

Carolina Alliance Bank
200 South Church Street
Spartanburg, SC 29306

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Dear Fellow Shareholder:

We cordially invite you to attend the 2013 Annual Meeting of Shareholders of Carolina Alliance Bank (the "Bank"), a South Carolina community bank. At the meeting, we will report on our performance in 2012 and answer your questions. We look forward to discussing our 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 17, 2013 at 10:00 a.m. Eastern Daylight Time at the headquarters of the Bank, 200 South Church Street, Spartanburg, S.C. 29306, for the following purposes:

1. To elect five members to the board of directors;
2. To ratify the appointment of Elliott Davis, LLC as our independent registered public accounting firm for the year ending December 31, 2013; 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 March 28, 2013 are entitled to attend and vote at the meeting. A complete list of these shareholders will be available at our offices prior to the meeting. In addition to the specific matters to be acted upon, there also will be a report on our operations, and our directors and officers will be present to respond to your questions.

Please use this opportunity to take part in the affairs of your Bank 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,

Terrence "Terry" L. Cash
Chairman of the Board of Directors

T. Alexander Evins
Vice Chairman of the Board of Directors

March 29, 2013
Spartanburg, South Carolina

CAROLINA ALLIANCE BANK
200 South Church Street
Spartanburg, SC 29306

**Proxy Statement for the Annual Meeting of
Shareholders to be Held on May 17, 2013**

Our board of directors is soliciting proxies for the 2013 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 March 28, 2013 as the record date for the meeting. Shareholders owning our common stock at the close of business on that date are entitled to attend and vote at the meeting, with each share entitled to one vote. There were 2,506,594 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 also are 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 John S. Poole and R. Lamar Simpson as your representatives at the meeting. Messrs. Poole and Simpson 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, Messrs. Poole and Simpson will vote your proxy for approval of the election to the board of directors of all nominees listed below under "Election of Directors" and for the ratification of the appointment of Elliott Davis, LLC as our independent registered public accounting firm for the fiscal year ending December 31, 2013. We are not aware of any other matters to be considered at the meeting. However, if any other matters come before the meeting, Messrs. Poole and Simpson 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, and shares subject to a broker non-vote on a matter will not be considered to be entitled to vote on the matter at the meeting. 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.

If you hold your shares in street name, it is critical that you cast your vote. In the past, if you held your shares in street name and you did not indicate how you wanted your shares voted in the election of directors, your broker was allowed to vote those shares on your behalf as they felt appropriate. However, new regulations now prohibit your broker from voting uninstructed shares on a discretionary basis for the election of directors. Thus, if you hold your shares in street name and you do not instruct your broker how to vote at the meeting, no votes will be cast on your behalf for proposal one, to elect five members to the board of directors.

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 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, 2013.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

Our 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 III directors will expire at the 2013 Annual Meeting of Shareholders. The terms of the Class I directors expire at the 2014 annual shareholders' meeting and the terms of the Class II directors will expire at the 2015 annual shareholders' meeting. Our directors and their classes are:

<u>Class I</u>	<u>Class II</u>	<u>Class III</u>
Terrence "Terry" L. Cash	Charles E. Atchison, Sr.	Andrew M. Babb
T. Alexander Evins	Vollie C. "Vic" Bailey III	James D. Bearden III
Robert A. Harley	Marsha H. Gibbs	Norman H. Chapman
John S. Poole	Samuel H. Maw, Jr.	Caleb C. Fort
L. Terrell Sovey, Jr.	R. Lamar Simpson	D. Byrd Miller III
W. Lewis White, Sr.		

At the meeting, shareholders will elect five nominees as Class III directors to serve a three-year term, expiring at the 2016 annual meeting of shareholders. The directors will be elected by a plurality of the votes cast at the meeting. This means that the five nominees receiving the highest number of votes will be elected. The board of directors recommends that you elect Dr. Bearden and Messrs. Babb, Chapman, Fort and Miller as Class III directors.

If you submit a proxy but do not specify how you would like it to be voted, Messrs. Poole and Simpson will vote your proxy to elect Dr. Bearden and Messrs. Babb, Chapman, Fort and Miller. If any of these nominees is unable or fails to accept nomination or election (which we do not anticipate), Messrs. Poole and Simpson 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.

The board unanimously recommends a vote FOR these nominees.

Andrew M. Babb, 46, Class III director, is the President and owner of Mid-South Management Co., Inc. and Crescent Holdings, LLC, which owns and rents commercial and vacation property in North Carolina, South Carolina, Florida, and Montana. He is a real estate broker with NAI Earle Furman. He also is on the board of trustees for Spartanburg Day School.

Mr. Babb is a graduate of Duke University's Fuqua School of Business Executive Education Program and UNC Chapel Hill's Kenan Flagler Business School Program for Manager Development. He received his B.A. from the University of South Carolina. He is an active member of Episcopal Church of the Advent in Spartanburg. He is on the Board of Governors for The Piedmont Club.

James D. Bearden III, MD, FACP, CPI, 69, Class III director, is the Vice President of Clinical Research at Spartanburg Regional Healthcare System and the Managing Physician of the Gibbs Cancer Center. He also serves as the President of Palmetto Hematology Oncology (sub-specialty Hematology – Oncology) with specific expertise in breast cancer. Dr. Bearden has served two terms on the Board of Trustees at SRHS and chaired the Quality Committee of the Board. Dr. Bearden currently serves on the Executive Committee of the Alliance which includes NCCTG, CALGB, and ACOSOG. He also co-chairs the COI Committee for the combination of this group. He serves as Chairman of the Cancer Committee at SRHS and has done so for more than 20 years. In addition, he has

served as Principle Investigator of Upstate Carolina Community Clinical Oncology Program for more than 20 years. He serves as Principle Investigator of the NCI Community Cancer Center Program which is one of only thirty in the Nation, with the Spartanburg site being one of the first ten. He was honored with the 2008 Outstanding Alumni Award of the Medical University of South Carolina. He is a member of the Executive Committee of the North Central Cancer Treatment Group at the Mayo Clinic, as well as serving on the Executive Committee of the Southwest Oncology Group and as a Member of Myeloma Study Committee. Dr. Bearden was honored with the 2009 Humanitarian Award for the treatment and prevention of colon cancer. For 33 years, he served on the Board of the Piedmont Blood Bank until it recently was absorbed into the Blood Connection. Dr. Bearden received the Outstanding Alumnus Award from Math and Science Department of The Citadel 2012. He also was named to The Order of the Palmetto by the Governor of South Carolina.

Dr. Bearden is a 1965 graduate of the Citadel, and a 1969 graduate of MUSC. His Fellowship in Hematology Oncology was completed at Wilford Hall USAF Medical Center after becoming Board Certified in Internal Medicine. He is a Fellow of the American College of Physicians. Dr. Bearden is author/co-author of over 100 publications in medical journals and has delivered presentations throughout the United States. He is Clinical Associate Professor of Medicine at MUSC and Wake Forest University Cancer Center. He is a current member of the M.D. Anderson Cancer Center (in Houston, Texas) Physicians Network. He has served four terms as elder of First Presbyterian Church of Spartanburg and is a Retired Navy Captain (USNR-MC).

Norman H. Chapman, 51, Class III director, is president of Inman Mills, a textile manufacturer located in Spartanburg County. Mr. Chapman is active in Spartanburg County. Currently he is a director of NCTO (National Council of Textile Organization). He serves on the board of directors of Inman Mills and served on the Southeastern Apparel & Textile Manufacturers board and the South Carolina Manufacturer's Alliance board. He received his B.S. in Economics from Clemson University. Mr. Chapman is the past chairman of United Way of the Piedmont. He is also a past vice-chair for Community Improvement with the Spartanburg Area Chamber of Commerce. He served on the President's Advisory Board for Wofford College and Clemson University. He is a graduate of Leadership Spartanburg and also served on the Spartanburg Regional Cancer Board. Mr. Chapman has received numerous awards which include the Spartanburg Development Association's Willis Award and the United Way's Daniel Morgan Award.

Caleb C. Fort, 51, Class III director, is currently engaged in private investment management. He served on the board of directors of Sonoco Products Company (NYSE:SON) from 2001 to 2011. Mr. Fort is very active in several charitable, civic, and educational organizations. Currently he serves as past president for the South Carolina Governor's School for Science and Mathematics Foundation, is a past board member of the South Carolina Chamber of Commerce, and is a member of the Board of Trustees of Converse College. Mr. Fort has served as chairman of the Board of Trustees for Coker College, on the board of directors of the Arts Partnership of Spartanburg, the United Way of the Piedmont and the Spartanburg Area Chamber of Commerce, and has served as vice president of the South Carolina Historical Society. Mr. Fort is a graduate of Leadership Spartanburg and the Liberty Fellowship class of 2006. He received his B.A. from the University of South Carolina. Mr. Fort is a member of the Episcopal Church of the Advent.

D. Byrd Miller III, 54, Class III director, currently serves as chief financial officer, treasurer, and a managing member of William Barnet & Son, LLC, a global supplier of fiber yarns and resins. He joined the company in 1992 after retiring from C&S Bank where he served from 1980-1992 and attained the position of senior vice president. In addition, he is a graduate of Leadership Spartanburg and is heavily involved in the Spartanburg community. Mr. Miller currently serves as a trustee of the Mary Black Foundation. He also served on the board of the United Way of the Piedmont where he served as board chair. Other boards on which he has served include the Salvation Army, SPACE (Spartanburg Area Conservation Endowment), the Spartanburg County Foundation Investment Advisory Committee, and Leadership South Carolina. This year Mr. Miller was named to the Clemson University Foundation Board as well as the Spartanburg Regional Healthcare System Board.

Mr. Miller received his B.S. in Administrative Management from Clemson University. Mr. Miller also graduated from the Stonier Graduate School of Banking at the University of Delaware in 1988.

Set forth below also is information about each of our other directors and executive officers.

Charles E. Atchison, Sr., 83, Class II director, is the owner and president of Atchison Transportation Services, Inc., a full-service ground transportation company, and also is the owner and president of Atchison Enterprises, a real estate company. Mr. Atchison has more than eight years of prior experience serving on bank boards, serving as a director of Carolina Southern Bank from 1998 to 2001 and as an advisory board member of the National Bank of South Carolina from 2001 to 2006. He graduated from Carver High School in Spartanburg and attended Paine College in Augusta, Georgia. Mr. Atchison also has been active in the Spartanburg community through serving as a board member for the Spartanburg Area Chamber of Commerce, and Spartanburg Methodist College. He continues to be active in his church, Silver Hill Memorial United Methodist.

Vollie C. (Vic) Bailey III, 58, Class II director, is president of Vic Bailey Automotive which he joined in 1980. He served for 21 years from 1989 to 2010 on Wachovia's Spartanburg Advisory Board. Mr. Bailey also served in the U.S. Army Reserve, attaining the rank of Captain. He earned a B.A. from The Citadel in 1976 and a J.D. from Mississippi College School of Law in 1980. He is a graduate of Leadership Spartanburg and is a member of the Alumni Association. Mr. Bailey has served as president of the Southeast Lincoln-Mercury Dealer Advertising Association and treasurer of the Carolina Ford Dealers Advertising Association. He has served as president of both the Spartanburg New Car Dealers Association and the South Carolina Automobile Dealers Association. He is a board member of Spartanburg Day School (past president) and is a member of the board of The Piedmont Club. He also has served on the boards of the Better Business Bureau of the Foothills, Spartanburg Chamber of Commerce, Spartanburg Regional Healthcare System (Board of Visitors), and United Way of the Piedmont where he also served as campaign chairman. Mr. Bailey is an elder at First Presbyterian Church of Spartanburg.

Terrence "Terry" L. Cash, 66, Class I director, is the chairman of the board of directors of the Bank. He is the president and chief executive officer of the Caman Group, Inc., which specializes in private investments in real estate, long-term care facilities, and pharmacies. Mr. Cash is a registered pharmacist in both South Carolina and North Carolina. Mr. Cash is the Immediate Past Chairman of Spartanburg Regional Healthcare System, board member of JM Smith Corporation, board member of Orion Allied Services, LLC, and Chairman of the VSP Foundation. He is also on the board of governors for the Spartanburg Area Chamber of Commerce. Mr. Cash received his B.S. in Pharmacy Studies from the University of South Carolina in 1970. In addition, he was awarded the 1999 State of South Carolina Health and Human Services Leadership in Aging Award, and was named both the 1999 State of South Carolina Ambassador for Economic Development and the 2001 Spartanburg County Health Planning Department Volunteer of the Year. The South Carolina Hospital Association named Mr. Cash Distinguished Trustee of the Year in 2012.

T. Alexander Evins, 54, Class I director, is vice-chairman of the board of directors of the Bank. He is an attorney and partner in the firm Parker Poe Adams & Bernstein LLP, where he serves on the firm's board of directors. He has six years of experience on two previous bank advisory boards in Spartanburg. He served on Bank of America's Advisory Board for four years from 1999 to 2003 and on Wachovia's Advisory Board for two years, from 2004 to 2006.

He is general counsel for the Spartanburg Area Chamber of Commerce, and past president/general counsel of The Piedmont Club. Mr. Evins received his B.A. from the University of Georgia and received his J.D. from the University of South Carolina. Mr. Evins has been a devoted community volunteer for more than two decades. He currently serves as president of the Spartanburg Day School's board of trustees.

Mr. Evins also has served as president of the Country Club of Spartanburg; he has been co-chairman of both the Arts Partnership of Greater Spartanburg Cultural Arts Facility Fund Drive; and the Arts Partnership of Greater Spartanburg Arts Fund Drive. Mr. Evins has been very involved with the Spartanburg Area Chamber of Commerce, holding many positions including board chairman, vice-chairman for community improvement, and chairman of the Leadership Spartanburg Board of Regents. He was recognized in 2007 with the Neville Holcombe Distinguished Citizenship Award and as the 1997 Leadership Spartanburg Alumni Association Alumnus of the Year, and he was also named the Boss of the Year in 1986-87 by the Spartanburg County Legal Secretaries Association.

Marsha H. Gibbs, 58, Class II director, is a member of the executive management team at Gibbs International, Inc. She also is the author of "Growing with Grace." Mrs. Gibbs has more than fifteen years of experience serving on local bank boards. She was on the Board of Directors of Carolina Southern Bank from 1996 to

2001 and on the Advisory Board of the National Bank of South Carolina from 2001 to 2006. She is a member of the boards of directors of the Gibbs Foundation, Gibbs International, United Way of the Piedmont, and the Spartanburg Regional Healthcare System Foundation. Ms. Gibbs also is on the board of trustees of Converse College and the board of governors of the Spartanburg Area Chamber of Commerce. She has an associate degree in business from Spartanburg Community College. She has received numerous awards, including the 2003 Spartanburg Area Chamber of Commerce Neville Holcombe Outstanding Citizenship Award (with her husband, Jimmy) and the Wofford College Mary Mildred Sullivan Award. She also received the Mary Mildred Sullivan Award for Converse College in 2010. Mrs. Gibbs is also a 2004 Paul Harris Fellow, a 2004 Salvation Army Toast of the Town Honoree, and the 2004-2005 United Way Volunteer of the Year for Spartanburg County.

Robert A. Harley, 83, Class I director, is the past chairman of the board of directors of the bank. Mr. Harley has been active in banking for more than 37 years, and has been an organizer of two previous Spartanburg banks: Spartanburg Bank and Trust and Carolina Southern Bank. Mr. Harley was a founder of Spartanburg Bank and Trust, which opened in 1962. He was the chairman of its board of directors from 1968-1970. Spartanburg Bank and Trust merged with Bankers Trust of South Carolina in 1982, and Mr. Harley continued on its board of directors. When Bankers Trust of South Carolina merged with North Carolina National Bank (NCNB), Mr. Harley also served on its board from 1986 to 1987. In 1989, Mr. Harley was a founding director of Carolina Southern Bank. He continued on its board through its merger with the National Bank of South Carolina in 2001.

Mr. Harley served as the Chairman and CEO of the Harley Corporation, a publicly held company, from 1972 to 1982. After its sale to Union Camp Corporation, Mr. Harley was the general manager of the Union Camp/Harley Bag Division from 1982 to 1985. He has been retired from active employment since that time. Mr. Harley has held numerous leadership roles in the Spartanburg community, including currently serving as the director emeritus of the Spartanburg Regional Healthcare System Foundation. He has served on this board since its inception in 1991. He is a founder and organizer of the prestigious Carolina Country Club in Spartanburg, and has served on the board of directors of the Spartanburg Country Club. He is past president of the Spartanburg Peach Blossom Betsy Rawls Golf Tournament. He also is a past chairman of the South Carolina Advisory Council on Vocational Education. From May 1968 through May 1973, Mr. Harley represented the Seventh Judicial Circuit on the South Carolina State Development Board. He also was on the board of directors for the Epworth Orphanage in Columbia, South Carolina. He graduated from Spartanburg High School and attended the Georgia Institute of Technology. Throughout the years, he has remained very active in his church, Trinity United Methodist.

Samuel H. Maw, Jr., 79, Class II director, retired as executive vice president of Flagstar Corporation in 1995 after 25 years with the company. He also is the co-owner of the Beacon Restaurant, which has been a landmark in Spartanburg County for decades. Mr. Maw earned his B.S. from Wofford College. He is on the board of trustees of the Spartanburg Regional Healthcare System Foundation and the Wofford College Terrier Club. He served as President and CEO of Denny's Inc. from 1988-1991 and also presently serves on the South Carolina Forestry Commission Board. Mr. Maw also is a past president of the Wofford College Terrier Club and the former chairman of the board of the Spartanburg Regional Healthcare System Foundation. He currently serves as a director on the Spartanburg Area Conservancy (SPACE) board.

John S. Poole, 60, Class I director, is the president and chief executive officer of the Bank. Mr. Poole is a seasoned banker with more than 33 years experience in the following key positions of responsibility: president and director, market executive, city executive, senior commercial lender, and branch manager. He was involved in the operation of Carolina Southern Bank, a Spartanburg area community bank, for approximately 10 years from 1992 to 2001. From 2001 until 2003, he served as upstate regional executive for the National Bank of South Carolina, which acquired Carolina Southern Bank. From 2003 until March 2006, Mr. Poole was president and chief executive officer of the Spartanburg Area Chamber of Commerce. Mr. Poole has received numerous professional awards, including the 1991 Young Banker of the Year Award from the South Carolina Bankers Association, the 2000 Spartanburg Area Chamber of Commerce Neville Holcombe Distinguished Citizenship Award, and the 2002 Spartanburg Development Association Alan R. Willis Society of Service Award. Mr. Poole is a graduate of the University of South Carolina (B.A. 1974, M.B.A. 1976) and is active in various civic organizations in Spartanburg County. He serves on the board of directors for Charles Lea Center. He is also a trustee of the Spartanburg County Foundation. He also has served as Chairman for major institutions in the community that include United Way of the Piedmont, Spartanburg Area Chamber of Commerce, the Arts Partnership of Greater Spartanburg, and the Charles Lea Center. In addition, Mr. Poole is an inactive elder at First Presbyterian Church of Spartanburg and serves on their Budget and Finance ministry.

R. Lamar Simpson, 54, Class II director, has served as our chief financial officer since inception of the Bank and also currently serves as our treasurer and secretary. Mr. Simpson is a certified public accountant with over 30 years of accounting and financial management experience. Prior to joining the Bank, he had eight years experience as chief financial officer and corporate secretary of two publicly traded community financial institutions. From June 1996 to October 2001, he was the chief financial officer and corporate secretary of First Spartan Financial Corp and its subsidiary, First Federal Bank, a savings bank which was headquartered in Spartanburg, and from May 2002 to April 2005 he served as the chief financial officer of New Commerce Bancorp and its subsidiary bank, New Commerce Bank, a community bank which was located in Greenville, South Carolina. He also has 13 years experience in public accounting, where he served a broad range of clients, both publicly traded and privately held, in a wide range of industries including: financial services, healthcare, manufacturing, construction, and real estate. Mr. Simpson graduated from Erskine College with a B.A. in business administration. He is a member of the American Institute of Certified Public Accountants, the South Carolina Association of Certified Public Accountants, and the Financial Managers Society. Mr. Simpson has served as treasurer of Boys Home of the South and as a Meals on Wheels volunteer.

L. Terrell Sovey, Jr., 82, Class I director, has been the president of Management Advisory Services, Inc., an investment management and consulting company, since 1984, and is an active partner in several partnerships related to real estate and apparel manufacturing. In addition, he has served as the chairman and chief executive officer of Texfli Industries, president of M. Lowenstein, and vice president of financial planning and general manager of several operating divisions for Milliken & Company. Texfli and Lowenstein were publicly owned textile companies that were traded on the New York Stock Exchange. Mr. Sovey also served as a member of the advisory board of the Manufacturer's Hanover Bank in New York, New York for two years. As a youth he was active in the Boy Scouts and became the first Eagle Scout in his troupe in Hartwell, GA.

Mr. Sovey received his B.S. in Industrial Engineering from Georgia Institute of Technology and has served on the alumni Board of Trustees and as chairman of the advisory board of the School of Systems and Industrial Engineering. In 1994 he was selected for membership in the first class of the Georgia Tech Academy of Distinguished Engineering Alumni, and in 2001 he was inducted into the School of Industrial Engineering and Georgia Institute of Technology Hall of Fame. He also attended the U.S. Navy Supply Officers School in Bayonne, New Jersey and served on active duty in the US Navy as a Supply Officer from 1952-1955. Mr. Sovey's involvement in the Spartanburg community includes service on the board of directors of JM Smith Corporation and Griffin Gear, Inc. He also is an advisor and consultant to the president of Dearybury Oil and Gas, Inc. He was former chairman of the Spartanburg Regional Healthcare System Foundation, past chairman of the Spartanburg Day School and the Greater Spartanburg YMCA, and treasurer of the Charles Lea Center Foundation, and he has served as chairman of the board of deacons of the Westminster Presbyterian Church. Mr. Sovey has been reelected to serve on the Spartanburg Regional Healthcare System Foundation board.

W. Lewis White, Sr., 61, Class I director, is the owner and president of the W. Lewis White Company, Inc., which specializes in residential and commercial real estate sales and development. From 1990-2002, Mr. White served on the board of directors for First Federal of South Carolina, helping guide the bank through several mergers. He began his real estate career in 1978 with Grier & Company. He started Cleveland-White Realtors in March of 1982 and sold out to his partners and started the W. Lewis White Company, Inc. in 1989. He is a member of the Spartanburg Board of Realtors and a member of the National Association of Realtors. Mr. White received his B.A. from Wofford College and is a graduate of the Realtor's Institute. He is an active member and past deacon of the First Presbyterian Church of Spartanburg.

Set forth below is selected information regarding the compensation arrangements for our executive officers and members of our board of directors.

Total cash compensation of our executive officers for the past three years is as follows:

<u>Executive</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
John S. Poole	\$281,936	\$257,470	\$234,127
R. Lamar Simpson	280,123	254,500	228,385

The board of directors has established a comprehensive compensation program for our executive officers, John S. Poole and R. Lamar Simpson, which is administered by the Bank's personnel and compensation committee. The Bank has entered into three-year employment agreements with both of our executive officers that provide a base salary; incentive or bonus pay of up to 45% of the annual base salary; issuance of stock options equal to 3% of the initial offering of shares (75,000 options); use of an automobile; participation in other normal and customary benefits generally available to other employees; and payment of certain club dues and assessments.

The total compensation for our executive officers is based upon the committee's consideration of multiple factors such as each executive's years of experience; analysis of market compensation data; their performance compared to the individual's and the Bank's goals; and other performance measures. The committee reviews these factors in February of each year and develops recommendations for the base salary for the following 12-month period and incentive compensation and/or bonuses for the prior year's accomplishments payable in February of the current year. The recommendations are presented by the committee to the full board of directors for approval (in the absence of the executive officers, both of whom are also members of our board of directors).

Until February 2010, the board of directors received no cash or equity compensation. On February 16, 2010, each non-officer director was granted options to purchase 7,500 shares of the Bank's stock at its market value on that date. The options have a term of 10 years and vest over a five-year period.

In 2012, the Bank adopted a compensation program for its 14 independent directors. Monthly fees earned by the directors are determined based on a combination of fixed amounts for board and committee membership, and variable amounts based on the number of meetings attended. The program was effective June 1, 2012, and total fee expense was \$85,750 in the year ended December 31, 2012.

Directors may elect payment of fees in the form of cash or in Bank stock. Fees earned and payable in cash are paid quarterly, and fees payable in Bank stock are settled semi-annually. The total of stock-settled fees earned in 2012 was \$60,995, which was settled in January 2013 through the issuance of 6,594 shares at a market price on the date of settlement of \$9.25 per share.

PROPOSAL NO. 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The board of directors has appointed Elliott Davis, LLC as our independent registered public accounting firm for the fiscal year ending December 31, 2013. Although we are not required to seek shareholder ratification on the selection of our accountants, we believe obtaining shareholder ratification is desirable. If the shareholders do not ratify the appointment of Elliott Davis, LLC, the board of directors will re-evaluate the engagement of our independent auditors. Even if the shareholders do ratify the appointment, our board of directors has the discretion to appoint a different independent registered public accounting firm at any time during the year if the board believes that such a change would be in the best interest of the Bank and our shareholders. We expect that a representative from Elliott Davis, LLC will attend the meeting and will be available to respond to appropriate questions from shareholders.

The board unanimously recommends a vote FOR the ratification of the appointment of Elliott Davis, LLC as our independent registered public accounting firm for the fiscal year ending December 31, 2013.

If a quorum is present, the approval of Proposal No. 2 requires that the votes cast favoring the proposal exceed the votes cast opposing the proposal.