GREENVILLE FIRST BANCSHARES INC
Form 10QSB/A
August 14, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from ________ to ________

Commission file number 333-83851

Greenville First Bancshares, Inc.
(Exact name of registrant as specified in its charter)

South Carolina	58-2459561
(State of Incorporation)	(I.R.S. Employer Identification No.)

112 Haywood Road Greenville, S.C.	29607
(Address of principal executive offices)	(Zip Code)

864-679-9000
(Telephone Number)

Not Applicable
(Former name, former address
and former fiscal year, if changed since last report)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ___

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

1,150,000 shares of common stock, $.01 par value per share, issued and outstanding as of August 4, 2001

Transitional Small Business Disclosure Format (check one): YES __ NO X__

GREENVILLE FIRST BANCSHARES, INC.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

The financial statements of Greenville First Bancshares, Inc. and Subsidiary are set forth in the following pages.

GREENVILLE FIRST BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

		June 30, 2001 (Unaudited)	
Assets			
Cash and due from bank	$	1,383,349	$
Federal funds sold		2,238,608	
Investments securities available for sale		13,524,756	
Other investments, at cost		395,000	
Loans		65,556,919	
Less reserve for loan losses		(850,000)	
		64,706,919	
Accrued interest receivable		701,439	
Property and equipment		975,592	
Other assets		34,720	
Total assets	$	83,960,383	$
Liabilities and Stockholders' Equity			
Liabilities:			
Deposits	$	73,063,266	$
Checks outstanding		610,725	
Accounts payable		2,113	
Accrued expense		178,441	
Accrued interest payable		702,459	
Total liabilities		74,557,004	

Commitments and Contingencies		
Stockholders' Equity		
Preferred stock, par value $.01 per share 10,000,000 shares authorized, no shares issued		-
Common Stock, par value $.01 per share 10,000,000 shares authorized 1,150,000 issued		11,500
Additional paid-in capital		10,635,200
Unrealized gain on securities available for sale		90,259
Retained deficit		(1,333,580)
Total stockholders' equity		9,403,379
Total liabilities and stockholders' equity	$	83,960,383

See Notes to Consolidated Financial Statements that are an integral part of these statements.

GREENVILLE FIRST BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

		For the Three Months ended June 30, 2001
Interest income		
Investments	$	297,950
Loans		1,214,829
Total interest income		1,512,779
Interest expense		834,746
Net interest income		678,033
Provision for loan loss		128,000
Other income		60,026
General & administrative expenses		
Salaries and benefits		366,818
Professional fees		26,607
Marketing		29,571
Outside services		39,109
Occupancy		130,708
Telephone		4,861
Other		71,847

Total general & administrative expenses		669,521
Net loss before taxes		59,462
Provision for income tax benefits		-
Net loss	$	59,462
Basic loss per share	$	.05
Weighted average shares outstanding		1,150,000

See Notes to Consolidated Financial Statements that are in integral part of these statements.

GREENVILLE FIRST BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

		For the Six Months ended June 30, 2001
Interest income		
Investments	$	579,509
Loans		2,345,805
Total interest income		2,925,314
Interest expense		1,635,243
Net interest income		1,290,071
Provision for loan loss		250,000
Other income		104,879
General & administrative expenses		
Salaries and benefits		693,552
Professional fees		60,694
Marketing		51,375
Outside services		73,892
Occupancy		255,902
Telephone		10,323
Other		136,910
Total general & administrative expenses		1,282,648

Net loss before taxes		137,698
Provision for income tax benefits		-
Net loss	$	137,698
Basic loss per share	$	.12
Weighted average shares outstanding		1,150,000

See Notes to Consolidated Financial Statements that are in integral part of these statements.

GREENVILLE FIRST BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
For the Six Months ended June 30, 2001
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Deficit
Balance at December 31, 2000	1,150,000	$11,500	$10,635,200	$ (1,195,882)
Net loss				(137,698)
Comprehensive gain (loss), net of tax:				
Unrealized gain on investments held for sale				
Comprehensive gain (loss)				
Balance at June 30, 2001	1,150,000	$11,500	$10,635,200	$ (1,333,580)

For the Six Months ended June 30, 2000
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Deficit

Balance at December 31, 1999	1,150,000	$11,500	$ 10,635,200	$ (534,329)
Net loss				(439,620)
Comprehensive loss, net of tax:				
Unrealized loss on investments held for sale				
Comprehensive loss				(439,620)
Balance at June 30, 2000	1,150,000	$11,500	$ 10,635,200	$ (973,949)

See Notes to Consolidated Financial Statements that are an integral part of these statements.

GREENVILLE FIRST BANCSHARES, INC. AND SUBSIDIARY
STATEMENTS OF CASH FLOWS

	For the Six Months ended June 30, 200
Operating activities	
Net loss	$ (137,6
Adjustments to reconcile net loss to cash provided by (used for) operating activities:	
Provision for loan losses	250,0
Depreciation and other amortization	96,8
Accretion and amortization of securities discounts and premium, net	(40,8
Increase in other assets, net	(145,5
Increase (decrease) in other liabilities, net	(500,0
Net cash provided by (used for) operating activities	(477,2
Investing activities	
Increase (decrease) in cash realized from:	
Origination of loans, net	(18,931,8
Purchase of property and equipment	(455,8
Purchase of securities	(10,154,2
Payments and maturity of securities available for sale	5,720,9
Net cash used for investing activities	(23,821,0

Financing activities	
Increase in deposits, net	23,068,8
Net cash provided by financing activities	23,068,8
Net increase (decrease) in cash	(1,229,4
Cash and cash equivalents, beginning of period	4,851,3
Cash and cash equivalents, end of period	$ 3,621,9
Supplemental information	
Cash paid for	
Interest paid	$ 1,490,9
Income taxes paid	
Supplemental schedule of non-cash transaction	
Unrealized gain (loss) on securities, net of income taxes	$ 66,0

See Notes to Consolidated Financial Statements that are an integral part of these statements.

GREENVILLE FIRST BANCSHARES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Nature of Business and Basis of Presentation

Business activity and organization

Greenville First Bancshares, Inc. (the "Company") is a South Carolina corporation organized for the purpose of owning and controlling all of the capital stock of Greenville First Bank (the "Bank"). The Bank is a national bank organized under the laws of the United States located in Greenville County, South Carolina. The Bank began operations on January 10, 2000.

Until January 10, 2000, the Company engaged in organizational and pre-opening activities necessary to obtain regulatory approvals and to prepare its subsidiary, the Bank, to commence business as a financial institution. The Bank is primarily engaged in the business of accepting demand deposits and savings insured by the Federal Deposit Insurance Corporation, and providing commercial, consumer and mortgage loans to the general public.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six-month period ended June 30, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Form 10-KSB (Registration Number 333-83851) as filed with and declared effective by the Securities and Exchange Commission.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation.

GENERAL

The following is a discussion of the Company's financial condition as of June 30, 2001 and the results of operations for the three-month and six-month periods ended June 30, 2001 and 2000. These comments should be read in conjunction with the Company's condensed consolidated financial statements and accompanying footnotes appearing in this report.

The following discussion contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, such as statements relating to financial results and plans for future business development activities. Such forward-looking statements are subject to risks, uncertainties, and other factors, which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. These statements appear in a number of places in this report and include all statements that are not statements of historical fact regarding the Company's intent, belief, or expectations. These forward-looking statements are not guarantees of future performance and actual results may differ materially from those projected in the forward-looking statements. Potential risks and uncertainties include, but are not limited to, the Company's brief operating history, the Company's ability to manage rapid growth, general economic conditions, competition, interest rate sensitivity, and exposure to regulatory and legislative changes. Additional risks are discussed in detail in the Company's filings with the Securities and Exchange Commission, including the "Risk Factors" section in the Company's Registration Statement on Form SB-2 (Registration Number 333-83851) as filed with and declared effective by the Securities and Exchange Commission.

Until January 10, 2000, the Company's principal activities related to its organization, the conducting of its initial public offering, the pursuit of approvals from the OCC for its application to charter the Bank, the pursuit of approvals from the FDIC for its application for insurance of the deposits of the Bank, hiring the appropriate personnel and implementing operating procedures. The company received approval from both the FDIC and the OCC on January 7, 2000. The Bank opened for business on January 10, 2000.

The Company completed its stock offering on November 30, 1999, upon the issuance of 1,150,000 shares for a total of $11.5 million. The Company initially capitalized the Bank with $8.5 million of the proceeds from the stock offering. On April 18, 2000, the Company increased its investment in the Bank by $1.0 million utilizing proceeds from the initial offering. The Company does not currently anticipate raising additional capital.

FINANCIAL CONDITION

At June 30, 2001, the Company had total assets of $84.0 million, consisting principally of $64.7 million in loans, $16.2 million in investments and $1.4 million in cash and due from banks. Liabilities at June 30, 2001 totaled $74.6 million, consisting principally of $73.0 million in deposits. At June 30, 2001, shareholders' equity was $9.4 million.

At June 30, 2001, the Bank's loan portfolio consisted primarily of $31.5 million of commercial real estate loans, $13.9 million of commercial business loans, and $19.9 million of

consumer and home equity loans. At June 30, 2001, there were no non-performing loans. At June 30, 2001, the Bank's allowance for loan losses was $850 thousand. Management believes that the reserve for loan losses is adequate to absorb possible loan losses in the portfolio. Management bases its belief on its consideration of a number of factors, including internal credit ratings and assumptions about future events, which assumptions may or may not be accurate. There can be no assurance that loan losses in future periods will not exceed the allowance for loan losses or that additional allocations will not be required. At June 30, 2001 the Bank had $73.1 million in deposits. The $73.1 million in deposits consisted primarily of $6.3 million in personal checking, $5.3 million in business checking, $41.3 million in certificates of deposit and $19.1 million of money market accounts of which 59% are business accounts.

LIQUIDITY

The Company's primary sources of liquidity are a stable base of deposits, scheduled repayments on the Company's loans, and interest on and maturities of investments. All of the Company's securities have been classified as available-for-sale. If necessary, the Company may choose to sell a portion of the investment securities in connection with the management of interest sensitivity gap or to manage liquidity. Management may also utilize cash and due from banks and federal funds sold to meet liquidity needs. Additionally, the Bank has a federal funds purchased line of credit with a correspondent bank in the amount of $2.8 million, on which no borrowings have been drawn, that can be utilized if needed. The Bank also has collateral that supports in excess of $4.5 million of advances from the Federal Home Loan Bank. Management believes that the Company's liquidity and ability to manage assets will be sufficient to meet the Company's cash requirements over the near future.

One measure of liquidity is the Bank's loan-to-total borrowed funds ratio, which was at 88.6% at June 30, 2001. The Bank had commitments to fund approximately $21.0 million in loans at June 30, 2001.

CAPITAL

The Bank currently maintains a level of capitalization substantially in excess of the minimum capital requirements set by the regulatory agencies. Despite anticipated asset growth, management expects its capital ratios to continue to be adequate for the next 12 to 24 months. However, no assurances can be given in this regard, as rapid growth, deterioration in loan quality, and continued losses, or a combination of these factors, could change the Company's capital position in a relatively short period of time.

As of June 30, 2001, there were no significant firm commitments outstanding for capital expenditures. Beginning in January 2001, the Bank began to lease its main office building. The lease is a twenty-year lease with the monthly rent for the first year of $24 thousand. The lease provides for annual lease rate escalations based on cost of living adjustments.

RESULTS OF OPERATIONS
Comparison of the three months ended June 30, 2001 and the three months ended June 30, 2000

The Company's net loss for the three months ended June 30, 2001 was $59 thousand compared to a net loss of $166 thousand for the three-month periods ended June 30, 2000. Included in the net losses are non-cash expenses for provision for loan losses. The provision for loan losses for the 2001 period was $128 thousand compared to $180 thousand for the second quarter of 2000. Net interest income for the three months ended June 30, 2001 was $678 thousand compared to only $360 thousand for the same period in 2000. Net interest income continues to increase each quarter. This increase resulted primarily from growth in both earning assets and interest bearing deposits. Interest income for the three months ended June 30, 2001 was $1.5 million compared to $642 thousand for the second quarter of 2000. Interest expense for the three months ended June 30, 2001 was $835 thousand compared to only $282 thousand for the three months ended June 30, 2000. During the first six months of 2000 much of the loan and investment activity was funded with the Company's capital.

Average loans and investments for the second quarter of 2001 were $58.5 million and $19.1 million, respectively. The average loans and investments for the three months ended June 30, 2001 compared to the second quarter of 2000 increased $40.0 million and $7.1 million, respectively. The average yields on loans and investments for the three months ended June 30, 2001 were 8.35% and 6.29%, respectively. The average yields on loans and investments for the three months ended June 30, 2000 were 9.66% and 6.34%.

The average balance of deposits for the three months ended June 30, 2001 was $70.8 million, while the average balance for the second quarter of 2000 was $22.2 million. This represents a $48.6 million increase compared to the same period in the year 2000. The weighted rate on deposits for the three months ended June 30, 2001 was 5.00% and 5.12% for the second quarter of the year 2000.

The Company's net margin for the three months ended June 30, 2001 was 2.78% and 3.26% for the three months ended June 30, 2000. The lower net interest margin in the second quarter of 2001 resulted from the bank being asset sensitive to rate changes. The Federal Reserve lower rates 275 basis points in the first six months of 2001. The Bank anticipates that net interest margin will increase during the third and fourth quarter of 2001, when the Bank's certificates of deposits renew at lower interest rates. The Bank's net yield on earning assets was 3.49% for the three months ended June 30, 2001 compared to 4.69% for the three months ended June 30, 2000. The decrease relates primarily to the fact that interest-bearing liabilities were 90.6% of earning assets in the 2001 period compared to only 71.9% in the same period of 2000. The higher percentage in 2001 represents the Company's ability to leverage its capital.

As a result of growth in interest earning assets and interest bearing deposits, net interest income in the second quarter of 2001 increased $318 thousand compared to the same period in 2000. During this same period other income increased $50 thousand and general and administrative expenses increased only $241 thousand. The increase in other income relates primarily to higher deposit fees and mortgage loan referral fees as a result of the Bank's larger customer base.

The Bank's provision for loan loss decreased $58 thousand in the second quarter of 2001 compared to the same period in 2000. The allowance for loan loss as a percentage of loans was 1.29% at both December 31, 2000 and at June 30, 2001. At June 30, 2001, the allowance for loan losses was $850 thousand. The Bank has not charged off any loans since commencing operations. There were no non-accrual or non-performing loans at June 30, 2001. The provisions for loan losses were made primarily as a result of management's assessment of general loan loss risk as the Bank recorded loans.

The Bank incurred general and administrative expenses of $670 thousand for the three months ended June 30, 2001 compared to $429 thousand for the same period in 2000. The $241 thousand additional general and administrative expenses resulted primarily from the move into the Bank's new main office building and the additional staff hired to handle the current and anticipated future growth in both loans and deposits. Salaries and benefits for the three months ended June 30, 2001 were $367 thousand and represented 54.8% of the total expense. Salaries and benefits were $255 thousand second three months of 2000. The other significant expense in 2001 was $131 thousand for occupancy cost. This expense increased $61 thousand when comparing the two quarters. The increase relates primarily to the additional costs associated with the Bank's permanent main office building compared to the lower cost of the temporary modular facility. All other expense increased only $68 thousand dollars. This increase relates primarily to additional marketing expenses and non-capitalizable costs in 2001 associated with the move into the new main office building.

No provision or benefit for income taxes was recorded in the second quarter of 2001. A benefit of $74 thousand was recognized in the second quarter of 2000.

RESULTS OF OPERATIONS
Comparison of the six months ended June 30, 2001 and the six months ended June 30, 2000

The Company's net loss for the six months ended June 30, 2001 was $138 thousand compared to a net loss of $440 thousand for the six-month periods ended June 30, 2000. Included in the net losses are non-cash expenses for provision for loan losses. The provision for loan losses for the 2001 period was $250 thousand compared to $280 thousand for the first six months of 2000. Net interest income for the six months ended June 30, 2001 was $1.3 million compared to only $579 thousand for the same period in 2000. Net interest income continues to increase each quarter. This increase resulted primarily from growth in both earning assets and interest bearing deposits. Interest income for the six months ended June 30, 2001 was $2.9 million compared to $978 thousand for the second quarter of 2000. Interest expense for the six months ended June 30, 2001 was $1.6 million compared to only $398 thousand for the six months ended June 30, 2000. During the first six months of 2000 much of the loan and investment activity was funded with the Company's capital.

Average loans and investments for the first six months of 2001 were $55.0 million and $18.3 million, respectively. The average loans and investments for the six months ended June 30, 2001 compared to the first six months of 2000 increased $44.5 million and $5.8 million, respectively. The average yields on loans and investments for the six months ended June 30, 2001 were 8.60% and 6.39%, respectively. The average yields on loans and investments for the six months ended June 30, 2000 were 9.56% and 6.10%.

The average balance of deposits for the six months ended June 30, 2001 was $65.6 million, while the average balance for the second quarter of 2000 was $15.8 million. This represents a $49.8 million increase compared to the same period in the year 2000. The weighted rate on deposits for the six months ended June 30, 2001 was 5.16% and 5.05% for the same period in the year 2000.

The Company's net margin for the six months ended June 30, 2001 was 2.91% and 2.80% for the six months ended June 30, 2000. The lower net interest margin in 2001 resulted from the bank being asset sensitive to rate changes. The Federal Reserve lower rates 275 basis points in the first six months of 2001. The Bank anticipates that net interest margin will increase during the third and fourth quarter of 2001, when the Bank's certificates of deposits renew at lower interest rates. The Bank's net yield on earning assets was 3.55% for the six months ended June 30, 2001 compared to 4.64% for the six months ended June 30, 2000. The decrease relates primarily to the fact that interest-bearing liabilities were 89.5% of earning assets in the 2001 period compared to only 63.2% in the same period of 2000. The higher percentage in 2001 represents the Company's ability to leverage its capital.

As a result of growth in interest earning assets and interest bearing deposits, net interest income in 2001 increased $711 thousand compared to the same period in 2000. During this same period other income increased $93 thousand and general and administrative expenses increased only $458 thousand. The increase in other income relates primarily to higher deposit fees and mortgage loan referral fees as a result of the Bank's larger customer base.

The Bank's provision for loan loss decreased $30 thousand in the 2001 period compared to the same period in 2000. The allowance for loan loss as a percentage of loans was 1.29% at both December 31, 2000 and at June 30, 2001. At June 30, 2001, the allowance for loan losses was $850 thousand. The Bank has not charged off any loans since commencing operations. There were no non-accrual or non-performing loans at June 30, 2001. The provisions for loan losses were made primarily as a result of management's assessment of general loan loss risk as the Bank recorded loans.

The Bank incurred general and administrative expenses of $1.3 million for the six months ended June 30, 2001 compared to $825 thousand for the same period in 2000. The $458 thousand additional general and administrative expenses resulted primarily from the move into the Bank's new main office building and the additional staff hired to handle the current and anticipated future growth in both loans and deposits. Salaries and benefits for the six months ended June 30, 2001 were $694 thousand and represented 54.1% of the total expense. Salaries and benefits were $501 thousand for the six months of 2000. The other significant expense in 2001 was $256 thousand for occupancy cost. This expense increased $116 thousand when comparing the two six-month periods. The increase relates primarily to the additional costs associated with the Bank's permanent main office building compared to the lower cost of the temporary modular facility. All other expense increased only $150 thousand dollars. This increase relates primarily to additional marketing expenses and non-capitalizable costs in 2001 associated with the move into the new main office building.

No provision or benefit for income taxes was recorded in the first six months of 2001. A benefit of $74 thousand was recognized in the second quarter of 2000.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There are no material pending legal proceedings to which the Company is a party or of which any of their property is the subject.

Item 2. Changes in Securities

Not applicable

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Submission of Matters to a Vote of Security Holders

The Company's Bylaws state that the Board of Directors shall be divided into three classes with staggered terms, so that the terms of approximately one-third of the board members expire at each annual meeting. The current Class I directors are Mark A. Cothran, Rudolph G. Johnson, III, M.D., Keith J. Marrero, and R. Arthur Seaver, Jr. The current Class II directors are Leighton M. Cubbage, David G. Ellison, James B. Orders, and William B. Sturgis. The current Class III directors are Andrew B. Cajka, Anne S. Ellefson, Fred Gilmer, Jr. and Tecumseh Hooper, Jr. The class II directors were up for reelection at this year's annual meeting held on June 8, 2001. Each of the existing Class II directors were reelected at the annual meeting. The annual meeting of shareholders was held on June 8, 2001. The Company received proxies representing 1,054,306 shares of common stock of the Company of which 1,053,306 shares voted for the directors, no votes were withheld and 1,000 abstained. The terms of the Class III directors will expire at the 2002 Annual Shareholders Meeting and the terms of the Class I directors will expire at the 2003 Annual Shareholders Meeting.

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GREENVILLE FIRST BANCSHARES, INC.

Date: August 10, 2001

/s/ R. Arthur Seaver, Jr.

R. Arthur Seaver, Jr.
Chief Executive Officer

/s/ James M. Austin

James M. Austin, III
Chief Financial Officer