

FIRST RELIANCE BANCSHARES INC
Form 10-Q
August 14, 2008

FIRST RELIANCE BANCSHARES, INC.

**SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C.**

(Mark One)

FORM 10-Q

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended June 30, 2008

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from _____ to _____

Commission File Number 000-49757

FIRST RELIANCE BANCSHARES, INC.

(Exact name of the registrant as specified in its charter)

South Carolina

(State or other jurisdiction of incorporation or
organization)

80-0030931

(I.R.S. Employer Identification No.)

**2170 West Palmetto Street
Florence, South Carolina
29501**

(Address of principal
executive offices, including
zip code)

(843) 656-5000

(Issuer's telephone number, including area code)

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

3,523,775 shares of common stock, par value \$0.01 per share, as of June 30, 2008

Edgar Filing: FIRST RELIANCE BANCSHARES INC - Form 10-Q

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 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 No.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No.

FIRST RELIANCE BANCSHARES, INC.**INDEX****PART I - FINANCIAL INFORMATION**

	<u>Page No.</u>	
Item 1.	Financial Statements (Unaudited)	
	Condensed Consolidated Balance Sheets - June 30, 2008 and December 31, 2007	3
	Condensed Consolidated Statements of Income - Six months ended June 30, 2008 and 2007 and Three months ended June 30, 2008 and 2007	4
	Condensed Consolidated Statements of Shareholders' Equity and Comprehensive Income- Six months ended June 30, 2008 and 2007	5
	Condensed Consolidated Statements of Cash Flows - Six months ended June 30, 2008 and 2007	6
	Notes to Condensed Consolidated Financial Statements	7-12
Item 2.	Management's Discussion and Analysis of Financial Condition or Plan of Operations	14-37
Item 3.	Quantitative and Qualitative Disclosure About Market Risk	38
Item 4T.	Controls and Procedures	38

PART II. OTHER INFORMATION

Item 1.	Legal Proceedings	39
Item 1A.	Risk Factors	39
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	39
Item 3.	Defaults Upon Senior Securities	39
Item 4.	Submission of Matters to a Vote of Securities Holders	39-40
Item 5.	Other Information	40
Item 6.	Exhibits	40

FIRST RELIANCE BANCSHARES, INC.

Condensed Consolidated Balance Sheets

	June 30, 2008 (Unaudited)	December 31, 2007 (Audited)
Assets		
Cash and cash equivalents:		
Cash and due from banks	\$ 6,777,796	\$ 7,164,650
Federal funds sold	6,015,000	-
Total cash and cash equivalents	12,792,796	7,164,650
Securities available-for-sale	55,125,216	58,580,313
Nonmarketable equity securities	4,372,200	3,930,400
Total investment securities	59,497,416	62,510,713
Loans held for sale	10,447,997	19,600,850
Loans receivable	466,428,206	468,137,690
Less allowance for loan losses	(5,740,860)	(5,270,607)
Loans, net	460,687,346	462,867,083
Premises, furniture and equipment, net	23,678,331	22,233,746
Accrued interest receivable	2,712,271	3,092,767
Other real estate owned	473,550	196,950
Cash surrender value life insurance	10,769,838	10,540,273
Other assets	4,092,857	3,497,180
Total assets	\$ 585,152,402	\$ 591,704,212
Liabilities and Shareholders' Equity		
Liabilities		
Deposits		
Noninterest-bearing transaction accounts	\$ 47,008,751	\$ 43,542,528
Interest-bearing transaction accounts	28,321,944	39,450,393
Savings	82,073,717	85,819,481
Time deposits \$100,000 and over	179,899,406	169,825,252
Other time deposits	118,971,469	110,860,061
Total deposits	456,275,287	449,497,715
Securities sold under agreement to repurchase	6,421,356	7,927,754
Federal funds purchased	-	13,359,000
Advances from Federal Home Loan Bank	68,500,000	69,000,000
Note payable	3,000,000	3,000,000
Junior subordinated debentures	10,310,000	10,310,000
Accrued interest payable	596,016	767,577
Other liabilities	2,396,273	814,262
Total liabilities	547,498,932	554,676,308

Shareholders' Equity

Common stock, \$0.01 par value; 20,000,000 shares authorized,
 Issued 3,523,775 shares at June 30, 2008 and 3,504,313 shares at
 December 31, 2007

Shares Outstanding 3,513,524 at June 30, 2008 and 3,494,646 at
 December 31, 2007

	35,135	34,946
Nonvested restricted stock	(237,078)	(152,762)
Capital surplus	26,050,718	25,875,012
Treasury stock (10,251 and 9,667 shares at cost in 2008 and 2007, respectively)	(153,500)	(145,198)
Retained earnings	12,722,917	11,417,275
Accumulated other comprehensive loss	(764,722)	(1,369)
Total shareholders' equity	37,653,470	