

PEREZ WILLIAM D
Form 3
June 05, 2009

FORM 3 UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,
Section 17(a) of the Public Utility Holding Company Act of 1935 or Section
30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *		2. Date of Event Requiring Statement	3. Issuer Name and Ticker or Trading Symbol	
Â PEREZ WILLIAM D		(Month/Day/Year)	CAMPBELL SOUP CO [CPB]	
(Last)	(First)	(Middle)	06/01/2009	
1 CAMPBELL PLACE			4. Relationship of Reporting Person(s) to Issuer	5. If Amendment, Date Original Filed(Month/Day/Year)
(Street)			(Check all applicable)	
CAMDEN,Â NJÂ 08103			<input checked="" type="checkbox"/> Director	<input type="checkbox"/> 10% Owner
(City)	(State)	(Zip)	<input type="checkbox"/> Officer	<input type="checkbox"/> Other
			(give title below)	(specify below)
			6. Individual or Joint/Group Filing(Check Applicable Line)	
			<input checked="" type="checkbox"/> Form filed by One Reporting Person	
			<input type="checkbox"/> Form filed by More than One Reporting Person	

Table I - Non-Derivative Securities Beneficially Owned

1. Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)
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Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

SEC 1473 (7-02)

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

Table II - Derivative Securities Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)	3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)	4. Conversion or Exercise Price of Derivative Security	5. Ownership Form of Derivative Security: Direct (D) or Indirect (I) (Instr. 5)	6. Nature of Indirect Beneficial Ownership (Instr. 5)
	Date Exercisable	Expiration Date			
		Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
PEREZ WILLIAM D 1 CAMPBELL PLACE CAMDEN, NJ 08103	X	^	^	^

Signatures

John J. Furey,
Attorney-In-Fact

06/05/2009

**Signature of Reporting Person

Date

Explanation of Responses:

No securities are beneficially owned

* If the form is filed by more than one reporting person, *see* Instruction 5(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *See* Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. creating series of preferred stock customized to meet the needs of particular transactions and prevailing market conditions. Series of preferred stock would also be available for issuance from time to time for any other proper corporate purposes, including in connection with strategic alliances, joint ventures, or acquisitions.

The TARP Capital Purchase Program

On October 14, 2008, the Treasury announced the TARP Capital Purchase Program. This Program was instituted by the Treasury pursuant to the Emergency Economic Stabilization Act of 2008 (“EESA”), which provides up to \$700 billion to the Treasury to, among other things, take equity ownership positions in financial institutions. The minimum investment amount is 1% of an institution’s risk-weighted assets. The maximum amount is the lesser of \$25 billion or 3% of its risk-weighted assets. The TARP Capital Purchase Program is intended to encourage financial institutions in the United States to build capital and thereby increase the flow of financing to businesses and consumers

Under the TARP Capital Purchase Program, the Treasury will purchase shares of senior preferred stock from banks, bank holding companies, and other financial institutions (“TARP Preferred Shares”). TARP Preferred Shares will qualify as Tier 1 capital for regulatory purposes and rank senior to a participating institution’s common stock. TARP Preferred Shares will pay a cumulative dividend of 5% per annum for the first five years they are outstanding and thereafter at a rate of 9% per annum. TARP Preferred Shares generally will be non-voting, but will have limited voting rights on matters that could adversely affect the shares. After three years, TARP Preferred Shares will be callable at 100% of the issue price plus any accrued and unpaid dividends. Prior to the end of three years, the TARP Preferred Shares may be redeemed with the proceeds from a qualifying equity offering of any Tier 1 perpetual preferred or common stock. The Treasury’s consent will be required for any increase in dividends on common stock or certain repurchases of common stock until the third anniversary of the date of the Treasury’s investment unless prior to such third anniversary either the TARP Preferred Shares are redeemed in whole or the Treasury has transferred all the TARP Preferred Shares to third parties.

Institutions that participate in the TARP Capital Purchase Program must issue to the Treasury warrants to purchase common stock with an aggregate market price equal to 15% of the TARP Preferred Shares purchased by the Treasury. The exercise price of the warrants will be the market price of the institution’s common stock at the time of preliminary approval, calculated on a 20-trading day trailing average.

Institutions that participate in the TARP Capital Purchase Program and their senior executive officers must agree to comply with the standards for executive compensation and corporate governance set forth in Section 111 of EESA for the period during which the Treasury holds preferred stock or warrants issued under the Program. Specifically, participating institutions must:

- ensure that incentive compensation to senior executives does not encourage unnecessary and excessive risk taking;
- implement a required “clawback” of any bonus or incentive compensation based on statements of earnings, gains, or other criteria that are later proven to be materially inaccurate;
- not make any “golden parachute payments” to senior executives; and
- agree not to deduct for tax purposes any annual executive compensation in excess of \$500,000.

The description above of the TARP Preferred Shares and related elements of the TARP Capital Purchase Program is intended only to summarize the Program. See [Appendix B](#) for the Summary of Senior Preferred Terms and Summary of Warrant Terms as published by the Treasury.

First Reliance’s TARP Application

First Reliance filed an application on November 12, 2008 to participate in the TARP Capital Purchase Program, seeking a \$14.9 million investment, the maximum permitted under the Program. For First Reliance, the minimum amount would be approximately \$4.9 million. While filing an application does not obligate us to participate in the Program, the Board of Directors anticipates that it will elect to do so if the application is approved. If the Treasury were to deny First Reliance’s application or reduce the amount of capital available to First Reliance under the Capital Purchase Program, management does not believe that First Reliance’s liquidity, capital resources, or results of operations would be materially affected.

The primary effect of a TARP Capital Purchase Program investment in First Reliance would be to materially increase our regulatory capital ratios. The following table presents our actual capital ratios as of September 30, 2008 and our capital ratios on a pro forma basis to illustrate the effects of issuing TARP Preferred Stock at the maximum and minimum Program levels.

Regulatory Capital Ratios	September 30, 2008 Actual	Pro Forma as of September 30, 2008	Pro Forma as of September 30, 2008
		Assuming Sale of \$4.9 Billion of Preferred Stock Pursuant to the Program	Assuming Sale of \$14.9 Billion of Preferred Stock Pursuant to the Program
Tier I Leverage Ratio	8.63%	9.40%	10.91%
Tier I Risk Based Ratio	10.09%	11.07%	13.01%
Total Risk Based Ratio	11.34%	12.31%	14.25%

If First Reliance sells the maximum amount of preferred stock authorized under the TARP Capital Purchase Program, then we estimate that warrants to purchase approximately 283,418 shares of common stock would be issued to the Treasury. The amount of dilution will depend on the actual amount of TARP Preferred Shares purchased by the Treasury, the average price of First Reliance's common stock for the 20-day period prior to receiving approval, and the value of First Reliance's stock upon the exercise of the warrants.

To ensure compliance with the executive compensation imposed by the TARP Capital Purchase Program, First Reliance plans to enter into agreements with its senior executive officers who would be subject to the limitations. First Reliance anticipates that its senior executive officers will execute the agreements in the event that First Reliance's participation in the Capital Purchase Program is approved.

At September 30, 2008, First Reliance and its bank subsidiary had capital ratios in excess of those required to be considered "well-capitalized" under banking regulations. Nevertheless, the Board believes it is prudent for First Reliance to apply for capital available under the TARP Capital Purchase Program because (i) it believes that the cost of capital under this Program is significantly lower than the cost of capital otherwise available to First Reliance at this time, and (ii) despite being well-capitalized, additional capital under the Treasury's Program would provide First Reliance and its bank subsidiary additional flexibility to meet future capital needs that may arise. Specifically, if First Reliance receives the \$14.9 million of capital that it applied for under the TARP Capital Purchase Program, then First Reliance plans to contribute \$11.1 million to its bank subsidiary and to retain the remainder of the proceeds at the parent company level for general corporate purposes. If First Reliance receives the minimum \$4.97 million available to it under the TARP Capital Purchase Program, it plans to contribute \$3.7 million to its bank subsidiary and retain the remainder of the proceeds at the parent company level as described above. In either case, First Reliance's bank subsidiary intends to use the additional capital to fund prudent loan growth in its markets and to further strengthen its capital position.

The Board recommends that shareholders vote FOR the Amendment Proposal.

**PROPOSAL 2: TO AUTHORIZE MANAGEMENT TO ADJOURN
THE SPECIAL MEETING IF NECESSARY**

If the number of shares of common stock present or represented at the Special Meeting and voting in favor of the Amendment Proposal is insufficient to approve the Amendment Proposal, then First Reliance's management may move to adjourn the Special Meeting in order to enable the Board to continue to solicit additional proxies in favor of the Amendment Proposal. In that event, you will be asked only to vote upon the Adjournment Proposal but not the Amendment Proposal.

In this Adjournment Proposal, the Board is asking you to authorize the holder of any proxy solicited by the Board to vote in favor of adjourning the Special Meeting and any later adjournment under the circumstances described above. If the shareholders approve this Adjournment Proposal, then management could adjourn the Special Meeting (and any adjourned section of the Special Meeting) to use the additional time to solicit additional proxies in favor of the Amendment Proposal, including the solicitation of proxies from shareholders that have previously voted against the Amendment Proposal. Among other things, approval of the Adjournment Proposal could mean that even if proxies representing a sufficient number of votes against the Amendment Proposal have been received, management could adjourn the Special Meeting without a vote on the Amendment Proposal and seek to convince the holders of those shares to change their votes to vote in favor of the Amendment Proposal.

The Board believes that if the number of shares of common stock present or represented at the Special Meeting and voting in favor of the Amendment Proposal is insufficient to approve that proposal, it is in the best interests of First Reliance's shareholders to enable the Board, for a limited period of time, to continue to seek to obtain a sufficient number of additional votes to approve the Amendment Proposal.

The Board recommends that shareholders vote FOR the Adjournment Proposal.

ANTI-TAKEOVER PROVISIONS OF SOUTH CAROLINA LAW AND THE ARTICLES OF INCORPORATION

The provisions of South Carolina law summarized in the following paragraphs may have anti-takeover effects and may delay, defer, or prevent a tender offer, takeover attempt, or merger that a shareholder might consider to be in the shareholder's best interest.

Merger, Share Exchange, Sale of Assets

South Carolina law provides that, with respect to any plan of merger or share exchange, our Board of Directors must recommend and submit the plan to a vote of our shareholders. For First Reliance to adopt the plan, the plan of merger or share exchange must be approved by at least two-thirds of our outstanding common shares.

With respect to any sale of all, or substantially all, of First Reliance's property or assets, other than in the normal course of business, our Board of Directors must recommend the sale, and submit the plan, to a vote of our shareholders. To be effective, the sale of property or assets must be approved by at least two-thirds of our outstanding common shares.

Business Combinations

South Carolina's Business Combinations statute prohibits a 10% or greater shareholder of a resident domestic corporation from entering into a "business combination" (defined in the statute) with the corporation for a period of two years following the date on which the shareholder became a 10% or greater shareholder, unless prior to the shareholder becoming a 10% or greater shareholder, the business combination was approved by a majority of the disinterested members of the corporation's board of directors. This statute also prohibits a 10% or greater shareholder of a resident domestic corporation from entering, at any time, into a business combination with the corporation, unless certain approvals of the board of directors or disinterested shareholders are obtained, or unless the consideration given by the 10% or greater shareholder meets certain minimum-price standards that the statute sets forth.

This statute is designed to provide broad protection against unfriendly takeover attempts, but a South Carolina corporation may opt-out of the protection by including a provision to that effect in the corporation's articles of incorporation. Our Articles of Incorporation do not contain an opt-out provision; therefore, the statute's protections apply to us. The statute only applies to us for as long as we continue to have a class of voting shares registered under Section 12 of the Securities and Exchange Act of 1934.

Control Share Acquisitions

South Carolina's Control Share Acquisitions statute precludes, under certain circumstances, a purchaser of shares of a South Carolina corporation from obtaining voting control of shares that exceed one of three voting thresholds (20%, 33 1/3%, or 50%), unless a majority of the disinterested shareholders entitled to vote accord voting power to the shares that exceed the threshold. A South Carolina corporation's articles of incorporation or bylaws may permit the corporation to redeem the voting-control shares if the purchaser did not comply with certain statutory requirements or if the shareholders do not accord voting power to the voting-control shares. Neither our Articles of Incorporation nor our Bylaws permit us to redeem these voting-control shares. The statute only applies to us for as long as we continue to have a class of voting shares registered under Section 12 of the Securities and Exchange Act of 1934.

The provisions of South Carolina law described above, to the extent applicable, will have the general effect of discouraging or rendering more difficult unfriendly takeover or acquisition attempts. Consequently, such provisions would be beneficial to current management in an unfriendly takeover attempt but could have an adverse effect on shareholders who might wish to participate in such a transaction. However, First Reliance believes that such

provisions are advantageous to the shareholders in that these provisions will (1) permit management and the shareholders to carefully consider and understand a proposed acquisition, (2) lead to higher offering prices, and (3) require a higher level of shareholder participation in the decision.

SHAREHOLDER PROPOSALS AND OTHER SHAREHOLDER COMMUNICATIONS

Shareholder Proposals

To be included in First Reliance's annual proxy statement, shareholder proposals not relating to the election of directors must be received by First Reliance at least 120 days before the one-year anniversary of the mailing date for the prior year's proxy statement, which in our case would require that proposals be submitted no later than December 30, 2008 for next year's annual meeting. The persons named as proxies in First Reliance's proxy statement for the meeting will, however, have discretionary authority to vote the proxies they have received as they see fit with respect to any proposals received less than 60 days prior to the meeting date. SEC Rule 14a-8 provides additional information regarding the content and procedure applicable to the submission of shareholder proposals.

Shareholder Communications

Shareholders wishing to communicate with the Board of Directors or with a particular director may do so in writing, addressed to the Board or to the particular director, and sending it to the Secretary of the Company at the Company's principal office at 2170 W. Palmetto Street, Florence, South Carolina 29501. The Secretary will promptly forward such communications to the applicable director or to the Chairman of the Board for consideration at the next scheduled meeting.

WHERE YOU CAN FIND MORE INFORMATION

First Reliance is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports, proxy statements, and other information with the Securities and Exchange Commission ("SEC"). Such reports, proxy statements, and other information can be inspected and copied at the public reference facilities of the SEC at 100 F Street, N.E., Washington, DC 20549. Copies of such materials can also be obtained at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, N.E., Washington, DC 20549. In addition, such reports, proxy statements, and other information are available from the Edgar filings that can be obtained through the SEC's Internet Website (<http://www.sec.gov>).

FORWARD LOOKING STATEMENTS

Statements contained in this Proxy Statement that are not purely historical are forward-looking statements, including, but not limited to, statements regarding our expectations, hopes, beliefs, intentions, or strategies regarding the future. Actual results could differ materially from those projected in any forward-looking statements as a result of a number of factors, including those detailed in this proxy statement. The forward-looking statements are made as of the date of this proxy statement and we undertake no obligation to update or revise the forward-looking statements, or to update the reasons why actual results could differ materially from those projected in the forward-looking statements.

We caution you not to place undo reliance on any forward-looking statements made by, or on behalf us in this proxy statement or in any of our filings with the SEC or otherwise. Additional information with respect to factors that may cause the results to differ materially from those contemplated by forward-looking statements is included in our current and subsequent filings with the SEC.

OTHER MATTERS

Management of First Reliance does not know of any matters to be brought before the Special Meeting other than those described above. If any other matters properly come before the Special Meeting, the persons designated as proxies will vote on such matters in accordance with their best judgment.

By Order of the Board of Directors,

/s/ F.R. Saunders, Jr.

F.R. Saunders, Jr.

President and Chief Executive Officer

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Appendix A

**ARTICLES OF AMENDMENT
TO THE ARTICLES OF INCORPORATION
OF FIRST RELIANCE BANCSHARES, INC.**

Pursuant Section 33-10-106 of the 1976 South Carolina Code of Laws, as amended, the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation:

1.

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

2.

The date of incorporation of the Corporation is April 12, 2001.

3.

The registered agent's name and address is

F.R. Saunders, Jr.
2170 West Palmetto Street
Florence, South Carolina 29501.

4.

At a board meeting held on November 7, 2008, the Board of Directors of the Corporation duly adopted the amendment set forth in Article 5 of these Articles of Amendment.

5.

Article Three of the Articles of Incorporation of the Corporation is hereby amended by deleting Article Three in its entirety and inserting in lieu thereof a new Article Three as follows:

(a) The total number of shares of capital stock which the corporation is authorized to issue is Thirty Million (30,000,000) shares, divided into Twenty Million (20,000,000) shares of common stock, \$0.01 par value, and Ten Million (10,000,000) shares of preferred stock, no par value (the "Preferred Stock"). The shares of common stock shall have unlimited voting rights and shall be entitled, subject to any preferences of any Preferred Stock then outstanding, to receive the net assets of the Corporation upon dissolution.

(b) The Board of Directors of the corporation is authorized, subject to limitations prescribed by law and the provisions of this Article, to provide for the issuance of the shares of Preferred Stock in series, and to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences, and relative rights of the shares of each such series and the qualifications, or restrictions thereof. The authority of the Board of Directors with respect to each series shall include, but not be limited to, determination of the following:

(i) The number of shares constituting that series and the distinctive designation of that series;

(ii) The dividend rate on the shares of that series, whether dividends shall be cumulative, and, if so, from which date or dates, and the relative rights of priority, if any, of payments of dividends on shares of that series;

Explanation of Responses:

- (iii) Whether that series shall have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights;
- (iv) Whether that series shall have conversion privileges, and, if so, the terms and conditions of such conversion, including provisions for adjustment of the conversion rate in such events as the Board of Directors shall determine;
- (v) Whether or not the shares of that series shall be redeemable, and, if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption rates;
- (vi) Whether that series shall have a sinking fund for the redemption or purchase of shares of that series, and, if so, the terms and amount of such sinking fund;
- (vii) The rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding-up of the corporation, and the relative rights of priority, if any, of payment of shares of that series; and
- (viii) Any other relative rights, preferences, and limitations of that series.

6.

At a special meeting of shareholders on December 30, 2008, the shareholders of the Corporation duly adopted the amendment set forth in Article 5 of these Articles of Amendment in accordance with the provisions of Section 33-10-103 of the South Carolina Business Corporation Act of 1988. At the date of adoption of the Amendment, the number of outstanding shares of each voting group entitled to vote on the Amendment, and the vote of such shares was:

Voting Group	Number of Outstanding Shares	Number of Votes Entitled to be Cast	Number of Votes Represented at the Meeting	Number of Undisputed Shares For Amendment
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Common Stock

7.

All other provisions of the Articles of Incorporation shall remain in full force and effect.

8.

Unless a delayed date is specified, the effective date of these Articles of Amendment shall be the date of acceptance for filing by the Secretary of State of South Carolina (see Section 33-1-230(b) of 1976 South Carolina Code of Laws, as amended).

Appendix B

TARP Capital Purchase Program

Senior Preferred Stock and Warrants

Summary of Senior Preferred Terms

Issuer: Qualifying Financial Institution (“QFI”) means (i) any U.S. bank or U.S. savings association not controlled by a Bank Holding Company (“BHC”) or Savings and Loan Holding Company (“SLHC”); (ii) any U.S. BHC, or any U.S. SLHC which engages only in activities permitted for financial holdings companies under Section 4(k) of the Bank Holding Company Act, and any U.S. bank or U.S. savings association controlled by such a qualifying U.S. BHC or U.S. SLHC; and (iii) any U.S. BHC or U.S. SLHC whose U.S. depository institution subsidiaries are the subject of an application under Section 4(c)(8) of the Bank Holding Company Act; except that QFI shall not mean any BHC, SLHC, bank or savings association that is controlled by a foreign bank or company. For purposes of this program, “U.S. bank”, “U.S. savings association”, “U.S. BHC” and “U.S. SLHC” means a bank, savings association, BHC or SLHC organized under the laws of the United States or any State of the United States, the District of Columbia, any territory or possession of the United States, Puerto Rico, Northern Mariana Islands, Guam, American Samoa, or the Virgin Islands. **The United States Department of the Treasury will determine eligibility and allocation for QFIs after consultation with the appropriate Federal banking agency.**

Initial Holder: United States Department of the Treasury (the “UST”).

Size: QFIs may sell preferred to the UST subject to the limits and terms described below.

Each QFI may issue an amount of Senior Preferred equal to not less than 1% of its risk-weighted assets and not more than the lesser of (i) \$25 billion and (ii) 3% of its risk-weighted assets.

Security: Senior Preferred, liquidation preference \$1,000 per share. (Depending upon the QFI’s available authorized preferred shares, the UST may agree to purchase Senior Preferred with a higher liquidation preference per share, in which case the UST may require the QFI to appoint a depository to hold the Senior Preferred and issue depository receipts.)

Ranking: Senior to common stock and pari passu with existing preferred shares other than preferred shares which by their terms rank junior to any existing preferred shares.

Regulatory Capital Status:

Tier 1.

Term: Perpetual life.

Dividend: The Senior Preferred will pay cumulative dividends at a rate of 5% per annum until the fifth anniversary of the date of this investment and thereafter at a rate of 9% per annum. For Senior Preferred issued by banks which are not subsidiaries of holding companies, the Senior Preferred will pay non-cumulative dividends at a rate of 5% per annum until the fifth anniversary of the date of this investment and thereafter at a rate of 9% per annum. Dividends will be payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year.

Redemption: Senior Preferred may not be redeemed for a period of three years from the date of this investment, except with the proceeds from a Qualified Equity Offering (as defined below) which results in aggregate gross proceeds to the QFI of not less than 25% of the issue price of the Senior Preferred. After the third anniversary of the date of this investment, the Senior Preferred may be redeemed, in whole or in part, at any time and from time to time, at the option of the QFI. All redemptions of the Senior Preferred shall be at 100% of its issue price, plus (i) in the case of cumulative Senior Preferred, any accrued and unpaid dividends and (ii) in the case of noncumulative Senior Preferred, accrued and unpaid dividends for the then current dividend period (regardless of whether any dividends are actually declared for such dividend period), and shall be subject to the approval of the QFI's primary federal bank regulator.

“Qualified Equity Offering” shall mean the sale by the QFI after the date of this investment of Tier 1 qualifying perpetual preferred stock or common stock for cash.

Following the redemption in whole of the Senior Preferred held by the UST, the QFI shall have the right to repurchase any other equity security of the QFI held by the UST at fair market value.

Restrictions

on Dividends: For as long as any Senior Preferred is outstanding, no dividends may be declared or paid on junior preferred shares, preferred shares ranking pari passu with the Senior Preferred, or common shares (other than in the case of pari passu preferred shares, dividends on a pro rata basis with the Senior Preferred), nor may the QFI repurchase or redeem any junior preferred shares, preferred shares ranking pari passu with the Senior Preferred or common shares, unless (i) in the case of cumulative Senior Preferred all accrued and unpaid dividends for all past dividend periods on the Senior Preferred are fully paid or (ii) in the case of non-cumulative Senior Preferred the full dividend for the latest completed dividend period has been declared and paid in full.

Common dividends: The UST's consent shall be required for any increase in common dividends per share until the third anniversary of the date of this investment unless prior to such third anniversary the Senior Preferred is redeemed in whole or the UST has transferred all of the Senior Preferred to third parties.

Repurchases: The UST's consent shall be required for any share repurchases (other than (i) repurchases of the Senior Preferred and (ii) repurchases of junior preferred shares or common shares in connection with any benefit plan in the ordinary course of business consistent with past practice) until the third anniversary of the date of this investment unless prior to such third anniversary the Senior Preferred is redeemed in whole or the UST has transferred all of the Senior Preferred to third parties. In addition, there shall be no share repurchases of junior preferred shares, preferred shares ranking pari passu with the Senior Preferred, or common shares if prohibited as described above under “Restrictions on Dividends”.

Voting rights: The Senior Preferred shall be non-voting, other than class voting rights on (i) any authorization or issuance of shares ranking senior to the Senior Preferred, (ii) any amendment to the rights of Senior Preferred, or (iii) any merger, exchange or similar transaction which would adversely affect the rights of the Senior Preferred.

If dividends on the Senior Preferred are not paid in full for six dividend periods, whether or not consecutive, the Senior Preferred will have the right to elect 2 directors. The right to elect directors will end when full dividends have been paid for four consecutive dividend periods.

Transferability: The Senior Preferred will not be subject to any contractual restrictions on transfer. The QFI will file a shelf registration statement covering the Senior Preferred as promptly as practicable after the date of this investment and, if necessary, shall take all action required to cause such shelf registration statement to be declared effective as soon as possible. The QFI will also grant to the UST piggyback registration rights for the Senior Preferred and will take such other steps as may be reasonably requested to facilitate the transfer of the Senior Preferred including, if requested by the UST, using reasonable efforts to list the Senior Preferred on a national securities exchange. If requested by the UST, the QFI will appoint a depository to hold the Senior Preferred and issue depository receipts.

Executive

Compensation: As a condition to the closing of this investment, the QFI and its senior executive officers covered by the EESA shall modify or terminate all benefit plans, arrangements and agreements (including golden parachute agreements) to the extent necessary to be in compliance with, and following the closing and for so long as UST holds any equity or debt securities of the QFI, the QFI shall agree to be bound by, the executive compensation and corporate governance requirements of Section 111 of the EESA and any guidance or regulations issued by the Secretary of the Treasury on or prior to the date of this investment to carry out the provisions of such subsection. As an additional condition to closing, the QFI and its senior executive officers covered by the EESA shall grant to the UST a waiver releasing the UST from any claims that the QFI and such senior executive officers may otherwise have as a result of the issuance of any regulations which modify the terms of benefits plans, arrangements and agreements to eliminate any provisions that would not be in compliance with the executive compensation and corporate governance requirements of Section 111 of the EESA and any guidance or regulations issued by the Secretary of the Treasury on or prior to the date of this investment to carry out the provisions of such subsection.

Summary of Warrant Terms

Warrant: The UST will receive warrants to purchase a number of shares of common stock of the QFI having an aggregate market price equal to 15% of the Senior Preferred amount on the date of investment, subject to reduction as set forth below under "Reduction". The initial exercise price for the warrants, and the market price for determining the number of shares of common stock subject to the warrants, shall be the market price for the common stock on the date of the Senior Preferred investment (calculated on a 20-trading day trailing average), subject to customary anti-dilution adjustments. The exercise price shall be reduced by 15% of the original exercise price on each six-month anniversary of the issue date of the warrants if the consent of the QFI stockholders described below has not been received, subject to a maximum reduction of 45% of the original exercise price.

Term: 10 years

Exercisability: Immediately exercisable, in whole or in part

Transferability: The warrants will not be subject to any contractual restrictions on transfer; provided that the UST may only transfer or exercise an aggregate of one-half of the warrants prior to the earlier of (i) the date on which the QFI has received aggregate gross proceeds of not less than 100% of the issue price of the Senior Preferred from one or more Qualified Equity Offerings and (ii) December 31, 2009. The QFI will file a shelf registration statement covering the warrants and the common stock underlying the warrants as promptly as practicable after the date of this investment and, if necessary, shall take all action required to cause such shelf registration statement to be declared effective as soon as possible. The QFI will also grant to the UST piggyback registration rights for the warrants and the common stock underlying the warrants and will take such other steps as may be reasonably requested to facilitate the transfer of the warrants and the common stock underlying the warrants. The QFI will apply for the listing on the national exchange on which the QFI's common stock is traded of the common stock underlying the warrants and will take such other steps as may be reasonably requested to facilitate the transfer of the warrants or the common stock.

Voting: The UST will agree not to exercise voting power with respect to any shares of common stock of the QFI issued to it upon exercise of the warrants.

Reduction: In the event that the QFI has received aggregate gross proceeds of not less than 100% of the issue price of the Senior Preferred from one or more Qualified Equity Offerings on or prior to December 31, 2009, the number of shares of common stock underlying the warrants then held by the UST shall be reduced by a number of shares equal to the product of (i) the number of shares originally underlying the warrants (taking into account all adjustments) and (ii) 0.5.

Consent: In the event that the QFI does not have sufficient available authorized shares of common stock to reserve for issuance upon exercise of the warrants and/or stockholder approval is required for such issuance under applicable stock exchange rules, the QFI will call a meeting of its stockholders as soon as practicable after the date of this investment to increase the number of authorized shares of common stock and/or comply with such exchange rules, and to take any other measures deemed by the UST to be necessary to allow the exercise of warrants into common stock.

Substitution: In the event the QFI is no longer listed or traded on a national securities exchange or securities association, or the consent of the QFI stockholders described above has not been received within 18 months after the issuance date of the warrants, the warrants will be exchangeable, at the option of the UST, for senior term debt or another economic instrument or security of the QFI such that the UST is appropriately compensated for the value of the warrant, as determined by the UST.

**FIRST RELIANCE BANCSHARES, INC.
REVOCABLE PROXY
SOLICITED BY THE BOARD OF DIRECTORS
FOR THE SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON TUESDAY, DECEMBER 30, 2008**

The undersigned hereby appoints Leonard A. Hoogenboom or F. R. Saunders, Jr., as proxies, each with the power to appoint his substitute, and hereby authorizes them or either of them to represent and to vote, as designated below, all of the common stock of First Reliance Bancshares, Inc. (the "Company"), which the undersigned would be entitled to vote if personally present at the Special Meeting of Shareholders (the "Special Meeting") to be held on December 30, 2008 at the First Reliance Bank – Learning Center, 2148 West Palmetto Street in Florence, South Carolina, and at any adjournments thereof, upon the proposals described in the accompanying Notice of the Special Meeting and the Proxy Statement relating to the Special Meeting, receipt of which are hereby acknowledged.

The Proxies will vote, as directed on this proxy, on the proposals set forth in the notice of the special meeting and proxy statement. The Proxies are authorized to vote at their discretion as to any other business which may come properly before the special meeting. If a vote is not specified, the Proxies will vote for approval of the proposals.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE **FOR** PROPOSAL 1 AND **FOR** PROPOSAL 2.

PROPOSAL 1: To amend the Articles of Incorporation to approve a proposed amendment to First Reliance Bancshares's Articles of Incorporation authorizing a class of ten million (10,000,000) shares of preferred stock, no par value, as set forth in Appendix A to the Proxy Statement.

____ FOR the proposed amendment to the **A r t i c l e s** o f Incorporation ____ AGAINST the proposed amendment to the **A r t i c l e s** o f Incorporation ____ ABSTAIN

PROPOSAL 2: To authorize management of First Reliance Bancshares to adjourn the Special Meeting to another time and date if such action is necessary to solicit additional proxies or attendance at the Special Meeting.

____ FOR authority to adjourn the Special Meeting ____ AGAINST authority to adjourn the Special Meeting ____ ABSTAIN

This proxy, when properly executed, will be voted as directed, but if no direction to the contrary is indicated, it will be voted FOR Proposals 1 and 2. Discretionary authority is hereby conferred as to all other matters as to which management does not have reasonable notice prior to the meeting and that properly come before the meeting.

Signature(s) of Shareholder(s)

[INSERT LABEL INFORMATION HERE]

Name(s) of Shareholders(s)

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Date: _____, 2008

(Be sure to date your Proxy)

Please mark, sign and date this Proxy, and return it in the enclosed pre-addressed envelope. No postage is necessary. If stock is held in the name of more than one person, all persons must sign. Signatures should correspond exactly with the name or names appearing on the stock certificate(s). When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by president or other authorized officer. If a partnership, please sign in partnership name by authorized person.

(Please check the applicable box)

I WILL WILL NOT BE ATTENDING THE SPEICAL MEETING OF SHAREHOLDERS.

PLEASE RETURN PROXY AS SOON AS POSSIBLE
