

GREENVILLE FIRST BANCSHARES INC
Form DEF 14A
April 12, 2004

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

Filed by the Registrant **IXI**
Filed by a Party other than the Registrant

Check the appropriate box:
 Preliminary Proxy Statement
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
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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)

Payment of filing fee (Check the appropriate box):
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- (3) Filing Party:

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GREENVILLE FIRST BANCSHARES, INC.
112 Haywood Road
Greenville, South Carolina 29607

Notice of Annual Meeting of Shareholders

Dear Fellow Shareholder:

We cordially invite you to attend the 2004 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 2003 and answer your questions. We are excited about our accomplishments in 2003 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 12, 2004 at the bank's main office location at 112 Haywood Road, Greenville, South Carolina at 4:30 p.m. for the following purposes:

1. To elect four members to the Board of Directors; and
2. 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 1, 2004 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. Please note, 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,

/s/ R. Arthur Seaver, Jr.
R. Arthur Seaver, Jr.
President and Chief Executive Officer

Greenville, South Carolina
April 9, 2004

GREENVILLE FIRST BANCSHARES, INC.
112 Haywood Road
Greenville, South Carolina 29607

**Proxy Statement for Annual Meeting of
Shareholders to be Held on May 12, 2004**

Our Board of Directors is soliciting proxies for the 2004 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 1, 2004 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 returning your proxy card to us prior to the meeting or 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 1,724,994 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.

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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. 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-KSB, 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 9, 2004.

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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 2005 Annual Shareholders Meeting. The terms of the Class I directors will expire at the 2006 Annual Shareholders Meeting. Our directors and their classes are:

Class I

Mark A. Cothran
Rudolph G. Johnstone, III, M.D
Keith J. Marrero
R. Arthur Seaver, Jr.

Class II

Leighton M. Cabbage
David G. Ellison
James B. Orders, III
William B. Sturgis

Class III

Andrew B. Cajka
Anne S. Ellefson
Fred Gilmer, Jr.
Tecumseh Hooper, Jr.

Shareholders will elect four nominees as Class II directors at the meeting to serve a three-year term, expiring at the 2007 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. Cabbage, 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 Cabbage, Ellison, Orders and Sturgis. 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 nominees. Each of the nominees is also a director of our subsidiary, Greenville First Bank:

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Leighton M. Cabbage, 51, Class II director since 1999, has been the chief executive officer of Ionosphere since 2001 and was the co-founder, president, and chief operating officer of Corporate Telemangement Group in Greenville, South Carolina from 1989 until 1995, when the company was acquired by LCI International. Since 1995, Mr. Cabbage 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 bachelors degree in political science. Mr. Cabbage is a former member of the Greenville Technical College Foundation Board, is a member of the Clemson University Entrepreneurial Board, and is chairman of the Greenville Hospital System board of trustees.

David G. Ellison, 54, Class II director since 2000, 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 bachelors degree and a 1976 graduate of the Clemson-Furman University Program where he received a masters in business administration. Mr. Ellison is on the board of trustees of Furman University where he is a former board chair. He is past president of both the Furman Alumni Association and Furman Paladin Club. He is also on the board of trustees for United Way of Greenville County. He is prior commissioner of the Greenville Housing Authority.

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James B. Orders, III, 51, Class II director since 1999, is the chairman of our board of directors. He has been the president of Park Place Corporation, a company engaged in the manufacture and sale of bedding and upholstered furniture to the wholesale market, since 1986. 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 the past president of the International Sleep Products Association, 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. In addition, he is a member of the Lay Christian Association Board.

William B. Sturgis, 69, Class II director since 1999, 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 director is also a director of our subsidiary bank.

James Jim M. Austin, III, 47, is an executive vice president and the chief financial officer of our company and subsidiary bank. He has over 25 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 for 12 years with American Federal Bank as controller and senior vice president responsible for the 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 1997 until July 1999, he was the director of corporate finance for a national sub-prime financial services company that specializes in mortgage loan originations. Mr. Austin is a 1978 graduate of the University of South Carolina with degrees in accounting and finance. He is also a Certified Public Accountant and graduate of the University of Georgia's Executive Management's Savings Bank program. He is a graduate of Leadership Greenville. 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 active in the First Presbyterian Church and is past chairman and a current member of the Board of Directors for the Center for Development Services. Mr. Austin is also the current chairman for Intercept's National User Group Board of Directors.

Andrew B. Cajka, 44, Class III director since 1999, 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 graduate of Bowling Green State University in 1982. 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 chairman of the advisory board for St. Joseph's High School, as secretary and treasurer of the Greenville County Research and Technology Development board, and as a board member for the Metropolitan Arts Council and the BMW Nationwide Tournament advisory board. He is a past chairman of the Greenville Tech Hospitality Board and of the Greenville Convention and Visitors Bureau. Mr. Cajka has served as a board member of the Urban League and Thornblade Board of Governors.

Mark A. Cothran, 46, Class I director since 1999, 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 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) and is past president of the state chapter of NAIOP. He has served on the board of directors of the Greenville Chamber of Commerce and on the Advisory Board of Greenville National Bank, and he is currently a member of the Chamber's Economic Development Board.

Anne S. Ellefson, 49, Class III director since 2001, 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 is currently on the Board of United Way of Greenville County.

Fred Gilmer, Jr., 68, Class III director since 1999, is the senior vice president and corporate secretary of our company and subsidiary bank. He is a seasoned banker with over 44 years of experience in the financial 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. Mr. Gilmer is very active in the Greenville community. He is a graduate of Leadership Greenville and presently serves numerous organizations, including the Greenville Rotary Club, the Greenville Chamber of Commerce, 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.

Fred Gilmer, III, 39, is an executive vice president and the senior lending officer of our bank. He has over 16 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 of the Metro YMCA, and he is the 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., 56, Class III director since 1999, is a private investor. He is the current chairman of the South Carolina Department of Transportation. Mr. Hooper is also chairman of the board of FGP International Inc., an executive temporary placement service company. Since 2002, Mr. Hooper has been the president and chief executive officer of ProfitLab, Inc., a web-based telecom expense management company headquartered in Greenville, South Carolina. He is also a director of Peregrine Energy, Inc., an energy management company. Mr. Hooper was the president of 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 Masters in Business Administration from the University of South Carolina in 1971. Mr. Hooper currently serves as president of the Greenville Urban League. Mr. Hooper has served the community as a board member of the Greenville County Development Board authority, the Greenville Chamber of Commerce, and the board of directors for Camp Greenville, and also as the vice-chairman of communications for the United Way. Mr. Hooper has also served on the board of directors for Leadership Greenville, Leadership South Carolina, and the YMCA Metropolitan, and also as chairman of Patriots Point Development Authority.

Rudolph Trip G. Johnstone, III, M.D., 43, Class I director since 1999, 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.

Keith J. Marrero, 44, Class I director since 1999, is the president and owner of AMI Architects LLC, an architectural firm located in Greenville, South Carolina that was founded in 1988. Mr. Marrero is a previous advisory board member of BB&T. He graduated from the University of Notre Dame with a bachelor's degree in Architecture in 1983. Mr. Marrero was appointed by former Governor David Beasley to

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the board of directors of the South Carolina Legacy Trust Fund. He is a member of the American Institute of Architects and the National Council of Architecture Registration board. He is licensed to practice architecture in the states of South Carolina, North Carolina, Louisiana, and Georgia. Mr. Marrero currently serves on the advisory board for the School of Architecture at the University of Notre Dame. He also serves on the board of directors of the YMCA, the University Center Board of Visitors, the Urban League, Upstate Forever, and the Community Foundation, and he is a member of the Greater Greenville Community Forum Steering Committee.

R. Arthur Art Seaver, Jr., 40, Class I director since 1999, is the president and chief executive officer of our company and our subsidiary bank. He has over 17 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 charge of Greenville National Bank's liability portion of the balance sheet prior to leaving to form Greenville First Bank. Mr. Seaver is a 1986 graduate of Clemson University with a bachelors degree in Finance and a 1999 graduate of the BAI Graduate School of Community Bank Management. He is very active in the Greenville community, where he currently works on the board of the Palmetto Society for the United Way, the Community Bankers Council of the South Carolina Bankers Association, and the advisory board of the Junior League. 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 Achievement, the Greenville Convention and Visitors Bureau, the United Way, and the First Presbyterian Church.

J. Edward Eddie Terrell, 41, is an executive vice president of our bank. He is primarily responsible for marketing and deposit strategies. He has over 19 years of business and entrepreneurial experience. He was the co-founder and executive vice president of customer operations for NewSouth Communications, Inc. in Greenville, South Carolina from 1997 until 2003, when he retired from the company. Mr. Terrell was the executive vice president of customer operations for Corporate Telemangement 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 executive board of the Blue Ridge Council of the Boy Scouts of America and is active at First Presbyterian Church, serving in various roles including Elder, Chairman of the Stewardship committee, and co-chair of previous capital campaigns.

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.

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Compensation of Directors and Executive Officers

Summary of Cash and Certain Other Compensation

The following table shows the cash compensation we paid for the years ended December 31, 2001 through 2003 to our chief executive officer and president and for all other executives who earned over \$100,000 for the year ended 2003. The option amounts have been adjusted for the 3-for-2 stock split declared on November 17, 2003.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation (1)		Long Term Compensation Awards Number of Securities Underlying Options	All Other Compensation
		Salary	Bonus		
R. Arthur Seaver, Jr President and Chief Executive Officer of the Company and the Bank	2003	\$ 148,717	\$ 81,000	-	\$ 12,137(2)
	2002	137,004	60,000	-	\$ 8,510
	2001	130,667	45,000	-	\$ 5,517
James M. Austin, III Executive Vice President and	2003	\$ 123,187	\$ 50,500	7,500	\$ 12,996(3)
	2002	110,000	37,000	3,750	\$ 11,704

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		Annual Compensation (1)		Long Term Compensation Awards	
Chief Financial Officer of the Company and the Bank	2001	104,167	32,000	3,750	\$ 9,879
Fred Gilmer, III	2003	\$ 108,125	\$ 88,825	7,500	\$ 12,996(4)
Executive Vice President of the Bank	2002	93,500	57,600	6,000	\$ 9,460
	2001	87,125	50,400	3,750	\$ 8,761

- (1) Executive officers of the company also received indirect compensation in the form of certain perquisites and other personal benefits. The amount of such benefits received in the fiscal year by each named executive officer did not exceed the lesser of either \$50,000 or 10% of the executive's annual salary and bonus.
- (2) Includes 401K contributions of \$5,141 and medical insurance premiums of \$6,996.
- (3) Includes 401K contributions of \$6,000 and medical insurance premiums of \$6,996.
- (4) Includes 401K contributions of \$6,000 and medical insurance premiums of \$6,996.

Option Grants in Last Fiscal Year

The following table sets forth information concerning the grant of stock options to our named executive officers during the year ended December 31, 2003. All share numbers and exercise prices have been adjusted for the 3-for-2 stock split on November 17, 2003.

	Number of Securities Underlying Options Granted	Percent of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price (Dollars per Share)	Expiration Date
James M. Austin, III	7,500	29.4%	\$ 8.67	01/21/13
Fred Gilmer, III	7,500	29.4%	\$ 8.67	01/21/13

In 2003, in addition to the options shown on the above table, we also granted 10,500 options to other employees pursuant to the Greenville First Bancshares, Inc. 2001 Stock Incentive Plan, approved by our board of directors and shareholders. We may grant a total of 258,750 stock options under the 2001 Stock Incentive Plan to our officers, directors, and employees.

Aggregated Option Exercise and Year-end Option Values

Name	Number of Unexercised Securities Underlying Options at Fiscal Year End (1)		Value of Unexercised In-the-Money Options at Fiscal Year End \$(2)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
James M. Austin, III	14,063	15,938	\$ 207,266	\$ 218,734
Fred Gilmer, III	9,000	15,750	\$ 132,050	\$ 214,838
R. Arthur Seaver, Jr	51,750	34,500	\$ 765,038	\$ 510,025

- (1) All option amounts and options exercise prices have been adjusted for the 3 for 2 stock split.
- (2) The last trade of which we are aware prior to March 30, 2004 was at \$21.45. All options and warrants granted prior to December 31, 2002 are exercisable at \$6.67 per share; options granted in 2002 are exercisable at \$7.33 per share and options granted in 2003 are exercisable at \$8.67.

Employment Agreements

We have entered into an employment agreement with Art Seaver on July 27, 1999, for an annually renewing three-year term, pursuant to which he serves as the president, the chief executive officer, and a director of both our company and our subsidiary bank. Mr. Seaver was paid an initial salary of \$123,000, plus his yearly medical insurance premium. He also receives an annual increase in his salary equal to the previous year's salary times the increase in the Consumer Price Index during the previous year. The board of directors may increase Mr. Seaver's salary above this level, but not below it. He is eligible to receive an annual bonus of up to 5% of the net pre-tax income of our bank, if the bank meets performance goals set by the board. He is also eligible to participate in any management incentive program of the bank or any long-term equity incentive program and is eligible for grants of stock options and other awards thereunder. Mr. Seaver was granted options to purchase a number of shares of common stock equal to 5% of the number of shares sold in offering, or 86,250 shares (adjusted for the 3 for 2 stock split). These options vest over a five-year period beginning on the first anniversary of the bank's opening and have a term of ten years. Additionally, Mr. Seaver participates in the bank's retirement, welfare, and other benefit programs and is entitled to a life insurance policy and an accident liability policy and reimbursement for automobile expenses, club dues, and travel and business expenses.

Mr. Seaver's employment agreement also provides that following termination of his employment and for a period of 12 months thereafter, he may not (a) compete with the company, the bank, or any of its affiliates by, directly or indirectly, forming, serving as an organizer, director or officer of, or consultant to, or acquiring or maintaining more than 1% passive investment in, a depository financial institution or holding company thereof if such depository institution or holding company has one or more offices or branches within radius of thirty miles from the main office of the company or any branch office of the company, (b) solicit major customers of the bank for the purpose of providing financial services, or (c) solicit employees of the bank for employment. If Mr. Seaver terminates his employment for good cause as that term is defined in the employment agreement or if he is terminated following a change in control of Greenville First Bancshares as defined in the agreement, he will be entitled to severance compensation of his then current monthly salary for a period of 12 months, plus accrued bonus, and all outstanding options and incentives shall vest immediately.

Director Compensation

In 2003, we paid each of our ten outside directors \$300 for each board meeting they attended and \$150 for each committee meeting they attended. Beginning in 2004, we plan to pay our outside directors \$300 for each board meeting they attend and \$200 for each committee meeting they attend.

Security Ownership of Certain Beneficial Owners and Management

General

The following table shows how much common stock in the company is owned by the directors, certain executive officers, and owners of more than 5% of the outstanding common stock, as of April 1, 2004. In addition, each organizer received a warrant to purchase one share of common stock at a purchase price of \$6.67 per share for every two shares purchased by that organizer in the offering, or 194,175 shares (the share amounts and purchase prices have been adjusted for the 3 for 2 stock split). The warrants, which are represented by separate warrant agreements, vest over a three year period beginning on January 10, 2001 and are exercisable in whole or in part during the ten year period following that date. Unless otherwise indicated, the mailing address for each beneficial owner is care of Greenville First Bancshares, Inc., 112 Haywood Road, Greenville, South Carolina 29607.

Name	Number of Shares Owned(1)	Right To Acquire(2)	Percentage of Beneficial Ownership(3)
James M. Austin, III	10,500	15,938	1.52%
Andrew B. Cajka, Jr.	15,000	7,500	1.30%
Mark A. Cothran	45,000	22,500	3.86%
Leighton M. Cabbage	125,700	60,000	10.40%
Anne S. Ellefson	9,825	-	.57%
David Ellison	11,279	-	.65%

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	Number of	Right	Percentage of
Fred Gilmer, Jr.	25,950	27,975	3.08%
Fred Gilmer, III	2,250	10,875	.76%
Tecumseh Hooper, Jr.	19,500	11,250	1.77%
Rudolph G. Johnstone, III	15,900	7,950	1.38%
Keith J. Marrero	2,250	3,000	.30%
James B. Orders, III	30,150	15,000	2.59%
R. Arthur Seaver, Jr.	18,000	78,000	5.32%
William B. Sturgis	8,962	45,000	3.05%
J. Edward Terrell	3,630	-	.21%
<hr/>			
All directors and executive officers as a group (15 persons)	343,896	304,988	31.97%
<hr/>			

- (1) Includes shares for which the named person:
- o has sole voting and investment power,
 - o has shared voting and investment power with a spouse, or
 - o holds in an IRA or other retirement plan program, unless otherwise indicated in these footnotes.
- Does not include shares that may be acquired by exercising stock options or warrants.
- (2) Includes shares that may be acquired within the next 60 days by exercising vested stock options and warrants but does not include any other stock options or warrants.
- (3) Determined by assuming the named person exercises all options and warrants which he or she has the right to acquire within 60 days, but that no other persons exercise any options.

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Meetings and Committees of the Board of Directors

During the year ended December 31, 2003, the board of directors of the company held 12 meetings and the board of directors of the bank held 12 meetings. All of the directors of the company and the bank attended at least 75% of the aggregate of such board meetings and the meetings of each committee on which they served, except for Leighton Cabbage.

Although we do not have a formal policy regarding attendance by members of the board of directors at our annual shareholders meetings, directors are encouraged to attend the annual meeting of Greenville First Bancshares, Inc. There were 10 of the 12 directors present at the 2003 annual meeting of shareholders.

Our board of directors has implemented a process for shareholders of the company to send communications to the board. Any shareholder desiring to communicate with the board, or with specific individual directors, may so do by writing to the secretary of the company, at Greenville First Bancshares, Inc., 112 Haywood Road, Greenville, South Carolina 29607. The secretary has been instructed by the board to promptly forward all such communications to the addressees indicated thereon.

The company's board of directors has appointed four committees, including an audit, personnel, nominating, and finance committee. The audit committee is composed of Mr. Cajka, Mr. Hooper, Mrs. Ellefson, Mr. Marrero, Mr. Sturgis, and Mr. Cabbage. Each of these members is considered independent under Rule 4350 of the National Association of Securities Dealers' listing standards. The audit committee met four times in 2003.

None of the current members of the audit committee nor any other member of our board qualifies as an audit committee financial expert as defined under the rules of the Securities and Exchange Commission. As a relatively small public company, it is difficult to identify potential qualified candidates that are willing to serve on our board and otherwise meet our requirements for service. At the present, we do not know if or when we will appoint a new board member that qualifies as an audit committee financial expert.

Although none of the members of our audit committee qualify as financial experts as defined in the SEC rules, each of our audit committee members has made valuable contributions to the company and its shareholders as members of the audit committee. The board has determined

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that each member is fully qualified to monitor the performance of management, the public disclosures by the company of its financial condition and performance, our internal accounting operations, and our independent auditors.

The audit committee functions are set forth in its charter, which was adopted in September 19, 2000 and filed with the Securities and Exchange Commission on April 15, 2002 as an appendix to our proxy statement. The audit committee has the responsibility of reviewing financial statements, evaluating internal accounting controls, reviewing reports of regulatory authorities, and determining that all audits and examinations required by law are performed. The committee recommends to the board the appointment of the independent auditors for the next fiscal year, reviews and approves the auditor's audit plans, and reviews with the independent auditors the results of the audit and management's responses. The audit committee is responsible for overseeing the entire audit function and appraising the effectiveness of internal and external audit efforts. The audit committee reports its findings to the board of directors.

Other Committees

The personnel committee is composed of Mr. Sturgis, Mr. Cothran, Mr. Cabbage, Dr. Johnstone, Mr. Ellison, Mr. Seaver, and Mr. Marrero. The personnel committee met two times in 2003. The personnel committee has the responsibility of approving the compensation plan for the entire bank and specific compensation for all executive officers. The personnel committee reviews all benefit plans and annually reviews the performance of the chief executive officer.

The finance committee is composed of Mr. Orders, Mr. Cajka, Mr. Cothran, Mrs. Ellefson, Mr. Ellison, Mr. Gilmer, Mr. Hooper, Dr. Johnstone and Mr. Seaver. The finance committee met 12 times in 2003. The

finance committee has the responsibility of reviewing the loan policy, investment policy, and the bank's asset/liability structure.

The nominating committee is composed of Mr. Cajka, Ms. Ellefson, and Mr. Hooper. Each of these members is considered independent under Rule 4350 of the N