



2014 Proxy Statement

**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 2014 Annual Meeting of Shareholders of Carolina Alliance Bank. We look forward to discussing our plans with you and answer your questions. We hope that you can attend the meeting and look forward to seeing you there.

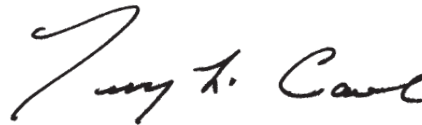
This letter serves as your official notice that we will hold the meeting on June 16, 2014 at 10:00 a.m. at the headquarters of the bank, 200 South Church Street, Spartanburg, S.C. 29306, for the following purposes:

1. To elect eleven 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, 2014; 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 28, 2014 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,



Terry Cash  
Chairman



W. Louis Bissette, Jr.  
Vice Chairman

May 2, 2014  
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 June 16, 2014**

Our board of directors is soliciting proxies for the 2014 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 28, 2014 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 4,164,910 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 John D. Kimberly as your representatives at the meeting. Messrs. Poole and Kimberly 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 Kimberly 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, 2014. 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 Kimberly 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 deemed 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 eleven 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 May 9, 2014.

## 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 I directors will expire at the 2014 Annual Meeting of Shareholders. The terms of the Class II directors expire at the 2015 annual shareholders' meeting and the terms of the Class III directors will expire at the 2016 annual shareholders' meeting. Our directors and their classes are:

Class I	Class II	Class III
Terrence "Terry" L. Cash	Carl R. Bartlett*	George M. Groome*
T. Alexander Evins	W. Louis Bisette, Jr.*	John D. Kimberly*
John S. Poole	Marsha H. Gibbs	Susan H. McClinton*
L. Terrell Sovey, Jr.	Samuel H. Maw, Jr.	D. Byrd Miller III
W. Lewis White, Sr.	R. Lamar Simpson	W. Allen Rogers, II*

\* Former director of Forest Commercial Bank

At the meeting, shareholders will elect five nominees as Class I directors to serve a three-year term, expiring at the 2017 annual meeting of shareholders. In addition, the six former members of the Forest Commercial Bank Board of Directors, who were appointed by the board of directors to be directors of Carolina Alliance effective upon the consummation of the merger of the two banks on April 5, 2014, are nominated for election. South Carolina law states that the term of any director appointed by the board of directors expires at the next shareholders' meeting at which directors are elected. Therefore, these six directors' terms expire at our 2014 shareholders' meeting. To ensure that the terms of only approximately one-third of our directors expire at each annual meeting as required by our bylaws, we are nominating the eleven directors to various terms summarized as follows:

Number of Directors	Class	Term (Years)	Expiration of Term
5	I	3	2017
2	II	2	2015
4	III	1	2016

The directors will be elected by a plurality of the votes cast at the meeting. This means that the five nominees in Class I; the two directors in Class II; and the four directors in Class III receiving the highest number of votes in their respective classes will be elected. The board of directors recommends that you elect the directors as follows:

Class I (2017)	Class II (2015)	Class III (2016)
Terry Cash	W. Louis Bisette, Jr.	John D. Kimberly
T. Alexander Evins	Carl R. Bartlett	George M. Groome
John S. Poole		L. Terrell Sovey, Jr.
Susan H. McClinton		W. Lewis White, Sr.
W. Allen Rogers II		

If you submit a proxy but do not specify how you would like it to be voted, Messrs. Poole and Kimberly will vote your proxy to elect each nominee. If any of these nominees is unable or fails to accept nomination or election (which we do not anticipate), Messrs. Poole and Kimberly 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.**

*Carl Raymond Bartlett, 72, Class II director nominee*, currently serves as Mayor of the town of Black Mountain, SC since 2006. Mr. Bartlett is retired from Wachovia Bank of Charlotte, NC where he served from 1972-2004 and attained the position of Senior Vice President.

*W. Louis "Lou" Bissette, 69, Class II director nominee*, is Vice Chairman of the Board of Directors of the bank. He is also an attorney with the firm McGuire, Wood & Bissette, PA in Asheville, NC, serving since 1976 and current President since 1999. Mr. Bissette also served as Chairman of the Board of Directors of Forest Commercial Bank.

*Terrence "Terry" L. Cash, 66, Class I director nominee* serves as Chairman of the Board of Directors of the bank. He is President and Chief Executive Officer of the Caman Group, Inc., which specializes in private investments in real estate, long-term care facilities, and pharmacies.

*T. Alexander "Alex" Evins, 55, Class I director nominee*, is an attorney and partner in the firm Parker Poe Adams & Bernstein, LLP, where he serves on the firm's board of directors. 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.

*George M. Groome, 61, Class III director nominee*, has served as President and Chief Executive Officer of Colton Groome & Company, a financial strategies and benefits planning firm of Asheville, NC, since 1974. In addition, he is a managing member and registered investment advisor of CG Advisory Services, LLC in Asheville, NC, since 1974.

*John D. Kimberly, 48, Class III director nominee*, serves as President of Carolina Alliance Bank and is the former President and Chief Executive Officer of Forest Commercial Bank since 2007. He also served as Market President of Sun Trust Banks, Inc. in Asheville, NC from 2002 – 2006.

*Susan "Sue" H. McClinton, 69, Class I director nominee*, is Secretary and Owner of William S. Hein & Company, Inc., a legal publisher, located in Buffalo, NY, serving since 1965.

*John S. Poole, 61, Class I director nominee*, is Chief Executive Officer of Carolina Alliance Bank. He was involved as President in the operation of Carolina Southern 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.

*W. Allen Rogers, II, 67, Class I director nominee*, is Principal and Co-owner of an investment banking firm, Allen C. Ewing & Co. located in Charlotte, NC, serving since 2002. In addition, he is a partner with the firm of Peter Browning Partners, a provider of board advisory services.

*L. Terrell Sovey, Jr., 83, Class III director nominee*, has been 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. Previously he served as Chairman and CEO of Texfli Industries, President of M. Lowenstein, and in management of Milliken and Company.

*W. Lewis White, Sr., 62, Class III director nominee*, is 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.

Set forth below is certain information about our directors whose terms do not expire at this annual meeting.

*Marsha H. Gibbs, 59, Class II director*, is a member of the Executive Management Team at Gibbs International, Inc. She also is the author of “Growing with Grace.” 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.

*Samuel “Sam” H. Maw, Jr., 80, Class II director*, retired as Executive Vice President of Flagstar Corporation in 1995 after 25 years with the company. He also is Co-Owner of the Beacon Restaurant, which has been a landmark in Spartanburg County for decades.

*D. Byrd Miller III, 55, 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.

*R. Lamar Simpson, 55, Class II director*, has served as Chief Financial Officer since inception of the bank and also currently serves as Chief Operations Officer. From June 1996 to October 2001, he was Chief Financial Officer and Corporate Secretary of First Spartan Financial Corp and its subsidiary, First Federal Bank, and from May 2002 to April 2005 he served as Chief Financial Officer of New Commerce Bancorp and its subsidiary bank, New Commerce Bank.

Set forth below is selected information regarding the 2013 compensation arrangements for certain of our executive officers and members of our board of directors.

Total cash compensation for certain individuals that served as executive officers of the bank for the past three years is as follows:

<u>Executive</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
John S. Poole	\$284,640	\$281,936	\$257,470
R. Lamar Simpson	\$282,641	\$280,123	\$254,500

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 these executive officers that provide a base salary; incentive or bonus pay of up to 45% of the annual base salary; participation in the bank’s long-term equity incentive program; 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).

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. Total fee expense was \$152,254 in the year ended December 31, 2013.

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 2013 was \$98,784 (included in the total fee expense above), or 10,900 shares, which was settled in 2013 through the issuance of 5,365 shares at a market price on the date of settlement of \$9.20 per share and in January 2014 through the issuance of 5,535 shares at a market price on the date of settlement of \$8.93 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, 2014. 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, 2014.**

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.