GREEN BANKSHARES, INC.
Form PREM14A
June 06, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No. __)

Filed by the Registrant þ
Filed by the Party other than the Registrant o
Check the appropriate box:

þ Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

o Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

GREEN BANKSHARES, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

June ___, 2011

Dear Shareholder:

We invite you to attend a Special Meeting of Shareholders (the Special Meeting) of Green Bankshares, Inc. (the Company) to be held at the General Morgan Inn, 111 North Main Street, Greeneville, Tennessee, on July ___, 2011, at ___ a.m., local time.

On May 5, 2011, the Company, GreenBank, and North American Financial Holdings, Inc. (NAFH) entered into an investment agreement (the Investment Agreement), pursuant to which NAFH has agreed, subject to certain conditions more fully described in the enclosed proxy statement, to:

purchase for $217,019,000 in cash, 119,900,000 shares of Common Stock, at a purchase price of $1.81 per share; and

permit the Company to distribute to each Company shareholder as of a certain date fixed prior to the closing of the transactions contemplated by the Investment Agreement (the Closing), immediately prior to Closing, one contingent value right (CVR) per share that would entitle the holder to receive up to $0.75 in cash per CVR at the end of a five-year period based on the credit performance of GreenBank s existing loan portfolio.

In connection with the transaction with NAFH, your shares of Company common stock that you own will remain outstanding immediately following closing of the transaction and are not being cashed out as part of the transaction. As a result, unless you buy or sell shares of Company common stock on the open market, you will continue to own the same number of shares of Company common stock that you own today. The CVRs that will be issued in connection with the transaction are in addition to your shares of Company common stock and are not being issued in exchange for these shares.

In connection with the Investment Agreement, we have called a Special Meeting to obtain your approval of the following matters:

(1) the original issuance and certain subsequent issuances of shares of the Company s Common Stock to NAFH under the terms of the Investment Agreement;

(2) an amendment to the Company s Amended and Restated Charter (the Charter) to increase the number of authorized shares of the Company s Common Stock from twenty million (20,000,000) to three hundred million (300,000,000);

(3) an amendment to the Company s Charter to decrease the par value of the Company s Common Stock from $2.00 per share to $0.01 per share;

(4) an amendment to the Company s Charter to expressly exempt NAFH and its affiliates and associates from the provisions of Section 9 of the Company s Charter;

(5) an amendment to the Company s Charter to remove Section 8(j) of the Charter so that the Tennessee Control Share Acquisition Act will not apply to the Company and its shareholders;

(6) the merger of GreenBank with and into a subsidiary of NAFH;

(7) on an advisory and non-binding basis, the compensation to be received by the Company s named executive officers in connection with the issuance of the shares of Common Stock to NAFH under the terms of the Investment Agreement; and

(8) the grant to the proxy holder of discretionary authority to vote to adjourn the Special Meeting, if necessary, in order to solicit additional proxies in the event there are not sufficient affirmative votes present at the Special Meeting to approve the proposals that may be considered and voted on, at the Special Meeting.

Enclosed is a proxy statement and a proxy card. Directors and officers of the Company will be present to respond to any appropriate questions shareholders may have.

Your vote is important, regardless of the number of shares you own. On behalf of the Board of Directors, we urge you to sign, date and return the enclosed proxy as soon as possible, even if you currently plan to attend the Special Meeting. We also offer telephone and Internet voting, as more particularly described in the attached proxy statement. Voting by telephone, Internet or by returning a proxy in the mail will not prevent you from voting in person at the Special Meeting, but will assure that your vote is counted if you are unable to attend the Special Meeting.

Thank you for your cooperation and your continuing support.

Sincerely,
Stephen M. Rownd
Chairman of the Board and
Chief Executive Officer

If you have any questions or need assistance voting
your shares, please call our proxy solicitor:

INNISFREE M&A INCORPORATED
Shareholder may call toll-free at 1 (888) 750-5834
Banks and Brokers may call collect at 1 (212) 750-5833

GREEN BANKSHARES, INC.
Notice of Special Meeting of Shareholders
To Be Held on July __, 2011

Notice is hereby given that a Special Meeting of Shareholders (the Special Meeting) of Green Bankshares, Inc. (the Company) will be held on July __, 2011 at ___ a.m., local time, at the General Morgan Inn, 111 North Main Street, Greeneville, Tennessee.

A Proxy Card and a Proxy Statement for the Special Meeting are enclosed.

The Special Meeting is for the purpose of considering and acting upon the following matters:

(1) to approve the original issuance and certain subsequent issuances of shares of the Company s Common Stock to North American Financial Holdings, Inc. under the terms of the Investment Agreement, dated May 5, 2011, among Green Bankshares, Inc., GreenBank and North American Financial Holdings, Inc. (the Investment Agreement);

(2) to vote on an amendment to the Company s Amended and Restated Charter (the Charter) to increase the number of authorized shares of the Company s Common Stock from twenty million (20,000,000) to three hundred million (300,000,000);

(3) to vote on an amendment to the Company s Charter to decrease the par value of the Company s Common Stock from $2.00 per share to $0.01 per share;

(4) to vote on an amendment to the Company s Charter to expressly exempt North American Financial Holdings, Inc. and its affiliates and associates from the provisions of Section 9 of the Company s Charter;

(5) to vote on an amendment to the Company s Charter to remove Section 8(j) of the Charter so that the Tennessee Control Share Acquisition Act will not apply to the Company and its shareholders;

(6) to approve the merger of GreenBank with and into a subsidiary of North American Financial Holdings, Inc.;

(7) to approve, on an advisory and non-binding basis, the compensation to be received by the Company s named executive officers in connection with the issuance of the shares of the Company s Common Stock to North American Financial Holdings, Inc. under the terms of the Investment Agreement; and

(8) to grant the proxy holder discretionary authority to vote to adjourn the Special Meeting, if necessary, in order to solicit additional proxies in the event there are not sufficient affirmative votes present at the Special Meeting to approve the proposals that may be considered and voted on, at the Special Meeting.

NOTE: As of the date hereof, the Board of Directors is not aware of any other business to come before the Special Meeting.

Any action may be taken on any one of the foregoing proposals at the Special Meeting on the date specified above or on any date or dates to which, by original or later adjournments, the Special Meeting may be adjourned. Shareholders of record at the close of business on June 14, 2011 will be entitled to vote at the Special Meeting and any adjournments thereof.

You are requested to fill in and sign the enclosed proxy card which is solicited by the Board of Directors and to mail it promptly in the enclosed envelope or, alternatively, vote by telephone or over the Internet as described in the attached Proxy Statement. The proxy will not be used if you attend the Special Meeting and choose to vote in person.

BY ORDER OF THE BOARD OF DIRECTORS
Michael J. Fowler
Secretary
Greeneville, Tennessee
June __, 2011

It is important that proxies be returned promptly. Therefore, whether or not you plan to be present in person at the Special Meeting, please sign, date, and complete the enclosed proxy card and return it in the enclosed envelope. No postage is required if mailed in the United States. Alternatively, you can vote over the telephone or on the Internet, as more particularly described in the attached Proxy Statement. Should you subsequently desire to revoke your proxy, you may do so as provided in the attached Proxy Statement before it is voted at the Special Meeting.

NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS
Important Notice Regarding the Availability of Proxy Materials for the Special Meeting of Shareholders to be Held on July __, 2011

This Proxy Statement and a proxy card are available at ___________________________.

The Special Meeting of Shareholders will be held July __, 2011 at ___a.m. local time at the General Morgan Inn, 111 North Main Street, Greeneville, Tennessee. In order to obtain directions to attend the Special Meeting of Shareholders, please call Michael J. Fowler, our Corporate Secretary, at (423) 278-3050.

PROXY STATEMENT
of
GREEN BANKSHARES, INC.
100 North Main Street
P.O. Box 1120
Greeneville, Tennessee 37743
(423) 639-5111

SPECIAL MEETING OF SHAREHOLDERS
July __, 2011

General

This Proxy Statement is being furnished to Green Bankshares, Inc. (the Company) shareholders in connection with the solicitation of proxies by the Company s Board of Directors (the Board of Directors) to be used at the Special Meeting of Shareholders of the Company (the Special Meeting), to be held on July __ 2011, at __ a.m., local time, at General Morgan Inn, 111 North Main Street, Greeneville, Tennessee. The accompanying Notice of Special Meeting and form of proxy and this Proxy Statement are first being mailed to shareholders on or about June __, 2011.

The Board of Directors has fixed the close of business on June 14, 2011 as the record date (the Record Date) for determining the shareholders entitled to receive notice of and to vote at the Special Meeting. Only holders of record of shares of the Company s common stock (Common Stock) at the close of business on that date will be entitled to vote at the Special Meeting and at any adjournment or postponement of that meeting. At the close of business on the Record Date, there were ______ shares of the Company s Common Stock outstanding, held by approximately 2,500 holders of record. Each Company shareholder as of the Record Date will be entitled to one vote for each share of Common Stock held of record upon each matter properly submitted at the Special Meeting and at any adjournment or postponement of that meeting.

Overview

On May 5, 2011, the Company, GreenBank (the Bank), and North American Financial Holdings, Inc. (NAFH) entered into an investment agreement (the Investment Agreement), pursuant to which NAFH has agreed to purchase, subject to certain conditions, for $217,019,000 in cash, 119,900,000 shares of Common Stock, at a purchase price of $1.81 per share (the Initial Investment), and under which each Company shareholder as of a certain date fixed prior to the closing of the Initial Investment (the Closing) shall receive, immediately prior to Closing, one contingent value right (CVR) per share that would entitle the holder to receive up to $0.75 in cash per CVR at the end of a five-year period based on the credit performance of GreenBank s existing loan portfolio. The CVRs that each shareholder will receive are in addition to the shares of the Company Common Stock that the Company's shareholders own, which shares will continue to be owned by the shareholders following the Closing. Following consummation of the transactions contemplated by the Investment Agreement, it is anticipated that NAFH will own approximately 90.1% of the Company s outstanding Common Stock.

The purpose of the Special Meeting is to obtain the shareholder approvals needed to complete the transactions contemplated by the Investment Agreement.

Conditions to the Completion of the Initial Investment

The obligation of each of NAFH, the Company and GreenBank to complete the Initial Investment is subject to the satisfaction or waiver of the following conditions:

the absence of any law, order, injunction or decree by a governmental body prohibiting (or any lawsuit or formal proceeding by a governmental body seeking to prohibit) the Initial Investment or NAFH s owning or voting the shares it intends to purchase in the Initial Investment;

receipt of all required regulatory approvals;

the approval of Proposals 1, 2, 3, 5 and 6 described in this Proxy Statement;

the accuracy of the other party s representations and warranties (subject to the materiality standard described in the Investment Agreement) and the performance by the other party in all material respects of its obligations under the Investment Agreement; and

the entry by NAFH and the United States Department of the Treasury (Treasury) into a binding agreement, on terms previously disclosed to the Company by NAFH, regarding the NAFH s repurchase of $72.3 million of shares of the Company s Fixed Rate Cumulative Perpetual Preferred Stock, Series A and warrant to purchase shares of Common Stock issued to the Treasury in connection with the Company s participation in the Capital Purchase Program (the CPP) of the Treasury s Troubled Asset Relief Program (the TARP) (the Repurchase).

In addition, the obligation of NAFH to complete the Initial Investment is subject to the satisfaction or waiver of the following conditions:

either (i) Proposal 4 described in this Proxy Statement is approved by the Company s shareholders or (ii) the Bank Merger (as defined in Proposal 4) shall have received all required board and governmental approvals and is reasonably capable of being consummated within three business days following the Closing;

the absence, since December 31, 2010, of any material adverse effect (as defined in the Investment Agreement) on the Company or its subsidiaries;

the appointment of individuals designated by NAFH to the board of directors of the Company and GreenBank such that the NAFH designees constitute a majority of the board of directors of the Company and GreenBank;

the resignation of certain directors of the Company and GreenBank;

the waiver of rights to receive certain change in control and other payments from certain senior officers;

the absence of any requirement imposed by any required regulatory approvals that materially reduces the economic benefit of the transactions contemplated by the Investment Agreement for NAFH (a Burdensome Condition), as determined by NAFH in its good faith judgment;

certain limitations on reductions in deposit levels and the amount of charge-offs at GreenBank between the date of the Investment Agreement and Closing;

the declaration of the CVR distribution; and

other terms and conditions typical of similar transactions and described in the Investment Agreement.

Termination of the Investment Agreement

The Investment Agreement may be terminated in a number of situations, including (i) by the Company or NAFH if (a) the Closing does not occur within 150 days after the Investment Agreement is signed or (b) notice from a

governmental entity that it will not grant a required approval or if a governmental entity takes certain actions

prohibiting, or imposing a Burdensome Condition upon, the transactions contemplated by the Investment Agreement, (ii) by the Company or NAFH in the event of a breach by the other of a representation or warranty or a covenant (that is not cured in the time allowed in the Investment Agreement) that causes the failure of a closing condition to be satisfied, (iii) by the Company or NAFH if Proposals 1, 2, 3, 5 and 6 described in this Proxy Statement are not approved, or (iv) by NAFH if, prior to the date of the Special Meeting, the Company breaches the Agreement s exclusivity/non-solicitation provisions or the Board of Directors withdraws its recommendation to the Company s shareholders with respect to the transactions contemplated by the Investment Agreement.

Termination Fees Payable by the Company

If an Acquisition Proposal (as defined in the Investment Agreement) is made to the Company or its subsidiaries and thereafter the Investment Agreement is terminated because (i) the required approvals of the Company s shareholders are not obtained; (ii) the Company breaches its obligations under the non-solicitation/exclusivity provisions; or (iii) the Company breaches a covenant of the Investment Agreement (and fails to cure such breach in the time allowed in the Investment Agreement) that causes the failure of a closing condition to be satisfied, then the Company will owe NAFH a $750,000 expense reimbursement immediately and, if an alternative transaction is entered into within twelve (12) months of the termination of the deal, an $8,000,000 termination fee at the time the agreement for the new transaction is entered into. If an Acquisition Proposal is made, and thereafter the Agreement is terminated by NAFH because the Board of Directors has withdrawn its recommendation that the shareholders approve the transactions or recommended a competing transaction, a $750,000 expense reimbursement would be payable immediately and $4,000,000 of the termination fee would be payable immediately, with the remaining $4,000,000 payable if the Company enters into an agreement for an alternative transaction within 12 months of the termination of the deal.

In addition, on May 5, 2011, the Company also entered into a Stock Option Agreement (the Option Agreement) with NAFH, pursuant to which the Company granted an option (the Option) to purchase up to 2,628,183 shares of Common Stock (not to exceed 19.9% of the issued and outstanding shares of the Company) at a price equal to the closing price on the first trading day following the date of the Investment Agreement (the Option Price). Pursuant to the Option Agreement, the Option will be exercisable under certain circumstances in connection with certain third party acquisitions or acquisition proposals that occur prior to an Exercise Termination Event.

An Exercise Termination Event means any of the following:

completion of the Initial Investment;

termination of the Investment Agreement in accordance with its terms, before certain third party acquisitions or acquisition proposals, except a termination of the Investment Agreement by NAFH based on a breach by the Company of a representation, warranty, covenant or other agreement contained in the Investment Agreement (unless the breach is non-volitional) or a termination based on the Company breaching its obligations under the non-solicitation/exclusivity provisions of the Investment Agreement or based on the Board of Directors having withdrawn its recommendation that the Company s shareholders approve the transactions or recommended a competing transaction; or

the passage of 18 months, subject to certain limited extensions described in the Option Agreement, after termination of the Investment Agreement, if the termination follows the occurrence of certain third party acquisitions or acquisition proposals or is a termination of the Investment Agreement by NAFH based on a breach by the Company of a representation, warranty, covenant or other agreement contained in the Investment Agreement (unless the breach is non-volitional) or a termination based on the Company breaching its obligations under the non-solicitation/exclusivity provisions of the Investment Agreement or based on the Board of Directors having withdrawn its recommendation that the Company s shareholders approve the transactions or recommended a competing transaction.

In addition, upon the occurrence of certain events relating to third party acquisitions, NAFH may require the Company to repurchase the Option at a price equal to either (i) the number of shares for which the Option may be exercised multiplied by the amount by which the Market/Offer Price (as that term is defined in the Option

Agreement), exceeds the Option Price or (ii) $2,500,000, adjusted in the case of clause (ii) for the aggregate

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purchase price previously paid by NAFH with respect to any option shares and gains on sales of stock purchased under the Option. In no event may NAFH s total profit with respect to the Option exceed $8,000,000.

Termination Fee Payable by NAFH

If the Investment Agreement is terminated because NAFH breaches a covenant of the Investment Agreement (and fails to cure such breach in the time allowed in the Investment Agreement) that causes the failure of a closing condition to be satisfied, then NAFH will owe the Company an amount equal to $8,000,000 in respect of the Company s and the Bank s out-of-pocket expenses incurred in connection with the Investment Agreement and the transactions contemplated thereby.

Matters to be Considered

At this Special Meeting, holders of record of the Company s Common Stock as of the Record Date will be asked to:

- approve the original issuance and certain subsequent issuances of shares of Common Stock to NAFH under the terms of the Investment Agreement;

- vote on an amendment to the Company s Charter to increase the number of authorized shares of Common Stock from twenty million (20,000,000) to three hundred million (300,000,000);

- vote on an amendment to the Charter to decrease the par value of the Common Stock from $2.00 per share to $0.01 per share;

- vote on an amendment to the Charter to expressly exempt NAFH and its affiliates and associates from the provisions of Section 9 of the Charter;

- vote on an amendment to the Charter to remove Section 8(j) of the Charter so that the Tennessee Control Share Acquisition Act will not apply to the Company and its shareholders;

- approve the merger of GreenBank with and into a subsidiary of NAFH;

- approve, on an advisory and non-binding basis, the compensation to be received by the Company s named executive officers in connection with the issuance of the shares of Common Stock to NAFH under the terms of the Investment Agreement; and

- grant the proxy holder discretionary authority to vote to adjourn the Special Meeting, if necessary, in order to solicit additional proxies in the event there are not sufficient affirmative votes present at the Special Meeting to approve the proposals that may be considered and voted on, at the Special Meeting.

Proxies

Each copy of this Proxy Statement mailed to Company shareholders is accompanied by a proxy card with instructions for voting by mail, by telephone or on the Internet. If voting by mail, you should complete and return the proxy card accompanying this Proxy Statement in the enclosed, postage paid envelope to ensure that your vote is counted at the Special Meeting, or at any adjournment or postponement of the Special Meeting, regardless of whether you plan to attend the Special Meeting. You may also vote your shares by telephone or on the Internet. Instructions for voting by telephone or on the Internet are set forth in the enclosed proxy card.

The presence of a shareholder at the Special Meeting will not automatically revoke that shareholder s proxy. However, a shareholder may revoke a proxy at any time prior to its exercise by:

submitting a written revocation prior to the meeting to Michael J. Fowler, Corporate Secretary, Green Bankshares, Inc., 100 North Main Street, Greeneville, Tennessee 37743-4992;

submitting another proxy by mail, Internet or telephone on a later date than the original proxy; or

attending the Special Meeting and voting in person.

If your shares are held by a broker or bank, you must follow the instructions on the form you receive from your broker or bank with respect to changing or revoking your proxy.

The shares represented by any proxy card that is properly executed and received by the Company in time to be voted at the Special Meeting will be voted in accordance with the instructions that are marked on the proxy card. **If you execute your proxy card but do not provide the Company with any instructions, your shares will be voted FOR the issuance of Common Stock pursuant to the terms of the Investment Agreement; FOR the amendment to the Company s Charter to increase the number of authorized shares of Common Stock; FOR the amendment to the Company s Charter to decrease the par value of the Common Stock; FOR the amendment to the Company s Charter to expressly exempt NAFH and its affiliates and associates from Section 9 of the Charter; FOR the amendment to the Company s Charter removing Section 8(j) of the Charter; FOR the approval of the merger of GreenBank with and into a subsidiary of NAFH; FOR the approval of the compensation to be received by the Company s named executive officers in connection with the issuance of the Company s Common Stock to NAFH under the Investment Agreement; and FOR the grant of discretionary authority to adjourn the Special Meeting, if necessary, in order to solicit additional proxies.**

Proxies that are returned to us where brokers have received instructions to vote on one or more proposals but do not vote on other proposal(s) are referred to as broker non-votes with respect to the proposal(s) not voted upon. Broker non-votes are included in determining the presence of a quorum.

Vote Required

In order to have a lawful meeting, a quorum of shareholders must be present at the Special Meeting. The presence, in person or by proxy, of the holders of a majority of the outstanding shares of the Company s Common Stock outstanding as of the Record Date will constitute a quorum at the Special Meeting. A shareholder will be deemed to be present if the shareholder either attends the Special Meeting or submits a properly executed proxy card by mail, on the Internet or by telephone that is received at or prior to the Special Meeting (and not revoked). Under the laws of the State of Tennessee, the Company s state of incorporation, abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum, but are not counted as votes cast at the meeting. Broker non-votes occur when brokers who hold their customers shares in street name submit proxies for such shares on some matters, but not others. Generally, this would occur when brokers have not received any instructions from their customers. In these cases, the brokers, as the holders of record, are permitted to vote on routine matters, but not on non-routine matters, such as approval of the issuance of Common Stock to NAFH pursuant to the terms of the Investment Agreement; approval of the merger of GreenBank with and into a subsidiary of NAFH; and approval of the compensation to be received by the Company s named executive officers in connection with the issuance of the Company s Common Stock under the Investment Agreement. As such, unless you instruct your broker how to vote shares of yours held in a broker s name, those shares will not be voted on the approval of the issuance of Common Stock to NAFH pursuant to the terms of the Investment Agreement; approval of the merger of GreenBank with and into a subsidiary of NAFH; and approval of the compensation to be received by the Company s named executive officers in connection with the issuance of the Company s Common Stock to NAFH under the Investment Agreement, but will be counted in determining whether there is a quorum.

If a quorum exists, approval of the amendments to the Company s Charter, other than the approval of the amendment to expressly exempt NAFH and its affiliates and associates from Section 9 of the Charter; approval of the issuance of Common Stock to NAFH under the terms of the Investment Agreement; approval

of the compensation to be received by the Company s named executive officers in connection with the issuance of the Company s Common Stock to NAFH under the Investment Agreement; and approval of the proposal to adjourn the Special Meeting, if necessary, require that the number of votes cast, in person or by proxy, in favor of such proposals at the Special Meeting exceed the number of votes cast, in person or by proxy, against the proposals. Approval of the amendment to the Company s Charter to expressly exempt NAFH and its affiliates and associates from Section 9 of the Charter requires the affirmative vote of 80% of the outstanding shares of Common Stock entitled to vote on the matter. Approval of the merger of GreenBank with and into a subsidiary of NAFH requires the affirmative vote of a majority of the outstanding shares of Common Stock as of the Record Date entitled to vote at the Special Meeting.

Abstentions and broker non-votes will have no effect on the approval of the amendments to the Company s Charter (other than the approval of the amendment to expressly exempt NAFH and its affiliates and associates from Section 9 of the Charter), the approval of the issuance of Common Stock to NAFH under the terms of the Investment Agreement, the approval of the compensation to be received by the Company s named executive officers in connection with the issuance of the Company s Common Stock to NAFH under the Investment Agreement and the approval of the proposal to adjourn the Special Meeting and will have the effect of a vote against approval of the amendment to the Charter to expressly exempt NAFH and its affiliates and associates from Section 9 of the Charter and approval of the merger of GreenBank with and into a subsidiary of NAFH.

Solicitation of Proxies

The Company will pay all expenses incurred in connection with this solicitation, including postage, printing, handling and the actual expenses incurred by custodians, nominees and fiduciaries in forwarding proxy materials to beneficial owners. Additionally, the Company has engaged Innisfree M&A Incorporated to assist in the distribution of proxy materials and the solicitation of proxies by mail, telephone, facsimile, or personal meetings. The Company has agreed to pay Innisfree a solicitation fee not to exceed $20,000 plus expenses. In addition to solicitation by mail, certain of the Company s officers, directors and regular employees, who will receive no additional compensation for their services, may solicit proxies by telephone, personal communication or other means. The Company will also reimburse brokerage firms and other persons representing beneficial owners of shares for reasonable expenses incurred in forwarding proxy soliciting materials to the beneficial owners.

PROPOSAL 1 APPROVAL OF THE ISSUANCE OF SHARES OF COMMON STOCK UNDER THE INVESTMENT AGREEMENT

Subject to the terms of the Investment Agreement, the investment by NAFH in the Company is conditioned upon shareholder approval of this Proposal No. 1 as well as approval of Proposals No. 2, 3, 5 and 6 and, in certain circumstances, approval of Proposal No. 4. Shareholders who wish to approve NAFH s investment in the Company should vote to approve this Proposal No. 1 as well as Proposals No. 2 6. As described below, the Company s Board of Directors also recommends that shareholders vote to approve Proposals No. 7 and 8.

On May 5, 2011, the Company s Board of Directors approved a resolution to issue shares of Common Stock under the Investment Agreement, pursuant to which NAFH has agreed to purchase, subject to certain conditions, for $217,019,000 in cash, 119,900,000 shares of Common Stock at a purchase price of $1.81 per share, and under which each Company shareholder as of a certain date fixed prior to the Closing will receive one CVR per share that would entitle the holder to receive up to $0.75 in cash per CVR at the end of a five-year period based on the credit performance of GreenBank s existing loan portfolio. In addition, pursuant to the Investment Agreement, following the closing of the Initial Investment and until such time as the Bank is merged with and into a subsidiary of NAFH, NAFH has the right to purchase, at a price equal to the lesser of (a) $1.81 per share and (b) the Company s tangible book value per share at the end of the then most recently completed fiscal quarter, such additional shares of Common Stock necessary to ensure that the Bank s tier 1 leverage ratio is at least 10% (the Top-Up Investment and, collectively with the Initial Investment, the Investment). A copy of the Investment Agreement is attached as Appendix A to this Proxy Statement.

Because the Company s Common Stock is listed on the NASDAQ Stock Market LLC (NASDAQ), it is subject to NASDAQ s rules and regulations. NASDAQ Listing Rule 5635(d) requires shareholder approval prior to

the issuance of Common Stock, or securities convertible into or exercisable for Common Stock, equal to 20% or more of the Common Stock or 20% or more of the voting power outstanding before the issuance for less than the greater of book value or market value of the stock.

Under NASDAQ Listing Rule 5635(b), companies are required to obtain shareholder approval prior to the issuance of securities when the issuance or potential issuance would result in a change of control as defined by NASDAQ. NASDAQ generally characterizes a transaction whereby an investor or group of investors acquires, or obtains the right to acquire, 20% or more of the voting power of an issuer on a post-transaction basis as a change of control for purposes of Rule 5635(b).

Assuming the existence of a quorum, this proposal will be approved if the number of shares voted in favor of the proposal to approve the issuance of shares of Common Stock under the Investment Agreement exceeds the number of shares voted against the proposal. As such, abstentions and broker non-votes will not affect the outcome of the vote.

Reasons for this Proposal

As part of its ongoing evaluation of the Company s business, the Company s Board of Directors and the Company s senior management regularly evaluate the Company s long-term strategic alternatives and prospects for continued operations. These strategic discussions have included, among other things, the possibility of business combinations with other entities, continuing the Company s on-going operation as an independent institution, securities offerings, both public and private, and the potential sale or recapitalization of the Company.

Beginning in late 2007, the Company, like many financial institutions across the United States, began to experience financial stress which was primarily attributable to the significant weaknesses in the U.S. economy that began to surface during the fourth quarter of 2007 which continued to escalate throughout 2008 and 2009. These deteriorating economic conditions, which manifested themselves primarily in the Company s residential real estate construction and development portfolio, continued into 2010 when economic conditions briefly exhibited signs of improvement in the first half of 2010, and continued to deteriorate again in the second half of the year. As a result of these weakened economic conditions, the Company s results of operations were significantly and negatively affected in the fourth quarter of 2007 and throughout each of the 2008, 2009 and 2010 fiscal years.

Beginning in 2008, the Company sought to proactively address its asset quality problems by seeking to quickly dispose of troubled assets (which were principally in its residential real estate construction and development portfolio in its Nashville and Knoxville, Tennessee markets) taking losses on the disposition of those assets as necessary. As a result, the Company s provision for loan losses in 2008, 2009 and 2010 totaled $52.8 million, $50.2 million and $71.1 million. The Company incurred net charge-offs of $38.1 million, $48.9 million and $54.4 million in each of those three years. During the first quarter of 2011, the Company continued to experience increased levels of provision expense and net charge-offs as its asset quality problems continued. For the first quarter of 2011, the Company s provision for losses totaled $13.9 million and its net charge-offs totaled $15.6 million.

The impact of the increase in nonperforming assets and the associated increase in credit expense and other real estate owned expenses has resulted in significant losses over the past three fiscal years and the first quarter of 2011, which has eroded the Company s shareholders equity and regulatory capital ratios. The Company reported a net loss available to common shareholders of $85.7 million in 2010. This compared to a net loss available to common shareholders of $155.7 million in 2009 that included a $143.4 million non-recurring charge for goodwill impairment and a net loss available to common shareholders of $5.5 million in 2008. For the first quarter of 2011, the Company recorded a net loss available to common shareholders of $11.6 million.

In December of 2008, the Company s Board of Directors authorized the Company to participate in the CPP established by the Treasury under the TARP of the Emergency Economic Stabilization Act of 2008 (the EESA). In connection with its participation in the CPP, the Company issued to Treasury (i) 72,278 shares of the Company s Fixed Rate Cumulative Perpetual Preferred Stock, Series A, having a liquidation preference of $1,000 per share (the Series A Preferred Stock), and (ii) a ten-year warrant to purchase up to 635,504 shares of the Company s Common Stock, at an initial exercise price of $17.06 per share (the Warrant), for an aggregate purchase price of approximately $72.3 million in cash. This $72.3 million investment qualified as Tier 1 capital and significantly

improved the regulatory capital ratios of the Company and GreenBank. Although the capital contributed to GreenBank as a result of the Company s participation in the CPP significantly improved GreenBank s regulatory capital ratios, which also benefited from the approximately $88.7 million of capital contributed by the Company s trust preferred issuances, the investment did not strengthen the Company s common shareholders equity, which continued to erode as the Company s credit quality issues continued into 2009 and 2010.

In November 2010, the Company informally committed to the Federal Reserve Bank of Atlanta that it would not incur additional indebtedness, pay cash dividends, make payments on the Series A Preferred Stock or the Company s trust preferred securities or repurchase outstanding stock without prior regulatory approval. Since that date, the Company has not been given permission to pay interest on the Company s trust preferred securities or dividends on the Series A Preferred Stock. As a result of such deferrals, the Company may not pay dividends on any of its common or preferred stock or trust preferred securities until all accrued and deferred amounts have been paid.

GreenBank has also informally committed to the Federal Deposit Insurance Corporation (FDIC) and the Tennessee Department of Financial Institutions (TDFI) that it will maintain a Tier 1 leverage ratio of not less than 10% and a Total risk-based capital ratio of not less than 14%. Because of the significant losses that the Bank incurred in the second half of 2010 and first quarter of 2011, GreenBank s capital levels fell below these required minimum levels at December 31, 2010 and remain below these levels at March 31, 2011.

Beginning in the third quarter of 2010, the Company s Board of Directors began to work closely with management and the Company s financial advisor to explore the Company s reasonably available strategic alternatives to address the Company s credit, financial and regulatory challenges, including maintaining the status quo, selling common or preferred stock in a public or private offering, disposing of a significant amount of problem assets, a balance sheet restructuring transaction in which the Series A Preferred Stock was converted to common stock, and merging with a larger financial institution in a strategic transaction. Following their engagement in September 2010, representatives of the Company s financial advisor met with various members of the Company s senior management to discuss the Company s near and longer-term prospects assuming various scenarios.

Throughout the third and fourth quarters of 2010 and into the first quarter of 2011 the Company s Board of Directors, with the assistance of the Company s financial advisor, engaged in extensive discussions regarding the Company s strategic alternatives and the Company s Board of Directors authorized the Company s financial advisor and members of senior management to pursue all alternatives available to the Company to strengthen the Company s capital position, including pursuing discussions with Treasury regarding converting the Series A Preferred Stock into Common Stock and any discount that Treasury might be willing to accept in connection with such a conversion. The Company s Board of Directors also authorized management to provide financial information to companies that might be interested in pursuing a transaction with the Company, subject to those companies executing confidentiality agreements with the Company.

Beginning late in the third quarter of 2010, the Company s financial advisor began contacting both potential private equity investors and possible strategic partners and inquiring as to whether these companies would have interest in pursuing a transaction with the Company. Over the next six months the Company entered into confidentiality agreements with twenty-one potential private equity investors and seven potential strategic partners, including both platform companies, like NAFH, and large, regional financial institutions. Subsequent to these companies executing confidentiality agreements, the Company provided these interested companies with access to an online data room containing financial information about the Company and provided these interested companies with information regarding the Company s loan portfolio. Members of the Company s senior management also held in-person meetings with seventeen of the private equity sponsors and three of the strategic partners.

During the time that the Company s senior managers were having discussions with these private equity firms and potential strategic partners, the Company s results of operations continued to be negatively impacted by credit quality issues and related elevated provision expense and net charge-offs, and the Company s stock price continued to decline. During the third and fourth quarters of 2010, equity capital market conditions continued to worsen and it became increasingly more difficult for bank holding companies, particularly those experiencing significant asset quality problems like the Company, to successfully consummate public offerings. As a result, the Company s Board of Directors directed management and the Company s financial advisor to focus their efforts on

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raising capital through the sale of common or preferred stock in a private offering rather than a public offering and in a transaction between the Company and a strategic partner.

Throughout October 2010 and November 2010, management and the Company s financial advisor continued to have discussions with companies that were interested in making an investment in the Company or in merging with the Company, and on a regular basis the Company s Board of Directors was apprised of the results of those discussions. In November 2010, the Company received oral indications of interest from two potential private equity investors and preliminary written indications of interest from three potential strategic partners. Each of the indications from the private equity investors was conditioned on further due diligence, particularly involving the Company s loan portfolio and potential losses embedded in the portfolio, and indicated that they would provide only a portion of the amount of capital that the private equity investors believed the Company needed to raise. Additional investors would have needed to supplement these lead investors investment to raise an amount of capital that the investors thought was sufficient to capitalize the Company and GreenBank in light of the amount of losses these investors believed remained in the Company s loan portfolio. Neither of these private equity investors ever made a written offer to the Company. The three indications that the Company received from strategic partners were also conditioned on further due diligence, particularly involving the Company s loan portfolio and the potential losses embedded in the portfolio. Following their due diligence review, none of these strategic partners ever made a definitive offer to acquire the Company.

In December 2010, the Company s senior managers and its financial advisor engaged in discussions with a private equity investor (PE Firm A) that owned a portion of a community bank based in the Southeast (PE Firm A s Bank) about a transaction that would combine the Company s bank subsidiary with PE Firm A s Bank coupled with a recapitalization of the resulting entity led by PE Firm A. Over the next four months, the Company s representatives and PE Firm A s representatives had intermittent discussions about a potential transaction and PE Firm A completed a significant amount of due diligence on the Company, with particular emphasis on the Company s loan portfolio, and the Company s senior managers completed limited due diligence on PE Firm A s Bank.

During the period from December 2010 to April 2011, the Company s senior management and its financial advisor continued to engage in discussions with PE Firm A, met with a number of other private equity investors and explored other alternatives for the Company. On or about April 14, 2011, NAFH submitted a written offer to invest $202 million into the Company at a per share price of $1.00 per share and requested that the Company negotiate exclusively with NAFH for a period of thirty days to reach a definitive agreement. This offer was conditioned on, among other things, NAFH being able to secure a discount of 40% from the Treasury on the repurchase of the Series A Preferred Stock. The Company s Board of Directors met on April 15, 2011 to consider this written offer and after discussing the offer, instructed the Company s financial advisor and the Company s senior managers to notify NAFH that it was rejecting this offer because, among other things, the Board of Directors believed the per share investment price was inadequate.

Around the time that the Company received NAFH s initial written offer, the Company also received an oral indication from PE Firm A indicating that it was interested in leading a $170 million investment in the Company at a price of up to $2.00 per share, conditioned upon, among other things, the Company acquiring PE Firm A s Bank at 1.5x book value and on Treasury converting its Series A Preferred Stock to Common Stock at a 70% discount. The Company s Board of Directors met on April 15, 2011 to consider this oral indication of interest and instructed the Company s financial advisor to have PE Firm A reduce its offer to writing, which PE Firm A did, delivering a written offer to the Company on April 18, 2011. PE Firm A s written offer confirmed its oral indication of interest, although it reflected a reduction in the size of the capital investment from $170 million to $163 million. The written offer continued to be conditioned upon (1) the Company s agreeing to acquire PE Firm A s Bank s common stock at 1.5x book value, (2) the Treasury s willingness to convert the Series A Preferred Stock to Common Stock at a 70% discount and (3) PE Firm A s satisfactory completion of further financial, legal, and operational due diligence, including accounting and tax-related due diligence. In addition, PE Firm A s written offer was conditioned upon the Company implementing protections designed to ensure that the Company would be able to utilize its net operating losses and deferred tax assets following closing of the investment without limitation.

On April 18, 2011, the Company s Board of Directors met to consider PE Firm A s written offer. At that meeting, the Board of Directors authorized the Company s senior management and its financial advisor to pursue

further discussions with PE Firm A. Over the next ten days, members of the Company s senior management and its financial advisor had numerous discussions with representatives of PE Firm A and representatives of PE Firm A s Bank regarding the structure of the proposed transaction and other transaction-related matters. The Company s senior management and its financial advisor stressed to PE Firm A s representatives that the current transaction proposal had significant execution risk, particularly the requirement that Treasury convert the Series A Preferred Stock to common stock at at least a 70% discount. Based on conversations that the Company s senior management had with Treasury s representatives, the Company s senior management did not believe Treasury would agree to a discount of that magnitude.

On April 22, 2011, representatives of NAFH asked members of the Company s senior management if they could make a presentation to the Company s Board of Directors. On April 26, 2011, representatives of NAFH attended a meeting of the Company s Board of Directors and described the terms of a revised offer that NAFH was prepared to make to the Company. Pursuant to the terms of this revised offer, NAFH would acquire 100% of the Company s outstanding Common Stock in a merger transaction. The consideration paid to the Company s shareholders would be based on the closing price for the Company s common stock on that date, which was $2.09 per share, and could be paid in all cash, or in a combination of cash and equity securities of NAFH, or its subsidiary Capital Bank Corporation, although no more than 20% of the total consideration would be in the form of equity and only shareholders of the Company that qualified as accredited investors under the SEC s rules and regulations would be entitled to receive NAFH stock. Unlike its earlier offer, this offer was not conditioned on the Treasury agreeing to sell the $72.3 million of Series A Preferred Stock to NAFH at a discount although NAFH orally indicated that they continued to seek a discount from Treasury. This revised offer also included the issuance of contingent value rights to the Company s shareholders which would entitle the Company s shareholders to cash proceeds of up to $0.75 per share, based on the credit performance of GreenBank s legacy loan portfolio over the five years following closing. NAFH s representatives communicated to the Company s Board of Directors that NAFH had substantially completed its due diligence and that it had a sufficient amount of cash on hand to effect the transaction and would not require any type of financing contingency or condition. NAFH s representatives communicated to the Company s Board of Directors that NAFH needed to move quickly on this transaction and was prepared to devote the resources necessary to finalizing definitive deal documentation by April 30, 2011.

Following NAFH s representatives presentation at the April 26, 2011 board meeting, the Company s Board of Directors and senior management discussed with the Company s legal and financial advisors the revised NAFH proposal and the current status of the discussions with PE Firm A. The Company s Board of Directors authorized management and the Company s financial advisor to pursue further discussions with NAFH and with PE Firm A.

Between April 26, 2011 and April 29, 2011, NAFH revised its proposals and offered the Company s Board of Directors the option of a recapitalization transaction, in which NAFH would acquire approximately $217 million of the Company s Common Stock at a per share purchase price of $1.81 per share, or alternatively, a transaction in which NAFH would acquire 100% of the Company s outstanding common stock in a merger transaction at a per share purchase price of $2.15, with the option of up to 20% of the merger consideration being in the form of Capital Bank Corporation stock. Each transaction structure included the same offer of contingent value rights. Each transaction included roughly the same closing conditions, and neither transaction was expressly conditioned on the Treasury agreeing to sell the $72.3 million of Series A Preferred Stock to NAFH at a discount. The Company s Board of Directors directed the Company s senior management and its financial advisor to continue to have discussions with NAFH regarding its proposal, including requesting that NAFH allow the Company s existing shareholders a chance to invest in the Company s common stock in a rights offering if the recapitalization transaction was consummated.

On April 29, 2011, the Company s Board of Directors met to consider the three alternatives then available to the Board of Directors the recapitalization transaction with NAFH; the merger transaction with NAFH with a per share price now at $2.15 per share; and the recapitalization transaction with PE Firm A at a per share price of up to $2.00. In comparing the three alternatives, the Company s Board of Directors considered numerous factors, including but not limited to, price, availability of financing, deal certainty, timing, the amount of capital infusion, likelihood of and timing for securing regulatory approval, its estimate of the Treasury s willingness to agree to a repurchase, and the potential investors different visions for the Company going forward. While PE Firm A offered the possibility of a

higher nominal price per share than the NAFH recapitalization transaction, its offer was

conditioned on further due diligence, Treasury agreeing to convert the Series A Preferred Stock to common stock at a discount, and preservation of the Company s net operating losses and deferred tax asset. The Company s Board of Directors also believed that while the merger transaction alternative proposed by NAFH offered a higher nominal price per share than NAFH s recapitalization transaction, the Company s common stock price would likely trade higher than the value of the consideration being offered in the NAFH merger transaction, based on the trading history of certain companies that had recently announced similar recapitalization transactions. In addition, the Company s Board believed that the recapitalization transaction could be consummated on a more accelerated timeline than the merger transaction because the shares of Capital Bank Corporation common stock to be issued in the merger transaction would have needed to be registered with the SEC, which would have likely added additional time to the process. The Company s Board of Directors also believed that the NAFH recapitalization transaction, which offered the Company s shareholders an opportunity to remain shareholders of the Company and ultimately shareholders of NAFH, offered the potential for further improved returns over the NAFH merger transaction in which only a portion of the consideration that the Company s shareholders would have received would have been in equity securities. The Company s Board of Directors also believed that the potential cash value of the CVRs provides a positive benefit over the recapitalization transaction involving PE Firm A, and that accordingly the NAFH recapitalization transaction provides a higher value to shareholders than the recapitalization transaction involving PE Firm A. For these reasons, the Company s Board of Directors instructed the Company s financial advisor and the senior management to focus their efforts on negotiating a recapitalization transaction with NAFH.

In instructing the Company s senior management and its financial advisor to focus their efforts on the NAFH recapitalization transaction, the Company s Board of Directors viewed the NAFH recapitalization transaction as more certain to close over PE Firm A s recapitalization transaction and to provide greater future growth opportunities for the Company and the Company s shareholders than either of the other two alternative transactions. The financing for the transaction with PE Firm A was not as secure as NAFH s readily available cash, and regulatory approval for the transaction with PE Firm A was less certain as to both timing and likelihood of approval. In addition to being more certain to close, the NAFH recapitalization transaction also entails a much larger capital infusion than the alternative transaction with PE Firm A, does not require that Treasury accept a discount on its Series A Preferred Stock (although NAFH indicated that it was still seeking a discount from Treasury), and is not conditioned on the Company preserving its net operating losses and deferred tax asset.

Beginning on April 29, 2011 and continuing through May 5, 2011, the Company s senior management and its legal and financial advisors negotiated the terms of the Investment Agreement and the ancillary documents thereto with NAFH and its advisors. The Company s legal and financial advisors sought numerous changes to the draft of the Investment Agreement submitted by NAFH, including, among others, changes to the non-solicitation provisions, elimination of the Option, the closing conditions and the provisions dealing with the size of the termination fees and reverse termination fees and the situations in which those fees would be payable. The Company s advisors also reiterated the desire of the Company s Board of Directors that NAFH permit the Company to conduct a rights offering following consummation of the recapitalization transaction to its existing shareholders at the same per share price that NAFH was paying. NAFH was unwilling to agree to most of the changes suggested by the Company s advisors, including the Board s request for a rights offering to be included in the transaction or for the Company being entitled to require NAFH to specifically perform its obligations under the Investment Agreement, and insisted that the agreement be signed promptly.

On May 2, 2011, GreenBank received notice from the FDIC and TDFI that, as a result of those agencies findings in their most recently completed joint safety and soundness examination, the agencies would be seeking a formal enforcement action against GreenBank aimed at strengthening GreenBank s operations and its financial condition. Accordingly, the FDIC informed the Company that it was pursuing the issuance of a consent order against GreenBank and the TDFI was pursuing the issuance of a written agreement against GreenBank and that these formal enforcement actions would likely require GreenBank to maintain capital levels above those that GreenBank currently met. The Board of Directors believed that the issuance of this formal enforcement action would negatively impact the Company s operations and that the prompt consummation of a capital raising transaction would significantly reduce this negative impact.

On May 5, 2011, the Company s Board of Directors met for the primary purpose of considering the NAFH recapitalization transaction. Representatives of the Company s legal and financial advisors attended this meeting, as did certain members of the Company s senior management. A representative of the Company s legal advisor

reviewed with the Company s Board of Directors their applicable fiduciary duties and responsibilities and described for the Board of Directors in detail the terms of the Investment Agreement and the ancillary agreements. The Company s Board of Directors considered the $1.81 per share purchase price proposed by NAFH, together with the CVR, compared to the per share prices offered in the other two alternatives as well as the potential stock price performance for the Company s Common Stock on a stand-alone basis (based on management s assumptions as to future financial performance) and the possible stock price performance following announcement of the NAFH recapitalization transaction. Mr. Rownd also presented the views of management regarding the proposed recapitalization transaction with NAFH, concluding with management s recommendation that the transaction be approved.

After discussion, the Company s Board of Directors adopted and approved the Investment Agreement and the transactions contemplated by the Investment Agreement, including the Bank Merger described in Proposal 6, and determined that the Investment Agreement and the transactions contemplated by the Investment Agreement, including the Bank Merger, are advisable and in the best interests of the Company and its shareholders.

On May 5, 2011, the Company announced the execution of the Investment Agreement with NAFH. The Company is seeking approval to issue shares of Common Stock under the Investment Agreement to support the Company s strategic growth opportunities in the future. If the issuance of shares under the Investment Agreement is approved and the proposed transactions are consummated, the Company will receive approximately $217 million in gross proceeds from the Investment by NAFH. If the Company is unable to complete the Investment, it would materially and adversely affect the Company s business, financial results and prospects.

Effect of this Proposal

The issuance of shares of Common Stock under the Investment Agreement will not affect the rights of the holders of currently outstanding Common Stock, but the shares issued pursuant to the Investment will cause substantial dilution to existing shareholders voting power and in the future earnings per share of their Common Stock. When the additional shares of Common Stock are issued under the Investment Agreement and assuming approval of the other proposals set forth in this Proxy Statement, such new shares will have the same voting and other rights and privileges as the currently issued and outstanding shares of Common Stock, including the right to cast one vote per share on all matters and to participate in dividends when and to the extent declared and paid.

If this proposal is approved and other closing conditions (including the approval of Proposals 2, 3, 5 and 6) are satisfied, the Company will issue 119,900,000 shares of Common Stock to NAFH, which will result in NAFH owning approximately 90.1% of the Company s outstanding Common Stock. In addition, if requested by NAFH, the Company will issue such additional shares following the closing of the Initial Investment but prior to such time as GreenBank is merged with and into a subsidiary of NAFH as are necessary to maintain GreenBank s tier l leverage ratio at or above 10%. If the Closing occurs, no further vote of the Company s shareholders will be required to effect the Holding Company Merger (as defined in Proposal 4), as NAFH will be able to accomplish that transaction under the provisions of the Tennessee Business Corporation Act that allows a parent corporation that owns at least 90% of the outstanding capital stock of a subsidiary to merge that subsidiary corporation into the parent without requiring a vote of the minority shareholders.

Interest of the Company s Directors and Executive Officers in the Proposal

Certain of the Company s directors and executive officers have an interest in this Proposal No. 1 as a result of their ownership of shares of Common Stock, as set forth in the section entitled Security Ownership of Certain Beneficial Owners and Management below. In addition to their interests in this Proposal No. 1 as a result of their ownership of shares of Common Stock, certain of the Company s directors and executive officers also have interests in this Proposal No. 1 that differ from, or are in addition to, those of the Company shareholders generally, because the Initial Investment and the consummation of the related transactions contemplated by the Investment Agreement will constitute a change in control under certain employment agreements, equity plans and other benefits plans and programs in which the Company s directors and executive officers participate. The employment agreements and benefit plans and programs provide the Company s directors and officers certain additional benefits upon a change in control, subject to any applicable legal or regulatory restrictions.

In addition to the interests and benefits applicable to the Company s named executive officers as described in Proposal 7 Approval of Executive Compensation the Company s directors and executive officers have the following additional interests in the transaction with NAFH:

Treatment of Outstanding Equity Awards. Under the terms of the Company s Amended and Restated 2004 Long-Term Incentive Plan (the LTIP), the vesting of the restricted stock and unvested stock options accelerate immediately prior to a change in control of the Company, including the Investment, and become fully vested. However, because of the Company s participation in the CPP any such vesting is prohibited for the Company s SEOs and next five most highly compensated employees. While the vesting of the unvested equity awards will not accelerate prior to consummation of the Investment for these individuals, it is anticipated that these unvested equity awards will accelerate following consummation of the Repurchase. Each of the named executive officers, except R. Stan Puckett, currently hold unvested equity awards which are anticipated to vest following the consummation of the Repurchase.

As of June ___, 2011, Messrs. Vaught, Droke, W. Adams and Ottinger hold 2,000, 506, 476 and 392 unvested stock options, respectively, that are anticipated to vest following consummation of the Repurchase. None of the unvested stock options have an exercise price that is less than $1.81 and, therefore, such stock options currently have no intrinsic value.

As of June ___, 2011, Messrs. Rownd, Fowler, Droke, W. Adams and Ottinger hold 42,537, 30,865, 662, 624 and 1,716 shares of unvested restricted stock, respectively, that are anticipated to vest following the consummation of the Repurchase.

In addition to the executive officers, the Company s directors also currently hold unvested equity awards. Unlike the SEOs and next five most highly-compensated employees, these individuals are not subject to the prohibitions under the CPP on the acceleration of unvested equity awards. As of June ___, 2011, Messrs. Leonard, Whitfield, Tolsma, Mooningham, Lynch, Daniels and Campbell and Mrs. Bachman, the Company s non-employee directors, own 655, 529, 405, 759, 192, 582, 13 and 679 shares of unvested restricted stock, respectively, that will vest immediately prior to consummation of the Investment.

Potential Payments with Respect to Executive Officers. In addition to those benefits for the named executive officers described in Proposal 7 Approval of Executive Compensation, Steve D. Ottinger, the Company s only executive officer who is not a named executive officer, is party to a Change in Control Protection Plan Participation Agreement, dated October 22, 2004, under the Company s Change in Control Protection Plan (the CIC Plan) which provides that if Mr. Ottinger is terminated without cause or resigns with good reason (both as defined in the CIC Plan) within two years following a change in control, Mr. Ottinger would be entitled to an amount equal to 1.99 times Mr. Ottinger s base amount within the meaning of Section 280G(b)(3) of the Internal Revenue Code of 1986, as amended (the Code), payable in lump sum. If this payment is triggered, Mr. Ottinger would be entitled to receive a payment equal to $296,898.

The independent members of the Company s Board of Directors were aware of and considered these interests, among other matters, in evaluating and negotiating the Investment Agreement and in recommending the approval of this Proposal No. 1. For an additional discussion of the additional interests of certain officers of the Company in this Proposal No. 1, please see Proposal 7 Approval of Executive Compensation.

No Preemptive Rights

The holders of Common Stock have no preemptive rights to any future issuances of Common Stock.

Regulatory Approval

Board of Governors of the Federal Reserve System. The acquisition of control of a bank holding company through acquisition of its securities requires the prior approval of the Board of Governors of the Federal Reserve (the Federal Reserve) pursuant to Section 3 of the Bank Holding Company Act of 1956, as amended (Section 3). Prior approval under Section 3 also is needed for NAFH to exercise the Option and acquire the underlying shares. The Federal Reserve generally will not approve an application under Section 3:

That would result in a monopoly or that would further a combination or conspiracy to monopolize banking in the United States; or

That could substantially lessen competition in any in any banking market, that would tend to create a monopoly in any banking market, or that would be in restraint of trade, unless the Federal Reserve finds that the public interest in meeting the convenience and needs of the communities served outweighs the anti-competitive effects of the proposed transaction.

The Federal Reserve is also required to consider: (a) the financial condition and future prospects of NAFH, NAFH Bank, Green Bankshares, and GreenBank, (b) the managerial condition of the NAFH, NAFH Bank, Green Bankshares and GreenBank, (c) the convenience and needs of the communities to be served, including the record of performance under the Community Reinvestment Act of 1977, and (d) the effectiveness of NAFH, NAFH Bank, Green Bankshares and GreenBank in combating money laundering.

The statutory criteria for an interstate acquisition also must be satisfied to receive Federal Reserve approval. Such standards include that (i) NAFH is at least well capitalized and well managed under criteria determined by the Federal Reserve, unless the transaction is approved before July 21, 2011, in which case the statutory standard is that NAFH must be at least adequately capitalized and adequately managed, (ii) GreenBank has been in existence for the minimum amount of time required under state law or five years, whichever period is less, (iii) NAFH will not control deposits that exceed 10% of all deposits controlled by insured depository institutions in the United States or 30% of deposits controlled by insured depository institutions in North Carolina and (iv) certain other requirements. The parties expect to satisfy these standards.

Applicable regulations require publication of notice of a Section 3 application and an opportunity for the public to comment on the application in writing and to request a hearing. Any acquisition of the securities of the Company approved by the Federal Reserve may not be completed until 30 calendar days after such approval, during which time the U.S. Department of Justice may challenge such acquisition on anti-trust grounds and seek divestiture of certain assets and liabilities. With the approval of the Federal Reserve and the U.S. Department of Justice, the waiting period may be reduced to 15 days.

Application. NAFH is preparing, and expects to file soon, the necessary Section 3 application requesting approval of the Federal Reserve. The application will describe the terms of the transaction whereby NAFH would acquire the Company s securities, the parties involved, and the plan to engage in the Bank Merger immediately after the consummation of that transaction.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE APPROVAL OF THE ISSUANCE OF SHARES OF COMMON STOCK TO NAFH UNDER THE INVESTMENT AGREEMENT.

PROPOSAL 2 AMENDMENT TO THE COMPANY S CHARTER TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK

Subject to the terms of the Investment Agreement, the investment by NAFH in the Company is conditioned upon shareholder approval of this Proposal No. 2 as well as approval of Proposals No. 1, 3, 5 and 6 and, in certain circumstances, approval of Proposal No. 4. Shareholders who wish to approve NAFH s investment in the Company should vote to approve this Proposal No. 2 as well as Proposals No. 1, 3, 4, 5 and 6.

On May 5, 2011, the Board of Directors approved and adopted, subject to shareholder approval, a proposed amendment to the Company s Charter, providing for an increase in the authorized number of shares of Common Stock from twenty million (20,000,000) to three hundred million (300,000,000). In order for this amendment to the Company s Charter to be approved, the number of shares voted in favor of the amendment must exceed the number of shares voted against the amendment.

If this proposal is approved by the Company s shareholders at the Special Meeting, the amendment to the Charter will become effective upon the filing of Articles of Amendment with the Secretary of State of Tennessee, which filing is expected to take place shortly after the Special Meeting. The Board of Directors believes that it is in the best interests of the Company and all of its shareholders to amend the Charter to increase the authorized number of shares of Common Stock from twenty million (20,000,000) to three hundred million (300,000,000).

Except as set forth below and elsewhere in this Proxy Statement, the relative rights of the holders of Common Stock under the Charter would remain unchanged. The text of this proposed amendment to Company s Charter is set forth in Appendix B to this proxy statement.

Reasons for this Proposal

The reasons for the increase in the authorized shares of Common Stock are (i) to facilitate the Company s ability to issue shares to NAFH in connection with the Investment Agreement and (ii) for other corporate purposes. As part of the Company s efforts to increase the resources of GreenBank, the Company has executed the Investment Agreement, pursuant to which 119,900,000 shares of the Company s Common Stock will be issued to NAFH at a purchase price of $1.81 per share. The proposed amendment would increase the number of authorized shares of Common Stock by two hundred eighty million (280,000,000) shares. Other than with respect to the Initial Investment and the Top-Up Investment, the Board of Directors has no present agreement, arrangement or commitment to issue any of the remaining shares for which approval is sought.

The Board of Directors has determined that this proposal to increase the number of authorized shares of Common Stock is desirable and in the best interest of shareholders because it would provide the Company with the ability to support its present capital needs and future anticipated growth. Additionally, an increase in the amount of authorized shares is necessary to ensure that the Company has an adequate amount of authorized and unissued shares to complete the issuance of shares of Common Stock to NAFH in connection with the Investment.

Effect of this Proposal

Adoption of this proposal would not affect the rights of current holders of outstanding Common Stock. If additional authorized shares of Common Stock, or securities that are convertible into or exchangeable or exercisable for shares of Common Stock, are issued, our existing shareholders could, depending upon the price realized, experience dilution of book value per share, earnings per share and percentage ownership. When, and if, additional shares of our Common Stock are issued, including under the Investment Agreement, these new shares would have the same voting and other rights and privileges as the currently issued and outstanding shares of Common Stock, including the right to cast one vote per share and to participate in dividends when and to the extent declared and paid.

The following table illustrates the effect the proposed amendment would have on the number of shares of Common Stock available for issuance, if approved by the shareholders:

	As of May 31, 2011	Upon Effectiveness of Amendment
Shares of Common Stock Authorized	20,000,000	300,000,000
Shares of Common Stock Outstanding	13,240,201	13,240,201
Shares of Common Stock Reserved for Issuance*	1,052,152	1,052,152
Shares of Common Stock Available for Future Issuance	5,707,647	285,707,647
Shares of Common Stock to be Issued in Connection with Investment Agreement	119,900,000	119,900,000

* The number of shares of Common Stock reserved for issuance includes 979,874 shares of Common Stock subject to outstanding options at May 31, 2011 and 72,278 shares of Common Stock subject to the Treasury Warrant.

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This proposed amendment is required to effect the Investment and is not intended as an anti-takeover provision. However, an increase in the authorized number of shares of Common Stock could make it more difficult, and thereby discourage, attempts to acquire control of the Company in the future.

No Preemptive Rights

The holders of Common Stock have no preemptive rights to any future issuances of Common Stock.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE APPROVAL OF THE AMENDMENT TO THE COMPANY S CHARTER TO AUTHORIZE ADDITIONAL SHARES OF COMMON STOCK.

PROPOSAL 3 AMENDMENT TO THE COMPANY S CHARTER TO DECREASE THE PAR VALUE OF COMMON STOCK

Subject to the terms of the Investment Agreement, the investment by NAFH in the Company is conditioned upon shareholder approval of this Proposal No. 3 as well as Proposals No. 1, 2, 5 and 6 and, in certain circumstances, approval of Proposal No. 4. Shareholders who wish to approve NAFH s investment in the Company should vote to approve this Proposal No. 3 as well as Proposals No. 1, 2, 4, 5 and 6.

On May 5, 2011, the Board of Directors approved and adopted, subject to shareholder approval a proposed amendment to the Company s Charter, providing for a reduction to the par value of Common Stock from $2.00 per share to $0.01 per share. In order for the amendment to the Company s Charter to be approved, the number of shares voted in favor of the amendment must exceed the number of shares voted against the amendment.

If the proposal is approved by the Company s shareholders at the Special Meeting, the amendment to the Charter and the reduction in par value will become effective upon the filing of Articles of Amendment with the Secretary of State of Tennessee, which filing is expected to take place shortly after the Special Meeting. The Board believes it is in the best interest of the Company and all of its shareholders to amend the Charter to decrease the par value.

Historically, the concept of par value served to protect creditors and senior security holders by ensuring that a company received at least the par value as consideration for issuance of stock. Over time, the concept of par value has lost much of its significance. Many companies that incorporate today use a nominal par value or have no par value. The reduction in the par value of Company s Common Stock will have no effect on the rights of holders of Company Common Stock except for the minimum amount per share the Company may receive upon the issuance of authorized but unissued shares. The reduction in par value, on its own, will not change the number of authorized shares of Company Common Stock or the value of Common Stock currently issued and outstanding.

Furthermore, under Tennessee law, the setting of a par value for shares does not create a requirement for a minimum consideration for the issuance of such shares or impose any other restriction on their issuance. The Board of Directors considers the proposed amendment to be in the best interests of the Company and its shareholders because it is a condition to the completion of the Investment and because the it will eliminate any possible confusion over whether the Investment is permissible since the per share purchase price ($1.81) under the terms of the Investment Agreement is below the current stated par value per share of Company Common Stock ($2.00). Shareholder approval of this proposed amendment alone will not assure that the Company will be able to consummate the transaction with NAFH; however, the approval of this amendment is necessary under the Investment Agreement in order to proceed with the NAFH transaction.

The text of this proposed amendment to the Company s Charter is set forth in Appendix B to this proxy statement.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE APPROVAL OF THE AMENDMENT TO THE COMPANY S CHARTER TO REDUCE THE PAR VALUE OF SHARES OF COMMON STOCK.

PROPOSAL 4 AMENDMENT TO THE COMPANY S CHARTER TO EXEMPT NORTH AMERICAN FINANCIAL HOLDINGS, INC. AND ITS AFFILIATES AND ASSOCIATES FROM THE PROVISIONS OF SECTION 9

Subject to the terms of the Investment Agreement, the investment by NAFH in the Company is, in certain circumstances, conditioned upon shareholder approval of this Proposal No. 4 as well as in all circumstances approval of Proposals No. 1, 2, 3, 5 and 6. Shareholders who wish to approve NAFH s investment in the Company should vote to approve this Proposal No. 4 as well as Proposals No. 1, 2, 3, 5 and 6.

On May 5, 2011, the Board of Directors approved and adopted, subject to shareholder approval, a proposed amendment to the Company s Charter, expressly exempting NAFH and its affiliates and associates from the business combination provisions found in Section 9 of the Charter. In order for the amendment to the Company s Charter to be approved, the proposal must be approved by the affirmative vote of at least 80% of the outstanding shares of voting stock entitled to vote on the matter.

If this proposal is approved by the Company s shareholders at the Special Meeting, the amendment to the Charter will become effective upon the filing of Articles of Amendment with the Secretary of State of Tennessee, which filing is expected to take place shortly after the Special Meeting. The Board of Directors believes that it is in the best interests of the Company and its shareholders to amend the Charter to expressly exempt NAFH and its affiliates and associates from the provisions of Section 9 of the Charter. Shareholder approval of this proposed amendment alone will not ensure that the Company will be able to consummate the transaction with NAFH.

The text of this proposed amendment to Company s Charter is set forth in Appendix C to this Proxy Statement.

Reasons for this Proposal

Section 9 of the Charter currently provides that a business combination (such as a merger, consolidation, sale of over $1 million of the Company s stock or assets or similar transactions) with an interested shareholder (defined as a person owning, either directly or indirectly, 10% or more of the voting stock of the Company) must be approved by (i) the affirmative vote of at least 80% of the outstanding shares of voting stock and (ii) the affirmative vote of a majority of the outstanding shares of voting stock not including the voting stock beneficially owned by an interested shareholder. This increased vote, however, is not required if the business combination is approved by a majority of the disinterested directors or if the business combination meets certain conditions specified in the Charter. The Charter also provides that this provision may not be amended or repealed unless approved by both the affirmative vote of at least 80% of the outstanding shares of voting stock and the affirmative vote of a majority of the outstanding shares of voting stock not including shares beneficially owned by the interested shareholder.

The Board of Directors has determined that this proposal to expressly exempt NAFH and its affiliates and associates from the business combination requirements found in Section 9 of the Charter is desirable and in the best interest of the Company s shareholders because it may facilitate the consummation of the transactions contemplated by the Investment Agreement. As described in the Investment Agreement, following the Closing, NAFH intends to merge GreenBank with and into a subsidiary of NAFH (the Bank Merger). In addition, following the Closing and as described in the Investment Agreement, NAFH intends to merge the Company into NAFH (the Holding Company Merger). A majority of disinterested directors on the Board of Directors has already approved the Company s entering into the Investment Agreement, pursuant to which 119,900,000 shares of Common Stock will be issued to NAFH at a purchase price of $1.81 per share as well as the Bank Merger and the Holding Company Merger on the terms described in the Investment Agreement. The proposed amendment to expressly exempt NAFH and its affiliates and associates from the provisions of Section 9 of the Charter is being sought to facilitate the Bank Merger and the Holding Company Merger and avoid the potential delay and expense of NAFH possibly having to comply with the supermajority voting requirements of Section 9 of the Charter in connection with the Bank Merger and the Holding Company Merger or future transactions with NAFH, which following the Closing will own approximately 90.1% of the Company s Common Stock.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE APPROVAL OF THE AMENDMENT TO THE COMPANY S CHARTER TO EXPRESSLY EXEMPT NORTH AMERICAN FINANCIAL HOLDINGS, INC. AND ITS AFFILIATES AND ASSOCIATES FROM SECTION 9 OF THE CHARTER.

PROPOSAL 5 AMENDMENT TO THE COMPANY S CHARTER TO REMOVE SECTION 8(J) SO THAT THE TENNESSEE CONTROL SHARE ACQUISITION ACT WILL NOT APPLY TO THE COMPANY AND ITS SHAREHOLDERS

Subject to the terms of the Investment Agreement, the investment by NAFH in the Company is conditioned upon shareholder approval of this Proposal No. 5 as well as approval of Proposals No. 1, 2, 3 and 6 and, in certain circumstances, approval of Proposal No. 4. Shareholders who wish to approve NAFH s investment in the Company should vote to approve this Proposal No. 5 as well as Proposals No. 1, 2, 3, 4 and 6.

On May 5, 2011, the Board of Directors approved and adopted, subject to shareholder approval, a proposed amendment to the Company s Charter to remove a provision in the Company s Charter whereby the Company elected to have the Tennessee Control Share Acquisition Act, Section 48-103-301, *et seq*. of the Tennessee Business Corporation Act, apply to the Company. In order for this amendment to the Company s Charter to be approved, the number of shares voted in favor of the amendment must exceed the number of shares voted against the amendment.

If the proposal is approved by the Company s shareholders at the Special Meeting, this amendment to the Charter will become effective upon the filing of Articles of Amendment with the Secretary of State of Tennessee, which filing is expected to take place shortly after the Special Meeting. The Board of Directors believes it is in the best interest of the Company and all of its shareholders to amend the Charter to remove the provision by which the Company has elected to be governed by the Tennessee Control Share Acquisition Act.

The Tennessee Control Share Acquisition Act generally takes away certain voting rights of a purchaser any time the purchaser acquires shares of certain Tennessee corporations equal to 20%, 33-1/3%, or more than 50% of all voting power in such corporation. The purchaser s voting rights can be maintained or re-established only by a majority vote of all the shares entitled to vote generally with respect to the election of directors other than those shares owned by the purchaser and the officers and inside directors of the corporation.

The Company s Board of Directors considers the proposed amendment to be in the best interests of the Company and its shareholders because it will allow for the issuance and sale of shares of Common Stock to NAFH pursuant to the terms of the Investment Agreement. The Investment will result in NAFH owning approximately 90.1% of the Company s outstanding Common Stock. An amendment to the Company s Charter to eliminate the applicability of the Tennessee Control Share Acquisition Act is necessary in order for NAFH to maintain voting rights with respect to the shares being purchased. Shareholder approval of this amendment alone will not ensure that the Company will be able to consummate the transaction with NAFH; however, the approval of this amendment is necessary in order to proceed with the NAFH transaction.

The text of this proposed amendment to the Company s Charter is set forth in Appendix D to this Proxy Statement.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE APPROVAL OF THE AMENDMENT TO THE COMPANY S CHARTER TO REMOVE SECTION 8(J) FROM THE CHARTER SO THAT THE TENNESSEE CONTROL SHARE ACQUISITION ACT WILL NOT APPLY TO THE COMPANY AND ITS SHAREHOLDERS.

PROPOSAL 6 APPROVAL OF THE MERGER OF GREENBANK WITH AND INTO A SUBSIDIARY OF NORTH AMERICAN FINANCIAL HOLDINGS, INC.

Subject to the terms of the Investment Agreement, the investment by NAFH in the Company is conditioned upon shareholder approval of this Proposal No. 6 as well as Proposals No. 1, 2, 3 and 5 and, in certain circumstances, Proposal No. 4. Shareholders who wish to approve NAFH s investment in the Company should vote to approve this Proposal No. 6 as well as Proposals No. 1, 2, 3, 4 and 5.

On May 5, 2011, the Board of Directors approved and adopted, subject to shareholder approval, the merger of GreenBank with and into a subsidiary of NAFH, or the Bank Merger. In order for the Bank Merger to be approved, this proposal must receive the affirmative vote of a majority of shares of Common Stock outstanding as of the Record Date and entitled to vote thereon.

If the proposal is approved by the Company s shareholders at the Special Meeting, the Bank Merger will become effective upon the filing of Articles of Merger with the Secretary of State of Tennessee and the Office of the Comptroller of the Currency, which filing is expected to take place shortly after the Closing. The Board of Directors believes it is in the best interest of the Company and all of its shareholders to approve the Bank Merger.

Terms of the Bank Merger

Pursuant to the terms of the Investment Agreement, the Board of Directors of the Company is requesting that the Company s shareholders approve the merger of GreenBank with and into NAFH National Bank, a national banking association organized under the laws of the United States (NAFH Bank) and subsidiary of NAFH pursuant to an Agreement and Plan of Merger (the Merger Agreement), that was previously approved by the Board of Directors of the Company, GreenBank, NAFH and NAFH Bank. Pursuant to the Merger Agreement and at the effective time of the Bank Merger, each share of common stock of GreenBank currently held by the Company will be exchanged for a number of shares common stock of NAFH Bank equal to the ratio of the tangible book value of GreenBank to the tangible book value of NAFH Bank, in each case as of the end of the then most recently completed fiscal quarter and all issued and outstanding shares of GreenBank will be cancelled. At the effective time of the Bank Merger, NAFH Bank will assume all liabilities of GreenBank and the separate corporate existence of GreenBank will cease. The Company s shareholders will not receive any consideration in connection with the Bank Merger and all rights of the Company s shareholders will remain the same with respect to shares of the Company s common stock owned by the shareholders. If the Bank Merger is approved and thereafter consummated the Company will own approximately 36% of the resulting bank, rather than 100% of GreenBank. A copy of the Merger Agreement is attached to this Proxy Statement as Appendix E.

In connection with the Bank Merger, no shareholder of the Company will have dissenter s rights or any other appraisal rights with respect to the shares of Common Stock owned by them.

Business of GreenBank

GreenBank is a Tennessee-chartered commercial bank established in 1890 which has its principal executive offices located at 111 North Main Street, Greeneville, Tennessee 37743 and its telephone number is (423) 639-5111. As of March 31, 2011, GreenBank had assets of approximately $2.39 billion, $1.61 billion in loans and $1.98 billion in deposits. The principal business of GreenBank consists of attracting deposits from the general public and investing those funds, together with funds generated from operations and from principal and interest payments on loans, primarily in commercial and residential real estate loans, commercial loans and installment consumer loans. At March 31, 2011, GreenBank had 63 Tennessee-based full-service banking offices located in Greene, Blount, Cocke, Hamblen, Hawkins, Knox, Loudon, McMinn, Monroe, Sullivan, and Washington Counties in East Tennessee and in Davidson, Lawrence, Macon, Montgomery, Rutherford, Smith, Sumner and Williamson Counties in Middle Tennessee. GreenBank also operates two other full service branches one located in nearby Madison County, North Carolina and the other in nearby Bristol, Virginia. Further, GreenBank operates a mortgage banking operation in Knox County, Tennessee.

Deposits of GreenBank are insured by the Deposit Insurance Fund (DIF) of the FDIC. GreenBank is subject to comprehensive regulation, examination and supervision by the TDFI, the FRB and the FDIC.

For additional information relating to GreenBank and the Company, including the financial condition and results of the Company s operations, please see Appendix F.

Business of NAFH

NAFH is a bank holding company incorporated in late 2009 with the goal of creating a regional commercial/retail banking franchise in the southeastern United States through organic growth and acquisitions of other banks, including failed, underperforming and undercapitalized banks. NAFH was founded by a group of experienced bankers with a record of leading, operating, acquiring and integrating financial institutions. In December 2009 and January 2010, NAFH raised approximately $900 million through a series of private placements of its common stock.

Since its founding, NAFH has acquired five depository institutions, including three failed banks from the FDIC, and operates branches located in North Carolina, South Carolina and Florida. In 2010 and 2011, NAFH deployed some of the proceeds from its private offerings in the following transactions:

On July 16, 2010, NAFH commenced banking operations when it purchased the assets and assumed the liabilities of three failed banks from the FDIC: First National Bank of the South of Spartanburg, South Carolina, Metro Bank of Dade County of Miami, Florida and Turnberry Bank of Aventura, Florida (collectively, the Failed Banks). The transactions included 13 branches located in South Carolina and 10 branches located in Florida. NAFH purchased assets of approximately $1.4 billion and assumed deposits of approximately $1.2 billion from the Failed Banks. In connection with the acquisition, NAFH entered into a loss-sharing arrangement with the FDIC covering approximately $1 billion of loans and real estate owned acquired from the Failed Banks.

On September 30, 2010, NAFH invested approximately $175 million in TIB Financial, a bank holding company headquartered in Naples, Florida with approximately $1.7 billion in assets and 28 branches in southwest Florida, and acquired approximately 94% of that company s common stock after giving effect to a subsequent rights offering to legacy TIB Financial Corp. shareholders. On April 27, 2011, NAFH combined TIB Financial Corp. s banking subsidiary, TIB Bank, with the Bank in an all stock transaction.

On January 28, 2011, NAFH invested approximately $181 million in Capital Bank Corporation, a bank holding company headquartered in Raleigh, North Carolina with approximately $1.6 billion in assets and 33 branches in central and western North Carolina, and acquired approximately 83% of that company s common stock after giving effect to a subsequent rights offering to legacy Capital Bank Corporation shareholders.

NAFH s primary business is to offer a wide range of commercial and consumer loans and deposits, as well as wealth management, investment advisory and trust services. NAFH s strategy is to operate, integrate and grow its existing operations as well as to acquire other banks, including failed, underperforming and undercapitalized banks. NAFH seeks to create a mid-sized bank that is able to realize greater economies of scale compared to community banks and still provide personalized, local service difficult to achieve at a large bank.

NAFH currently leases office space in Miami, Florida for its principal executive offices. As of March 31, 2011, NAFH operated 37 branches in Florida, 33 in North Carolina and 13 in South Carolina.

From time to time NAFH is a party to various litigation matters incidental to the conduct of its business. NAFH is not presently party to any such legal proceeding the resolution of which we believe would have a material adverse effect on its business, operating results, financial condition or cash flow. On May 12, 2011, a shareholder of Green Bankshares filed a putative class action lawsuit (styled Betty Smith v. Green Bankshares, Inc. et al., Case No. 11-625-III, Davidson County, Tennessee, Chancery Court) against Green Bankshares, GreenBank, Green Bankshares board of directors and NAFH on behalf of all persons holding common stock of Green Bankshares. This lawsuit was filed following NAFH s public announcement on May 5, 2011 of its entering into the Investment Agreement with the Company and relates to the proposed investment in the Company by NAFH. The complaint alleges that the individual defendants breached their fiduciary duties to the Company by accepting a sale price for the shares to be sold to NAFH that was unfair to the Company s shareholders. The complaint also alleges that the Company, GreenBank and NAFH aided and abetted these breaches of fiduciary duty. It seeks an injunction and/or rescission of NAFH s investment in the Company and fees and expenses in an unspecified amount.

On May 25, 2011, another shareholder of Green Bankshares filed a similar putative class action lawsuit (styled Mark McClinton v. Green Bankshares, Inc. et al., Case No. 11-CV-284ktl, Greene County Circuit Court, Greeneville, Tennessee) against Green Bankshares, Green Bankshares board of directors and NAFH on behalf of all persons holding Green Bankshares common stock. The complaint similarly alleges that the individual defendants breached their fiduciary duties to the Company by agreeing to sell shares to NAFH at a price unfair to the Company s shareholders. The complaint also alleges that the Company and NAFH aided and abetted these breaches of fiduciary duty. It seeks and injunction and/or rescission of NAFH s investment in the Company and fees and expenses in an unspecified amount.

NAFH intends to defend these matters vigorously and cannot predict their outcome.

Reasons for the Bank Merger

A condition to the Closing is the approval by the shareholders of the Company of the Bank Merger. The Company is seeking your approval of the Bank Merger because the Company s results of operations and financial condition are principally made up of GreenBank s results of operations and financial condition. The Board of Directors of the Company believes that the Investment and the Bank Merger are in the best interests of the Company s shareholders and in connection with the Investment recommends that the Company s shareholders approve the Bank Merger. Each of the Board of Directors of the Company, GreenBank, NAFH and NAFH Bank believes that the Bank Merger is in the best interest of their respective entities and shareholders. In arriving at their determination, each of the respective boards considered a number of factors, including the following:

- The Bank Merger is expected to create significant operating efficiencies by consolidating the loan operations, deposit operations, ALCO and risk management, budgeting, marketing, financial reporting and compliance functions of the two banks;
- The Bank Merger will result in a bank with increased size and scale;
- The Bank Merger will expand NAFH Bank s and GreenBank s overall geographic coverage;
- The Bank Merger is expected to be a tax free transaction; and
- The Bank Merger is expected to mitigate the regulatory burden of operating two stand alone banks regulated by two different federal regulators.

The foregoing discussion of the information and factors considered by each of the respective board of directors is not exhaustive, but includes the material factors considered by such board of directors. In view of the wide variety of factors considered by each board of directors in connection with its evaluation of the Bank Merger and the complexity of such matters, each board of directors did not consider it practical to, nor did it attempt to, quantify, rank or otherwise assign relative weights to the specific factors that it considered in reaching its decision.

Background of the Bank Merger

The Bank Merger is an ancillary step in the Investment and the other transactions with NAFH. For a background of the Investment and the Company s reasons for seeking to consummate the Investment, please see Proposal 1 Approval of the Issuance of Shares of Common Stock Under the Investment Agreement Reasons for this Proposal .

Unaudited Historical and Pro Forma Comparative Per Share Data

The following table shows comparative per share data about the Company s and NAFH s historical and pro forma net income, cash dividends and book value. The comparative per share data below provides the Company s shareholders with information about the value of their shares of Common Stock prior to the Bank Merger as opposed to the value of their shares of Common Stock after the Bank Merger and once the two companies are combined.

You should not rely on the pro forma information as necessarily indicative of historical results the Company would have experienced had GreenBank been combined with NAFH Bank or of future results the Company will have after the Bank Merger. In addition, you should not rely on the three-month information as indicative of results for the entire year.

This information should be read in conjunction with the historical consolidated financial statements (and the related notes to these statements) of the Company and NAFH, which are attached hereto as Appendix F and G, respectively.

The pro forma data in the table below assumes that the Initial Investment is accounted for using the acquisition method of accounting and represents a current estimate based on available information of the combined company s results of operations. The significant pro forma assumptions include estimates regarding fair value adjustments to the balance sheet as well as the amortization/accretion impact of those adjustments on results of operations.

The pro forma information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the impact of possible cost savings, revenue enhancements, expense efficiencies, asset dispositions and share repurchases, among other factors that may result as a consequence of the merger and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had the companies been combined during these periods. Upon completion of the Bank Merger, a portion of the operating results of the resulting bank will be reflected in the consolidated financial statements of the Company on a prospective basis.

Unaudited Historical and Pro Forma Per Share Data

	Company Common Stock	**NAFH Common Stock**	**Combined Pro Forma Data**	**NAFH Equivalent Pro Forma Data**
Three months ended March 31, 2011				
Net income (loss) per share, basic	**$(0.88)**	$ 0.01	$0.04	$ 0.11
Net income (loss) per share, diluted	**(0.88)**	0.01	0.04	0.11
Dividends				
Common book value per share	**$ 4.88**	$19.56	$1.90	$19.53
Year ended December 31, 2010				
Net income (loss) per share, basic	**(6.54)**	0.32	0.13	0.72
Net income (loss) per share, diluted	**(6.54)**	0.32	0.13	0.72
Dividends				
Common book value per share	**5.75**	19.49	1.98	19.45

Regulatory Approval

Office of the Comptroller of the Currency. The merger of two banks in which the surviving bank is a national bank requires the approval of the Office of the Comptroller of the Currency. The Office of the Comptroller of the Currency will review the Bank Merger. The Office of the Comptroller of the Currency generally will not approve any merger:

That would result in a monopoly or that would further a combination or conspiracy to monopolize banking in the United States; or

That could substantially lessen competition in any banking market, that would tend to create a monopoly in any banking market, or that would be in restraint of trade, unless the Office of the Comptroller of the Currency finds that the public interest in meeting the convenience and needs of the communities served outweighs the anti-competitive effects of the proposed transaction.

The Office of the Comptroller of the Currency is also required to consider the financial and managerial resources and future prospects of GreenBank and NAFH Bank and the convenience and needs of the communities to be served. Under the Community Reinvestment Act of 1977, the Office of the Comptroller of the Currency also must take into account the record of performance of GreenBank and NAFH Bank in meeting the credit needs of their communities, including low and moderate-income neighborhoods. The Office of the Comptroller of the Currency also must consider the effectiveness of GreenBank and NAFH Bank in combating money laundering.

The statutory criteria for an interstate combination also must be satisfied to receive Office of the Comptroller of the Currency Approval. Such standards include that (i) NAFH Bank is at least well capitalized and well managed under criteria determined by the Office of the Comptroller of the Currency, unless the transaction is approved before July 21, 2011, in which case the statutory standard is that NAFH must be at least adequately capitalized and adequately managed, (ii) GreenBank has been in existence for the minimum amount of time required under state law or five years, whichever is less, (iii) NAFH will not control deposits that exceed 10% of all deposits controlled by insured depository institutions in the United States or 30% of deposits controlled by insured depository institutions in North Carolina and (iv) certain other requirements. The parties expect to satisfy these standards.

Applicable regulations require publication of notice of an application for approval of the Bank Merger and an opportunity for the public to comment on the application in writing and to request a hearing. Any merger approved by the Office of the Comptroller of the Currency generally may not be completed until 30 days after such approval, during which time the U.S. Department of Justice may challenge such transaction on antitrust grounds and seek divestiture of certain assets and liabilities. With the approval of the Office of the Comptroller of the Currency and the U.S. Department of Justice, the waiting period may be reduced to 15 days.

Application. GreenBank and NAFH Bank have filed the necessary application with the Office of the Comptroller of the Currency, requesting approval of the Bank Merger. The application describes the terms of the Bank Merger, the parties involved, and the activities to be conducted by the combined companies as a result of the Bank Merger, and contain certain related financial and managerial information. Copies of the application were provided to the U.S. Department of Justice and other governmental agencies.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE APPROVAL OF THE BANK MERGER.

PROPOSAL 7 APPROVAL OF EXECUTIVE COMPENSATION

Rules recently adopted by the SEC pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act require the Company to submit to a vote of its shareholders, on a non-binding and advisory basis, the compensation that may be payable to its named executive officers that is based on or otherwise relates to the Investment. As discussed in more detail below, because of the Company s participation in the CPP, the Company is currently unable to pay its named executive officers any such payments. A condition to the Closing, however, is the Repurchase. The following discussion sets forth the compensation that may be payable to our named executive officers, or NEOs, that is based on or otherwise relates to the Investment and should be read in conjunction with the table Golden Parachute Payments below.

Background

On October 14, 2008, the Treasury announced the creation of the CPP, pursuant to which the Company issued to the Treasury the Series A Preferred Stock and Common Stock warrants of the Company. As a result of the

Company s participation in the CPP, the Company became subject to certain executive compensation requirements under EESA, Treasury regulations, and the contract pursuant to which the Company sold such preferred stock. The compensation requirements were modified and strengthened in February 2009 with the passage of the American Recovery and Reinvestment Act of 2009 (ARRA) and again in June 2009 when Treasury issued regulations implementing various provisions of EESA, as modified by ARRA (the June 2009 IFR). As described more specifically below, these requirements are applicable to our NEOs. Throughout this proxy statement, we refer to EESA to mean EESA as amended by ARRA and as implemented by the June 2009 IFR.

In connection with the Company s sale of the Series A Preferred Stock our employees that were our senior executive officers, or SEOs, as defined under EESA, executed letter agreements with the Company in 2008 in which, among other things, each employee agreed that the Company is prohibited from paying any golden parachute payment (as originally defined in Section 111(b)(2)(c) of the EESA) to the individual during any period that the executive is a senior executive officer of the Company and the Treasury holds any equity or debt securities of the Company issued in the CPP. As mentioned above, the ARRA and the June 2009 IFR imposed additional restrictions and limits concerning executive compensation of companies that participated in the CPP, including a provision prohibiting any payment to any SEO or any of the Company s next five most highly compensated employees, including the Company s named executive officers, for departure from a company for any reason, except for payments for services performed or benefits accrued. Under EESA, a payment, or a right to payment, generally will be treated as a payment for services performed or benefits accrued only if the payment would be made regardless of whether the employee departs or the change in control event occurs, or if payment is due upon departure of the employee, regardless of whether the departure is voluntary or involuntary. EESA also provides exceptions for certain payments made under benefits plans or deferred compensation plans. In December 2009, the Compensation Committee of the Board of Directors requested, and subsequently received, additional letter agreements from each of our SEOs acknowledging the additional limitations on the individual s compensation imposed under EESA, as modified by the ARRA and the June 2009 IFR during the TARP Period.

In connection with the Closing, NAFH will purchase from the Treasury all of the issued and outstanding shares of Series A Preferred Stock and Common Stock owned by the Treasury. As such, the prohibitions on executive compensation under EESA set forth above will no longer apply.

Treatment of Outstanding Equity Awards

As described above in Proposal 1 Approval of the Issuance of Shares of Common Stock Under the Investment Agreement Interest of the Company s Directors and Executive Officers in the Proposal it is anticipated that any unvested stock options and unvested shares of restricted stock owned by the NEOs will vest following the Repurchase.

Potential Payments with Respect to the Named Executive Officers

The following discussion sets forth the potential payments that could become due to each individual NEO that is based on or otherwise relates to the Investment and taking into consideration applicable restrictions under EESA as modified by ARRA and the June 2009 IFR, as well as the closing condition set forth in the Investment Agreement that requires that Kenneth R. Vaught and Steven L. Droke (as well as two other employees of the Company who are not named executive officers) waive all compensation and benefits that would be payable following the Investment and the Repurchase that is not payable due to restrictions under EESA, as modified by ARRA and the June 2009 IFR.

James E. Adams and Stan R. Puckett retired on May 16, 2011 and March 31, 2010, respectively, and as such are not included in the following discussion as neither is entitled to any payments solely as a result of consummation of the Investment. In addition, neither Stephen M. Rownd nor Michael J. Fowler are entitled to change in control or severance payments or benefits so they are also excluded from the discussion below. Under all of the agreements and arrangements discussed below, the Investment would qualify as a change in control.

A. Kenneth R. Vaught

Mr. Vaught is a party to an Employment Agreement, dated December 31, 2007 (the Vaught Employment Agreement), with respect to his employment by the Company. Under the terms of the Vaught Employment Agreement, if within 18 months following a change in control the Company or its successor terminates Mr. Vaught without cause or Mr. Vaught voluntarily resigns following a change in position, a reduction in title or a significant reduction in the duties which he is to perform for the Company or its successor, then the Company or its successor shall pay to Mr. Vaught a lump sum payment equal to 2.99 times Mr. Vaught s annual base salary and bonus for the year immediately preceding termination. This payment shall be made no earlier than six months following the date of termination. If payments to Mr. Vaught following a change in control would create an excise tax for the employee under the excess parachute rules of Section 4999 of the Code, the Company is required to pay to the employee the amount of such excise tax and all federal and state income or other taxes with respect to any such additional amounts (the Gross-Up Amount) and such additional amount as is necessary to offset any tax liability of the employee as a result of the Gross-Up Amount.

As discussed above, the change in control payment would be due to Mr. Vaught under the terms of the Vaught Employment Agreement if a change in control occurs and subsequently Mr. Vaught is terminated. Because the Company s participation in the CPP will terminate at Closing in connection with the Repurchase resulting in the restrictions of EESA as modified by ARRA and the June 2009 IFR not applying to the Company after Closing, Mr. Vaught could potentially be eligible to receive the change in control payment discussed above. However, in order to enter into the Investment Agreement, NAFH required that its obligation to consummate the Investment be conditioned on Mr. Vaught entering into a waiver agreement with NAFH waiving any right to the change in control payment pursuant to any benefit plan in which Mr. Vaught participates, including the Vaught Employment Agreement. If Mr. Vaught does not execute the requested waiver, or the Company otherwise fails to effect Mr. Vaught not being entitled to any change in control payments under any benefit plan in which he participates, NAFH is not obligated to consummate the Investment.

Mr. Vaught has also entered into a Non-Competition Agreement with the Company. In consideration for entering into this agreement, the Company provided certain deferred compensation benefits which have been funded by individual insurance policies. The benefits payable range from 7 to 10 years based upon certain events occurring such as age, retirement, disability or death and are described in more detail below. The benefits payable under the agreement, other than benefits relating to a change in control, are not prohibited by EESA, as modified by ARRA and the June 2009 IFR, and Mr. Vaught is not required to waive his right to receive the benefits that are not related to a change in control in order for NAFH s closing condition to be satisfied.

B. Steve L. Droke

Mr. Droke is a party to a Change in Control Protection Plan Participation Agreement, dated October 22, 2004 (the Droke CIC Agreement). The terms of the Droke CIC Agreement are subject to the provisions of the CIC Plan. Pursuant to the terms of the Droke CIC Agreement, if Mr. Droke is terminated without cause or resigns with good reason (both as defined in the CIC Plan) within two years following a change in control, Mr. Droke would be entitled to an amount equal to 1.99 times Mr. Droke s base amount within the meaning of Section 280G(b)(3) of the Code, payable in lump sum.

As discussed above, the change in control payment would be due to Mr. Droke under the terms of the Droke CIC Agreement if a change in control occurs and subsequently Mr. Droke is terminated. Because the Company s participation in the CPP will terminate at Closing in connection with the Repurchase and the restrictions of EESA will not apply to the Company after Closing, Mr. Droke could still potentially receive the change in control payment discussed above. However, in order to enter into the Investment Agreement, NAFH required that its obligation to consummate the Investment be conditioned on Mr. Droke entering into a waiver agreement with NAFH waiving any right to the change in control payment pursuant to any benefit plan in which Mr. Droke participates, including the Droke CIC Agreement. If Mr. Droke does not execute the requested waiver, or the Company otherwise fails to effect Mr. Droke not being entitled to any change in control payments under any benefit plan in which he participates, NAFH is not obligated to consummate the Investment.

C. William C. Adams, Jr.

Mr. W. Adams is a party to a Change in Control Protection Plan Participation Agreement, dated October 22, 2004 (the Adams CIC Agreement). The terms of the Adams CIC Agreement are subject to the provisions of the CIC Plan. Pursuant to the terms of the Adams CIC Agreement, if Mr. W. Adams is terminated without cause or resigns with good reason (both as defined in the CIC Plan) within two years following a change in control, Mr. W. Adams would be entitled to an amount equal to 1.99 times Mr. W. Adams s base amount within the meaning of Section 280G(b)(3) of the Code, payable in lump sum.

As discussed above, the change in control payment would be due to Mr. W. Adams under the terms of the Adams CIC Agreement if a change in control occurs and subsequently Mr. W. Adams is terminated. Because the Company s participation in the CPP will terminate at Closing in connection with the Repurchase and the restrictions of EESA will not apply to the Company after Closing, Mr. W. Adams could still potentially receive the change in control payment discussed above.

Golden Parachute Compensation

The following table should be read in conjunction with the narrative above and sets forth additional information required by Item 402(t) of Regulation S-K regarding compensation for each NEO that is based on or otherwise relates to the Investment, assuming the following:

The closing price per share at the time of consummation of the Investment is $2.58, which is equal to average closing market price of the Company s common stock over the first five business days following the first public announcement of the Investment (or May 5, 2011);

The Investment closed on June __, 2011, the last practicable date prior to the filing of this Proxy Statement;

The named executive officers of the Company were terminated without cause immediately following a change in control on June __, 2011, which is the last practicable date prior to the filing of this Proxy Statement; and

Messrs. Vaught and Droke waived their rights to receive any change in control payments based on or otherwise related to the Investment.

Name	Cash ($)(5)	Equity ($)(1)	Pension/ NQDC ($)	Total ($)
Stephen M. Rownd		109,745		109,745
Michael J. Fowler		79,632		79,632
Kenneth R. Vaught	(2)	2,655	(3)	2,655
James E. Adams(4)				
Steve L. Droke	(2)	2,559		2,559
William C. Adams, Jr.	321,266	1,604		322,870
R. Stan Puckett (4)				

(1) Pursuant to EESA, the accelerated vesting of equity awards upon a change in control is prohibited. However, it is anticipated that following consummation of the Repurchase the unvested equity awards of the NEOs will be accelerated. None of the stock options held by the NEOs have exercise prices that are less than $2.58. Accordingly, no value is ascribed to these stock options and the value reported is related solely to unvested shares of restricted stock.

(2) If the Company fails to obtain waivers with respect to payments based on or otherwise related to the Investment from Messrs. Vaught and Droke and NAFH waives such condition to the Closing, Mr. Vaught and Droke may be entitled to additional payments in the amounts of approximately $798,000 and $406,917, respectively.

(3) Under the Non-Competition Agreement and in connection with his termination (without regard for any change in control enhancement), Mr. Vaught would be entitled to receive payments of $84,924 per year for a period of ten years. Mr. Vaught would not be entitled to receive payments until he reaches age 50.

(4) Messrs. J. Adams and Puckett retired on May 16, 2011 and March 31, 2010, respectively, and neither is entitled to any payments solely as a result of consummation of the Investment.

The Company is requesting shareholder approval, on a non-binding and advisory basis, of the compensation that may be payable to the Company s named executive officers that is based on or otherwise relates to the Investment and therefore is asking stockholders to adopt the following resolution:

RESOLVED, that the compensation that may be paid or become payable to the Company s named executive officers that is based on or otherwise relates to the Investment, as disclosed in the table entitled Golden Parachute Compensation pursuant to Item 402(t) of Regulation S-K including the associated narrative discussion, and the agreements or understandings pursuant to which such compensation may be paid or become payable, are hereby APPROVED.

The vote on this Proposal 7 is a vote separate and apart from the vote on the other proposals. Accordingly, you may vote to approve this Proposal 7 on executive compensation and vote not to approve the other proposals and vice versa. Because the vote is advisory in nature only, it will not be binding on either the Company or NAFH regardless of whether the Investment is approved and subsequently consummated. Accordingly, as the compensation to be paid in connection with the Investment is contractual with the executives, regardless of the outcome of this advisory vote, such compensation may be payable, subject only to the conditions and restrictions applicable thereto, if the Investment is approved.

Assuming the existence of a quorum, this proposal will be approved if the number of shares voted in favor of the proposal to approve the compensation of the Company s named executive officers in connection with the Investment exceeds the number of shares voted against such proposal. As such, abstentions and broker non-votes will not affect the outcome of the vote.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR PROPOSAL 7 AS TO THE APPROVAL, ON A NON-BINDING AND ADVISORY BASIS, OF THE COMPENSATION TO BE RECEIVED BY THE COMPANY S NAMED EXECUTIVE OFFICERS IN CONNECTION WITH THE INVESTMENT.

PROPOSAL 8 APPROVAL OF ADJOURNMENT OF THE SPECIAL MEETING

This proposal would give the proxy holders discretionary authority to vote to adjourn the Special Meeting if there are not sufficient affirmative votes present at the Special Meeting to approve the proposals that may be considered and acted upon. Any adjournment of the Special Meeting may be made without notice, other than by an announcement made at the Special Meeting. Approval of this proposal will allow the Company, to the extent that shares voted by proxy are required to approve a proposal to adjourn the Special Meeting, to solicit additional proxies to determine whether sufficient shares will be voted in favor of or against the proposals. If the Company is unable to adjourn the Special Meeting to solicit additional proxies, the proposals may fail, not because shareholders voted against the proposals, but rather because there were not sufficient shares represented at the Special Meeting to approve the proposals. The Company has no reason to believe that an adjournment of the Special Meeting will be necessary at this time.

Assuming the existence of a quorum, this proposal will be approved if the number of shares voted in favor of this proposal exceeds the number of shares voted against the proposal. As such, abstentions and broker non-votes will not affect the outcome of the vote.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE APPROVAL OF A POTENTIAL ADJOURNMENT OF THE SPECIAL MEETING.

FORWARD LOOKING STATEMENTS

Certain matters discussed in this Proxy Statement are not historical facts but are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All forward-looking statements involve risk and uncertainty and actual results could differ materially from the anticipated results or other expectations expressed in the forward-looking statements. Risks and uncertainties related to the Company s business are discussed in the Company s SEC filings, including its Annual Report on Form 10-K for the year ended

December 31, 2010 and its Quarterly Report in Form 10-Q for the three months ended March 31, 2011, and include, but are not limited to, (1) the occurrence of any event, change or other circumstances that could give rise to the termination of the Investment Agreement, pursuant to which the Investment is to be consummated; (2) the outcome of any legal proceedings that may be instituted against the Company and others following announcement of the Investment Agreement; (3) the inability to complete the transactions contemplated by the Investment Agreement due to the failure to obtain shareholder approval or the failure to satisfy other conditions to completion of the transaction, including the receipt of regulatory approval; (4) risks that the proposed transactions contemplated by the Investment Agreement disrupt current plans and operations and the potential difficulties in employee retention as a result of the proposed transaction; (5) the amount of the costs, fees, expenses and charges related to the proposed transaction, including the expense reimbursement and termination fees that may be payable in the event that the Investment Agreement is terminated under certain scenarios; (6) deterioration in the financial condition of borrowers resulting in significant increases in loan losses and provisions for those losses; (7) continuation of the historically low short-term interest rate environment; (8) changes in loan underwriting, credit review or loss reserve policies associated with economic conditions, examination conclusions, or regulatory developments; (9) increased levels of non-performing and repossessed assets and the ability to resolve these may result in future losses; (10) greater than anticipated deterioration or lack of sustained growth in the national or local economies; (11) rapid fluctuations or unanticipated changes in interest rates; (12) the impact of governmental restrictions on entities participating in the CPP of the Treasury; (13) changes in state and federal legislation, regulations or policies applicable to banks or other financial service providers, including regulatory or legislative developments, like the Dodd-Frank Wall Street Reform and Consumer Protection Act, arising out of current unsettled conditions in the economy, (14) the results of regulatory examinations including requirements contained in any enforcement action against the Company or the Bank as a result of such examinations; (15) the remediation efforts related to the Company s material weakness in its internal control over financial reporting; (16) increased competition with other financial institutions in the markets that GreenBank serves; (17) the Company recording a further valuation allowance related to its deferred tax asset; (18) exploring alternatives available for the future repayment or conversion of the preferred stock issued in the CPP, including in the transaction contemplated in the Investment Agreement; (19) further deterioration in the valuation of other real estate owned; (20) inability to comply with regulatory capital requirements and to secure any required regulatory approvals for capital actions to raise capital if necessary to comply with any regulatory capital requirements; and (21) the loss of key personnel. The Company undertakes no obligation to update forward-looking statements.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Persons and groups beneficially owning more than 5% of the Common Stock are required under federal securities laws to file certain reports with the SEC detailing their ownership. The following table sets forth the amount and percentage of the Common Stock beneficially owned by any person or group of persons known to the Company to be a beneficial owner of more than 5% of the common stock as of the Record Date.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership (a)	Percent of Common Stock Outstanding
Scott M. Niswonger P.O. Box 938 Greeneville, TN 37744	827,711(b)	6.25%
Columbia Wagner Assets Management, L.P. 227 West Monroe Street, Suite 3000 Chicago, IL 60606	1,183,912(c)	8.94%
Phil M. Bachman	893,280(d)	6.75%

Martha Bachman 100 N. Main Street, P.O. Box 1120 Greeneville, Tennessee 37743		
Dimensional Fund Advisors LP 6300 Bee Cave Road, Building One Austin, TX 78746	780,663(e)	5.90%

(a) For purposes of this table, an individual or entity is considered to beneficially own any share of Common Stock which he, she or it directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise, has or shares: (1) voting power, which includes the power to vote, or to direct the voting of, such security; and/or (2) investment power, which includes the power to dispose, or to direct the disposition of, such security. In addition, an individual or entity is deemed to be the beneficial owner of any share of Common Stock of which he, she or it has the right to acquire voting or investment power within 60 days of the Record Date.

(b) Based upon information set forth in a Schedule 13D/A, filed with the SEC on October 22, 2010 by Mr. Niswonger, who has sole voting and dispositive power with respect to 827,711 shares.

(c) Based solely on the information contained in a Schedule 13G filed by Columbia Wagner Asset Management, L.P. with the SEC on February 10, 2011, as of December 31, 2010.

(d) Martha Bachman is a director and the wife of retired director Phil Bachman. Includes 201,417 shares of common stock held directly or indirectly by Martha Bachman, 673,697 shares owned by Phil Bachman individually and 18,166 shares owned by Mr. and Mrs. Bachman jointly.

(e) Based solely on the information contained in a Schedule 13G filed by Dimensional Fund Advisors, L.P. with the SEC on February 11, 2011, as of December 31, 2010.

The following table sets forth, as of the Record Date, certain information known to the Company as to Common Stock beneficially owned by each director and named executive officer of the Company and by all directors and executive officers of the Company as a group. The address for each of our directors and executive officers listed below is c/o Green Bankshares, Inc., 100 North Main Street, P.O. Box 1120, Greeneville, Tennessee 37743. As of the Record Date, there were ______ shares of the Company s stock outstanding.

	Number of Shares Beneficially Owned			
Name and Position	**Common Shares Beneficially Owned(a)(b)**	**Shares Acquirable in 60 Days (c)**	**Total**	**Percent of Common Stock Outstanding**
Stephen M. Rownd, Chairman of the Board and Chief Executive Officer	47,114		47,114	*
Martha Bachman, Director	893,280(d)(e)		893,280	6.75%
Bruce Campbell, Director	10,189		10,189	*
W.T. Daniels, Director	14,215		14,215	*
Robert K. Leonard, Director	94,153(f)(e)		94,153	*
Samuel Lynch, Director	3,850		3,850	*
Bill Mooningham, Director	2,396		2,396	*
John Tolsma, Director	11,985		11,985	*
Charles H. Whitfield, Jr., Director	14,817		14,817	*
Kenneth R. Vaught, Director, President and Chief Operating Officer	38,834	26,800	65,634	*
William C. Adams, Senior Vice President and Chief Information Officer	25,870(e)	16,391	42,261	*

Steve L. Droke, Senior Vice President and Chief Credit Officer	18,802	7,219	26,021	*
R. Stan Puckett, Retired Chairman of the Board and Chief Executive Officer	45,772	44,640(g)	90,412	*
James E. Adams, Retired Executive Vice President, Former Chief Financial Officer and Secretary	25,823	4,200	30,023	*
Michael J. Fowler, Senior Vice President and Chief Financial Officer	30,865		30,865	*

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	Number of Shares Beneficially Owned			
Name and Position	Common Shares Beneficially Owned(a)(b)	Shares Acquirable in 60 Days (c)	Total	Percent of Common Stock Outstanding
All directors and executive officers as a group (16 persons)(h)	1,299,825	119,737	1,419,562	10.63%

* Less than 1% of the outstanding Common Stock.

(a) For the definition of beneficially owned, see Note (a) to the preceding table.

(b) Includes shares owned directly by directors and executive officers of the Company as well as shares held by their spouses and children, trust of which certain directors are trustees and corporations in which certain directors own a controlling interest.

(c) Represents options to purchase Common Stock which are exercisable within 60 days of the Record Date.

(d) Martha Bachman is a director and the wife of retired director Phil Bachman. Includes 201,417 shares of common stock held directly or indirectly by Martha Bachman, 673,697 shares owned by Phil Bachman individually and 18,166 shares owned by Mr. and Mrs. Bachman jointly.

(e) As of May 23, 2011, the following individuals have pledged the following amounts of their common shares beneficially owned to secure lines of credits or other indebtedness: Martha Bachman and retired director Phil Bachman 312,899 shares; Robert Leonard 15,000 shares held in a limited liability partnership; and William C. Adams 5,000 shares.

(f) Includes 41,197 shares of common stock in a limited partnership of which Mr. Leonard is a limited partner. Mr. Leonard disclaims beneficial ownership of 32,216 of these shares. Also includes 504 shares of common stock in a limited liability company in which Mr. Leonard has an interest. Mr. Leonard disclaims beneficial ownership of 363 of these shares.

(g) Includes options to acquire 36,000 shares of Common Stock currently exercisable (or exercisable within 60 days of the Record Date) by Mr. Puckett at an exercise price equal to 150% of the book value of the Common Stock at the date of grant (a weighted average price of approximately $16.27 per share) and options to acquire 19,800 shares of Common Stock currently exercisable (or exercisable within 60 days of the Record Date) by Mr. Puckett at an exercise price equal to the fair market value at the date of grant (a weighted average price of approximately $29.03 per share).

(h) Includes shares held by Mr. Puckett, who served as the Company s Chairman and Chief Executive Officer until March 31, 2010, and shares held by Mr. J. Adams, who served as the Company s Executive Vice President, Chief Financial Officer and Secretary until May 16, 2011.

FUTURE SHAREHOLDER PROPOSALS

If a shareholder wishes to have a proposal included in the Company s proxy statement for the Company s 2012 Annual Meeting of Shareholders, that proposal must be received by the Company at its executive offices in Greeneville, Tennessee by December 10, 2011. If a shareholder wishes to present a proposal at the Company s 2012

annual meeting of shareholders and the proposal is not intended to be included in the Company s proxy statement relating to that meeting, the shareholder must give advance notice to the Company prior to the deadline for such meeting determined in accordance with the Company s Charter (the Charter Deadline). Under the Company s Charter, in order to be deemed properly presented, notice must be delivered to the Company s Secretary at the Company s principal executive offices no less than forty (40) nor more than sixty (60) days prior to the scheduled date of the meeting at which such matter is to be acted upon; provided, however, that if notice or public disclosure of such meeting is given fewer than fifty (50) days before the meeting, notice by the shareholder must be delivered to the Company not later than the close of business on the tenth (10th) day following the day on which notice of the meeting was mailed to shareholders. If a shareholder gives notice of such a proposal after the Charter Deadline, the shareholder will not be permitted to present the proposal to the shareholders for a vote at the meeting.

The SEC rules also establish a different deadline for submission of shareholder proposals that are not intended to be included in the Company s proxy statement with respect to discretionary voting (the Discretionary Voting Deadline). This deadline for the 2012 annual meeting of shareholders is February 23, 2012. If a shareholder gives notice of a proposal after this deadline, the persons named as proxies in the proxy statement for the 2012 annual meeting will be allowed to use their discretionary voting authority to vote against the shareholder proposal

when, and if, the proposal is raised at the 2012 annual meeting. Because the Charter Deadline is not capable of being determined until the Company gives notice of, or publicly announces, the date for the 2012 annual meeting of shareholders, it is possible that the Charter Deadline may occur after the Discretionary Voting Deadline, in which case a proposal received after the Discretionary Voting Deadline but before the Charter Deadline would be eligible to be presented at the 2012 annual meeting of shareholders and the Company believes that the persons named as proxies in the proxy statement would be allowed to use the discretionary authority granted by the proxy card to vote against the proposal at the meeting without including any disclosures of the proposal in the proxy statement relating to the meeting.

Shareholder proposals should be addressed to Secretary, Green Bankshares, Inc., 100 North Main Street, P.O. Box 1120, Greeneville, Tennessee 37743 and must comply with the provisions of the Company s Charter. Nothing in this paragraph shall be deemed to require the Company to include in its proxy statement and form of proxy relating to the Company s 2012 Annual Meeting of Shareholders any shareholder proposal that does not satisfy the requirements for inclusion as established by the SEC at the time of receipt.

OTHER MATTERS

Discretionary Authority to Vote. As of the date of this document, the Company s board of directors is not aware of any matters that will be presented for consideration at the Company s Special Meeting. If any other matters come before either of the meetings or any adjournments or postponements of the meeting and are voted upon, the enclosed proxy will confer discretionary authority on the individuals named as proxies to vote the shares represented by the proxy as to any other matters. The individuals named as proxies intend to vote in accordance with their best judgment as to any other matters.

Directions to Our Special Meeting at the General Morgan Inn. Requests for directions to General Morgan Inn should be directed to Michael J. Fowler, 100 North Main Street, Greeneville, Tennessee 37743 (telephone number (423) 278-3050).

BY ORDER OF THE BOARD OF DIRECTORS
Michael J. Fowler
Secretary
Greeneville, Tennessee
June __, 2011

Appendix A
INVESTMENT AGREEMENT

INVESTMENT AGREEMENT
dated as of May 5, 2011
among
GREEN BANKSHARES, INC.,
GREENBANK
and
NORTH AMERICAN FINANCIAL HOLDINGS, INC.

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Exhibit B	Terms of Repurchase
Exhibit C	Form of Registration Rights Agreement

INVESTMENT AGREEMENT, dated as of May 5, 2011 (this Agreement), among Green Bankshares, Inc., a corporation organized under the laws of the State of Tennessee (the Company), GreenBank, a Tennessee state-chartered banking corporation and a banking subsidiary of the Company (the Bank), and North American Financial Holdings, Inc., a Delaware corporation (Purchaser).

RECITALS:

WHEREAS, the Company intends to issue and sell to Purchaser, and Purchaser intends to purchase from the Company, as an investment in the Company, 119,900,000 shares of common stock, $2.00 par value per share, of the Company (the Common Stock) at a purchase price of $1.81 per share on the terms and conditions described herein;

WHEREAS, on the date hereof, the Company has granted to the Purchaser an option to acquire up to 2,628,183 shares of Common Stock (but not to exceed 19.9% of the Company s issued and outstanding shares of Common Stock without giving effect to any shares subject to or issued pursuant to such option) at a price per share equal to the closing price on the Nasdaq Global Select Market for shares of Common Stock on the first trading day following the date hereof (the Option);

WHEREAS, in addition to the purchase price described above, the Company shall, immediately prior to the issuance of shares of Common Stock to Purchaser, issue to the holders of its Common Stock (excluding the Purchaser) contingent value rights (the CVRs) on substantially the terms set forth in Exhibit A;

WHEREAS, in connection with the investment by Purchaser, the Purchaser shall enter into a binding definitive agreement with the United States Department of the Treasury (Treasury), pursuant to which, among other things and subject to the terms and conditions set forth therein, contemporaneous with the Closing, the Purchaser will purchase from Treasury all of the outstanding shares of the Company s Fixed Rate Cumulative Perpetual Preferred Stock, Series A (the Series A Preferred) (including all obligations with respect to accrued but unpaid dividends on the Series A Preferred) and related warrants to purchase shares of Company Common Stock (the Treasury Warrants) (the Repurchase) (the terms of the Repurchase being set forth in Exhibit B); and

WHEREAS, the Company intends to amend its Charter and its bylaws, in form and substance reasonably satisfactory to Purchaser, to permit the transactions contemplated by this Agreement.

NOW, THEREFORE, in consideration of the premises, and of the representations, warranties, covenants and agreements set forth herein, the parties agree as follows:

ARTICLE I

PURCHASE; CLOSING

1.1 Purchase. On the terms and subject to the conditions set forth herein, at the Closing, Purchaser will purchase from the Company, and the Company will issue and sell to Purchaser, 119,900,000 shares of Common Stock (the Purchased Shares).

1.2 Closing.

(a) The Closing. The closing of the purchase and sale of the Purchased Shares referred to in Section 1.1 (the Closing) shall occur at 10:00 a.m., New York City time, on the third business day after the satisfaction or, if permissible, waiver (by the party entitled to grant such waiver) of the conditions to the Closing set forth in this Agreement (other than those conditions that by their nature are to be satisfied at the Closing, but subject to fulfillment or waiver of those conditions), at the offices of Wachtell, Lipton, Rosen & Katz, 51 West 52nd Street, New York, New York 10019 or such other date or location as agreed by the parties. The date of the Closing is referred to as the Closing Date.

(b) Closing Deliveries. Subject to the satisfaction or waiver on the Closing Date of the applicable conditions to the Closing set forth in Section 1.2(c), at the Closing:

(1) the Company will deliver to Purchaser (A) the Closing Expense Reimbursement in accordance with Section 6.2 hereof, by wire transfer of immediately available funds to an account or accounts designated by Purchaser, and (B) the Purchased Shares, as evidenced by one or more certificates dated the Closing Date and bearing the appropriate legends as set forth herein and free and clear of all liens, charges, encumbrances and security interests of any kind or nature whatsoever (other than restrictions on transfer imposed by applicable securities Laws) (collectively, Liens); and

(2) Purchaser will deliver to the Company, by wire transfer of immediately available funds to an account or accounts designated by the Company, an amount equal to the product of $1.81 per share (the Per Share Purchase Price) multiplied by the number of Purchased Shares.

(c) Closing Conditions. (1) The obligation of Purchaser, on the one hand, and the Company and the Bank, on the other hand, to effect the Closing is subject to the fulfillment or written waiver by Purchaser, the Company and the Bank prior to the Closing of the following conditions:

(A) no provision of any applicable Law and no judgment, injunction, order or decree of any court, administrative agency or commission or other governmental authority or instrumentality, whether federal, state, local or foreign (each, a Governmental Entity) shall prohibit the Closing or shall prohibit or restrict Purchaser or its Affiliates from owning or voting any Purchased Shares, and no lawsuit or formal administrative proceeding shall have been commenced by any Governmental Entity seeking to effect any of the foregoing;

(B) any Required Approvals of the Tennessee Department of Financial Institutions (the Tennessee DFI), Office of the Comptroller of the Currency and the Board of Governors of the Federal Reserve System (the Federal Reserve) required to consummate the transactions contemplated by this Agreement shall have been made or obtained and shall be in full force and effect as of the Closing Date; and

(C) the holders of shares of Common Stock of the Company shall have approved the Shareholder Proposal (other than the proposal set forth in clause (1)(iii) of the definition of Shareholder Proposal) by the requisite vote of such holders and the corresponding amendments to the Charter shall have become effective.

(2) The obligation of Purchaser to purchase the Purchased Shares at the Closing is also subject to the fulfillment or written waiver by Purchaser prior to the Closing of each of the following conditions:

(A) all representations and warranties of the Company and the Bank contained in this Agreement shall be true and correct (without regard to materiality or Material Adverse Effect qualifiers contained therein), both individually and in the aggregate, except where the failure of such representations and warranties to be so true and correct, individually or in the aggregate, has not had and would not be reasonably expected to have a Material Adverse Effect (other than the representations and warranties set forth in Sections 2.2(b), (d)(1), (o), (z), and (bb), which shall be true and correct in all material respects (subject to materiality or Material Adverse Effect qualifiers contained therein)) as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date (except to the extent any such representation and warranty expressly relates to a specified date, in which case such representation and warranty need only be true and correct as of such specified date);

(B) each of the Company and the Bank shall have performed in all material respects all obligations required to be performed by it at or prior to the Closing;

(C) Purchaser shall have received a certificate signed on behalf of each of the Company and the Bank by a senior executive officer certifying to the effect that the conditions set forth in Sections 1.2(c)(2)(A) and 1.2(c)(2)(B) have been satisfied;

(D) since December 31, 2010, except as set forth in any section of the Company Disclosure Schedule corresponding to Section 2.2 of this Agreement, no fact, event, change, condition, development, circumstance or effect shall have occurred that, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect;

(E) (i) The Treasury shall have entered into a binding definitive agreement with Purchaser providing for, contemporaneous with the Closing, the sale to Purchaser of all of the issued and outstanding shares of the Series A Preferred (including all obligations with respect to accrued but unpaid dividends on the Series A Preferred) and the Treasury Warrants in accordance with the terms set forth in Exhibit B and such agreement shall remain in full force and effect; and (ii) the Company shall have received from each employee of the Company listed on Schedule 1.2(c)(2)(E) who has waived any compensation or benefits in connection with the Company s issuance of the Series A Preferred and Treasury Warrants pursuant to the interim final rule issued by Treasury or who would be prohibited from receiving compensation or benefits under the interim final rule issued by Treasury, a binding waiver (in a form acceptable to Purchaser) stipulating that such compensation and benefits that are not payable as of the date of this Agreement will not become payable at or following the Closing;

(F) no Required Approval issued by any Governmental Entity shall impose or contain any restraint, condition or requirement, that, individually or in the aggregate, is adverse to Purchaser or any of its Affiliates in any material respect (in the case this clause, adverse shall mean reducing the economic benefit or increasing the economic burden of the transactions contemplated hereby), as determined by Purchaser in its reasonable good faith judgment (any restraint, condition, or requirement of the type described in this clause (F), a Burdensome Condition);

(G) each of the individuals designated by the Purchaser in its sole discretion prior to the Closing (the Purchaser Designees) shall have been appointed to the Board of Directors of the Company and of the Bank, and an equal number of individuals shall have resigned from the Board of Directors of the Company and of the Bank (the Resigning Directors), in each case effective as of the Closing, such that immediately after the Closing, the Purchaser Designees constitute a majority of the Board of Directors of each of the Company and the Bank; provided, however, in no event shall the Board of Directors of the Company contain fewer than two of the members of the Company s Board of Directors as of the date hereof, which members shall also be appointed to the board of directors of Purchaser immediately following the Closing;

(H) either (i) the existing directors and officers liability and errors and omissions insurance policies of the Company, the Bank and any Subsidiary (the Existing D&O Policies) shall remain in full force and effect as of the date of this Agreement and shall continue in full force and effect until they expire upon the expiration dates set forth in Section 2.2(x) of the Company Disclosure Schedule and the insurers thereunder shall have provided to the Company an endorsement in writing to the effect that neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated by this Agreement shall result in a termination of such policies, or a reduction in coverage of any such policies; or (ii) the Company shall have obtained a policy (or policies) of directors and officers liability and errors and omissions insurance

coverage with insurance carriers believed to be financially sound and reputable with coverage substantially identical to the coverage provided by the Existing D&O Policies;

(I) the shares of Common Stock included in the Purchased Shares shall have been authorized for listing on the NASDAQ Stock Market (NASDAQ) or such other market on which the Common Stock is then listed or quoted, subject to official notice of issuance;

(J) the Company shall have entered into the Registration Rights Agreement pursuant to Section 4.4, having the terms set forth in Exhibit C;

(K) as measured immediately prior to the Closing and excluding any deposits withdrawn by Purchaser or its controlled Affiliates, core deposits (i.e., money market, demand, checking, savings and transactional accounts for retail customers) of the Bank shall not have decreased by more than twenty percent (20%) from the amount thereof as of March 31, 2011;

(L) excluding Charge-Offs made at the written direction of Purchaser or any controlled Affiliate of Purchaser, (i) the Charge-Offs in any completed calendar fiscal quarter commencing after March 31, 2011 shall not exceed $40,000,000 and (ii) the Charge-Offs in the most recent interim quarterly period commencing after the date hereof and ending five calendar days prior to the Closing Date shall not exceed an amount equal to $40,000,000 pro-rated by the number of days in such interim quarterly period; for the purposes of this Section 1.2(c)(2)(L), Charge-Offs shall mean the loans charged-off as reflected in the Company Reports, if then publicly filed, and otherwise derived from the books and records of the Bank in a manner consistent with past practice, with the preparation of the financial statements in the Company Reports and with the Company s or Bank s written policies in effect as of the date of this Agreement; and three calendar days prior to the Closing Date, the Company shall provide Purchaser with a schedule reporting Charge-Offs for the periods referred to in clauses (i) and (ii);

(M) The Board of Directors of the Company shall have declared a distribution of the CVRs, effective immediately prior to the Closing, pursuant to a contingent value right agreement substantially on the terms set forth on Exhibit A and in form and substance reasonably acceptable to the Purchaser;

(N) Either (i) the holders of shares of Common Stock of the Company shall have approved the proposal set forth in clause (1)(iii) of the definition of Shareholder Proposal by the requisite vote of such holders and the corresponding amendment to the Charter shall have become effective or (ii) the merger of the Bank with and into a Subsidiary of the Purchaser on terms reasonably satisfactory to Purchaser and consistent with Exhibit D shall have been approved by the Boards of Directors of the Company and the Bank and by any Governmental Entity the approval of which is required, and such merger is reasonably capable of being consummated not later than three (3) business days following the Closing; and

(3) The obligations of the Company and the Bank to effect the Closing are subject to the fulfillment or written waiver by both of the Company and the Bank prior to the Closing of the following additional conditions:

(A) all representations and warranties of Purchaser contained in this Agreement shall be true and correct (without regard to materiality or material adverse effect qualifiers contained therein) in all material respects as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date, except to the extent any such representation and warranty expressly relates to a specified earlier date, in which case such representation and warranty need only be true and correct

as of such specified earlier date, and except where the failure of any such representation or warranty to be true and correct would not, individually or in the aggregate, impair in any material respect the ability of Purchaser to consummate the transactions contemplated by this Agreement;

(B) Purchaser shall have performed in all material respects all obligations required to be performed by it at or prior to the Closing;

(C) the Company and the Bank each shall have received a certificate signed on behalf of Purchaser by a senior executive officer certifying to the effect that the conditions set forth in Sections 1.2(c)(3)(A) and (B) have been satisfied; and

(D) Purchaser and the Treasury shall have entered into a binding definitive agreement reflecting Purchaser s agreement to repurchase all of the issued and outstanding Series A Preferred (including all obligations with respect to accrued but unpaid dividends on the Series A Preferred) and the Treasury Warrants in accordance with the terms set forth in Exhibit B and such agreement shall remain in full force and effect.

ARTICLE II
REPRESENTATIONS AND WARRANTIES

2.1 Disclosure. (a) On or prior to the date hereof, the Company and the Bank delivered to Purchaser and Purchaser delivered to the Company and the Bank a schedule (a Disclosure Schedule) setting forth, among other things, items the disclosure of which is necessary or appropriate either in response to an express disclosure requirement contained in a provision hereof or as an exception to one or more representations or warranties contained in Section 2.2 with respect to the Company or the Bank, or in Section 2.3 with respect to Purchaser, or to one or more covenants contained in Article III.

(b) Material Adverse Effect means any fact, event, change, development, circumstance or effect that, individually or in the aggregate, (1) is or would be reasonably likely to be material and adverse to the business, assets, liabilities, results of operations or condition (financial or otherwise) of the Company, the Bank and the Subsidiaries, taken as a whole (provided, however, that with respect to this clause (1), a Material Adverse Effect shall not be deemed to include any fact, event, change, condition, development, circumstance or effect to the extent resulting from actions or omissions by the Company taken or not taken with the prior written consent or at the written direction of Purchaser or as expressly required by this Agreement), or (2) materially impairs or would be reasonably likely to materially impair the ability of the Company or the Bank to perform its obligations under this Agreement or to consummate the Closing. Notwithstanding the foregoing, any adverse change, event or effect to the extent arising from: (i) conditions generally affecting the United States economy or generally affecting the banking industry except to the extent the Company and the Bank, taken as a whole, are affected in a materially disproportionate manner as compared to other community banks in the southeastern United States; (ii) national or international political or social conditions, including terrorism or the engagement by the United States in hostilities or acts of war except to the extent the Company and the Bank, taken as a whole, are affected in a materially disproportionate manner as compared to other community banks in the southeastern United States; (iii) changes in any federal, state, local or foreign Laws, any rule or regulation of any SRO, statutes, regulations, rules, ordinances and judgments, decrees, orders, writs and injunctions (collectively, Laws) issued by any Governmental Entity; (iv) any action taken by Purchaser prior to or at the Closing; (v) any failure, in and of itself, by the Company or the Bank to meet any internal or disseminated projections, forecasts or revenue or earnings predictions for any period (provided that any underlying causes of such failure shall not be excluded in determining whether a Material Adverse Effect has occurred or would reasonably be expected to occur); (vi) any natural disaster except to the extent the Company and the Bank, taken as a whole, are affected in a materially disproportionate manner as compared to other community banks in the southeastern United States (vii) any compliance by the Company or the Bank with any express written request made by Purchaser; (viii) a decline in the price, or a change in the

trading volume, of the Common Stock on the NASDAQ (provided that any underlying causes of such decline or change shall not be excluded in determining whether a Material Adverse Effect has occurred or would reasonably be expected to occur); or (ix) the public announcement, pendency or completion of the transactions contemplated by this Agreement, including any action taken in response thereto by any person with which the Company or the Bank does business shall not, in any such case, be taken into account in determining whether a Material Adverse Effect has occurred or would reasonably be expected to occur.

(c) Previously Disclosed with regard to (1) a party means information set forth in its Disclosure Schedule, and (2) the Company or the Bank means information publicly disclosed by the Company in (A) its Annual Report on Form 10-K for the fiscal year ended December 31, 2010, as filed by it with the Securities and Exchange Commission (SEC) on March 15, 2010 (including all exhibits included or incorporated by reference therein) (the Company 10-K), or (B) any Current Report on Form 8-K filed or furnished by it with the SEC since January 1, 2011 and publicly available prior to the date of this Agreement (excluding any risk factor disclosures contained in such documents under the heading Risk Factors and any disclosure of risks included in any forward-looking statements disclaimer or other statements that are similarly non-specific and are predictive or forward-looking in nature).

(d) To the knowledge of the Company, to the knowledge of the Bank, or any similar phrase means, (i) with respect to any fact or matter, the actual knowledge of Stephen M. Rownd or James E. Adams, and (ii) with respect to facts or matters relating to representations and warranties set forth in Section 2.2(w), Stephen M. Rownd, James E. Adams or Steve Droke, in the case of each of clauses (i) and (ii) without any duty to investigate.

2.2 Representations and Warranties of the Company and the Bank. The Company and the Bank, jointly and severally, represent and warrant to Purchaser, as of the date of this Agreement and as of the Closing Date (except to the extent made only as of a specified date in which case as of such date), that, except as Previously Disclosed:

(a) Organization and Authority. (1) The Company is, and at the Closing Date will be, a corporation duly organized, validly existing and in good standing under the laws of the State of Tennessee. The Company is a bank holding company duly registered under the Bank Holding Company Act of 1956, as amended. The Company has, and at the Closing Date will have, the power and authority (corporate, governmental, regulatory and otherwise) and has or will have all necessary approvals, orders, licenses, certificates, permits and other governmental authorizations (collectively, the Authorizations) to own or lease all of the assets owned or leased by it and to conduct its business in all material respects in the manner Previously Disclosed, and has the corporate power and authority to own its properties and assets and to carry on its business as it is now being conducted except where the failure to have such power and authority or such Authorizations has not had, individually or in the aggregate, a Material Adverse Effect. The Company is, and at the Closing Date will be, duly licensed or qualified to do business and in good standing as a foreign corporation in all jurisdictions in which the nature of the activities conducted by the Company requires such qualification except for jurisdictions in which the failure to be so qualified or authorized has not had, individually or in the aggregate, a Material Adverse Effect. The Charter, as amended, of the Company (the Charter) complies in all material respects with applicable Law. A complete and correct copy of the Charter and bylaws of the Company, as amended and as currently in effect, has been delivered or made available to Purchaser. The Company s direct and indirect subsidiaries (other than the Bank) (each a Subsidiary and collectively the Subsidiaries) are listed on Schedule A to this Agreement.

(2) The Bank is a wholly owned subsidiary of the Company and is a corporation and state chartered bank duly organized, validly existing and in good standing under the Laws of the State of Tennessee. The deposit accounts of the Bank are insured up to applicable limits by the Deposit Insurance Fund, which is administered by the Federal Deposit Insurance Corporation (the FDIC); all premiums and assessments required to be paid in connection therewith have been paid when due; and no proceedings for the termination or revocation of such insurance are pending or, to the knowledge of the Company, threatened. The Bank has the power and authority (corporate, governmental, regulatory and otherwise) and has or will have all necessary Authorizations to own or lease all of the assets owned or leased by it and to conduct its business in

all material respects in the manner Previously Disclosed, except where the failure to have such power and authority or such Authorizations has not had, individually or in the aggregate, a Material Adverse Effect. The Bank is duly licensed or qualified to do business and in good standing in all jurisdictions in which the nature of the activities conducted by the Bank requires such qualification except for jurisdictions in which the failure to be so qualified or authorized has not had, individually or in the aggregate, a Material Adverse Effect. The charter (Bank Charter) of the Bank complies in all material respects with applicable Law. A complete and correct copy of the Bank Charter and the bylaws of the Bank, as amended and as currently in effect, has been delivered or made available to Purchaser.

(3) Each of the Subsidiaries is a corporation or other legal entity duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization. Each such Subsidiary has the power and authority (corporate, governmental, regulatory and otherwise) and has or will have all necessary Authorizations to own or lease all of the assets owned or leased by it and to conduct its business in all material respects as Previously Disclosed, except where the failure to have such power and authority or such Authorizations has not had, individually or in the aggregate, a Material Adverse Effect. Each such Subsidiary is duly licensed or qualified to do business and in good standing as a foreign corporation or other legal entity in all jurisdictions in which the nature of the activities conducted by such Subsidiary requires such qualification except for jurisdictions in which the failure to be so qualified or authorized has not had, individually or in the aggregate, a Material Adverse Effect. The charter, articles or certificate of incorporation, certificate of trust or other organizational document of each Subsidiary comply in all material respects with applicable Law. A complete and correct copy of the charter, articles or certificate of incorporation or certificate of trust and bylaws of each Subsidiary (or similar governing documents), as amended and as currently in effect, has been delivered or made available to Purchaser.

(b) Capitalization. The authorized capital stock of the Company consists of 130 shares of organizational common stock, par value $10.00 per share, of the Company (the Organizational Common Stock), 20,000,000 shares of Common Stock and 1,000,000 shares of preferred stock, no par value, of the Company (the Company Preferred Stock). As of the close of business on May 2, 2011 (the Capitalization Date), there were no shares of Organizational Common Stock and no more than 13,206,952 shares of Common Stock outstanding (which includes restricted shares) and 72,278 shares of Series A Preferred and no other shares of Company Preferred Stock outstanding. Since the Capitalization Date and through the date of this Agreement, except in connection with this Agreement and the transactions contemplated hereby, and as set forth in Section 2.2(b) of the Company Disclosure Schedule, the Company has not (1) issued or authorized the issuance of any shares of Organizational Common Stock, Common Stock or Company Preferred Stock, or any securities convertible into or exchangeable or exercisable for shares of Organizational Common Stock, Common Stock or Company Preferred Stock, (2) reserved for issuance any shares of Organizational Common Stock, Common Stock or Company Preferred Stock or (3) repurchased or redeemed, or authorized the repurchase or redemption of, any shares of Organizational Common Stock, Common Stock or Company Preferred Stock. As of the close of business on the Capitalization Date, other than in respect of shares of Common Stock reserved for issuance in connection with the Treasury Warrants, any stock option or other equity incentive plan in respect of which an aggregate of no more than 146,169 shares of Common Stock have been reserved for issuance and under the Company s Dividend Reinvestment Plan, no shares of Organizational Common Stock, Common Stock or Company Preferred Stock were reserved for issuance. All of the issued and outstanding shares of Organizational Common Stock, Common Stock and Company Preferred Stock have been duly authorized and validly issued and are fully paid and nonassessable, and have been issued in compliance with all federal and state securities laws, and were not issued in violation of or subject to any preemptive rights or other rights to subscribe for or purchase securities. All shares of Organizational Common Stock are callable by the Company at any time at a price of $10.00 per share by the Company. No bonds, debentures, notes or other indebtedness having the right to vote on any matters on which the shareholders of the Company may vote (Voting Debt) are issued and outstanding. As of the date of this Agreement, except (A) pursuant to any cashless exercise provisions of any Company stock options or pursuant to the surrender of shares to the Company or the withholding of shares by the Company to cover tax withholding

obligations under the Benefit Plans, (B) the warrant to purchase up to 635,504 shares of Common Stock sold by the Company to the Treasury pursuant to that certain Letter Agreement and Securities Purchase Agreement dated as of December 23, 2008 or (C) as set forth elsewhere in this Section 2.2(b) or on the Company Disclosure Schedule, the Company does not have and is not bound by any outstanding subscriptions, options, calls, commitments or agreements of any character calling for the purchase or issuance of, or securities or rights convertible into or exchangeable for, any shares of Organizational Common Stock, Common Stock or Company Preferred Stock or any other equity securities of the Company or Voting Debt or any securities representing the right to purchase or otherwise receive any shares of capital stock of the Company (including any rights plan or agreement). Section 2.2(b) of the Company Disclosure Schedule sets forth a table listing the outstanding series of trust preferred and subordinated debt securities of the Company and the Bank and certain information with respect thereto, including the holders of such securities as of the date of this Agreement if known to the Company, and all such information is accurate and complete to the knowledge of the Company and the Bank.

(c) Subsidiaries. With respect to the Bank and each of the Subsidiaries, (1) all the issued and outstanding shares of such entity s capital stock have been duly authorized and validly issued, are fully paid and nonassessable, have been issued in compliance with all federal and state securities Laws, and were not issued in violation of or subject to any preemptive rights or other rights to subscribe for or purchase securities, and (2) there are no outstanding options to purchase, or any preemptive rights or other rights to subscribe for or to purchase, any securities or obligations convertible into or exchangeable for, or any contracts or commitments to issue or sell, shares of such entity s capital stock, any other equity security or any Voting Debt, or any such options, rights, convertible securities or obligations. Except as set forth in Section 2.2(c) of the Company Disclosure Schedule, the Company owns, directly or indirectly, all of the issued and outstanding shares of capital stock of each of the Bank and the Subsidiaries, free and clear of all Liens. Except as set forth in Section 2.2(c) of the Company Disclosure Schedule, the Company does not own, directly or indirectly, any capital stock or other equity securities of any person that is not a Subsidiary or the Bank.

(d) Authorization. (1) Each of the Company and the Bank has the full legal right, corporate power and authority to enter into this Agreement and the other agreements referenced herein to which it will be a party and to carry out its obligations hereunder and thereunder. The execution, delivery and performance of this Agreement and the other agreements referenced herein to which each of the Company and the Bank will be a party and the consummation of the transactions contemplated hereby and thereby have been duly authorized by the Boards of Directors of each of the Company and the Bank. This Agreement has been, and the other agreements referenced herein to which they will be a party, when executed, will be, duly and validly executed and delivered by the Company and the Bank and, assuming due authorization, execution and delivery by Purchaser, is and will be a valid and binding obligation of each of the Company and the Bank enforceable against each of the Company and the Bank in accordance with its terms (except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar laws of general applicability relating to or affecting creditors rights or by general equity principles). No other corporate proceedings are necessary for the execution and delivery by the Company or the Bank of this Agreement and the other agreements referenced herein to which it will be a party, the performance by them of their obligations hereunder and thereunder or the consummation by them of the transactions contemplated hereby, subject to receipt of the approval by the Company s shareholders of the Shareholder Proposal. Except as set forth in Section 2.2(d) of the Company Disclosure Schedule, the only vote of the shareholders of the Company required in connection with the approval of the Shareholder Proposal is the affirmative vote of the holders of not less than a majority of the outstanding Common Stock entitled to vote at the meeting at which such a vote is taken. All shares of Common Stock outstanding on the record date for a meeting at which a vote is taken with respect to the Shareholder Proposal shall be eligible to vote on such proposal.

(2) Neither the execution and delivery by the Company or the Bank of this Agreement, nor the consummation of the transactions contemplated hereby, nor compliance by the Company or the Bank with any of the provisions hereof, will (A) violate, conflict with, or result in a breach of any provision of, or constitute a default (or an event that, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or result in the loss of

any benefit or creation of any right on the part of any third party under, or accelerate the performance required by, or result in a right of termination or acceleration of, or result in the creation of any Liens upon any of the material properties or assets of the Company, the Bank or any Subsidiary under any of the terms, conditions or provisions of (i) its charter or bylaws (or similar governing documents) or the certificate of incorporation, charter, bylaws or other governing instrument of any Subsidiary or (ii) except as set forth in Section 2.2(d) of the Company Disclosure Schedule, and except for defaults that would not have nor reasonably be expected to have a Material Adverse Effect, any material note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which the Company, the Bank or any Subsidiary is a party or by which it may be bound, including without limitation the trust preferred securities issued by Greene County Capital Trust I, Greene County Capital Trust II, GreenBank Capital Trust I, Civitas Statutory Trust I, Cumberland Capital Statutory Trust II or the related indentures (collectively, the Trust Preferred Securities), or to which the Company, the Bank or any Subsidiary or any of the properties or assets of the Company, the Bank or any Subsidiary may be subject, or (B) except for violations that would not have nor reasonably be expected to have a Material Adverse Effect, assuming the consents referred to in Section 2.2(f) are duly obtained, violate any Law applicable to the Company, the Bank or any Subsidiary or any of their respective properties or assets.

(e) Accountants. Dixon Hughes PLLC, who has expressed its opinion with respect to the consolidated financial statements contained in the Company 10-K, is as of the date of such opinion a registered independent public accountant, within the meaning of the Code of Professional Conduct of the American Institute of Certified Public Accountants, as required by the Securities Act and the rules and regulations promulgated thereunder and by the rules of the Public Accounting Oversight Board.

(f) Consents. Schedule 2.2(f) of the Company Disclosure Schedule lists all governmental and any other material consents, approvals, authorizations, applications, registrations and qualifications that are required to be obtained in connection with or for the consummation of the transactions contemplated by this Agreement (the Required Approvals). Other than the securities or blue sky laws of the various states and the Required Approvals, no material notice to, registration, declaration or filing with, exemption or review by, or authorization, order, consent or approval of, any Governmental Entity or SRO, or expiration or termination of any statutory waiting period, is necessary for the consummation by the Company or the Bank of the transactions contemplated by this Agreement.

(g) Financial Statements. The Company has previously made available to Purchaser copies of the consolidated statements of financial condition of the Company, the Bank and the Subsidiaries as of December 31 for the fiscal years 2008, 2009 and 2010, and the related consolidated statements of operations, of comprehensive income, of changes in shareholders equity, and of cash flows for the fiscal years 2008 through 2010, inclusive, as reported in the Company 10-K, in each case accompanied by the audit report of Dixon Hughes PLLC. The December 31, 2010 consolidated statement of financial condition of the Company (including the related notes, where applicable) fairly presents in all material respects the consolidated financial position of the Company, the Bank and the Subsidiaries as of the date thereof, and the other financial statements referred to in this Section 2.2(g) (including the related notes, where applicable) fairly present in all material respects, and the financial statements to be filed by the Company with the SEC after the date of this Agreement will fairly present in all material respects (subject, in the case of the unaudited statements, to recurring audit adjustments normal in nature and amount), the results of the consolidated operations, comprehensive income, changes in shareholders equity, cash flows and the consolidated financial position of the Company, the Bank and the Subsidiaries for the respective fiscal periods or as of the respective dates therein set forth; each of such statements (including the related notes, where applicable) in all material respects complies, and the financial statements to be filed by the Company with the SEC after the date of this Agreement will comply, with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto; and each of such statements (including the related notes, where applicable) has been, and the financial statements to be filed by the Company with the SEC after the date of this Agreement will be, prepared in accordance with generally accepted accounting principles (GAAP) consistently applied during the periods involved, except as indicated in the notes thereto or, in the case of unaudited statements, as permitted by Form 10-Q. There is

no transaction, arrangement or other relationship between the Company, the Bank or any Subsidiary and an unconsolidated or other Affiliated entity that is not reflected on the financial statements specified in this Section 2.2(g). The books and records of the Company, the Bank and the Subsidiaries in all material respects have been, and are being, maintained in accordance with applicable Law and GAAP accounting requirements and reflect only actual transactions. Dixon Hughes PLLC has not resigned or been dismissed as independent public accountants of the Company as a result of or in connection with any disagreements with the Company on a matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

(h) Reports. (1) Since December 31, 2008, the Company, the Bank and each Subsidiary has timely filed all material reports, registrations, documents, filings, statements and submissions, together with any amendments thereto, that it was required to file with any Governmental Entity or self-regulatory organization having jurisdiction over the Company (SRO) (the foregoing, collectively, the Company Reports) and has paid all material fees and assessments due and payable in connection therewith. As of their respective dates of filing, the Company Reports complied in all material respects with all statutes and applicable rules and regulations of the applicable Governmental Entities or SROs. Except as set forth in Section 2.2(h)(1) of the Company Disclosure Schedule, to the knowledge of the Company, as of the date of this Agreement, there are no outstanding comments from the SEC or any other Governmental Entity or any SRO with respect to any Company Report. In the case of each such Company Report filed with or furnished to the SEC, such Company Report did not, as of its date or if amended prior to the date of this Agreement, as of the date of such amendment, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements made in it, in light of the circumstances under which they were made, not misleading and complied as to form in all material respects with the applicable requirements of the Securities Act of 1933, as amended (the Securities Act), and the Securities Exchange Act of 1934, as amended (the Exchange Act). With respect to all other Company Reports, the Company Reports were complete and accurate in all material respects as of their respective dates, or the dates of their respective amendments. No executive officer of the Company, the Bank or any Subsidiary has failed in any respect to make the certifications required of him or her under Section 302 or 906 of the Sarbanes-Oxley Act. Copies of all Company Reports not otherwise publicly filed have, to the extent allowed by applicable Law, been made available to Purchaser by the Company. Except for normal examinations conducted by a Governmental Entity or SRO in the regular course of the business of the Company, the Bank and the Subsidiaries, no Governmental Entity or SRO has initiated any proceeding or, to the knowledge of the Company, investigation into the business or operations of the Company, the Bank or any Subsidiary since December 31, 2008. Except as set forth in Section 2.2(h)(1) of the Company Disclosure Schedule, to the knowledge of the Company and the Bank, there is no unresolved violation, criticism or exception by any Governmental Entity or SRO with respect to any report or statement relating to any examinations of the Company, the Bank or any of the Subsidiaries.

(2) The Company (i) keeps books, records and accounts that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company, the Bank and the Subsidiaries, and (ii) maintains a system of internal accounting controls sufficient to provide reasonable assurances that (A) transactions are executed in accordance with management s general or specific authorization, (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets, (C) access to assets is permitted only in accordance with management s general or specific authorization and (D) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The Company (A) has implemented and maintains disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) to ensure that material information relating to the Company, including the Bank and the Subsidiaries, is made known to the chief executive officer and the chief financial officer of the Company by others within those entities, and (B) has disclosed, based on its most recent evaluation prior to the date hereof, to the Company s outside auditors and the audit committee of the Board of Directors (x) any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that are reasonably likely to adversely affect the Company s ability to record, process, summarize and report financial information and (y) any

fraud, whether or not material, that involves management or other employees who have a significant role in the Company s internal controls over financial reporting. Since December 31, 2008, (A) none of the Company, the Bank or any Subsidiary or, to the knowledge of the Company or the Bank, any director, officer, employee, auditor, accountant or representative of the Company, the Bank or any Subsidiary has received or otherwise had or obtained knowledge of any material complaint, allegation, assertion or claim, whether written or oral, regarding the accounting or auditing practices, procedures, methodologies or methods of the Company, the Bank or any Subsidiary or their respective internal accounting controls, including any material complaint, allegation, assertion or claim that the Company, the Bank or any Subsidiary has engaged in questionable accounting or auditing practices, and (B) no attorney representing the Company, the Bank or any Subsidiary, whether or not employed by the Company, the Bank or any Subsidiary, has reported evidence of a material violation of securities laws, breach of fiduciary duty or similar violation by the Company or any of its officers, directors, employees or agents to the Company s Board of Directors or any committee thereof or to any director or officer of the Company. The Company is otherwise in compliance in all material respects with all applicable provisions of the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act), as amended and the rules and regulations promulgated thereunder and as of the date of this Agreement, the Company has no knowledge of any reason that its outside auditors and its chief executive officer and chief financial officer shall not be able to give the certifications and attestations required pursuant to the rules and regulations adopted pursuant to Section 404 of the Sarbanes-Oxley Act, without qualification, when next due.

(i) Properties and Leases. The Company, the Bank and the Subsidiaries have good and marketable title to all real properties and transferable title to all other properties and assets, tangible or intangible, owned by them (other than any assets or properties classified as other real estate owned) that are material to the operation of their businesses, in each case free from Liens (other than (i) Liens for current taxes and assessments not yet past due or being contested in good faith, (ii) inchoate Liens for construction in progress, (iii) mechanics , materialmen s, workmen s, repairmen s, warehousemen s and carriers Liens arising in the ordinary course of business of the Company, the Bank or such Subsidiary consistent with past practice for sums not yet delinquent or being contested in good faith by appropriate proceedings and (iv) Liens with respect to tenant personal property, fixtures and/or leasehold improvements at the subject premises arising under state statutes and/or principles of common law (collectively, Permitted Liens)) that would impair in any material respect the value thereof or interfere with the use made or to be made thereof by them in any material respect. The Company, the Bank and the Subsidiaries own, lease or otherwise have valid easement rights to use all properties as are necessary to their operations as now conducted. To the knowledge of the Company, the Company, the Bank and the Subsidiaries hold all leased real or personal property under valid and enforceable leases with no exceptions that would interfere with the use made or to be made thereof by them in any material respect. None of the Company, the Bank or any Subsidiary or, to the knowledge of the Company, any other party thereto is in default in any material respect under any lease described in the immediately preceding sentence. There are no condemnation or eminent domain proceedings pending or, to the knowledge of the Company, threatened in writing, with respect to any of the real properties owned, or to the Company s knowledge, any of the real properties leased, by the Company, the Bank or any of the Subsidiaries. None of the Company, the Bank or any of the Subsidiaries has, within the last two (2) years, made any material title claims, or has outstanding any material title claims, under any policy of title insurance respecting any parcel of real property.

(j) Taxes. Except as set forth in Section 2.2(j) of the Company Disclosure Schedule, (1) each of the Company, the Bank and the Subsidiaries has duly and timely filed (including, pursuant to applicable extensions granted without penalty) all material Tax Returns required to be filed by it and all such Tax Returns are correct and complete in all material respects. Each of the Company, the Bank and the Subsidiaries have paid in full, or made adequate provision in the financial statements of the Company (in accordance with GAAP) for, all Taxes shown as due on such Tax Returns; (2) no material deficiencies for any Taxes have been proposed, asserted or assessed against or with respect to any Taxes due by, or Tax Returns of, the Company, the Bank or any of the Subsidiaries which deficiencies have not since been resolved; and (3) there are no material Liens for Taxes upon the assets of either the Company, the Bank or the Subsidiaries except for statutory Liens for Taxes not yet due or that are being contested in good faith by

appropriate proceedings and for which adequate reserves in accordance with GAAP have been provided. None of the Company, the Bank or any of the Subsidiaries has been a distributing corporation or a controlled corporation in any distribution occurring during the last two years in which the parties to such distribution treated the distribution as one to which Section 355 of the U.S. Internal Revenue Code of 1986, as amended and the Treasury Regulations promulgated thereunder (the Code) is applicable. None of the Company, the Bank or any Subsidiary has engaged in any transaction that is the same as or substantially similar to a listed transaction for United States federal income tax purposes within the meaning of Treasury Regulations section 1.6011-4. None of the Company, the Bank or any of the Subsidiaries has engaged in a transaction of which it made disclosure to any taxing authority to avoid penalties under Section 6662(d) or any comparable provision of state, foreign or local Law. None of the Company, the Bank or any of the Subsidiaries has participated in any tax amnesty or similar program offered by any taxing authority to avoid the assessment of penalties or other additions to Tax. The Company, the Bank and each of the Subsidiaries have complied in all material respects with all requirements to report information for Tax purposes to any individual or taxing authority, and have collected and maintained all requisite certifications and documentation in valid and complete form with respect to any such reporting obligation, including, without limitation, valid Internal Revenue Service Forms W-8 and W-9. No claim has been made by a Tax Authority in writing to the Company, the Bank or any of the Subsidiaries in a jurisdiction where the Company, the Bank or any of the Subsidiaries, as the case may be, does not file Tax Returns that the Company, the Bank or any of such Subsidiaries, as the case may be, is or may be subject to Tax by that jurisdiction. None of the Company, the Bank or any of the Subsidiaries has granted any waiver, extension or comparable consent regarding the application of the statute of limitations with respect to any Taxes or Tax Return that is outstanding, nor has any request for any such waiver or consent been made. None of the Company, the Bank or any of the Subsidiaries has been or is in violation (or with notice or lapse of time or both, would be in violation) of any applicable Law relating to the payment or withholding of Taxes (including, without limitation, withholding of Taxes pursuant to Sections 1441 and 1442 of the Code or any similar provisions of state, local or foreign Law). Each of the Company, the Bank and its Subsidiaries has duly and timely withheld from employee salaries, wages and other compensation and paid over to the appropriate taxing authority all amounts required to be so withheld and paid over for all periods under all applicable Laws. No audits or material investigations by any taxing authority relating to any Tax Returns of any of the Company, the Bank or any of the Subsidiaries is in progress, nor has the Company, the Bank or any of the Subsidiaries received notice from any taxing authority of the commencement of any audit not yet in progress. There are no outstanding powers of attorney enabling any person or entity not a party to this Agreement to represent the Company, the Bank or any Subsidiary with respect to Tax matters. None of the Company, the Bank or any of the Subsidiaries has applied for, been granted, or agreed to any accounting method change for which it will be required to take into account any adjustment under Code Section 481 or any similar provision. There are no material elections regarding Taxes affecting the Company, the Bank or any of the Subsidiaries. None of the Company, the Bank or any of the Subsidiaries has undergone an ownership change within the meaning of Code Section 382(g) provided that the Company makes no representations as to whether the execution of this Agreement or the consummation of the transactions contemplated hereby will constitute an ownership change under Code Section 382(g). For purposes of this Agreement, Taxes shall mean all taxes, charges, levies, penalties or other assessments imposed by any United States federal, state, local or foreign taxing authority, including any income, excise, property, sales, transfer, franchise, payroll, withholding, social security, abandoned or unclaimed property or other taxes, together with any interest, penalties or additions to tax attributable thereto, and any payments made or owing to any other person measured by such taxes, charges, levies, penalties or other assessment, whether pursuant to a tax indemnity agreement, tax sharing payment or otherwise (other than pursuant to commercial agreements or Benefit Plans). For purposes of this Agreement, Tax Return shall mean any return, report, information return or other document (including any related or supporting information) required to be filed with any taxing authority with respect to Taxes, including, without limitation, all information returns relating to Taxes of third parties, any claims for refunds of Taxes and any amendments or supplements to any of the foregoing.

(k) Absence of Certain Changes. Since December 31, 2010, except as Previously Disclosed, (1) the Company, the Bank and the Subsidiaries have conducted their respective businesses in all material respects in the ordinary and usual course of business and consistent with prior practice, (2) none of the Company, the Bank or any Subsidiary has issued

any securities or incurred any liability or obligation,

direct or contingent, for borrowed money, except borrowings in the ordinary course of business, (3) except for publicly disclosed ordinary dividends on the Common Stock and outstanding Company Preferred Stock or as contemplated by Section 2.2(b) of this Agreement, the Company has not made or declared any distribution in cash or in kind to its shareholders or issued or repurchased any shares of its capital stock or other equity interests, (4) no fact, event, change, condition, development, circumstance or effect has occurred that has had or would reasonably be expected to have a Material Adverse Effect and (5) no material default (or event that, with notice or lapse of time, or both, would constitute a material default) exists on the part of the Company, the Bank or any Subsidiary or, to their knowledge, on the part of any other party, in the due performance and observance of any term, covenant or condition of any Company Significant Agreement that would, individually or in the aggregate, constitute a Material Adverse Effect.

(l) No Undisclosed Liabilities. Except as set forth in Section 2.2(l) of the Company Disclosure Schedule, none of the Company, the Bank or any of the Subsidiaries has any liabilities or obligations of any nature and is not an obligor under any guarantee, keepwell or other similar agreement (absolute, accrued, contingent or otherwise) except for (1) liabilities or obligations reflected in or reserved against in the Company s consolidated balance sheet as of December 31, 2010, (2) current liabilities that have arisen since December 31, 2010 in the ordinary and usual course of business and consistent with past practice and that have either been Previously Disclosed or would not have, individually or in the aggregate, a material impact on the Company, the Bank or any Subsidiary and (3) contractual liabilities under (other than liabilities arising from any breach or violation of) agreements made in the ordinary and usual course of business and consistent with past practice and that have either been Previously Disclosed or would not have, individually or in the aggregate, a material impact on the Company, the Bank or any Subsidiary.

(m) Commitments and Contracts. (i) The Company has Previously Disclosed or made available to Purchaser or its representatives true, correct and complete copies of, each of the following written contracts to which the Company, the Bank or any Subsidiary is a party (each, a Company Significant Agreement):

(1) any contract or agreement which is a material contract within the meaning of Item 601(b)(10) of Regulation S-K to be performed in whole or in part after the date of this Agreement;

(2) any contract or agreement with respect to the employment or service of any current or former directors, officers, or consultants of the Company, the Bank or any of the Subsidiaries;

(3) any contract or agreement with any director, officer, or Affiliate of the Company, the Bank or any of the Subsidiaries;

(4) any contract or agreement materially limiting the freedom of the Company, the Bank or any Subsidiary to engage in any line of business or to compete with any other person or prohibiting the Company, the Bank or any Subsidiary from soliciting customers, clients or employees, in each case whether in any specified geographic region or business or generally;

(5) any contract or agreement with a labor union or guild (including any collective bargaining agreement);

(6) any contract or agreement which grants any person a right of first refusal, right of first offer or similar right with respect to any material properties, assets or businesses of the Company, the Bank or the Subsidiaries other than other real estate owned;

(7) any trust indenture, mortgage, promissory note, loan agreement or other contract, agreement or instrument for the borrowing of money, any currency exchange, commodities or other hedging arrangement or any leasing transaction of the type required to be capitalized in accordance with GAAP, in each case, where the Company, the Bank or any

Subsidiary is a lender, borrower or guarantor other than those entered into in the ordinary course of business;

(8) any contract or agreement entered into since January 1, 2005 (and any contract or agreement entered into at any time to the extent that material obligations remain as of the date hereof) relating to the acquisition or disposition of any material business or material assets (whether by merger, sale of stock or assets or otherwise), which acquisition or disposition is not yet complete or where such contract contains continuing material obligations, including continuing material indemnity obligations, of the Company, the Bank or any of the Subsidiaries;

(9) any agreement of guarantee, support or indemnification by the Company, the Bank or any Subsidiary, assumption or endorsement by the Company, the Bank or any Subsidiary of, or any similar commitment by the Company, the Bank or any Subsidiary with respect to, the obligations, liabilities (whether accrued, absolute, contingent or otherwise) or indebtedness of any other person other than those entered into in the ordinary course of business;

(10) any alliance, cooperation, joint venture, stockholders partnership or similar agreement involving a sharing of profits or losses relating to the Company, the Bank or any Subsidiary;

(11) any agreement, option or commitment or right with, or held by, any third party to acquire, use or have access to any assets or properties, or any interest therein, of the Company, the Bank or any Subsidiary; and

(12) any material contract or agreement that would require any consent or approval of a counterparty as a result of the consummation of the transactions contemplated by this Agreement.

(ii) (A) Each of the Company Significant Agreements has been duly and validly authorized, executed and delivered by the Company, the Bank or any Subsidiary and is binding on the Company, the Bank and the Subsidiaries, as applicable, and to the Company s knowledge, is in full force and effect; (B) the Company, the Bank and each of the Subsidiaries, as applicable, are in all material respects in compliance with and have in all material respects performed all obligations required to be performed by them to date under each Company Significant Agreement; (C) as of the date hereof, none of the Company, the Bank or any of the Subsidiaries has received notice of any material violation or default (or any condition that with the passage of time or the giving of notice would cause such a violation of or a default) by any party under any Company Significant Agreement; and (D) no other party to any Company Significant Agreement is, to the knowledge of the Company, in default in any material respect thereunder.

(n) Offering of Purchased Shares. Neither the Company nor any person acting on its behalf has taken any action (including any offering of any securities of the Company) under circumstances that would require the integration of such offering with the offering of any of the Purchased Shares, the shares underlying the Option or CVRs to be issued pursuant to this Agreement, in each case under the Securities Act, and the rules and regulations of the SEC promulgated thereunder, which might subject the offering, issuance or sale of any of the Purchased Shares or the shares underlying the Option to Purchaser or the CVRs to the Company s shareholders (excluding the Purchaser) pursuant to this Agreement to the registration requirements of the Securities Act.

(o) Status of Purchased Shares. The Purchased Shares to be issued pursuant to this Agreement have been duly authorized by all necessary corporate action, in each case subject to the approval of the Shareholder Proposal. When issued, delivered and sold against receipt of the consideration therefor as provided in this Agreement, the Purchased Shares will be validly issued, fully paid and nonassessable, will not be issued in violation of or subject to preemptive rights of any other shareholder of the Company and will not result in the violation or triggering of any price-based antidilution adjustments under any agreement to which the Company, the Bank or any Subsidiary is a party. The voting rights of the

holders of the Purchased Shares will be enforceable in accordance with the terms of the Charter, the bylaws of the Company and applicable Law.

(p) Litigation and Other Proceedings. Except as set forth in Section 2.2(p) of the Company Disclosure Schedule, none of the Company, the Bank or any Subsidiary is a party to any, and there are no pending or, to the Company s knowledge, threatened, legal, administrative, arbitral or other proceedings, claims, actions or governmental or regulatory investigations of any nature (1) against the Company, the Bank or any Subsidiary (excluding those of the type contemplated by the following clause (2)) that, if adversely determined, would reasonably be expected to result in damages, costs or any other liability owed by the Company, the Bank or such Subsidiary, as applicable, in excess of $1,000,000 individually or $5,000,000 in the aggregate or (2) as of the date hereof, challenging the validity or propriety of the transactions contemplated by this Agreement. There is no material injunction, order, judgment, decree or regulatory restriction (other than regulatory restrictions of general application that apply to similarly situated companies) imposed upon the Company, the Bank, any Subsidiary or the assets of the Company, the Bank or any Subsidiary. There is no material unresolved violation, criticism or exception by any Governmental Entity with respect to any report or relating to any examinations or inspections of the Company, the Bank or any Subsidiary.

(q) Compliance with Laws. (1) The Company, the Bank and each Subsidiary have all material permits, licenses, franchises, authorizations, orders and approvals of (Permits), and have made all filings, applications and registrations with, Governmental Entities and SROs that are required in order to permit them to own or lease their properties and assets and to carry on their business as presently conducted, except where the failure to have, or the suspension or cancellation of, any Permit has not had a Material Adverse Effect. Except as has not had a Material Adverse Effect, each of the Company, the Bank and each Subsidiary is and has been in compliance with and is not in default or violation of, and none of them is, to the knowledge of the Company, under investigation with respect to or, to the knowledge of the Company, has been threatened to be charged with or given notice of any material violation of, any applicable material domestic (federal, state or local) or foreign Law or order, demand, writ, injunction, decree or judgment of any Governmental Entity or SRO. Except for statutory or regulatory restrictions of general application, no Governmental Entity or SRO has placed any material restriction on the business or properties of the Company, the Bank or any Subsidiary. Except as set forth in Section 2.2(q) of the Company Disclosure Schedule, since December 31, 2009, none of the Company, the Bank or any Subsidiary has received any written notification or communication from any Governmental Entity or SRO (A) asserting that the Company, the Bank or any Subsidiary is not in material compliance with any applicable Law, (B) threatening to revoke any permit, license, franchise, authorization, order or approval, or (C) threatening or contemplating revocation or limitation of, or which would have the effect of revoking or limiting, FDIC deposit insurance.

(2) Except as would not be material to the Company, the Bank and the Subsidiaries, taken as a whole, the Bank and each Subsidiary have properly administered all accounts for which the Bank or any Subsidiary acts as a fiduciary, including accounts for which the Bank or any Subsidiary serves as a trustee, agent, custodian, personal representative, guardian, conservator or investment adviser, in accordance with the terms of the governing documents, applicable state and federal law and regulation and common law in all material respects. None of the Bank or any Subsidiary, or any director, officer or employee of the Bank or any Subsidiary, has committed any breach of trust with respect to any such fiduciary account that would be material to the Bank and the Subsidiaries, taken as a whole, and the accountings for each such fiduciary account are true and correct in all material respects and accurately reflect in all material respects the assets of such fiduciary account.

(r) Labor. Employees of the Company, the Bank and the Subsidiaries are not represented by any labor union nor are any collective bargaining agreements otherwise in effect with respect to such employees. No labor organization or group of employees of the Company, the Bank or any Subsidiary has made a pending demand for recognition or certification, and there are no representation or certification proceedings or petitions seeking a representation proceeding presently pending or threatened to be brought or filed with the National Labor Relations Board or any other labor relations tribunal or authority. There

are no organizing activities (to the Company s knowledge), strikes, work stoppages, slowdowns, lockouts, material arbitrations or material grievances, or other material labor disputes pending or to the Company s knowledge threatened against or involving the Company, the Bank or any Subsidiary. The Company, the Bank and each Subsidiary believe that their relations with their employees are good. As of the date hereof, no executive officer of the Company, the Bank or any Subsidiary has notified the Company, the Bank or any Subsidiary that such officer intends to leave the employ of the Company, the Bank or any Subsidiary or otherwise terminate such executive officer s employment with the Company, the Bank or any Subsidiary. To the knowledge of the Company, no executive officer of the Company, the Bank or any Subsidiary is, or is now expected to be, in violation of any material term of any employment contract, confidentiality, disclosure or proprietary information agreement, non-competition agreement, or any other agreement or any restrictive covenant, and to the knowledge of Company the continued employment of each such executive officer does not subject the Company, the Bank or any Subsidiary to any liability with respect to any of the foregoing matters. The Company, the Bank and the Subsidiaries are in compliance with all notice and other requirements under the Worker Adjustment and Retraining Notification Act of 1988, and any other similar applicable foreign, state, or local Laws relating to facility closings and layoffs.

(s) Company Benefit Plans.

(1) (A) Section 2.2(s)(1)(A) of the Company Disclosure Schedule sets forth a complete list of the Company s Benefit Plans. With respect to each Benefit Plan, except as set forth in Section 2.2(s)(1)(A) of the Company Disclosure Schedule, the Company, the Bank and the Subsidiaries have complied, and are now in compliance, in both instances in all material respects, with all provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA), the Code and all Laws and regulations applicable to such Benefit Plan; and (B) each Benefit Plan has been administered in all material respects in accordance with its terms. Benefit Plan means any employee welfare benefit plan within the meaning of Section 3(1) of ERISA, any employee pension benefit plan within the meaning of Section 3(2) of ERISA, and any bonus, incentive, deferred compensation, vacation, stock purchase, stock option, severance, employment, change of control, fringe benefit, or other compensation or employee benefit plan, program, agreement, arrangement or policy sponsored, maintained or contributed to or required to be contributed to by the Company or by any trade or business, whether or not incorporated (an ERISA Affiliate), that together with the Company would be deemed a single employer within the meaning of section 4001(b) of ERISA, or to which the Company, the Bank, any Subsidiary or any of their respective ERISA Affiliates is party, whether written or oral, for the benefit of any director, former director, consultant, former consultant, employee or former employee of the Company, the Bank or any Subsidiary.

(2) With respect to each Benefit Plan, the Company has heretofore delivered or made available to Purchaser or Previously Disclosed true and complete copies of each of the following documents, to the extent applicable: (A) a copy of the Benefit Plan and any amendments thereto (or if the Benefit Plan is not a written Benefit Plan, a description thereof); (B) a copy of the two most recent annual reports and actuarial reports, and the most recent report prepared with respect thereto in accordance with Statement of Financial Accounting Standards No. 87; (C) a copy of the most recent summary plan description required under ERISA with respect thereto; (D) if the Benefit Plan is funded through a trust or any third party funding vehicle, a copy of the trust or other funding agreement and the latest financial statements thereof; and (E) the most recent determination or opinion letter received from the Internal Revenue Service with respect to each Benefit Plan intended to qualify under section 401 of the Code.

(3) Except as set forth in Section 2.2(s)(3) of the Company Disclosure Schedule, no claim has been made, or to the knowledge of the Company threatened, against the Company, the Bank or any of the Subsidiaries related to the employment and compensation of employees or any Benefit Plan, including, without limitation, any claim related to the purchase of employer securities or to expenses paid under any defined contribution pension plan other than ordinary course claims for benefits.

(4) No Benefit Plans are subject to Title IV or described in Section 3(37) of ERISA, and none of the Company, the Bank or its Subsidiaries has at any time within the past six (6) years sponsored or contributed to, or has or had within the past six (6) years any liability or obligation in respect of, any plan subject to Title IV or described in Section 3(37) of ERISA. Except as set forth in Section 2.2(s)(4) of the Company Disclosure Schedule, neither the Company, the Bank, nor any Subsidiary has incurred any current or projected liability in respect of post-retirement health, medical or life insurance benefits for Company Employees, except as required to avoid an excise tax under Section 4980B of the Code or comparable State benefit continuation laws.

(5) Each Benefit Plan intended to be qualified within the meaning of section 401(a) of the Code is so qualified and the trusts maintained thereunder are exempt from taxation under section 501(a) of the Code, and, to the knowledge of the Company, no condition exists that could reasonably be expected to jeopardize any such qualification or exemption.

(6) None of the Company, the Bank or any Subsidiary, any Benefit Plan, any trust created thereunder, or any trustee or administrator thereof has engaged in a transaction in connection with which the Company, the Bank or any Subsidiary, any Benefit Plan, any such trust, or any trustee or administrator thereof, or any party dealing with any Benefit Plan or any such trust could be subject to either a civil penalty assessed pursuant to section 409 or 502(i) of ERISA or a tax imposed pursuant to section 4975 or 4976 of the Code.

(7) There has been no material failure of a Benefit Plan that is a group health plan (as defined in section 5000(b)(1) of the Code) to meet the requirements of section 4980B(f) of the Code with respect to a qualified beneficiary (as defined in section 4980B(g) of the Code).

(8) Except as set forth in Section 2.2(s)(8) of the Company Disclosure Schedule, each Benefit Plan that is a non-qualified deferred compensation plan within the meaning of Section 409A(d)(1) of the Code (a 409A Plan) complies in all material respects with the requirements of Section 409A of the Code and the guidance promulgated thereunder. From January 1, 2005 through December 31, 2008, each 409A Plan and any award thereunder was maintained in good faith operational compliance with the requirements of (i) Section 409A of the Code and (ii) (x) the proposed regulations issued thereunder, (y) the final regulations issued thereunder or (z) Internal Revenue Service Notice 2005-1. From and after January 1, 2009, each 409A Plan and any award thereunder has been maintained in operational compliance with the requirements of Section 409A of the Code the final regulations issued thereunder. Except as set forth in Section 2.2(s)(8) of the Company Disclosure Schedule, as of and since December 31, 2008, each 409A Plan and any award thereunder has been in documentary compliance with the requirements of Section 409A of the Code and the final regulations issued thereunder. Except as set forth in Section 2.2(s)(8) of the Company Disclosure Schedule, no payment to be made under any 409A Plan is or will be subject to the interest and additional tax payable pursuant to Section 409A(a)(1)(B) of the Code. None of the Company, the Bank or any Subsidiary is party to, or otherwise obligated under, any contract, agreement, plan or arrangement that provides for the gross-up of taxes imposed by Section 409A(a)(1)(B) of the Code.

(9) (A) Except as set forth in Section 2.2(s)(9) of the Company Disclosure Schedule or as required by applicable Law, neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby will (i) result in any payment (including severance, unemployment compensation, excess parachute payment (within the meaning of Section 280G of the Code), forgiveness of indebtedness or otherwise) becoming due to any current or former employee, officer or director of the Company, the Bank or any Subsidiary from the Company, the Bank or any Subsidiary under any Benefit Plan or otherwise, (ii) increase any benefits otherwise payable under any Benefit Plan, (iii) result in any acceleration of the time of payment or vesting of any such benefits, (iv) require the funding or increase in the funding of any such benefits or (v) result in any limitation on the right of the Company, the Bank or any Subsidiary to amend, merge, terminate or receive a reversion of assets from any Benefit Plan or related trust and (B) except as set forth in Section 2.2(s)(9) of the Company Disclosure Schedule

or as required by applicable Law, none of the Company, the Bank or any Subsidiary has taken, or permitted to be taken, any action that required, and no circumstances exist that will require the funding, or increase in the funding, of any benefits, or will result, in any limitation on the right of the Company, the Bank or any Subsidiary to amend, merge, terminate any Benefit Plan or receive a reversion of assets from any Benefit Plan or related trust. Except as set forth in Section 2.2(s)(9) of the Company Disclosure Schedule, none of the Company, the Bank or any Subsidiary is party to, or otherwise obligated under, any contract, agreement, plan or arrangement that provides for the gross-up of excise taxes imposed by Section 4999 of the Code.

(10) The Company, the Bank and the Subsidiaries will be in compliance, as of the Closing Date, with Sections 111 and 302 of the Emergency Economic Stabilization Act of 2008, as amended by the U.S. American Recovery and Reinvestment Act of 2009, including all guidance issued thereunder by a Governmental Entity (collectively EESA). Except as set forth in Section 2.2(s)(10) of the Company Disclosure Schedule, without limiting the generality of the foregoing, each employee of the Company, the Bank, and the Subsidiaries who is subject to the limitations imposed under EESA has executed a waiver of claims against the Company, the Bank and the Subsidiaries with respect to limiting or reducing rights to compensation for so long as the EESA limitations are required to be imposed.

(t) Risk Management Instruments. All material derivative instruments, including, swaps, caps, floors and option agreements, whether entered into for the Company s own account, or for the account of the Bank or one or more of the Subsidiaries, were entered into (1) only in the ordinary and usual course of business and consistent with past practice, (2) in accordance with commercially reasonable banking practices and in all material respects with all applicable laws, rules, regulations and regulatory policies and (3) with counterparties believed to be financially responsible at the time; and each of them constitutes the valid and legally binding obligation of the Company, the Bank or one of the Subsidiaries, enforceable in accordance with its terms. None of the Company, the Bank or the Subsidiaries, or, to the knowledge of the Company, any other party thereto, is in breach of any of its material obligations under any such agreement or arrangement.