive retirement plan expense	$ 51,000	$ 50,000	$ 35,000

Salary Continuation Plan. In August 1998, the Company established a non-qualified, non-contributory salary continuation plan for the Company s President and CEO Arthur B. Scharlach, Jr. The plan is designed to provide benefits over a ten-year period equal to approximately 75% of Mr. Scharlach s projected compensation at retirement as adjusted for amounts payable under the Company s retirement plan and certain social security benefits. Mr. Scharlach pays social security tax on this benefit on an annual basis. The plan is non-funded. Plan expenses are as follows:

	Years Ended December 31,		
	2003	2002	2001
Salary continuation plan expense	$ 127,000	$ 116,000	$ 111,000

BOARD COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The following is a report from the Compensation Committee of the Company describing the policies pursuant to which compensation is paid to executive officers of the Company and the Bank during 2003.

The Compensation Committee of the Board of Directors is responsible for developing and making recommendations to the Board with respect to the Company s executive compensation policies. Weldon Miller (Chairman), C.A. Hinton, Sr., Gene Watson, and Jonice Crane serve on the Compensation Committee. The Compensation Committee prepares a report which sets forth the components of the Company s executive officer compensation program and describes the basis on which the 2003 compensation determinations are made by the Compensation Committee with respect to the named executive officers of the Company and the Bank.

Compensation Philosophy and Base Salary

The Company believes that compensation of its executive officers should enhance and reinforce the goals of the Company for profitable growth and continuation of a sound overall condition by providing key employees with additional financial rewards for the attainment of such growth and stable financial and operating conditions. The Compensation Committee believes that these goals are best supported by rewarding individuals for outstanding contributions to the Company s success and by compensating its executive officers competitively with the compensation of similarly situated executive officers.

The base salary level for each officer is determined by taking into account individual experience, individual performance, individual potential, cost of living consideration and specific issues particular to the Company. Base salary level for executive officers of selected banks and bank holding companies of similar size are taken into consideration in setting an appropriate base salary for the named executive officers of the Company and the Bank. The base level established for each named executive officer is considered by the Compensation Committee to be competitive and reasonable.

The Compensation Committee monitors the base salary levels and the various incentives of the named executive officers of the Company and the Bank to ensure that overall compensation is consistent with the Company s objectives and remains competitive within the area of the Company s operations. In setting the goals and measuring an executive s performance against those goals, the Company considers the performance of its competitors and general economic and market conditions. None of the factors included in the Company s strategic and business goals are assigned a specific weight. Instead, the Compensation Committee recognizes that the relative importance of these factors may change in order to adapt the Company s operations to specific business challenges and to reflect changing economic and marketplace conditions.

Bonus Plan

In addition to the base salary, the Bonus Plan allows certain officers, including the named executive officers of the Company and the Bank, to receive incentive compensation, which is based on individual as well as Company performance. The aggregate amount of bonus awarded to all eligible participants is based on the funding of the bonus pool. For the year ended December 31, 2003, the maximum funding occurred if the Bank s return on equity was 14.53% or greater. For 2003, the bonus pool was funded with 10.4% of after-tax income. The bonus pool is allocated among all employees, including the named executive officers, of the Company and the Bank based on a number of factors including level of responsibility, individual performance and Company and Bank performance.

Contributory Profit Sharing Plan

In addition, each of the named executive officers are participants in the Company s 401(k) Plan established pursuant to Internal Revenue Code Section 401(k) covering substantially all employees. The Company matches employee contributions to this plan up to 4% of the employee s base salary plus an additional profit sharing contribution of 2.25% in 2003.

Incentive Stock Options

Stock options have been the Company s primary form of long-term incentive compensation. Each of the named executive officers and other senior officers of the Company and the Bank are eligible to participate in the Company s 1998 Plan. During the year ended December 31, 2003, there were 40,000 non-qualified stock options granted, 29% of which were granted to the named executive officers.

2003 Compensation of the Chairman and the President and Chief Executive Officer

In reviewing the 2003 compensation of the Company s Chairman of the Board, Bill G. Jones, and the Company s President and Chief Executive Officer, Arthur B. Scharlach, Jr., the Compensation Committee undertook the same evaluation set forth above with respect to its other executive officers. In addition, the Compensation Committee reviewed each of their compensation history, and the executive compensation survey data.

Base Salary. For comparative compensation purposes for the year 2003, the Compensation Committee identified a peer group of banks. The base salary level for each executive officer is determined by taking into account individual experiences, individual performance, individual potential, cost of living consideration and specific issues particular to the Company. The weight given to each of these factors differs from individual to individual, as the Compensation Committee deems appropriate. The compensation levels for these executive officers for the year 2003 is within the same range as other executive officers holding comparable positions at peer group banks, based on the published 2002 market data for those banks.

For purposes of the stock price performance graph, which appears later in this proxy statement, the Company has selected the S&P 500 Total Return Index, the NASDAQ Total Return Index, and the SNL Southwest Bank Index. However, in selecting companies to survey for such comparison purposes, the Compensation Committee considers many factors not directly associated with stock price performance, such as geographic location, growth rate, annual revenue, profitability, and market capitalization. For this reason, the number of companies surveyed for compensation data was substantially less than the number of companies included in the stock price performance graph.

Annual Incentive Compensation. Annual bonuses are earned by each officer primarily on the basis of the Company s achievement of certain corporate financial performance targets established each year. For the year ended December 31, 2003, bonuses were earned on the basis of the following factors: (i) the Company s net earnings targets established for each six month period; and (ii) the Company s achievement of certain established goals and objectives for the year. The actual bonus paid for the three years ended December 31, 2003 to each of the named executive officers is listed in the Summary Compensation Table on page 10 as indicated in the bonus column.

Actual Compensation. Upon recommendation by the Compensation Committee, the Board of Directors of the Company set Mr. Jones salary for 2003 at $55,200 and the Board of Directors of both the Company and the Bank set Mr. Scharlach s salary for 2003 at $266,548. In addition to his base salary, Mr. Jones and Mr. Scharlach each participates in the Company s Bonus Plan and the amount of bonus received is based primarily on the Bank s return on equity. From the 2003 Bonus Plan, Mr. Jones earned a bonus of $16,533 resulting in approximately 30% of his 2003 compensation being dependent on the success of the Company, and Mr. Scharlach earned a bonus of $64,230 resulting in approximately 24% of his 2003 compensation being dependent on the success of the Company. The amount contributed by the Company to the 401(k) Plan in fiscal year 2003 for the benefit of Mr. Jones was $4,483 and for the benefit of Mr. Scharlach was $12,500. Mr. Jones also received a payment of $35,326 in 2003 pursuant to a supplemental retirement plan. During 2003, the Company accrued approximately $126,920 for the benefit of Mr. Scharlach pursuant to a salary continuation plan. The Compensation Committee believes that each of Mr. Jones and Mr. Scharlach s total compensation is reasonable and competitive based on comparative performance information and the overall performance of the Company.

The Compensation Committee

Weldon Miller, Chairman
C. A. Hinton, Sr.
Jonice Crane
Gene Watson

INTERESTS OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS

Many of the directors, executive officers and principal shareholders of the Company (i.e., those who own 10% or more of the Common Stock) and their associates, which include corporations, partnerships and other organizations in which they are officers or partners or in which they and their immediate families have at least a 5% interest, are customers of the Bank. During 2003, the Bank made loans in the ordinary course of business to many of the directors, executive officers and principal shareholders of the Company and their associates, all of which were on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with persons unaffiliated with the Company and did not involve more than the normal risk of collectability or present other unfavorable features. Loans to directors, executive officers and principal shareholders of the Company are subject to limitations contained in the Federal Reserve Act the principal effect of which is to require that extensions of credit by the Bank to executive officers, directors and principal shareholders and their affiliates satisfy the foregoing standards. As of December 31, 2003, all of such loans aggregated $17.5 million, which was approximately 40.1% of the Company s Tier I capital at such date. The Company expects the Bank to continue to enter into such transactions, or transactions on a similar basis, with the directors, executive officers and principal shareholders of the Company and the Bank and their associates in the future.

BENEFICIAL OWNERSHIP OF COMMON STOCK BY MANAGEMENT OF THE COMPANY AND PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding the beneficial ownership of the Company Common Stock as of March 1, 2004, by (i) directors, executive officers of the Company and certain officers of the Bank listed in the Summary Compensation Table on page 10 herein, (ii) each person who is known by the Company to own beneficially 5% or more of the Common Stock and (iii) all directors and executive officers as a group. Unless otherwise indicated, based on information furnished by such shareholders, management of the Company believes that each person has sole voting and dispositive power over the shares indicated as owned by such person and the address of each shareholder is the same as the address of the Company.

Name	Number of Shares	Percentage Beneficially Owned (1)
Tyson T. Abston	24,593(2)	*
Jonice Crane	97,692(3)	3.34%
Guaranty Bancshares, Inc. Employee Stock Ownership Plan (with 401 (k) provisions)	497,060(4)	17.01%
C. A. Hinton, Sr	179,676(5)	6.15%
Kirk Lee.	34,169(6)	1.17%
Carl Johnson, Jr.	11,666	*
Bill G. Jones	351,972(7)	12.05%
Weldon Miller	225,172(8)	7.71%
Clifton A. Payne	43,643(9)	1.49%
Bill Priefert	62,163(10)	2.13%
Byron M. Rhea	39,465(11)	1.35%
Arthur B. Scharlach, Jr.	170,825(12)	5.81%
Gene Watson.	49,280	1.69%
Directors and Executive Officers as a Group	1,290,316	43.47%

* Indicates ownership which does not exceed 1.0%.

(1)

The percentage beneficially owned was calculated based on 2,921,928 shares of Common Stock issued and outstanding as of March 1, 2004. The percentage assumes the exercise by the shareholder or group named in each row of all options for the purchase of Common Stock held by such shareholder or group and exercisable within 60 days.

(2) Includes 6,000 shares held of record by the Tyson Abston IRA, 9,558 shares held of record by the Company s 401(k) Plan, over which Mr. Abston has investment control and 8,000 shares which may be acquired pursuant to the exercise of fully vested stock options.

(3) Includes 3,500 shares held of record by the Jonice Crane IRA and 1,715 shares held of record by Ms. Crane s husband.

(4) A total of 180,991 shares held by the 401(k) Plan for the benefit of the directors and executive officers are also included in the number of shares reported in this table to be owned by each director or executive officer in his individual capacity.

(5) Includes 2,884 shares held of record by the Charles A. Hinton IRA.

(6) Includes 2,792 shares held of record by the Kirk Lee IRA, 23,097 shares held of record by the Company s 401(k) Plan, over which Mr. Lee has investment control, and 6,400 shares which may be acquired pursuant to the exercise of fully vested stock options.

(7) Includes 22,827 shares held of record by the Bill G. Jones IRA Rollover, 161 shares held of record by Mr. Jones wife s IRA and 16,778 shares held of record by the Company s 401(k) Plan, over which Mr. Jones has investment control.

(8) Includes 8,463 shares held of record by Everybody s Furniture Company, of which Mr. Miller is the President, 38,957 shares held of record by the Everybody s Furniture Company Profit Sharing Plan & Trust of which Mr. Miller is the trustee, 865 shares held of record by the Weldon Miller IRA and 865 shares of held of record by Mr. Miller s wife s IRA.

(9) Includes 29,856 shares held of record by the Company s 401(k) Plan, over which Mr. Payne has investment control, and 8,000 shares which may be acquired pursuant to the exercise of fully vested stock options.

(10) Includes 44,441 shares held of record by the Priefert Retirement Trust, of which Mr. Priefert is the trustee.

(11) Includes 31,409 shares held of record by the Company s 401(k) Plan, over which Mr. Rhea has investment control, and 8,000 shares which may be acquired pursuant to the exercise of fully vested stock options.

(12) Includes 10,338 shares held of record by the Arthur B. Scharlach, Jr. IRA, 34,041 shares held of record by Mr. Scharlach s wife, 70,293 shares held of record by the Company s 401(k) Plan, over which Mr. Scharlach has investment control, and 16,000 shares which may be acquired pursuant to the exercise of fully vested stock options.

PERFORMANCE GRAPH

The following Performance Graph compares the cumulative total shareholder return on the Company s Common Stock for the five year period from December 31, 1998 to December 31, 2003, with the cumulative total return of the S&P 500 Total Return Index (S&P 500), the NASDAQ Total Return Index (NASDAQ), and the SNL Southwest Bank Index (SNL) for the same period. Dividend reinvestment has been assumed. The Performance Graph assumes $100 invested on December 3l, 1998 in the Company s Common Stock**,** the S&P 500, the NASDAQ and the SNL. The Company has selected the NASDAQ Index to replace the S&P 500 going forward. Management believes that the NASDAQ Index reflects the total return of a cross section of industries therefore depicting a broad based index including all NASDAQ listed companies. The historical stock price performance for the Company s stock shown on the graph below is not necessarily indicative of future stock performance.

Composite of Cumulative Total Return
Guaranty Bancshares, Inc., the S&P 500 Total Return Index,
NASDAQ Total Return Index and the SNL Southwest Bank Index

	Period Ending					
Index	**12/31/98**	**12/31/99**	**12/31/00**	**12/31/01**	**12/31/02**	**12/31/03**

Guaranty Bancshares, Inc.	100.00	107.48	129.12	156.39	197.65	257.65
S&P 500*	100.00	121.11	110.34	97.32	75.75	97.40
NASDAQ - Total US	100.00	185.95	113.19	89.65	61.67	92.90
SNL Southwest Bank Index	100.00	95.95	103.96	108.43	112.44	152.72

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, (the Exchange Act) requires the Company s directors and executive officers and persons who own more than 10% of the outstanding Common Stock to file initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company with the Securities and Exchange Commission (the Commission). Such persons are required by Commission regulations to provide the Company with copies of all Section 16 (a) forms they file.

To the Company s knowledge, based solely on review of the copies of such reports furnished to it and representations from certain reporting persons that they have complied with the applicable filing requirements, the Company believes that during the year ended December 31, 2003, all Section 16(a) reporting requirements applicable to its officers, directors and greater than 10% shareholders were complied with except that Ty Abston and D.R Zachry, Jr. were each late in reporting one transaction on Form 4. The required reports have been filed with the Commission.

REPORT OF THE AUDIT COMMITTEE

The following Report of the Audit Committee should not be deemed soliciting materials, filed with the Securities and Exchange Commission, subject to Regulation 14A or 14C of the Securities and Exchange Commission or subject to the liabilities of section 18 of the Securities Exchange Act of 1934, as amended. Accordingly, this report should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Exchange Act, except to the extent the Company specifically incorporates it by reference in such filing.

All of the members of the Audit Committee are independent (as independence is defined in Rule 4200(a)(14) of the National Association of Securities Dealers listing standards). During fiscal 2003, the Audit Committee met 15 times.

In discharging its responsibility for oversight of the audit process, the Audit Committee obtained from the independent auditors, McGladrey & Pullen, LLP a formal written statement describing any relationships between the auditors and the Company that might bear on the auditors independence consistent with the Independent Standards Board Standard No. 1, Independence Discussions with Audit Committees, discussed with the auditors any relationships (including the tax return preparation services provided to the Company) that might impact the auditors objectivity and independence and satisfied itself as to the auditors independence.

The Audit Committee discussed and reviewed with the independent auditors the communications required by generally accepted auditing standards, including those described in Statement on Auditing Standards No. 61, as amended, Communication with Audit Committees and discussed and reviewed the results of the independent auditors examination of the financial statements for the year ended December 31, 2003.

The Audit Committee reviewed the audited financial statements of the Company as of and for the fiscal year ended December 31, 2003, with management and the independent auditors. Management has the responsibility for preparation of the Company s financial statements and the independent auditors have the responsibility for examination of those statements.

Based upon the above-mentioned review and discussions with management and the independent auditors, the Audit Committee recommended to the Board that the Company s audited financial statements be included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2003, for filing with the Securities Exchange Commission.

The Audit Committee

Weldon Miller, Chairman
Carl Johnson, Jr.
Gene Watson

PROPOSAL TO RATIFY APPOINTMENT OF INDEPENDENT AUDITORS

General

Pursuant to the recommendation of the Audit Committee, the Board of Directors has appointed McGladrey & Pullen, LLP as the independent auditors of the books and accounts of the Company for the year ending December 31, 2004. McGladrey & Pullen, LLP has served as the Company s independent audit firm for the past three years.

At the Meeting, the shareholders will be asked to consider and act upon a proposal to ratify the appointment of McGladrey & Pullen, LLP. The ratification of such appointment will require the affirmative vote of the holders of a majority of the outstanding shares of Common Stock entitled to vote and present in person or represented by proxy at the Meeting. Representatives of McGladrey & Pullen, LLP will not be present at the Meeting.

Principal Accounting Firm Fees

The following table sets forth the fees billed to the Company for the fiscal years ending December 31, 2003 and 2002 by McGladrey & Pullen, LLP and its associated entity RSM McGladrey, Inc.:

	2003	2002
Audit fees	$ 70,000	$ 41,500
Audit related fees (1)	10,000	10,740
Tax fees (2)	12,250	12,500
Total fees	$ 92,250	$ 64,740

(1) Consists of fees billed for services rendered for the review of the interim consolidated financial statements included in the Company s quarterly reports

(2) Consists of fees billed for tax filing and tax related compliance

For 2003, the Audit committee approved 100% of all audit and permitted non-audit services, including the fees and terms of those services to be performed for the Company by its independent auditor prior to engagement. The Audit Committee has considered and determined that the tax return preparation services provided by McGladrey & Pullen, LLP is compatible with maintaining their independence as the independent auditors of the Company.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE PROPOSAL TO RATIFY SUCH APPOINTMENT.

DATE FOR SUBMISSION OF SHAREHOLDER PROPOSALS

In order for shareholder proposals submitted pursuant to Rule 14a-8 of the Exchange Act to be presented at the Company s 2005 Annual Meeting of Shareholders and to be included in the Company s proxy statement and form of proxy relating to such meeting, such proposals must comply with Rule 14a-8 and be submitted to the Secretary of the Company at the Company s principal executive offices not later than November 11, 2004. Shareholder proposals should be submitted to the Secretary of the Company at 100 West Arkansas, Mount Pleasant, Texas 75455. A shareholder choosing not to use the procedures established in Commission Rule 14a-8 to submit a proposal for action at the Company s 2005 Annual Meeting of Shareholders must deliver the proposal to the Secretary of the Company not later than the close of business on February 18, 2005.

In addition, the Company s Amended and Restated Bylaws provide that only such business which is properly brought before a shareholder meeting will be conducted. For business to be properly brought before a meeting or nominations of persons for election to the Board of Directors to be properly made at a meeting by a shareholder, notice must be received by the Secretary of the Company at the Company s principal executive offices no later than the close of business on the 60th day prior to the meeting. Such notice must also provide certain information set forth in the Amended and Restated Bylaws. A copy of the Amended and Restated Bylaws may be obtained upon written request to the Secretary of the Company.

OTHER MATTERS

The Board of Directors does not intend to bring any other matter before the Meeting. Additionally, no shareholder of the Company has complied with the advance notice provisions contained in the Company s Bylaws, which preclude the bringing of matters before a meeting of shareholders unless such provisions are complied with. Accordingly, no other matter is expected to be brought before the Meeting. However, if any other matter does properly come before the Meeting, the proxies will be voted in accordance with the discretion of the person or persons voting the proxies.

You are cordially invited to attend the Meeting. Regardless of whether you plan to attend the Meeting, you are urged to complete, date, sign and return the enclosed proxy in the accompanying envelope at your earliest convenience.

By order of the Board of Directors,

Arthur B. Scharlach, Jr.

President & CEO

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GUARANTY BANCSHARES, INC.
100 WEST ARKANSAS
MOUNT PLEASANT, TEXAS 75455

VOTE BY MAIL
Mark, sign and date your proxy card and return it in the postage-paid envelope we ve provided or return to Guaranty Bancshares, Inc., c/o ADP, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

GUABN1

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

GUARANTY BANCSHARES, INC.

This proxy is solicited on behalf of the Board of Directors of the Company and will be voted FOR the following proposals and to transact such other business as may properly come before the meeting or any adjournment thereof, unless otherwise indicated.

		For All	Withhold All	For All Except	To withhold authority to vote, mark For All Except and write the nominee s number on the line below.
1.	ELECTION OF DIRECTORS				
	To serve as directors of Class I until the 2007 Annual Meeting of Shareholders and until their successors are duly elected and qualified	O	O	O	

Nominees:

01) Jonice Crane, 02) Carl Johnson, Jr., 03)
Clifton A. Payne

Vote On Proposal		**For**	**Against**	**Abstain**
2.	RATIFICATION OF THE APPOINTMENT OF McGladrey & Pullen, LLP as the independent auditors of the books and accounts of the Company for the year ending December 31, 2004	**O**	**O**	**O**

YOUR VOTE IS IMPORTANT.

To ensure your representation at the Meeting, you are urged to complete, date, and sign the enclosed proxy and return it in the accompanying envelope at your earliest convenience, regardless of whether you plan to attend the Meeting. No additional postage is necessary if the proxy is mailed in the United States. The proxy is revocable at any time before it is voted at the Meeting.

Please sign your name exactly as it is shown. If shares are held jointly, all joint owners should sign. If shares are held by a corporation, please sign the full corporate name by any authorized corporate officer. If shares are held by a partnership, please sign the full partnership name by an authorized person. If you are signing as attorney, executor, administrator, trustee or guardian, please set forth your full title as such.

Signature [PLEASE SIGN WITHIN BOX]	Date	Signature (Joint Owners)	Date

GUARANTY BANCSHARES, INC.

Annual Meeting of Shareholders to be Held on Tuesday, April 20, 2004
This Proxy is Solicited on Behalf of the Board of Directors.

The 2004 Annual Meeting of Shareholders of Guaranty Bancshares, Inc. (the Company) will be held at 100 West Arkansas, Mount Pleasant, Texas, on Tuesday, April 20, 2004, beginning at 2:00 p.m. (local time). The undersigned hereby acknowledges receipt of the related Notice of Annual Meeting of Shareholders and Proxy Statement dated March 15, 2004 accompanying this proxy.

The undersigned hereby appoints Bill G. Jones and Arthur B. Scharlach, Jr. and each of them, proxies for the undersigned, with full power of substitution, to vote as proxy all shares of Common Stock, par value $1.00 per share, of the Company owned of record by the undersigned and otherwise to act on behalf of the undersigned at the Annual Meeting of Shareholders and any adjournment thereof in accordance with the directions set forth herein and with discretionary authority with respect to such matters, as may properly come before such meeting or any adjournment thereof, including any matters presented by a shareholder at such meeting for which advance notice was not received by the Company in accordance with its Bylaws.

This proxy is solicited by the Board of Directors and will be voted in accordance with the undersigned s directions set forth herein. If no direction is made, this proxy will be voted **FOR** the election of all nominees for director named herein to serve on the Board of Directors until the 2007 Annual Meeting of Shareholders as designated on the proxy and until their successors are duly elected and qualified and **FOR** the ratification of the appointment of McGladrey & Pullen, LLP as the independent auditors of the books and accounts of the Company for the year ending December 31, 2004. If any other matter is properly presented at the Meeting or any adjournment thereof, the Proxy will be voted in accordance with the judgement of the persons appointed as proxies.

IMPORTANT - This Proxy must be signed and dated on the reverse side.
(Continued and to be voted on reverse side.)