GREENVILLE FIRST BANCSHARES INC
Form DEF 14A
April 11, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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

Filed by the Registrant x

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Check the appropriate box:

Preliminary Proxy Statement

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

x Definitive Proxy Statement

Definitive Additional Materials

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Greenville First Bancshares, Inc.

(Name of Registrant as Specified in Its Charter)

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

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(4) Date Filed:

GREENVILLE FIRST BANCSHARES, INC.

100 Verdae Boulevard, Suite 100

Greenville, South Carolina 29607

Notice of Annual Meeting of Shareholders

Dear Fellow Shareholder:

We cordially invite you to attend the 2007 Annual Meeting of Shareholders of Greenville First Bancshares, Inc., the holding company for Greenville First Bank. At the meeting, we will report on our performance in 2006 and answer your questions. We are excited about our accomplishments in 2006 and look forward to discussing both our accomplishments and our future plans with you. We hope that you can attend the meeting and look forward to seeing you there.

This letter serves as your official notice that we will hold the meeting on May 15, 2007 at The Poinsett Club at 807 East Washington Street, Greenville, South Carolina at 5:00 p.m. for the following purposes:

1. To elect four members to the Board of Directors;

2. To approve the company's name change to Southern First Bancshares, Inc.; and

3. To transact any other business that may properly come before the meeting or any adjournment of the meeting.

Shareholders owning our common stock at the close of business on April 2, 2007 are entitled to attend and vote at the meeting. A complete list of these shareholders will be available at the company's offices prior to the meeting. If your shares are held in "street name," you will need to obtain a proxy form from the institution that holds your shares in order to vote at our annual meeting.

Please use this opportunity to take part in the affairs of your company by voting on the business to come before this meeting. Even if you plan to attend the meeting, we encourage you to complete and return the enclosed proxy to us as promptly as possible.

By order of the Board of Directors,

R. Arthur Seaver, Jr.

President and Chief Executive Officer

Greenville, South Carolina

April 13, 2007

GREENVILLE FIRST BANCSHARES, INC.

100 Verdae Boulevard, Suite 100

Greenville, South Carolina 29607

Proxy Statement for Annual Meeting of

Shareholders to be Held on May 15, 2007

Our board of directors is soliciting proxies for the 2007 Annual Meeting of Shareholders. This proxy statement contains important information for you to consider when deciding how to vote on the matters brought before the meeting. We encourage you to read it carefully.

Voting Information

The board set April 2, 2007 as the record date for the meeting. Shareholders owning our common stock at the close of business on that date are entitled to vote and to attend the meeting, with each share entitled to one vote. If you are a registered shareholder who wishes to vote at our annual meeting, you may do so by delivering your proxy card in person at the meeting. "Street name" shareholders who wish to vote at our annual meeting will need to obtain a proxy form from the institution that holds their shares. There were 2,933,868 shares of common stock outstanding on the record date. A majority of the outstanding shares of common stock represented at the meeting will constitute a quorum. We will count abstentions and broker non-votes, which are described below, in determining whether a quorum exists.

Many of our shareholders hold their shares through a stockbroker, bank, or other nominee rather than directly in their own name. If you hold our shares in a stock brokerage account or by a bank or other nominee, you are considered the *beneficial owner* of shares held in street name, and these materials are being forwarded to you by your broker or nominee, which is considered the *shareholder of record* with respect to those shares. As the *beneficial owner*, you have the right to direct your broker or nominee how to vote and are also invited to attend the annual meeting. However, since you are not the *shareholder of record*, you may not vote these shares in person at the meeting unless you obtain a signed proxy from the *shareholder of record* giving you the right to vote the shares. Your broker or nominee has enclosed or provided a voting instruction card for you to use to direct your broker or nominee how to vote these shares.

When you sign the proxy card, you appoint R. Arthur Seaver, Jr. and Fred Gilmer, Jr. as your representatives at the meeting. Mr. Seaver and Mr. Gilmer will vote your proxy as you have instructed them on the proxy card. If you submit a proxy but do not specify how you would like it to be voted, Mr. Seaver and Mr. Gilmer will vote your proxy for the election to the board of directors of all nominees listed below under "Election of Directors" and for changing the company's name to Southern First Bancshares, Inc. We are not aware of any other matters to be considered at the meeting. However, if any other matters come before the meeting, Mr. Seaver and Mr. Gilmer will vote your proxy on such matters in accordance with their judgment.

You may revoke your proxy and change your vote at any time before the polls close at the meeting. You may do this by signing and delivering another proxy with a later date or by voting in person at the meeting. Brokers who hold shares for the accounts of their clients may vote these shares either as directed by their clients or in their own discretion if permitted by the exchange or other organization of which they are members. Proxies that brokers do not vote on some proposals but that they do vote on others are referred to as "broker non-votes" with respect to the proposals not voted upon. A broker non-vote does not count as a vote in favor of or against a particular proposal for which the broker has no discretionary voting authority. In addition, if a shareholder abstains from voting on a particular proposal, the abstention does not count as a vote in favor of or against the proposal.

We are paying for the costs of preparing and mailing the proxy materials and of reimbursing brokers and others for their expenses of forwarding copies of the proxy materials to our shareholders. *Upon written or oral request, we will promptly deliver a separate copy of our annual report, our annual report on Form 10-K, or this proxy statement to our shareholders at a shared address to which a single copy of the document was delivered.* Our officers and employees may assist in soliciting proxies but will not receive additional compensation for doing so. We are distributing this proxy statement on or about April 13, 2007.

Proposal No. 1: Election of Directors

The board of directors is divided into three classes with staggered terms, so that the terms of only approximately one-third of the board members expire at each annual meeting. The current terms of the Class II directors will expire at the meeting. The terms of the Class III directors expire at the 2008 Annual Shareholders Meeting. The terms of the Class I directors will expire at the 2009 Annual Shareholders Meeting. Our current directors and their classes are:

Class I	Class II	Class III
Mark A. Cothran	Leighton M. Cubbage	Andrew B. Cajka
Rudolph G. Johnstone, III, M.D.	David G. Ellison	Anne S. Ellefson
R. Arthur Seaver, Jr.	James B. Orders, III	Fred Gilmer, Jr.
	William B. Sturgis	Tecumseh Hooper, Jr.

Shareholders will elect four nominees as Class II directors at the meeting to serve a three-year term, expiring at the 2010 Annual Meeting of Shareholders. The directors will be elected by a plurality of the votes cast at the meeting. This means that the four nominees receiving the highest number of votes will be elected.

The board of directors recommends that you elect Leighton M. Cubbage, David G. Ellison, James B. Orders, III, and William B. Sturgis as Class II directors.

If you submit a proxy but do not specify how you would like it to be voted, Mr. Seaver and Mr. Gilmer will vote your proxy to elect Messrs Cubbage, Ellison, Orders, and Seaver. If any of these nominees is unable or fails to accept nomination or election (which we do not anticipate), Mr. Seaver and Mr. Gilmer will vote instead for a replacement to be recommended by the board of directors, unless you specifically instruct otherwise in the proxy.

Set forth below is certain information about the Class II nominees, each of whom is also a director of our subsidiary, Greenville First Bank:

Leighton M. Cubbage, 54, Class II director, has been the chairman / chief executive officer of Champion Communications, Inc. since 2004 and was the co-founder, president, and chief operating officer of Corporate Telemanagement Group in Greenville, South Carolina from 1989 until 1995, when the company was acquired by LCI International. Since 1995, Mr. Cubbage has been a private investor maintaining investment interests in a telecommunications company, a weekly newspaper, car dealerships, and a trucking company. He is a 1977 graduate of Clemson University with a bachelor's degree in political science. Mr. Cubbage was chairman of the Greenville Hospital System board of trustees and was a former member of the Greenville Technical College Foundation Board.

David G. Ellison, 57, Class II director, has been a managing director of Northwestern Mutual Financial Network since 1983. Mr. Ellison is a 1972 graduate of Furman University where he received a bachelor's degree and a 1976 graduate of the Clemson-Furman University Program where he received a master in business administration. Mr. Ellison is on the board of trustees of Furman University, where he is a former board chair. He is a past president of both the Furman Alumni Association and Furman Paladin Club. He has also served on the board of trustees for United Way of Greenville County. He is a prior commissioner of the Greenville Housing Authority.

James B. Orders, III, 54, Class II director, is the chairman of our board of directors. Since 1986, he has been the president of Park Place Corporation, a company engaged in the manufacture and sale of mattresses to the wholesale market. Mr. Orders is chairman of Comfortaire Corporation and a director of Orders Realty Co., Inc., a real estate development and management company that is a wholly-owned subsidiary of Park Place Corporation. He attended Clemson University from 1970 until 1974. Mr. Orders is a past president of the International Sleep Products Association, a past president of the Downtown Rotary Club, a past member of the advisory board of Greenville National Bank and a past member of the advisory board of Carolina First Bank. He currently serves on the boards of Lay Christian Association and Cox Industries.

William B. Sturgis, 72, Class II director, held various executive positions with W.R. Grace & Co. from 1984 until his retirement in 1997, including executive vice president of W.R. Grace's worldwide packaging operations and president of its North American Cryovac Division. Mr. Sturgis graduated from Clemson University in 1957 with a degree in chemical engineering and is a graduate of the Advanced Management Program at Harvard. He is active with Clemson University, serving on the Foundation Board, the President's Advisory Council, and the Engineering Advisory Board. He is also a board member of the Peace Center and a member of the Downtown Rotary Club and Presbyterian Community Foundation.

Set forth below is also information about each of the company's other directors and each of its executive officers. Each of the following directors is also a director of our subsidiary bank.

James M. "Jim" Austin, III, 50, is an executive vice president and the chief financial officer of our company and the bank. He has over 28 years of experience in the financial services industry. From 1978 to 1983, Mr. Austin was employed by KPMG Peat Marwick, specializing in bank audits. Mr. Austin was employed from 1983 to 1995 with American Federal Bank as controller and senior vice president responsible for financial accounting and budgeting. From 1995 until 1997, Mr. Austin was the senior vice president and chief financial officer of Regional Management Corporation, a 58-office consumer finance company, where he was responsible for the finance and operations area of the company. From December 1997 until June 1999, he was the director of corporate finance for HomeGold Financial, Inc., a publicly traded sub-prime financial services company. Mr. Austin is a 1978 graduate of the University of South Carolina with degrees in both accounting and finance. He is also a Certified Public Accountant and graduate of the University of Georgia's Executive Management's Savings Bank program. In addition, he is a graduate of Leadership Greenville, a year-long program sponsored by the Greenville Chamber of Commerce designed to identify and train the future leaders of the Greenville community. He has served on the community boards of River Place Festival, Junior Achievement, and Pendleton Place, and he is the past president of the Financial Manager's Society of South Carolina and former board member of the Young Manager's Division of the Community of Financial Institutions of South Carolina. He is past chairman of the board of directors for the Center for Development Services. He is active in the First Presbyterian Church and a current board member of the Greenville Free Medical Clinic. Mr. Austin is the past chairman and a current member of Fidelity's National User Group board of directors.

Andrew B. Cajka, 47, Class III director, is the founder and president of Southern Hospitality Group, LLC, a hotel management and development company in Greenville, South Carolina. Prior to starting his own business, Mr. Cajka was a managing member of Hyatt Hotels Corporation from 1986 until 1998. He is a 1982 graduate of Bowling Green State University. Mr. Cajka served on the board of directors for the Greenville Chamber of Commerce and is past president of the downtown area council, as well as past chairman of Greenville Hospital Foundation Board and past chairman of the Children's Hospital. He currently serves as vice chairman of the board for St. Joseph's High School, as chairman of the Greenville County Research and Technology Development board, and as a board member for the Metropolitan Arts Council, the Red Cross, and the BMW Nationwide Tournament advisory board. He is a past chairman and present treasurer of the Greenville Convention and Visitors Bureau and past chairmen of the Greenville Tech Hospitality Board. Mr. Cajka has served as a board member of the Urban League and Thornblade Board of Governors.

Mark A. Cothran, 49, Class I director, is the president and owner of Cothran Properties, LLC, a real estate development company in Greenville, South Carolina. He has been with Cothran Properties, LLC since 1986. Mr. Cothran received his bachelor's degree in finance and banking from the University of South Carolina in 1980 and is a licensed real estate broker in the State of South Carolina. He currently serves on the National Business Park Forum of the National Association of Industrial and Office Properties (NAIOP) for which he is also the past chairman of the Tax and Legislative Committee. He is also the immediate past president of the state chapter of NAIOP. He has served on the board of directors of the Greenville Chamber of Commerce, the Chamber of Commerce's Economic Development Board, and on the Advisory Board of Greenville National Bank. He currently serves on the board of directors of General Wholesale Distributors, Inc.

Anne S. Ellefson, 52, Class III director, is an attorney and shareholder with Haynsworth Sinkler Boyd, P.A., where she has practiced law since 1979. Mrs. Ellefson is a 1976 graduate of the University of South Carolina where she received a bachelor's degree and a 1979 graduate of the University of South Carolina School of Law. Mrs. Ellefson previously served on advisory boards at both United Carolina Bank and BB&T. She is a past chairman of the Greater Greenville Chamber of Commerce and the United Way of Greenville County. She also, is the immediate past President of the South Carolina Bar Foundation.

Frederick "Fred" Gilmer, Jr., 71, Class III director, is the senior vice president of our company and our bank. He is a seasoned banker with over 48 years of experience in the financial services industry. Mr. Gilmer was involved with the organization of Southern Bank and Trust Company and has held executive positions with two other banks in the Greenville area. He graduated from the University of Georgia in 1958 and the LSU Graduate School of Banking of the South in Baton Rouge, Louisiana in 1970. He is a graduate of Leadership Greenville and presently serves numerous organizations, including the Greenville Rotary Club, the YMCA, the United Way, and the First Presbyterian Church. He is a past board member of Family Children Service, Goodwill Industries, Downtown Area Council, Greenville Little Theater, Greenville Cancer Society, South Carolina Arthritis Foundation, Freedom Weekend Aloft, and the Greenville Chamber of Commerce.

Frederick "Fred" Gilmer, III, 42, is an executive vice president and the senior lending officer of our bank. He has over 19 years of banking experience. From 1987 until 1999, Mr. Gilmer held various management positions with Wachovia Bank, N.A., including commercial lending, city executive, and vice president in private banking. Mr. Gilmer is a 1986 graduate of Clemson University with a bachelor's degree in management. He is also a graduate of Leadership Greenville. He has served on the community boards of Bon Secours St. Francis Foundation and the Metro YMCA, and he is a past chairman of Cleveland Street YMCA. Other activities include Greenville Chamber of Commerce, United Way loan executive, Greenville Convention and Visitors Bureau, and Rotary Club of Greenville. He is active at Buncombe Street United Methodist Church, serving in various roles including the Board of Stewards.

Tecumseh "Tee" Hooper, Jr., 59, Class III director, is a private investor. He is the current chairman of the South Carolina Department of Transportation. Mr. Hooper is the chief executive officer of General Wholesale Distributors, LLC, a Trane HVAC distributor in the state of South Carolina. Mr. Hooper is also chairman of the board of FGP International Inc., an executive and temporary placement service company and Sign Crafters, USA, a sign manufacturing and service company. He is also a director of Peregrine Energy, Inc., an energy management company. Mr. Hooper was the president of Modern Office Machines/ IKON Office Solutions in Greenville, South Carolina, from 1982 through 2001. Mr. Hooper graduated from The Citadel in 1969 with a degree in business administration, and he received a master in business administration from the University of South Carolina in 1971. Mr. Hooper has served the community as a board member of the Greenville Chamber of Commerce, Camp Greenville, YMCA Metropolitan, and the United Way, and as past president of the Greenville Urban League. Mr. Hooper has also served on the board of directors for Leadership Greenville, Leadership South Carolina, and also as chairman of Patriots Point Development Authority in Charleston.

Rudolph G. "Trip" Johnstone, III, M.D., 46, Class I director, is a physician who has practiced with the Cross Creek Asthma, Allergy, and Immunology medical clinic since 1992. He graduated from Washington & Lee University in 1982 with a degree in biology and from the Medical University of South Carolina in 1986. Dr. Johnstone served on the consulting board to Greenville National Bank from 1995 until 1998, when it was acquired by Regions Bank. He is on the board of directors of Allergy Partners, PA and is a past president of the Southeastern Asthma, Allergy, and Immunology Society.

R. Arthur "Art" Seaver, Jr., 43, Class I director, is the chief executive officer of our company and our bank. He has over 20 years of banking experience. From 1986 until 1992, Mr. Seaver held various positions with The Citizens & Southern National Bank of South Carolina, including assistant vice president of corporate banking. From 1992 until February 1999, he was with Greenville National Bank, which was acquired by Regions Bank in 1998. He was the senior vice president in lending and was also responsible for managing Greenville National Bank's deposit strategies prior to leaving to form Greenville First Bank. Mr. Seaver is a 1986 graduate of Clemson University with a bachelor's degree in financial management and a 1999 graduate of the BAI Graduate School of Community Bank Management. He is currently on the board of the Palmetto Society for the United Way, the South Carolina Bankers Association, and the St. Francis Foundation and is past Chairman of the Community Bankers Council of the South Carolina Bankers Association. Past organizations that he has worked with include Leadership Greenville, the Greenville Chamber of Commerce, the South Carolina Network of Business and Education Partnership, Junior League, Junior Achievement, the Greenville Convention and Visitors Bureau, the United Way, and the First Presbyterian Church.

F. Justin Strickland, 43, is president of our company and our bank. He has over 21 years of banking experience. From 1985 until 1993, Mr. Strickland held various positions with The Citizens & Southern National Bank of South Carolina, including vice president of corporate banking. From 1993 until November 2, 2006, he was with Carolina First Bank. From 1999 until November 2, 2006, he held the position of South Carolina Midlands Market President. Mr. Strickland is a 1985 graduate of the University of South Carolina with a bachelor's degree in finance and the LSU Graduate School of Banking of the South in Baton Rouge, Louisiana in 1996. He is currently the Chairman of the Greater Columbia Chamber of Commerce and the Chairman Elect of the SC Bankers Association. He is also chairman of the Finance Committee of the Children's Trust Fund of South Carolina. He formerly held the position as treasurer of the Saluda Shoal Foundation and is a past member of the boards of Columbia Urban League, Palmetto Health Foundation (past chairman), Junior Achievement (past chairman), the SC Bankers School (past chairman), and the Boy Scout - Indiana Water Council. He is an active member of Saxe Gotha Presbyterian Church. He was a prior Chairman of the SC Bankers Association /Young Bankers Division where he received the SC Outstanding Young Bankers Award in 1999. He has been a member in the past with the Rotary Club, Sertoma Club, Business Association of Columbia, Salvation Army, and the United Way.

J. Edward "Eddie" Terrell, 44, is an executive vice president of our bank. He is primarily responsible for marketing and deposit strategies. He has over 21 years of business and entrepreneurial experience. He was the co-founder of NewSouth Communications, Inc. in Greenville, South Carolina from 1997 until 2003 and executive vice president of customer operations. Mr. Terrell was the executive vice president of customer operations for Corporate Telemanagement Group in Greenville, South Carolina from 1990 until 1995, when the company was acquired by LCI International. From 1995 until 1996, Mr. Terrell was the regional vice president for customer operations with LCI International. He is a 1984 graduate of The Citadel, with a bachelor's degree in English. Since 1998, Mr. Terrell has been a private investor in several local businesses. He serves on the board of the Community Journals, LLC and is active at First Presbyterian Church and several local community organizations.

Family Relationships. Dr. Rudolph G. Johnston, III, director, is Fred Gilmer, Jr.'s stepson and Fred Gilmer, III, executive vice president, is Fred Gilmer Jr.'s son. No other director has a family relationship with any other director or executive officer of the company.

Proposal No. 2: Proposal to Change the Name of the Company to Southern First Bancshares, Inc.

We propose changing the company's name from Greenville First Bancshares, Inc. to Southern First Bancshares, Inc. We anticipate the holding company's subsidiary, Greenville First Bank, N.A. will change its name to Southern First Bank, N.A. around the same time that the holding company changes its name to Southern First Bancshares, Inc. We are proposing this new name to reflect our expansion into a more geographically diverse market, including Columbia, South Carolina, and potentially other Southern cities. We believe the name "Southern First Bancshares, Inc." will better describe the type of financial institution we expect to become -- a multi-city, full service financial institution that offers a broad range of financial products and services to our customers in Greenville, Columbia, and other parts of the South. We believe this name change is in the best interests of our shareholders and recommend your approval of this proposal.

To accomplish the proposed name change, we will amend and restate Article ONE of our Articles of Incorporation to read in substance as follows:

"The name of the corporation is Southern First Bancshares, Inc. (the "Corporation")."

Your vote in favor of the name change will be a vote in favor of an amendment to the Articles of Incorporation of the company in substance as set forth above.

The name change will become effective upon the filing of an amendment to our Articles of Incorporation or at any later date that is specified in the amendment. If the proposed name change is approved by Greenville First shareholders, it is anticipated that we will make the appropriate filings to implement the name change during the second quarter of 2007. However, we reserve the right to abandon the proposed name change at any time prior to the name change becoming effective. The name change will not affect the validity or transferability of currently outstanding stock certificates, and shareholders will not be requested to surrender for exchange any certificates presently held by them.

Under South Carolina law, the proposed name change requires the approval of the holders of two-thirds of the outstanding shares of Greenville First Bancshares, Inc. Common Stock. Accordingly, abstentions, broker non-votes and the failure to return a signed proxy card will have the same effect as votes against the proposal.

The Board of Directors Unanimously Recommends a Vote in Favor of Changing the Company's Name to Southern First Bancshares, Inc.

Compensation Discussion and Analysis

General Philosophy. We compensate our executive and senior management team through a mix of base salary, bonuses and equity compensation designed to recruit, reward, retain and retire the talented executive officers. In addition, we seek to align management's incentives with the long-term interests of our shareholders. Our compensation setting process consists of establishing targeted overall compensation for each executive and senior manager which consists of cash compensation, equity compensation, and retirement benefits. For each executive and senior officer, the anticipated cash compensation is allocated among base salary and incentive compensation. We design the incentive compensation to reward corporate performance based on the achievement of pre-established financial and strategic goals.

The company's Chief Executive Officer ("CEO") and the company's President provide the compensation committee with their recommendation for overall compensation for all senior vice president and executive vice president positions. The compensation committee determines the level of compensation for the CEO and President based on a compensation comparison to banks of similar size and performance, giving consideration to pre-established financial and strategic goals. The compensation committee recommendations are presented and approved by the complete board of directors.

Targeted Overall Compensation. We establish targeted overall compensation for each level of executive and senior management by first understanding the market value for these individuals in our region. We seek to provide our management team with the incentive to earn above market compensation by accomplishing significant goals related to their respective department within the company.

Under our compensation structure, the mix of base salary, bonus and equity compensation generally varies depending upon level. We generally seek the following mix of those components of compensation:

	Base Salary	Bonus	Equity
Chief Executive Officer and President	50 - 70%	35 - 50%	10 - 15%
Executive Vice Presidents	50 - 75%	25 - 45%	5 - 10%
Senior Vice Presidents	60 - 75%	25 - 40%	1 - 5%

In allocating compensation among these elements, we believe that the compensation of our senior-most levels of management -- the levels of management having the greatest ability to influence Greenville First's performance -- should be significantly weighted on performance, while lower levels of management should receive a greater portion of their compensation in base salary. Therefore, we typically offer our management a slightly lower base salary (approximately 90% of what we believe to be average market base salary) with the potential to earn a higher than market bonus and a higher than market overall compensation. We select allocations that we believe are consistent with our overall compensation philosophy as described above.

The majority of the equity compensation has generally been provided to our officers at the time they joined the company. The amount of equity awarded has been based primarily on the officer's areas of responsibility. The objective of the awards is to align management with the same interest as shareholders. From time to time additional equity awards may be granted to officers based on performance, assumption of additional responsibilities and duties and other factors.

With the exception of Justin Strickland who was hired in 2006, no executive officers received equity compensation in the two years ended December 31, 2006. The company does not anticipate providing additional restricted stock awards or stock options to the CEO, President or the three executive vice presidents in 2007.

During the first ten months of 2006, Art Seaver held both the position of Chief Executive Office ("CEO") and President. Effective the first of November, Justin Strickland was hired as President and Mr. Seaver retained the role of CEO.

To assist us in establishing "targeted overall compensation" for our CEO, we engaged Benmark, a nationally recognized consulting firm, to perform a study of the compensation of the chief executive officers at banks of comparable size within the Southeast in 2006. The companies included in the study were companies with market capitalizations comparable to Greenville First's and that generally recruit individuals to fill the chief executive officer position who are similar in skills and background to ours. The study only covered individuals for whom compensation information is disclosed publicly.

The overall results of this summary provided the starting point for our analysis. In addition, we looked at a number of other factors. In the case of our chief executive officer, we also considered, among other things: (a) the performance of Greenville First during the seven years in which he had held his position, and (b) the anticipated level of difficulty of replacing our chief executive officer with someone of comparable experience and skill.

Based upon our analysis, we established the targeted overall compensation of our chief executive officer for 2006 at $285,000 - $345,000. The targeted amount for 2006 did not include any equity compensation, but did include the cost of establishing a salary continuation plan and the company's match to the 401(k) plan. The mid-point of the range ($315,000) was equal to 70% of the average overall compensation for the chief executive officer of Gateway Financial Holdings, Inc., the largest bank included in the analysis provided by Benmark. The mid-point of the range equals 79% of the average overall compensation for the companies included in the analysis. While the amount was below the mean calculated by Benmark in its analysis, we concluded that while a higher level of targeted overall compensation might be appropriate given Greenville First's strong performance during our chief executive officer's tenure, any need for a higher level was offset by his profit potential on previous grants of equity compensation. Given these factors, we have concluded that our targeted overall compensation of $285,000 to $345,000 for 2006 and $310,000 to $360,000 for 2007, properly reflect Mr. Seaver's contribution to our company's growth and performance, adjusted for inflation.

Effective the first of November, Justin Strickland was hired as President. Mr. Strickland's compensation for 2006, consisted of a starting annual salary of $175,000 and a signing bonus of $55,000. Mr. Strickland has also received 2,500 shares of restricted stock and 10,000 stock options.

Mr. Strickland's starting compensation was based on discussions with Benmark, and review of other comparable banking positions within banks of similar size. The compensation committee believes that the starting salary was negotiated in an "arms-length" manner and the final amounts were within the compensation ranges that had been determined by Benmark. It is anticipated that Mr. Strickland's annual base compensation will remain at $175,000 during 2007. Mr. Strickland's 2007 incentive compensation plan is designed to reward Mr. Strickland on both corporate performances based on pre-established financial and strategic goals, and on the specific results of the bank's expansion plans into the Columbia, S.C. market. Mr. Strickland's total compensation plan for 2007 is expected to fall between $265,000 and $320,000.

We followed a similar, albeit slightly less elaborate, process with respect to establishing targeted overall compensation for our executive vice presidents. We set the 2006 overall targeted compensation for Mr. Austin, Chief Financial Officer, and Mr. Gilmer, III, Senior Lending Officer, at $200,000 to $250,000. We set overall targeted compensation for Mr. Terrell, Chief Retail Deposit Officer, at $175,000 to $225,000. We have increased Mr. Austin's and Mr. Gilmer's overall targeted compensation for 2007 to $225,000 to $275,000 and increased Mr. Terrell's to $200,000 to $250,000.

Base Salaries. We want to provide our executive and senior management with a base salary that is commensurate with similar financial institutions in our market area and appropriate for the overall responsibility of the individual. However, we typically offer our management a slightly lower base salary (approximately 90% of market) with the potential to earn a higher than market bonus and a higher than market overall compensation.

We engaged Benmark to provide a comparison of compensation packages offered to the chief executive officer at banks of comparable size within the Southeast. From this analysis, we concluded that for both 2006 and 2007, a base salary of between $160,000 and $210,000 was appropriate in this regard. Similarly, for both 2006 and 2007 we concluded that a base salary of between $150,000 and $200,000 was appropriate for our president. These ranges were not objectively determined, but instead reflect levels that we concluded were appropriate based upon our general experience. For our chief executive officer and president, applying approximately 55% allocation to the mid point of the CEO 2006 targeted overall compensation resulted in base salaries of $175,000. Since this amount is within our targeted base salary ranges, we established their base salaries at this level. Applying a 60% and 55% allocation to mid point of our CEO's and President's 2007 targeted overall compensation, respectfully, resulted in base salaries of $185,000 and $175,000, respectively, for 2007.

For our three executive vice presidents we have allocated 57%, 67%, and 68%, of the mid points of the total overall compensation to Mr. Gilmer, III, Mr. Austin, and Mr. Terrell, respectfully. Mr. Gilmer's percentage was lower then Mr. Austin and Mr. Terrell due to his targeted incentive bonus plan receiving a higher allocation. We performed a similar analysis with respect to other senior management. At the senior vice president level we have a significant level of competition for employees in our market area. As a result, we provide a similar portion of the compensation to our senior vice presidents in the form of base salary.

Bonuses/Incentive Plan. We have established a short-term incentive plan in order to reward management for annual achievement based on threshold performance, targeted performance, and superior performance. Performance goals are tailored to each individual executive and senior officer based on the company's overall strategic plan and the officer's respective department within the company. The performance goals and objectives measured by the incentive plan are determined annually by the Compensation Committee and communicated clearly with executive and senior management.

We believe that our base compensation is generally lower than the market, while the bonus plan provides our named executive officers the opportunity to earn more compensation then peers at other banks, if an above target level of performance is obtained. We believe this approach results in attracting the most talented individuals that are comfortable in their ability to produce and perform at higher than normal levels. Therefore, they are willing to accept a lower base salary in order to have the opportunity to earn larger bonuses.

Detailed incentive plans are developed annually by the CEO of the company and approved by the compensation committee for all officers at a level of senior vice president and above. More general incentive plans are developed for other officers and employees. As discussed later in this document the incentives for senior vice president and executive vice president have both corporate incentive goals and individual goals that relate to their specific areas of responsibility.

The incentive plan for the CEO is based primarily on both pre-determined financial goals and on how well the company meets or exceeds the various detailed objectives outlined in our annual strategic plan. The compensation committee also measures the CEO's results in comparison to how well the three executive vice presidents were able to meet or exceed their specific goals related to their areas of responsibility. The weighting of the various incentive components is more subjective in nature then objective. The committee also considers whether or not the anticipated incentive pay is within the percentage of total compensation that they have chosen to use as a guide for the allocation of total compensation. Based on the compensation committee's evaluation of the various factors, the decision was made to reward the CEO with a bonus of $130,000 for the 2006 year. This amount represents 41% of the mid-point of the total targeted overall compensation for our CEO and is within the targeted percents established as guide lines for our compensation committee.

The incentive plan for our president includes the same objectives as the plan for our CEO, but Mr. Strickland's incentive plan will be more significantly weighted on the results of the company's expansion into the Columbia market than will impact Mr. Seaver's incentive compensation. Based on Mr. Strickland joining the company in November of 2006 and receiving a signing bonus of $55,000, no additional incentive bonus was awarded to Mr. Strickland related to the year 2006.

Our executive vice president and senior lending officer, Mr. Gilmer's, incentive plan includes incentive compensation related to pre-determined net income objectives, individual and team loan growth and related fee goals and to a lesser extent incentive objectives related to deposit goals. Mr. Gilmer's incentive award can be reduced if certain pre-determined loan quality objectives are not met. For the year 2006, Mr. Gilmer received $95,000. The total amount was based on the pre-determined calculations requiring little subjective evaluation. This amount represents 42% of the mid-point of the total targeted overall compensation for our senior lender and is within the targeted percents established as guidelines for our compensation committee.

Our executive vice president and chief financial officer, Mr. Austin's incentive plan includes incentive compensation related to pre-determined net income and asset growth objectives, certain bank efficiency measures, the results of various audit and compliance reviews, and to a lesser extent incentive objectives related to deposit goals. For the year 2006, Mr. Austin received $67,500. The total amount was based on the pre-determined calculations requiring very little subjective evaluation. This amount represents 30% of the mid-point of the total targeted overall compensation for our chief financial officer and is within the targeted percents established as guidelines for our compensation committee.

Our executive vice president and chief retail deposit officer, Mr. Terrell's incentive plan includes incentive compensation related to pre-determined net income objectives, certain marketing objectives that are part of the bank's strategic plan, and various deposit product growth objectives. For the year 2006, Mr. Terrell received $56,000. This amount represents 25% of the mid-point of the total targeted overall compensation for our chief retail deposit officer and is within the targeted percents established as guidelines for our compensation committee.

We do not believe that an "all or nothing" approach is appropriate for incentive compensation. Rather, the performance goals are scaled so that the recipient can receive part of an award in the event that acceptable, but not the desired, results are achieved. Awards are made at various levels depending on objective quantifiable measures of accomplishments.

Equity Compensation. At various times, we issue additional compensation to select members of executive and senior management in the form of equity compensation in order to further align management and shareholder interests and to reward management for increases in shareholder value. Historically, the primary form of equity compensation that we awarded consisted of incentive and non-qualified stock options. We selected this form because of the favorable accounting and tax treatments and the near universal expectation by employees in our industry that they would receive stock options. However, beginning in 2006 the accounting treatment for stock options changed as a result of Statement of Financial Accounting Standards No. 123(R), making the accounting treatment of stock options less attractive. As a result, we assessed the desirability of granting shares of restricted stock to employees, particularly members of senior management, and concluded that restricted stock would provide an equally motivating form of incentive compensation while permitting us to issue fewer shares, thereby reducing potential dilution. We also award a limited number of stock options to certain other officers.

Our current practice is to determine the dollar amount of equity compensation that we want to provide and to then grant a number of shares of restricted stock that have a fair market value equal to that amount on the date of grant. With the exception of significant promotions and new hires, we generally make these awards at the first meeting of the Compensation Committee each year following the availability of the financial results for the prior year. There were no grants made for the last two fiscal years other than those related to the hire of new executive and senior management.

Restricted stock awards can be both "performance based" and "time based." For performance based grants to be earned, Greenville First must achieve certain performance goals within the time period covered by the awards. For time based grants the recipient must remain employed by Greenville First for the required vesting period. In establishing award levels, we generally do not consider the equity ownership levels of the recipient or prior awards that are fully vested. It is our belief that competitors who might try to hire away our employees would not give credit for equity ownership in Greenville First and, accordingly, to remain competitive we cannot afford to give credit for that factor either. However, we recognize that our chief executive officer's equity ownership in Greenville First is so substantial that it would make it difficult for a competitor to recruit him. As a result, we subjectively considered his equity ownership in our establishment of his overall targeted compensation as discussed above.

With the exception of Justin Strickland who was hired in 2006, no executive officers received equity compensation in the two years ended December 31, 2006. Mr. Strickland has received 2,500 shares of restricted stock in January of 2007 and 10,000 stock options in November of 2006. Except for the 2,500 shares of restricted stock granted to Mr. Strickland, the company does not anticipate providing any restricted stock awards or stock options to the CEO, president or the three executive vice presidents in 2007.

Severance Benefits. We believe that companies should provide reasonable severance benefits to our executive officers. As of March 31, 2007, the company has not paid any severance benefits in the current year or in any prior years. With respect to executive management, these severance benefits should reflect the fact that it may be difficult for employees to find comparable employment within a short period of time.

Where the termination is without "cause" or the employee terminates employment for "good reason" our severance plan provides for benefits equal to one year of base salary and any bonus accrued or unpaid through the date of termination. We also continue health and other insurance benefits until the employee reaches age 65 or obtains comparable benefits pursuant to a subsequent employer's benefit plans. All restrictions on any outstanding incentive awards granted to the employee and incentive plans become 100% vested, and all stock options and stock appreciation rights granted to the employee will become immediately exercisable. In addition, a terminated employee is entitled to receive any benefits that he otherwise would have been entitled to receive under our 401(k) plan and supplemental retirement plans, although those benefits are not increased or accelerated. We believe that these levels are comparable to our competition. Where an employee is entitled to severance benefits under traditional severance provisions and change in control provision, he or she receives the larger of the two amounts.

For additional information regarding severance benefits, see "Potential Payments Upon Termination or Change in Control" below and information about the employment agreements with the named executive officers that follows the Grants of Plan Based Awards table.

Retirement Plans. Greenville First has a 401(k) plan pursuant to which Greenville First matches 50% of employee contributions up to 8% of the employee's salary. In addition, Greenville First instituted a supplemental retirement plan for all management at the level of senior vice president or above. This plan was designed to enhance our ability to retain executives over the long-term and to provide a partial offset to shortfalls in the percentage of income provided for retirement by our 401(k). Pursuant to this plan, Greenville First accrues retirement benefits at the levels necessary so that the net present value of the anticipated cost of the salary continuation plan is accrued at the time the officer reaches the age of 65. When we calculate targeted overall compensation for our senior management, we factor in the benefits expense related to both the 401(k) and the accrued individual cost of the salary continuation plan. Additional details regarding the supplemental retirement plan are provided below following the Pension Benefits Table.

Change in Control. Our executive management and other employees have built Greenville First into the company that it is today, and we believe that it is important to protect them in the event of a change in control. Further, it is our belief that the interests of shareholders will be best served if the interests of our executive management are aligned with them, and providing change in control benefits should eliminate, or at least reduce, the potential reluctance of executive management to pursue potential change in control transactions that may be in the best interests of shareholders. As such, our CEO has a renewable employment agreement with the company for a term of 3 years. Our president and our three executive vice presidents have a renewable employment agreement with the company for terms of 2 years. Relative to the overall market value of Greenville First, these potential change in control benefits are relatively minor.

Where a termination is without "cause" or a named executive officer terminates employment for "good reason" each employment agreement provides for benefits equal to one year of base salary and any bonus accrued or unpaid through the date of termination. We believe that these levels are comparable to our competition.

In the event of a change in control, we also continue health and other insurance benefits until the employee reaches age 65 or obtains comparable benefits pursuant to a subsequent employer's benefit plans. All restrictions on any outstanding incentive awards granted to the employee and incentive plans become 100% vested, and all stock options and stock appreciation rights granted to the employee will become immediately exercisable. In addition, a terminated employee is entitled to receive any benefits that he otherwise would have been entitled to receive under our 401(k) plan and supplemental retirement plans, although those benefits are not increased or accelerated. We believe that these levels of benefits are consistent with the general practice among our peers, although we have not conducted a study to confirm this.

We have agreed to reimburse the executive officers for any taxes imposed as a result of change in control benefits as a result of the so-called "parachute" tax imposed by Internal Revenue Code Section 280G.

Perquisites and Other Benefits. We annually review the perquisites that executive and senior management receives. The primary perquisites for executive and senior officers are additional levels of life insurance, the payment of the monthly dues for one golf or social club, and an automobile or an automobile allowance. We encourage our executive and senior management to belong to a golf or social club so that they have an appropriate entertainment forum for clients and appropriate interaction with their communities.

Senior management also participates in Greenville First's other benefit plans on the same terms as other employees. These plans include medical insurance, life insurance and a medical reimbursement plan.

Compensation of Directors and Executive Officers

The following table shows the cash compensation we paid to our chief executive officer and chief financial officer for the years ended December 31, 2004 through 2006 and for all other executives who earned over $100,000 for the year ended 2006. Our president, Mr. Stickland, joined the company in November of 2006 and did not make over $100,000 in 2006 and so is not included in these tables.

Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus(1)	Stock Awards	Option Awards	Non-Equity(2) Incentive Plan Compensation	Change in Pension Value and Nonquailfied Deferred Compensation Earnings	All Other Compensation (3)	Total
R. Arthur Seaver, Jr.	2006	$ 171,171	$ 130,000	$ -	$				