

Cullman Bancorp, Inc.  
Form DEF 14A  
April 18, 2011

## SCHEDULE 14-A INFORMATION

### Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12

### **Cullman Bancorp, Inc.** (Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- \$125 per Exchange Act Rules 0-11(c)(1)(ii), 14a-6(i)(1), or 14a-6(j)(2).
- \$500 per each party to the controversy pursuant to Exchange Act Rule 14a-6(i)(3).
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

2) Aggregate number of securities to which transaction applies:

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11:

4) Proposed maximum aggregate value of transaction:

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:

April 18, 2011

Dear Stockholder:

We cordially invite you to attend the Annual Meeting of Stockholders of Cullman Bancorp, Inc. (the Company). The Company is the holding company of Cullman Savings Bank, and our common stock is traded on the OTC Electronic Bulletin Board under the symbol CULL. The Annual Meeting will be held at the main office of Cullman Savings Bank, located at 316 Second Avenue S.W., Cullman, Alabama, at 5:00 p.m., Alabama time, on Tuesday, May 17, 2011.

The enclosed Notice of Annual Meeting and Proxy Statement describe the formal business to be transacted. During the Annual Meeting we will also report on the operations of the Company. Directors and officers of the Company will be present to respond to any questions that stockholders may have. Also enclosed for your review is our Annual Report to Stockholders, which contains detailed information concerning the activities and operating performance of the Company.

The Annual Meeting is being held so that stockholders may consider the election of directors and the ratification of the appointment of Crowe Horwath LLP as the Company's independent registered public accounting firm for fiscal year 2011. For the reasons set forth in the Proxy Statement, the Board of Directors unanimously recommends a vote FOR the election of directors and FOR the ratification of the appointment of Crowe Horwath LLP as the Company's independent registered public accounting firm.

On behalf of the Board of Directors, we urge you to sign, date and return the enclosed proxy card as soon as possible, even if you currently plan to attend the Annual Meeting. This will not prevent you from voting in person, but will assure that your vote is counted if you are unable to attend the meeting. Your vote is important, regardless of the number of shares that you own.

Sincerely,

John A. Riley, III  
President and Chief Executive Officer

**Cullman Bancorp, Inc.**

**316 Second Avenue, S.W.**

**Cullman, Alabama 35055**

**(256) 734-1740**

**NOTICE OF**

**ANNUAL MEETING OF STOCKHOLDERS**

To Be Held On May 17, 2011

Notice is hereby given that the Annual Meeting of Stockholders of Cullman Bancorp, Inc. (the Company) will be held at the main office of Cullman Savings Bank, located at 316 Second Avenue S.W., Cullman, Alabama, on Tuesday, May 17, 2011 at 5:00 p.m., Alabama time.

A Proxy Card and a Proxy Statement for the Annual Meeting are enclosed.

The Annual Meeting is for the purpose of considering and acting upon:

1. The election of two directors to the Board of Directors;
  2. The ratification of the appointment of Crowe Horwath LLP as the independent registered public accounting firm for the Company for the fiscal year ending December 31, 2011; and
- such other matters as may properly come before the Annual Meeting, or any adjournments thereof. The Board of Directors is not aware of any other business to come before the Annual Meeting.

Any action may be taken on the foregoing proposals at the Annual Meeting on the date specified above, or on any date or dates to which the Annual Meeting may be adjourned. Stockholders of record at the close of business on March 31, 2011, are the stockholders entitled to vote at the Annual Meeting, and at any adjournments thereof. A list of stockholders entitled to vote at the Annual Meeting will be available at 316 Second Avenue, S.W., Cullman, Alabama, for a period of ten days prior to the Annual Meeting and will also be available for inspection at the meeting itself.

EACH STOCKHOLDER, WHETHER HE OR SHE PLANS TO ATTEND THE ANNUAL MEETING, IS REQUESTED TO SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD WITHOUT DELAY IN THE ENCLOSED POSTAGE-PAID ENVELOPE. ANY PROXY GIVEN BY THE STOCKHOLDER MAY BE REVOKED AT ANY TIME BEFORE IT IS EXERCISED. A PROXY MAY BE REVOKED BY FILING WITH THE SECRETARY OF THE COMPANY A WRITTEN REVOCATION OR A DULY EXECUTED PROXY BEARING A LATER DATE. ANY STOCKHOLDER PRESENT AT THE ANNUAL MEETING MAY REVOKE HIS OR HER PROXY AND VOTE PERSONALLY ON EACH MATTER BROUGHT BEFORE THE ANNUAL MEETING. HOWEVER, IF YOU ARE A STOCKHOLDER WHOSE SHARES ARE NOT REGISTERED IN YOUR OWN NAME, YOU WILL NEED ADDITIONAL DOCUMENTATION FROM YOUR RECORD HOLDER IN ORDER TO VOTE PERSONALLY AT THE ANNUAL MEETING.

By Order of the Board of Directors

Robin O Berry  
Corporate Secretary

April 18, 2011

**A SELF-ADDRESSED ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE. NO POSTAGE IS REQUIRED IF MAILED WITHIN THE UNITED STATES.**

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 17, 2011: THIS PROXY STATEMENT, INCLUDING THE NOTICE OF THE ANNUAL MEETING OF STOCKHOLDERS, AND THE 2010 ANNUAL REPORT TO STOCKHOLDERS ON FORM 10-K ARE EACH AVAILABLE ON THE INTERNET AT [WWW.CFPProxy.COM/6716](http://WWW.CFPProxy.COM/6716).**

**PROXY STATEMENT**

**Cullman Bancorp, Inc.**

**316 Second Avenue, S.W.**

**Cullman, Alabama 35055**

**(256) 734-1740**

**ANNUAL MEETING OF STOCKHOLDERS**

May 17, 2011

This Proxy Statement is furnished in connection with the solicitation of proxies on behalf of the Board of Directors of Cullman Bancorp, Inc. (the Company) to be used at the Annual Meeting of Stockholders of the Company (the Annual Meeting), which will be held at the main office of Cullman Savings Bank, located at 316 Second Avenue S.W., Cullman, Alabama, on Tuesday, May 17, 2011, at 5:00 p.m., Alabama time, and all adjournments of the Annual Meeting. The accompanying Notice of Annual Meeting of Stockholders, the Proxy Card and this Proxy Statement are first being mailed to stockholders on or about April 18, 2011.

**REVOCAION OF PROXIES**

Stockholders who execute proxies in the form solicited hereby retain the right to revoke them in the manner described below. Unless so revoked, the shares represented by such proxies will be voted at the Annual Meeting and all adjournments thereof. Proxies solicited on behalf of the Board of Directors of the Company will be voted in accordance with the directions given thereon. **Where no instructions are indicated, validly executed proxies will be voted FOR the proposals set forth in this Proxy Statement. If any other matters are properly brought before the Annual Meeting, the persons named in the accompanying proxy will vote the shares represented by such proxies on such matters in such manner as shall be determined by a majority of the Board of Directors.**

A proxy may be revoked at any time prior to its exercise by sending written notice of revocation to the Secretary of the Company at the address shown above, by delivering to the Company a duly executed proxy bearing a later date, or by attending the Annual Meeting and voting in person. However, if you are a stockholder whose shares are not registered in your own name, you will need appropriate documentation from your record holder to vote personally at the Annual Meeting. The presence at the Annual Meeting of any stockholder who had returned a proxy shall not revoke such proxy unless the stockholder delivers his or her ballot in person at the Annual Meeting or delivers a written revocation to the Secretary of the Company prior to the voting of such proxy.

**VOTING PROCEDURES AND METHODS OF COUNTING VOTES**

Holders of record of the Company's common stock, par value \$0.01 per share, as of the close of business on March 31, 2011 (the Record Date) are entitled to one vote for each share then held. As of the Record Date, the Company had 2,561,996 shares of common stock issued and outstanding, 1,382,012 of which were held by Cullman Savings Bank, M.H.C. (the Mutual Holding Company), and 1,179,984 of which were held by stockholders other than the Mutual Holding Company (Minority Stockholders). The presence in person or by proxy of a majority of the total number of shares of common stock outstanding and entitled to vote is necessary to constitute a quorum at the Annual Meeting. Abstentions

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and broker non-votes will be counted for purposes of determining that a quorum is present. In the event there are not sufficient votes for a quorum, or to approve or ratify any matter being presented at the time of the Annual Meeting, the Annual Meeting may be adjourned in order to permit the further solicitation of proxies. However, the presence by proxy of the Mutual Holding Company's shares will assure a quorum is present at the Annual Meeting.

As to the election of directors, the Proxy Card being provided by the Board of Directors enables a stockholder to vote FOR the election of the two nominees proposed by the Board of Directors, to WITHHOLD AUTHORITY to vote for the nominees being proposed or to vote FOR ALL EXCEPT one or more of the nominees being proposed. Directors are elected by a plurality of votes cast, without regard to either broker non-votes or proxies as to which authority to vote for the nominees being proposed is withheld.

As to the ratification of Crowe Horwath LLP as the Company's independent registered public accounting firm, by checking the appropriate box, a stockholder may: (i) vote FOR the ratification; (ii) vote AGAINST the ratification; or (iii) ABSTAIN from voting on the ratification. The ratification of this matter shall be determined by a majority of the votes cast, without regard to broker non-votes or proxies marked ABSTAIN.

Management of the Company anticipates that the Mutual Holding Company, the majority stockholder of the Company, will vote all of its shares in favor of all the matters set forth above. If the Mutual Holding Company votes all of its shares in favor of the election of the two nominees proposed by the Board of Directors and in favor of the ratification of Crowe Horwath LLP as the Company's independent registered public accounting firm, the approval of each such proposal would be assured.

Proxies solicited hereby will be returned to the Company and will be tabulated by an Inspector of Election designated by the Board of Directors of the Company.

### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

Persons and groups who beneficially own in excess of 5% of the common stock are required to file certain reports with the Securities and Exchange Commission (the "SEC") regarding such ownership. The following table sets forth, as of the Record Date, the shares of common stock beneficially owned by each person who was the beneficial owner of more than 5% of the Company's outstanding shares of common stock, and all directors and executive officers of the Company as a group.

Name and Address of Beneficial Owners	Amount of Shares Owned and Nature of Beneficial Ownership <sup>(1)</sup>	Percent of Shares of Common Stock Outstanding
<b>Principal Stockholders:</b>		
Cullman Savings Bank, M.H.C.  316 Second Avenue, S.W.  Cullman, Alabama 35055	1,382,012	53.9%
Cullman Savings Bank, M.H.C. <sup>(2)</sup>  and all Directors and Executive Officers as  a group (9 persons)  316 Second Avenue, S.W.  Cullman, Alabama 35055	1,611,852	62.9%

(1) For purposes of this table, a person is deemed to be the beneficial owner of shares of common stock if he or she has shared voting or investment power with respect to such security, or has a right to acquire beneficial ownership at any time within 60 days from the Record Date. As used herein, "voting power" is the power to vote or direct the voting of shares, and "investment power" is the power to dispose of or direct the disposition of shares. The table includes all shares held directly as well as by spouses and minor children, in trust and other indirect ownership, over which shares the named individuals effectively exercise sole or shared voting and investment power.

(2) The Company's executive officers and directors are also executive officers and directors of Cullman Savings Bank, M.H.C. Excluding shares held by Cullman Savings Bank, M.H.C., the Company's executive officers and directors owned an aggregate of 229,840 shares, or



8.97% of the outstanding shares.

**PROPOSAL 1 ELECTION OF DIRECTORS**

The Company's Board of Directors currently consists of five members.

The Company's bylaws provide that approximately one-third of the directors are to be elected annually. Directors of the Company are generally elected to serve for a three-year period and until their respective successors have been elected. The Nominating Committee of the Board of Directors has nominated Kim J. Chaney and Nancy McClellan, each to serve as a director for a three-year term and until his or her successor has been elected and shall qualify. Each of the nominees is currently a member of the Board of Directors.

The table below sets forth certain information as of March 31, 2011 regarding the composition of the Company's Board of Directors, including the terms of office of members of the Board of Directors. It is intended that the proxies solicited on behalf of the Board of Directors (other than proxies in which the vote is withheld as to one or more nominees) will be voted at the Annual Meeting for the election of the nominees identified below. If a nominee is unable to serve, the shares represented by all such proxies will be voted for the election of such substitute as the Board of Directors may determine. At this time, the Board of Directors knows of no reason why any of the nominees would be unable to serve if elected. Except as indicated herein, there are no arrangements or understandings between any nominee and any other person pursuant to which such nominee was selected.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE NOMINEES LISTED IN THIS PROXY STATEMENT.**

Name <sup>(1)</sup>	Age	Positions Held	Director Since <sup>(2)</sup>	Current Term to Expire	Shares of Common Stock Beneficially Owned on Record Date <sup>(3)</sup>	Percent of Class
<b>NOMINEES</b>						
Kim J. Chaney	53	Chairman of the Board	1999	2011	34,922	1.36
Nancy McClellan	54	Director	2004	2011	10,302	*
<b>DIRECTORS CONTINUING IN OFFICE</b>						
Dr. Paul D. Bussman	54	Director	1994	2012	11,660	*
Dr. William F. Peinhardt	64	Director	1999	2013	28,447	1.11
John A. Riley, III	46	President, Chief Executive Officer and Director	2000	2013	55,344	2.16
<b>EXECUTIVE OFFICERS</b>						
Alan R. Wood	44	Executive Vice President and Director of Lending	N/A	N/A	11,630	*
Michael Duke	54	Senior Vice President and Chief Financial Officer	N/A	N/A	21,067	*
Robin Parson	44	Senior Vice President	N/A	N/A	32,711	1.28
Robin O Berry	44	Senior Vice President and Secretary	N/A	N/A	23,757	*
All directors and executive officers as a group (9 persons)					229,840	8.97%

(1) The mailing address for each person listed is 316 Second Avenue, S.W., Cullman, Alabama 35055. Each of the directors listed is also a director of Cullman Savings Bank, M.H.C., which owns the majority of the Company's issued and outstanding shares of common stock.

(2) Reflects initial appointment to the Board of Directors of the mutual predecessor to Cullman Savings Bank.

(3) See definition of beneficial ownership in the table Security Ownership of Certain Beneficial Owners.

(4) At March 31, 2011, 4,283 shares of common stock had been allocated to the accounts of executive officers under Cullman Savings Bank's employee stock ownership plan. Under the terms of the plan, shares of common stock allocated to the accounts of employees are voted in accordance with the instructions of the respective employees. Unallocated shares are voted by the plan trustee in accordance with voting instructions of plan participants, with each participant deemed to have one share allocated to his/her account. At December 31, 2010, 20,000, 31,475, 6,855, 18,680, 11,000 and 10,000 shares beneficially owned by Dr. Peinhardt, Mr. Chaney, Ms. McClellan, Mr. Riley, Ms. Parson and Ms. O Berry, respectively, have been pledged as collateral.

\* Less than one percent.

The principal occupation during the past five years of each director, nominee for director and executive officer of the Company is set forth below. All such persons have held their present positions for five years unless otherwise stated.



**Directors**

**John A. Riley, III** currently serves as President and Chief Executive Officer of the Company and Cullman Savings Bank and has served in those positions since 2009 and 2006, respectively. He was employed by Cullman Savings Bank in 1993 as a loan officer and held several positions prior to being named Chief Executive Officer, including Senior Vice President of Lending, a position he held from 1999 until his appointment as Chief Executive Officer. He has served on various boards in the community including Chairman of Operation Roundup Trust, Chairman of Cullman Regional Medical Center Foundation, Chairman of Good Samaritan Clinic Foundation and the Cullman Chamber of Commerce. He has been a member of Cullman Lions Club and The Cullman County Association of Realtors.

**Dr. Paul D. Bussman** is a practicing dentist in Cullman. He also serves as the Alabama State Senator for the 4<sup>th</sup> District (Cullman, Winston and Lawrence Counties). Dr. Bussman has served in a leadership role on the Cullman Area Chamber of Commerce as well as the Cullman Regional Medical Center Foundation. He is a 2000 graduate of Leadership Cullman County, a community improvement program sponsored by the Cullman Area Chamber of Commerce. Dr. Bussman has served as the Senior Warden for Grace Episcopal Church in Cullman. He is a Past President of the Alabama Academy of General Dentistry.

**Kim J. Chaney** is the Presiding District Judge of Cullman County. He is a founder of the Juvenile Boot Camp, Mitnick, which now serves 12 counties in Alabama and still serves its Board as Chairman. He is a member of the Alabama Bar Association and currently serves as President of the Alabama District Court Judges Association. He is past President of the Alabama Juvenile and Family Court Judges Association. Locally, Judge Chaney serves on the Board of Directors of Daystar House (a local homeless shelter) and on the Board of Cullman Caring for Kids (a child abuse and neglect prevention center and food bank). He has served on the Cullman County Health Coalition and on the CRMC Foundation Board. Judge Chaney is also the Chairman for the Cullman Children's Policy Council which coordinates all local services that deal with the problems of area youth. Judge Chaney was recognized by the Cullman Times as Cullman County's Distinguished Citizen in 2001.

**Nancy McClellan** is a lawyer in private practice since 1982. She is a partner with the law firm of Bland, Harris & McClellan, P.C. of Cullman, Alabama, and has served as attorney for Cullman Savings Bank since 2001. She is a member of the Real Property, Probate and Trust Law section of the Alabama Bar Association and the Alabama Defense Lawyers Association. She is a former assistant district attorney for Cullman County and has served on the Boards of Directors of United Way of Cullman, the Cullman City Schools Foundation, Cullman Regional Medical Center Foundation and the Cullman Area Chamber of Commerce.

**Dr. William F. Peinhardt** is President of Cullman Internal Medicine and serves as Medical Director of Cardiopulmonary Rehabilitation at Cullman Regional Medical Center. He was State President of the American Heart Association from 1980-1981. He is an active member of St. Andrews Methodist Church. His family operates a living history farm and provides tours for local children. He is also active in various conservation, environmental and forestry efforts.

**Executive Officers of the Company who are not Directors**

**Alan R. Wood** is the Executive Vice President of the Company and of Cullman Savings Bank and has served in those positions since 2009 and 2006, respectively. He currently serves as the director of lending and is the most senior officer of Cullman Savings Bank other than the President and Chief Executive Officer. He has been in the banking industry since 1985. He has previously served as a Vice President and Commercial Lender with South Trust Bank, and served as Amsouth Bank's city president prior to joining Cullman Savings Bank in 2006. Mr. Wood is a graduate of Athens State College. He is currently a director with Cullman Regional Medical Center, a past director of the Cullman Area Chamber of Commerce, and the CRMC Foundation board as well as the United Way of Cullman Board. He is a member and past president of the Cullman Lions Club, a graduate of Leadership Cullman class of 1999, and past president of the Wallace State Alumni Association.

**Michael Duke** is Chief Financial Officer of the Company and of Cullman Savings Bank. He has served in that position for the Company since its inception in 2009 and for the Bank since 2007. Prior to this appointment at Cullman Savings Bank, Mr. Duke served as President of Evabank, Cullman, Alabama, since 1999. He has been in banking since 1977 and was employed by AmSouth Bank for 20 years. Mr. Duke holds an Economics degree from the University of Alabama at Birmingham, and has completed Alabama Banking School, Stonier Graduate School of

Banking and Leadership Cullman County. He is past chairman of the Cullman Area Chamber of Commerce, past president of the Cullman Regional Medical Center Foundation, past president of the Cullman County Farm City Committee and past president of Cullman Area United Way.

**Robin Parson** is Senior Vice President of the Company and Senior Vice President and Director of Savings for Cullman Savings Bank. She has served in that position for the Company since its inception in 2009 and for the Bank since 2002. Her employment with Cullman Savings Bank began in 1985. Ms. Parson has served on the Small Business Committee of the Cullman Area Chamber of Commerce and is a 2001 Leadership Cullman County graduate.

**Robin O Berry** is Senior Vice President and Secretary of the Company since 2009 and of Cullman Savings Bank since 1999. She has been employed by Cullman Savings Bank since 1986 and has held several positions in the lending department.

#### **Attributes / Skills of Directors**

When considering whether directors and nominees have the experience, qualifications, attributes and skills, taken as a whole, to enable the Board of Directors to satisfy its oversight responsibilities effectively, the Nominating Committee and the Board of Directors focused primarily on the information included in each of the directors' individual biographies set forth above. The particular experience, qualifications, attributes or skills that led the Board of Directors to conclude that each person could serve as a director of the Company are summarized below:

**John A Riley III** - Mr. Riley joined the Board of Directors of Cullman Savings Bank in 2000. He is President and Chief Executive Officer of Cullman Savings Bank. Since starting his employment with the Bank in 1993, he has served in several positions that have enabled him to develop an in-depth understanding of all areas of bank operations. By sharing with the Board of Directors this practical understanding of Bank operations, Mr. Riley has aided Board analysis and decision-making. In addition, Mr. Riley is very active in the local community and has many business contacts, which have been beneficial to the Company and the Bank.

**Dr. William F. Peinhardt** - Dr. Peinhardt joined the Board of Directors of Cullman Savings Bank in 1999. He is President of Cullman Internal Medicine and serves as Medical Director of Cardiopulmonary Rehabilitation at Cullman Regional Medical Center. His expertise in the areas of management and personnel and his vast experience in the medical field and other business ventures have enhanced the Board's efficiency and effectiveness.

**Dr. Paul D. Bussman** - Dr. Bussman joined the Board of Directors of Cullman Savings Bank in 1994. He has been a dentist in private practice in Cullman, Alabama since 1983. The experience he has gained as a small business owner and operator and in his professional career has been an asset to the Board in considering personnel, budgeting, and strategic planning issues.

**Kim J. Chaney** - Judge Chaney joined the Board of Directors of Cullman Savings Bank in 1999. He has been the Presiding District Judge of Cullman County since 1992. His legal background aids the Board of Directors in its consideration of legal matters. He also is well connected in the community and utilizes these contacts to provide business leads for the Bank and the Company.

**Nancy McClellan** - Ms. McClellan joined the Board of Directors of Cullman Savings Bank in 2004. She has been an attorney in private practice since 1982. She serves as legal counsel for the Bank and possesses extensive knowledge in the area of real estate law. This expertise in real estate law has served the Bank and the Board of Directors well over the years since the vast majority of the Bank's lending is real estate related.

The Nominating Committee and the Board of Directors do not have a formal diversity policy in identifying nominees for director. However, in considering all of the attributes of an effective director in the context of existing members of the Board, the Committee and the Board do consider differences of viewpoint (including different viewpoints derived from diverse race, gender and national origin), professional experience, education and skills so as to achieve balance and heterogeneity in backgrounds and experiences on the Board.

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### **Board Independence, Leadership Structure and Risk Oversight**

The Board of Directors has determined that, except for Mr. Riley, each member of the Board of Directors is an independent director within the meaning of Rule 4200(a)(15) of the NASDAQ corporate governance listing standards. Mr. Riley is not considered independent because he serves as an executive officer of the Company. In determining the independence of the independent directors listed above, the Board of Directors considered the fact that Ms. McClellan is a partner in the law firm of Bland, Harris & McClellan, P.C., a law firm that performs legal services for Cullman Savings Bank and also sells title insurance to borrowers of Cullman Savings Bank for which it receives commissions from the title insurer at prescribed rates. The Board of Directors also reviewed the lending transactions with certain directors that are reported below under the heading Transactions with Certain Related Persons.

To assure effective and independent oversight of management, in 2006, the Board of Directors separated the roles of Chief Executive Officer and Chairman of the Board in recognition of the differences between these two roles in management of the Company. The Chief Executive Officer is responsible for setting the strategic direction for the Company and the day-to-day leadership and performance of the Company, while the Chairman of the Board provides guidance to the Chief Executive Officer, sets the agenda for Board meetings and presides over meetings of the full Board. The Chairman of the Board is an independent, non-management role.

The Board of Directors has an active role, as a whole and also at the committee level, in overseeing management of the Company's risks. The Board regularly reviews reports from members of senior management on areas of material risk to the Company, including credit, financial, operational, liquidity, legal and regulatory risks. In reviewing the reports, the full Board, or the appropriate Committee in the case of risks that are under the purview of a particular Committee, discuss with the members of senior management responsible for the areas covered by the reports how risks have been identified and what strategies and procedures have been put in place to mitigate risks. When a Committee receives a report, the Chairman of the relevant Committee communicates the results of the report review to the full Board at the next Board meeting. This enables the Board and its Committees to coordinate the risk oversight role, particularly with respect to risk interrelationships.

### **References to our Website Address**

References to our website address throughout this Proxy Statement and the accompanying materials are for informational purposes only, or to fulfill specific disclosure requirements of the Securities and Exchange Commission's rules. These references are not intended to, and do not, incorporate the contents of our website by reference into this Proxy Statement or the accompanying materials.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

The common stock of the Company is registered with the Securities and Exchange Commission (SEC) pursuant to the Securities Exchange Act of 1934, as amended (the Exchange Act). The officers and directors of the Company and beneficial owners of greater than 10% of the Company's common stock (10% beneficial owners) are required to file reports on Forms 3, 4 and 5 with the SEC disclosing beneficial ownership and changes in beneficial ownership of the common stock. SEC rules require disclosure in the Company's Proxy Statement or Annual Report on Form 10-K of the failure of an officer, director or 10% beneficial owner of the Company's common stock to file a Form 3, 4, or 5 on a timely basis. Based on the Company's review of such ownership reports, the Company believes that no officer or director of the Company failed to timely file such ownership reports for the fiscal year ended December 31, 2010.

### **Meetings and Committees of the Board of Directors**

**General.** The business of the Company is conducted at regular and special meetings of the full Board of Directors and its standing committees. In addition, the independent members of the Board of Directors meet in executive sessions on an as needed basis. The standing committees include the Compensation, Nominating and Audit Committees. During the year ended December 31, 2010, the Board of Directors held eight regular meetings and one special meeting. No member of the Board of Directors or any committee thereof attended fewer than 75% of the aggregate of: (i) the total number of meetings of the Board of Directors (held during the period for which he has been a director); and (ii) the total number of meetings held by all committees of the Board of Directors on which he or she served (during the periods that he or she served).

While the Company has no formal policy on director attendance at annual meetings of stockholders, all directors are encouraged to attend.

**Nominating Committee.** The Nominating Committee consists of directors Bussman, Chaney and Peinhardt. Each member of the Nominating Committee is considered independent as defined in the NASDAQ corporate governance listing standards. The Board of Directors has adopted a written charter for the Committee, which is available at the Company's website at [www.cullmansavingsbank.com](http://www.cullmansavingsbank.com). The Committee met one time during the year ended December 31, 2010.

The primary function of the Nominating Committee is to lead the search for individuals qualified to become members of the Board of Directors and to select director nominees to be presented for stockholder approval. The Nominating Committee identifies nominees by first evaluating the current members of the Board of Directors willing to continue in service. Current members of the Board of Directors with skills and experience that are relevant to the Company's business and who are willing to continue in service are first considered for re-nomination, balancing the value of continuity of service by existing members of the Board of Directors with that of obtaining a new perspective. If any member of the Board of Directors does not wish to continue in service, or if the Committee or the Board of Directors decides not to re-nominate a member for re-election, or if the size of the Board of Directors is increased, the Committee would solicit suggestions for director candidates from all members of the Board of Directors. In addition, the Committee is authorized by its charter to engage a third party to assist in the identification of director nominees. During the year ended December 31, 2010, the Company did not pay a fee to any third party to identify or evaluate or assist in identifying or evaluating potential nominees for director. The Nominating Committee would seek to identify a candidate who at a minimum satisfies the following criteria:

have the highest personal and professional ethics and integrity and whose values are compatible with the Company's;

have experiences and achievements that have given them the ability to exercise and develop good business judgment;

are willing to devote the necessary time to the work of the Board and its committees and are available for Board and committee meetings;

are familiar with the communities in which the Company operates and is actively engaged in community activities;

are not involved in other activities or interests that create a conflict with their responsibilities to the Company and its stockholders; and

have the capacity and desire to represent the balanced, best interests of the stockholders of the Company as a group, and not primarily a special interest group or constituency.

Finally, the Nominating Committee will take into account whether a candidate satisfies the criteria for independence under the NASDAQ corporate governance listing standards, and if a nominee is sought for service on the audit committee, the financial and accounting expertise of a candidate, including whether the individual qualifies as an audit committee financial expert.

**Procedures for the Recommendation of Director Nominees by Stockholders.** The Nominating Committee has adopted procedures for the submission of director nominees by stockholders. If a determination is made that an additional candidate is needed for the Board of Directors, the Nominating Committee will consider candidates submitted by the Company's stockholders. Stockholders can submit qualified names of candidates for director by writing to our Corporate Secretary, at 316 Second Avenue, S.W., Cullman, Alabama 35055. The Corporate Secretary must receive a submission not less than 120 days prior to the anniversary date of the Company's proxy materials for the preceding year's annual meeting. However, if the date of the annual meeting is advanced more than 30 days prior to or delayed by more than 30 days after the anniversary of the preceding year's annual meeting, to be timely the recommendation for director must be so delivered not later than the close of business on the 10<sup>th</sup> day following the day on which public announcement of the date of such meeting is first made. The submission must include the following information:

A statement that the writer is a stockholder and is proposing a candidate for consideration by the committee;

The name and address of the stockholder as they appear on the Company's books, and number of shares of the Company's common stock that are owned beneficially by such stockholder. If the stockholder is not a holder of record, appropriate evidence of the stockholder's ownership will be required;

The name, address and contact information for the candidate, and the number of shares of common stock of the Company that are owned by the candidate. If the candidate is not a holder of record, appropriate evidence of the stockholder's ownership should be provided;

A statement of the candidate's business and educational experience;

Such other information regarding the candidate as would be required to be included in the proxy statement pursuant to SEC Regulation 14A;

A statement detailing any relationship between the candidate and any customer, supplier or competitor of the Company or any of its affiliates;

Detailed information about any relationship or understanding between the proposing stockholder and the candidate; and

A statement that the candidate is willing to be considered and willing to serve as a director if nominated and elected.

Submissions that are received and that meet the criteria outlined above are forwarded to the Chairman of the Nominating Committee for further review and consideration. A nomination submitted by a stockholder for presentation by the stockholder at an annual meeting of stockholders must comply with the procedural and informational requirements described in this proxy statement under the heading "Stockholder Proposals". No submission for Board nominees was received by the Company for the Annual Meeting.

**Stockholder Communications with the Board of Directors.** A stockholder of the Company who wishes to communicate with the Board of Directors or with any individual director may write to the Corporate Secretary of the Company, 316 Second Avenue, S.W., Cullman, Alabama 35055, Attention: Board Administration. The letter should indicate that the author is a stockholder and if shares are not held of record, should include appropriate evidence of stock ownership. Depending on the subject matter, the Corporate Secretary will:

Forward the communication to the Director or Directors to whom it is addressed;

Attempt to handle the inquiry directly, for example where it is a request for information about the company or it is a stock-related matter; or

Not forward the communication if it is primarily commercial in nature, relates to an improper or irrelevant topic, or is unduly hostile, threatening, illegal or otherwise inappropriate.

At each Board meeting, the Chairman will present a summary of all communications received since the last meeting that were not forwarded and make such communications available to the Directors on request.

**The Audit Committee.** The Audit Committee consists of directors Bussman, Chaney and Peinhardt. Each member of the Audit Committee is considered "independent" as defined in the NASDAQ corporate governance listing standards and under SEC Rule 10A-3. Based on its review of the criteria of an "audit committee financial expert" under the rules adopted by the Securities and Exchange Commission, the Board of Directors does not believe that any member of the Audit Committee qualifies as an audit committee financial expert. While the Board of Directors will



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consider adding a person who qualifies as an audit committee financial expert should future vacancies arise on the Board of Directors, it has chosen not to expand the Board of Directors for the sole purpose of adding an audit committee financial expert because of the significant financial expertise of the current board

members. Specifically, directors Bussman, Chaney and Peinhardt have each served on Cullman Savings Bank's Audit Committee for a minimum of ten years. Each of them has an understanding of, and the ability to analyze and evaluate, Cullman Savings Bank's financial statements, as well as an understanding of an audit committee's functions. Additionally, Messrs. Bussman and Peinhardt have each overseen and assessed the finances of their personal businesses.

The duties and responsibilities of the Audit Committee include, among other things:

retaining, overseeing and evaluating an independent registered public accounting firm in connection with the audit of the Company's annual financial consolidated statements;

in consultation with the independent registered public accounting firm and the Company's internal audit firms, reviewing the integrity of the Company's financial reporting processes, both internal and external;

approving the scope of the audit in advance;

reviewing the financial statements and the audit report with management and the independent registered public accounting firm;

considering whether the provision of services by the independent registered public accounting firm not related to the annual audit and quarterly reviews is consistent with maintaining its independence;

reviewing earnings and financial releases and quarterly reports filed with the SEC;

consulting with the internal audit firms' staffs and reviewing management's administration of the system of internal accounting controls;

approving all engagements for audit and non-audit services by the independent registered public accounting firm; and

reviewing the adequacy of the audit committee charter.

The Audit Committee met six times during the year ended December 31, 2010. The Audit Committee reports to the Board of Directors on its activities and findings. The Board of Directors has adopted a written charter for the Audit Committee, which is available at the Company's website at [www.cullmansavingsbank.com](http://www.cullmansavingsbank.com).

#### **Audit Committee Report**

*The following Audit Committee Report is provided in accordance with the rules and regulations of the SEC. Pursuant to such rules and regulations, this report shall not be deemed soliciting material, filed with the SEC, subject to Regulation 14A or 14C of the SEC or subject to the liabilities of Section 18 of the Securities and Exchange Act of 1934, as amended.*

The Audit Committee has prepared the following report for inclusion in this Proxy Statement:

As part of its ongoing activities, the Audit Committee has:

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Reviewed and discussed with management the Company's audited consolidated financial statements for the year ended December 31, 2010;

Discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61, *Communications with Audit Committees*, as amended; and

Received the written disclosures and the letter from the independent registered public accounting firm required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit*

*Committees*, and has discussed with the independent registered public accounting firm its independence; and

Pre-approved all audit, audit-related and other services to be provided by the independent registered public accounting firm. Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010. In addition, the Audit Committee approved the appointment of Crowe Horwath LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2011, subject to the ratification of the appointment by the stockholders.

This report shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates this information by reference, and this report shall not otherwise be deemed soliciting material or 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.

This report has been provided by the Audit Committee:

Dr. Paul D. Bussman

Kim J. Chaney

Dr. William F. Peinhardt

#### **Code of Ethics**

The Company has adopted a Code of Ethics that is applicable to the Company's officers, directors and employees, including its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. The Code of Ethics is available on the Company's website at [www.cullmansavingsbank.com](http://www.cullmansavingsbank.com). Amendments to and waivers from the Code of Ethics will also be disclosed on the Company's website.

#### **Compensation Committee**

The Compensation Committee, consisting of independent directors Bussman, Chaney and Peinhardt, generally determines salary and other compensation for employees, including the Named Executive Officers, as defined below. Each member of the Compensation Committee is considered independent as defined in the NASDAQ corporate governance listing standards. The Compensation Committee meets in executive session to determine such salaries. The Compensation Committee met two times in the year ended December 31, 2010 to establish salaries and incentive plans for the staff of the Cullman Savings Bank and the Company. The Board of Directors has adopted a written charter for the Compensation Committee, which is available at the Company's website at [www.cullmansavingsbank.com](http://www.cullmansavingsbank.com).

During 2010, the Committee did not retain a compensation and benefits consultant.

#### **Executive Compensation**

The Board of Directors' philosophy is to align executive compensation with the interests of its stockholders and to determine appropriate compensation levels that will enable it to meet the following objectives:

To attract, retain and motivate an experienced, competent executive management team;

To reward the executive management team for the enhancement of shareholder value based on annual earnings performance and the market price of the Company's stock;

To provide compensation rewards that are adequately balanced between short-term and long-term performance goals;



To encourage ownership of the Company's common stock through stock-based compensation; and