GREEN BANKSHARES, INC.
Form PRER14A
July 26, 2011

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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. 3)

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:

(5) Total fee paid:

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:

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July ___, 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 August ___, 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;

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(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

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

Notice is hereby given that a Special Meeting of Shareholders (the Special Meeting) of Green Bankshares, Inc. (the Company) will be held on August __, 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 July 6, 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.

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

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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 August __, 2011

This Proxy Statement and a proxy card are available at https://www.proxyvotenow.com/grnb.

The Special Meeting of Shareholders will be held August __, 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.

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

SPECIAL MEETING OF SHAREHOLDERS
August __, 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 August __ 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 July __, 2011.

The Board of Directors has fixed the close of business on July 6, 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 (GreenBank or 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 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. It is also expected that in connection with the closing of the Initial Investment that GreenBank will be merged with and into NAFH s bank subsidiary Capital Bank, National Association (formerly known as NAFH National Bank) (the Bank Merger). Throughout this Proxy Statement, we refer to Capital Bank, National Association as NAFH Bank . The approximately $217 million that NAFH is investing in the Company will be available for the primary purpose of providing capital support to GreenBank, and following the Bank Merger, NAFH Bank, including providing any capital necessary to allow GreenBank or, following the Bank Merger, NAFH Bank to meet any capital commitments made by those banks to their primary regulators. The Company believes that the operations of GreenBank will benefit from this additional capital support, which should allow management to return their principal focus to improving the profitability of GreenBank and growing the bank s operations throughout its Tennessee markets. It is not expected that any of the $217 million investment will be distributed to the Company s shareholders.

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:

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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 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.

Contingent Value Rights

Pursuant to the terms of the Investment Agreement, immediately prior to the closing date of the Investment, existing shareholders of the Company as of a certain date fixed prior to the closing date will be issued one CVR for each share of Common Stock owned by the shareholder. Based on the term sheet for the CVRs which is included as Exhibit A of the Investment Agreement which is attached as Appendix A to this Proxy Statement, the Company expects that each CVR will entitle the holder thereof to a cash payment of up to $0.75 per CVR based on the amount of net charge-offs (Credit Losses) incurred between May 5, 2011 and the five year anniversary of the Closing (the CVR Measurement Period) on account of any of GreenBank s loans existing as of May 5, 2011. The CVRs will provide that if the amount of Credit Losses during the CVR Measurement Period is less than $178 million, then NAFH will pay to the Company s shareholders within sixty (60) days following the five year anniversary of the Closing an amount equal to (1) if the difference between $178 million and the amount of Credit Losses incurred during the CVR Measurement Period, expressed on a per CVR basis, is less than or equal to $0.50, then 100% of such difference; and (2) if the difference between $178 million and the amount of Credit Losses incurred during the CVR Measurement Period, expressed on per CVR basis, is greater than $0.50, then $0.50 plus 50% of such amount in excess of $0.50, with an aggregate maximum of $0.75 per CVR. In the event that the amount of Credit Losses during the CVR Measurement Period equals or exceeds $178 million, then the CVRs will expire and the holders thereof will receive no payment on account of the CVRs.

Except for modifications of the terms of the CVRs that are adverse to the holders of the CVRs, the holders of the CVRs will have no voting rights with respect to the CVRs, will have no right to receive dividends on account of the CVRs and will only be able to transfer the CVRs by will or the laws of descent or distribution. The Company may redeem the CVRs at any time at a price of $0.75 per share and in the event that the Company experiences a change in control (which means any transaction resulting in the holders of the equity interests of NAFH immediately prior to such transaction owning, directly or indirectly, less than 50% of the equity interests of NAFH) the CVRs shall be redeemed at a price of $0.75 per CVR upon closing of that change in control transaction.

By way of example if the Credit Losses incurred during the CVR Measurement Period total $156 million, each holder of a CVR will receive a cash payment of $0.75 per CVR. Credit Losses during the CVR Measurement Period of $168 million would result in a cash payment of $0.63 per CVR, while Credit Losses during the CVR Measurement Period of $174 million would result in a cash payment of $0.30 per CVR. These payment scenarios are only examples of certain payout scenarios and should not be viewed as the Company s expectations as to the likely payouts under the CVRs.

The Company is unable to predict whether any amounts will be payable under the CVRs as the amount of Credit Losses that may be experienced over the CVR Measurement Period is subject to numerous risks and uncertainties, including, among others, the condition of the economy in the markets served by GreenBank. By way of example only, the total amount of the Company s Credit Losses over the five year period ended December 31, 2010 was $156.1 million. For additional information regarding projected net charge-offs and estimated potential loan losses see Proposal 1 Approval of the Issuance of Shares of Common Stock Under the Investment Agreement Projected Financial Information.

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:

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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

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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.

In September 2010, the Company formally engaged its financial advisor in connection with its exploration of these strategic alternatives. Pursuant to the terms of its engagement, the Company s financial advisor will receive a fee upon the successful consummation of the NAFH recapitalization transaction. During the two years prior to its engagement on September 16, 2010, the Company s financial advisor had no formal engagements with either the Company or NAFH.

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, on behalf of the Company, 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, on behalf of the Company, the Company s financial advisor contacted fifty potential private equity investors and sixteen potential strategic partners. The private equity investors contacted were chosen because they had generally expressed interest to the Company s financial advisor in pursuing capital investment transactions like those being considered by the Company. The strategic partners contacted were chosen because they had generally expressed to the Company s financial advisor a willingness to consider acquiring financial institutions of a similar size to the Company or with operations in the Company s market areas. Of these potential private equity investors and strategic partners contacted, twenty-one potential private equity investors and seven potential strategic partners, including both platform companies, like NAFH, and large, regional financial institutions, entered into a confidentiality agreement with the Company. 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 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. Under each proposal, additional investors would have been required 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. The Company s Board of Directors did not convey to NAFH a minimum per share investment price that would be acceptable to the Board of Directors and did not discuss as a group any such minimum price.

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

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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 managers and financial advisor also engaged in discussions with representatives of PE Firm A and PE Firm A s Bank regarding PE Firm A s Bank s prospects for growth and preliminary views on the opportunity for the combined banks. The Company s senior managers performed a limited amount of due diligence on PE Firm A s Bank, including a review of publicly available financial information regarding PE Firm s A s Bank s historical financial performance. Throughout their discussions, 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. At this meeting, NAFH was asked, and confirmed, that the recapitalization transaction structure it has proposed on or about April 14, 2011 was still a transaction structure that it would consider, but that the investment price under that structure would not be as high as the $2.09 price it had offered for the merger transaction.

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. The Company s Board of Directors also considered the alternative of continuing to operate the Company on a stand-alone basis with an injection of new capital. In comparing the three transaction 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 of the Series A Preferred Stock, and the potential investors different visions for the Company going forward. In evaluating the investment price being offered in each of the recapitalization transactions and the value of the merger consideration being offered in the NAFH merger transaction, the Board of Directors considered that each of those prices was at a discount to the Company s book value per common share (shareholders equity less preferred stock and common stock warrants) and the trading price of the Company s common stock. While the per share consideration being offered in each of the proposed structures was below the Company s book value per common share of $4.88 as of March 31, 2011, the Company s Board of Directors considered that the Company s book value per common share did not reflect NAFH s or PE Firm A s views on the potential losses embedded in the Company s loan portfolio or the impact of the purchase accounting adjustments, including the adjustments resulting from marking the loan portfolio to fair value, that would likely accompany either alternative. When evaluating the discount each alternative reflected to the current trading price of the Company s common stock, the Company s Board of Directors also considered that the trading price of the Company s common stock did not reflect NAFH s or PE Firm A s views on the potential losses embedded in the Company s loan portfolio or the impact of the purchase accounting adjustments, including the adjustments resulting from marking the loan portfolio to fair value, that would likely accompany either alternative, and did not reflect the fact that the announcement by the Company that it had consented to the issuance of a cease and desist order by the FDIC and entered into a written agreement with the TDFI, the possibility of which is discussed in more detail below, both of which would likely have negatively impacted the trading price of the Company s Common Stock.

In evaluating the various alternatives, the Company s Board of Directors considered that 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 on acceptable terms, 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 whose stock prices were trading, on April 28, 2011, at premiums ranging from 115% of pro forma tangible book value per share to 270% of pro forma tangible book value per share. In addition, the Company s Board of Directors 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, which has now filed a registration statement with the SEC related to its proposed initial public offering and which the Board of Directors at that time believed would be filing for its initial public offering before the end of 2011, 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 to the CVRs provided a positive benefit over the recapitalization transaction involving PE Firm A, and that accordingly the NAFH recapitalization transaction offered 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 because PE Firm A would require additional co-investors to fund the full investment. 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. Also, when considering the recapitalization transaction, the Company s Board of Directors also considered the contingent nature of the financial advisor s fee.

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, and modifications to the closing conditions. The Company s legal advisor also attempted to negotiate a reduction in the size of the termination fees and a reduction in the number of situations in which those fees would be payable as well as an increase in the size of the reverse termination fee. 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 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 at or above those minimum levels that GreenBank had informally committed to maintain (as described above), which were above those levels 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. At this meeting, the Company s financial advisor advised the Board of Directors that the financial advisor currently anticipated that it would act as a managing underwriter in connection with NAFH s potential public offering and that the financial advisor may provide investment banking services to the Company and NAFH in the future, for which the financial advisor may receive a fee. The Board of Directors did not believe that this potential conflict of interest impaired the financial advisor s ability to advise the Board of Directors impartially.

Following a discussion of the financial terms of the NAFH recapitalization transaction, 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).

In considering the $1.81 per share purchase price proposed by NAFH, the Company s Board of Directors discussed that the price was below the current trading price for the Company s common stock and current book value per share of Common Stock as well as the per share price offered by NAFH in the merger transaction alternative. Despite the fact that this price was nominally below these other per share prices, the Board of Directors believed that it was likely that the trading price of the Company s common stock would trade higher following announcement of the proposed transaction and that the trading price would likely trade higher than the $2.15 per share price offered in the merger transaction. The Board of Directors reached this conclusion based on its review of the stock price performance of the following companies that had entered into recapitalization transactions similar to the transaction proposed by NAFH since September 30, 2009: (i) Capital Bank Corporation; (ii) TIB Financial Corp.; (iii) Palmetto Bancshares, Inc.; (iv) Hampton Roads Bankshares, Inc.; (v) Pacific Capital Bancorp; (vi) Sterling Financial Corporation; and (vii) West Coast Bancorp. In the case of each of these companies, the price at which the company s stock was trading at the close of the market on May 4, 2011 ranged from 115% of the company s pro forma tangible book value per share to 213% of pro forma tangible book value per share. Applying these trading multiples to the $1.55 pro forma tangible book value per share implied by the $1.81 per share purchase price, the Board of Directors believed that it was likely that the Company s Common Stock would trade at a price higher than the price offered by NAFH in the merger transaction. The Board of Directors gave particular attention to the trading price of Capital Bank Corporation, which on May 4, 2011, was trading at 201.8% of pro forma tangible book value per share. The Board of Directors believed that the Capital Bank Corporation trading price was particularly relevant to the Company s situation given the similarities between NAFH s investment in Capital Bank Corporation and its proposed investment in the Company.

At the May 5, 2011 Board of Directors meeting, 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.

Projected Financial Information

The Company s senior management does not as a matter of course make public projections as to future performance or earnings and, especially during this period of economic uncertainty, cautions against relying on any such projections, including those summarized below. However, the Company s senior management did provide the Company s 2011 financial plan to NAFH, PE Firm A, and other potential private equity investors and strategic partners in connection with their consideration of a possible transaction with the Company. The projections included in the Company s 2011 financial plan, as well as other projections, were also provided to the Company s Board of Directors. The Company has included in this Proxy Statement the projections included in the Company s 2011 financial plan that were deemed material by the Company s Board of Directors for purposes of considering and evaluating the recapitalization transaction proposed by NAFH. The inclusion of these projections should not be regarded as an indication that the Company s management or Board of Directors or any other recipient of these or other financial projections considered, or now consider, these projections, or any other projections provided in connection with the proposed NAFH recapitalization transaction, to be a reliable prediction of future results and they should not be relied on as such.

The Company believes that the assumptions the Company s management used as a basis for preparing projections were reasonable at the time the projections were prepared, given information the Company s management had at the time. However, the projections do not take into account any circumstances or events occurring after the date they were prepared and you should not assume that the projections remain accurate as of the date of this Proxy Statement or that the projections will continue to be accurate or reflective of the Company s management s view at the time you consider whether to vote for approval of the proposals included in this Proxy Statement. The internal financial forecasts upon which these projections were based are subjective in many respects and are thus susceptible to various interpretations. The projections reflect numerous assumptions with respect to industry performance, general business, economic, market and financial conditions and other matters, all of which are difficult to predict and many of which are beyond the Company s control. The projections are also subject to significant uncertainties in connection with changes to the Company s business and its financial condition and results of operations, and include numerous estimates and assumptions related to the Company s business that are inherently subject to significant economic, political and competitive uncertainties, including those factors described below under Forward Looking Statements beginning on page 28, all of which are difficult to predict and many of which are beyond the Company s control. As a result, although the projections set forth below were prepared in good faith based upon assumptions believed to be reasonable at the time the projections were prepared, there can be no assurance that the projected results will be realized or that actual results will not be significantly higher or lower than projected.

Since the date of the management-prepared projections set out below, the Company has made publicly available its actual results of operations for the fiscal year ended December 31, 2010 and the three months ended March 31, 2011. You should review the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, together with the information set forth in Appendix F attached hereto. Readers of this Proxy Statement are cautioned not to place undue reliance on the specific portions of the financial projections set forth below. No one has made or makes any representation to you regarding the information included in these projections or the future financial results of the Company.

For the foregoing reasons, as well as the bases and assumptions on which the financial projections presented below were compiled, the inclusion of these specific portions of the financial projections in this Proxy Statement should not be regarded as an indication that such projections will be an accurate prediction of future results or events, and they should not be relied on as such. Except as required by applicable securities laws, the Company has not updated and does not intend to update or otherwise revise the financial projections or the specific portions presented below to reflect circumstances existing after the date when such projections were made or to reflect the occurrence of future events, even in the event that any or all of the assumptions underlying the projections are shown to be in error.

A summary of the above-described financial projections is set forth below:

	Projected as of and for the fiscal year ending December 31, 2011 (dollars in thousands)
Balance Sheet Data:	
Investments and cash	$ 510,865
Loans	1,590,818
Loan loss reserve	(61,662)
Other real estate owned	74,246
Deposits	1,875,876
Borrowings	163,944
Capital	205,848
Income Statement Data:	

Net interest income		75,637
Loan loss provision		(41,860)
Non-interest income		30,414
Non-interest expense		(89,556)
Loss before income taxes		(25,365)
Net loss GreenBank		(25,365)
Green Bankshares expenses		(7,100)
Consolidated net loss		(32,465)
Other Financial Data:		
Net charge -offs	$	45,100
Capital Ratios:		
Tier 1 leverage ratio		8.20%
Total risk-based capital ratio		12.88%
Tangible common equity as a percentage of tangible assets		1.66%

In addition to the 2011 financial plan, the Company also provided NAFH, PE Firm A and other potential private equity investors and strategic partners with a loan portfolio analysis (the Analysis) prepared by Situs Real, LLC (Situs), an experienced independent loan valuation firm that has reviewed numerous loan portfolios throughout the United States, including portfolios of companies like the Company that were seeking to raise capital. The Company engaged Situs in the first quarter of 2011 after interviewing other similar firms, choosing Situs because of its reputation for providing portfolio reviews and Situs s independent approach. The Company paid Situs a fee of approximately $250,000 to perform the valuation analysis, which fee was not contingent on Situs agreeing on certain Company-mandated procedures or reaching any particular analytical results. The Company did not impose any limitations on the scope of Situs s review.

Situs s review was based on a review of the Company s loan portfolio as of December 31, 2010 and was based upon Situs s views of the prevailing economic conditions and real estate conditions as of August 2010. The Analysis included Situs s estimates of potential future losses embedded in the Company s loan portfolio over a three year time horizon. The Analysis estimated that the future cumulative losses embedded within the Company s loan portfolio at December 31, 2010 ranged between $75.3 million, in its upside case scenario, to approximately $98.7 million in its base case scenario and $173.3 million in its downside case scenario.

Because payments under the CVRs are based on Credit Losses incurred between May 5, 2011 and the five year anniversary of the Closing, the portion of any of Situs s estimated potential future losses that the Company charged off between December 31, 2010 and May 4, 2011 would be excluded from the amount of Credit Losses that the Company incurred for purposes of determining the amount of any payment due under the CVRs and Situs did not estimate effects during the period from December 31, 2013 through May 5, 2016. For the quarter ended March 31, 2011, the Company incurred net charge-offs totaling approximately $15.6 million.

In preparing its Analysis, Situs reviewed approximately 5,000 loans, including commercial real estate, construction and land loans (CRE Loans), commercial and industrial loans (C&I Loans) and residential real estate loans, and conducted several distinct, but related procedures, to derive collateral values and to estimate possible losses (reflecting the product of probability of default and collateral deficiencies) in the Company s loan portfolio. For GreenBank s consumer loan portfolio, Situs applied the industry loss rate calculated by the Federal Reserve. With respect to GreenBank s CRE Loans, Situs reviewed approximately 210 loans with balances totaling approximately $533.6 million, representing approximately 65.1% of the dollar value of GreenBank s loans within this segment of the portfolio at December 31, 2010. Situs s review of GreenBank s commercial and industrial loans covered approximately 70 loans with balances totaling approximately $207.0 million, representing approximately 35.7% of the dollar value of GreenBank s loans within this segment of the portfolio at December 31, 2010. The residential real estate loans reviewed by Situs covered approximately 4,700 loans totaling approximately $352.9 million, representing approximately 82.0% of the dollar value of GreenBank s loans within this segment of the loan portfolio at December 31, 2010, with the results of its review of those loans extrapolated to the remaining balance of the residential real estate portfolio.

When reviewing the selected CRE Loans, Situs categorized the loans based on two levels of review. Situs s Level 1 analysis involved an in-depth loan file review of approximately 50 loans representing approximately 37.3% of the dollar value of CRE Loans at December 31, 2010. In reviewing these loans for the possibility of default under the base case scenario, Situs s representatives reviewed a summary description of the loan history, current status and terms, collateral, financial condition of the borrower and/or guarantor, local real estate market, including market participant comments as well as sales and rent comparables, as appropriate, any collateral property s tenancy, occupancy and cash flow projections and probability of default. Level 2 analysis for those CRE Loans sampled involved calculating a possible loss estimate based on a limited file review of approximately 161 loans representing approximately 27.8% of the dollar value of CRE Loans at December 31, 2010 based on property type, geographic region and property operating information, where available, combined with the results of Situs s Level 1 analysis. Based on its review of the CRE Loans within the selected sample, Situs estimated the possible loan losses within the sampled loans within the segment of the portfolio by multiplying Situs s subjective view on the probability (expressed as a percentage) that the borrower would default on the obligation by the difference between the current amount committed on the loan and estimates of the current value of the collateral supporting the borrower s obligation. Situs then extrapolated losses across the remainder of GreenBank s portfolio of CRE Loans based on its analysis of the sampled loans. To arrive at its upside case and downside case scenarios, Situs adjusted its assumptions with respect to collateral values and probability of default downward and upward, as applicable

For its base case review of the selected sample of C&I Loans, Situs completed a Level 2 analysis of approximately 70 loans representing approximately 35.7% of the dollar value of C&I Loans at December 31, 2010. The Level 2 analysis consisted of analyzing the loan s risk rating, repayment sources, accrual status, collateral coverage, covenant structure and obligor support to help determine a probability of default, loss given default, expected exposure at default and timing of projected default. Situs s conclusions with respect to the possible losses in the sample of C&I Loans were then extrapolated across the remainder of GreenBank s portfolio of C&I Loans. To arrive at its upside case scenario, Situs increased the underlying collateral value by 10%. The downside case scenario was the result of migrating the sampled C&I Loans down one risk rating.

For its base case review of the selected sample of residential real estate loans, including mortgage and home equity loans, Situs utilized a location-correlated housing price index model, estimating mark-to-market loan to value ratios at the property level for residential loan portfolios based on relative price movements from the date of a loan s origination and/or the latest appraisal. Situs s review consisted of a residential index value assessment on approximately 4,700 loans, representing approximately 82% of the dollar value of these types of loans at December 31, 2010 Situs arrived at its estimated possible loss conclusions based on estimated loan to value ratios resulting from its review of observed historical, industry peak loss rates and forward-looking loss rate conclusions with respect to first and second mortgages and home equity lines of credit. Then, Situs calculated an estimated probability (expressed as a percentage) that the borrower would default on the obligation based on the resulting loan to value ratios, further enhancing the probability of default by taking into account the then current loan performance, including loan status, days past due and credit score. To arrive at its upside case and downside case scenarios, Situs increased and decreased the estimated collateral values by 10%, respectively.

For its base case review of GreenBank s consumer loan portfolio, Situs applied the Federal Reserve s charge-off rate for consumer loans at commercial banks (excluding the top 100 banks) of 2.09% to GreenBank s consumer portfolio. To arrive at its upside case and downside case scenarios, Situs decreased and increased the loss rate by 50 basis points, respectively.

In performing its Analysis of GreenBank s CRE Loans and C&I Loans, Situs followed agreed upon procedures which included reviewing information provided by GreenBank for each of the loans reviewed utilizing a Level 1 analysis and completing market research on each piece of collateral for loans reviewed utilizing a Level 1 analysis. To estimate the probability that a borrower might default on a loan reviewed utilizing a Level 1 analysis, Situs considered a variety of factors, including loan to value ratios, debt service coverage ratios, maturity date, remaining interest reserve, additional loan support and practical sources of repayment. For each of the loans reviewed utilizing a Level 2 analysis, Situs completed a file review and limited market research, reviewing, among other things, loan approvals, property operating statements, watch list reports, criticized asset reports, appraisals and borrower/guarantor financial statements.

In performing the Analysis, Situs relied on information provided by GreenBank, including data tapes, as well as market statistics and other information provided by both public and private sources as well as interviews with market participants, including appraisers, brokers, realtors, investors and local governmental agencies. Situs representatives also engaged in discussions with members of GreenBank s senior management regarding certain individual loans. Situs did not conduct site inspections as part of the scope of its assignment and made certain assumptions about compliance with zoning restrictions and other applicable government regulations affecting properties securing collateral-dependent loans. While Situs reviewed certain financial information of guarantors of CRE Loans provided by GreenBank, it did not complete a full analysis of the guarantors financial statements and was not able to make any statement regarding a guarantor s financial condition. Accordingly, Situs s scope included subjective quantification of the recourse support available from guarantors.

The Analysis was prepared by Situs s representatives, and not by the Company or its management, and accordingly, the Analysis reflects Situs s views, including views as to the broader economic outlook for the United States and the Company s market areas, including for the housing industry, and not necessarily those of the Company s management. Further, the conclusions reached in the Analysis are based on a significant number of assumptions, including, but not limited to, assumptions related to then current and projected economic conditions in the United States and in the Company s market areas and collateral values, particularly those related to residential real estate, in the Company s market areas. The Company believes that Situs s assumptions with respect to the economic conditions for the 2011 fiscal year were not materially different than the Company s management s assumptions in preparing the management-prepared 2011 financial projections. Situs noted in the Analysis that its review should not be used for valuation purposes under generally accepted accounting principles.

Just as the Company has cautioned that the inclusion in this Proxy Statement of the management-prepared financial projections described above should not be regarded as an indication that those projections will be an accurate prediction of future results or events, and should not be relied upon as such, the Company similarly cautions it shareholders and other investors that the potential estimated loss levels described in the Analysis similarly should not be regarded as an indication that these potential estimated losses will be an accurate prediction of future losses that will be experienced in the Company s loan portfolio and should not be relied upon as such. Like the management-prepared financial projections, the estimated losses described in the Analysis do not take into account any circumstances or events occurring after the date it was prepared and you should not assume that these estimates remain accurate as of the date of this Proxy Statement or that these estimates will continue to be accurate at the time you consider whether to vote for approval for the proposals included in this Proxy Statement. Further, except as required by applicable securities laws, the Company undertakes no obligation to update or revise these estimates.

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 merger of the Company with and into NAFH (the Holding Company Merger), as NAFH will be a controlling majority shareholder and 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. If the Holding Company Merger is completed, the Company s Common Stock would be exchanged for shares of Class A common stock of

NAFH, with the Company s shareholders becoming shareholders of NAFH.

Pursuant to the terms of the Investment Agreement and as approved by the Company s Board of Directors, the exchange ratio that would be used for determining the number of shares of NAFH Class A common stock into which the Company s Common Stock would be converted in the Holding Company Merger will be based on the relative pro forma tangible book value per share of NAFH s common stock and the Company s Common Stock. In setting the exchange ratio to be used in the Holding Company Merger, the purchase accounting adjustments made in accordance with generally accepted accounting principles that will be made to the Company s and GreenBank s financial statements, including the adjustments resulting from marking GreenBank s loan portfolio to market value, would impact the Company s tangible book value per share. NAFH s board of directors has financial interests that are adverse to those of the Company s shareholders in making these adjustments as any reduction in the Company s tangible book value per common share relative to the tangible book value per share of NAFH would reduce the number of shares of NAFH Class A common stock that the Company s shareholders would receive in the Holding Company Merger.

The pro forma relative tangible book value per share of the Company s and NAFH s common stock approved by the Company s Board of Directors to be utilized in calculating the exchange ratio applicable to the Holding Company Merger is not currently known and will be impacted by the purchase accounting adjustments that will be made to the Company s financial statements in connection with the Holding Company Merger, including the adjustments resulting from marking GreenBank s loan portfolio to market value. At March 31, 2011, the Company s and NAFH s tangible book value per share of common stock was $4.41 and $17.76, respectively. The Company s tangible book value per share as of March 31, 2011 does not reflect the purchase accounting adjustments, which are expected to reduce the Company s tangible book value per share relative to the tangible book value per share of NAFH.

Interests 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.

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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 July ___, 2011, Messrs. Vaught, W. Adams and Ottinger hold 2,000, 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 July ___, 2011, Messrs. Rownd, Fowler, W. Adams and Ottinger hold 42,537, 30,865, 624 and 1,716 shares of unvested restricted stock, respectively, that are anticipated to vest following the consummation of the Repurchase.

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:

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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.

Recommendation of the Company s Board of Directors

In reaching its decision to adopt and approve the Investment Agreement and the transactions contemplated thereby, including the Bank Merger, and to recommend that the Company s shareholders approve the proposals included in this Proxy Statement, the Company s Board of Directors considered a number of factors, including, without limitation, the following potentially positive factors in support of the recapitalization transaction with NAFH:

its belief that the recapitalization transaction with NAFH was more favorable to the Company s shareholders than any other alternative reasonably available to the Company. The Board of Directors considered possible alternatives to the recapitalization transaction with NAFH, including continuing to operate the Company on a stand-alone basis, entering into the merger transaction with NAFH, or pursuing a recapitalization transaction with PE Firm A, and the risks and uncertain returns associated with each of these alternatives, each of which the Board of Directors determined not to pursue when compared to the recapitalization transaction, which the Company s Board of Directors believed offered the possibility of the highest value to the Company s shareholders because of the Board of Directors belief that (1) based on the trading prices of certain comparable recapitalization transactions, the Company s stock price would trade higher than the value of the merger consideration being offered by NAFH and (2) unlike in the NAFH merger transaction in which the Company s shareholders would receive primarily cash in exchange for their shares of Company Common Stock, the Company s shareholders would remain shareholders of the Company and as a result they would have the opportunity to participate in the Company s future earnings or growth, which the Company s Board of Directors believed would be improved over a stand-alone basis on account of the significant capital investment by NAFH;

the Board of Directors belief that if the Company s stock price traded higher than the per share price offered in the merger transaction the Company s shareholders could immediately sell their shares of Common Stock at a price higher than the price they would receive in the merger transaction without having to wait for the transaction to close before doing so;

the results of the extensive review of strategic alternatives conducted by the Company, with the assistance of its financial and legal advisors over a period of nine months, which involved the Company s management engaging in discussions with approximately twenty parties to determine their potential interest in a business combination or recapitalization transaction with the Company;

the conclusion of the Company s Board of Directors that the termination fees, expense reimbursements and payments potentially owning to NAFH under the Investment Agreement and the Option (and the circumstances when each such fee or payment is payable) were reasonable in light of the potential benefits to the Company and its shareholders of the recapitalization transaction with NAFH and the extensive sale process conducted by the Company;

the significant amount of cash on hand at NAFH, and the absence of a financing condition to NAFH s obligation to consummate the Investment, together with NAFH s obligation under the Investment Agreement to pay the Company a reverse termination fee in an amount equal to $8,000,000 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; and

the conclusion by the Company s Board of Directors that consummation of the recapitalization transaction with NAFH, including the Bank Merger, would aid the Company and GreenBank in dealing with the formal regulatory enforcement action being pursued by the FDIC and the TDFI, which the Board of Directors believed would negatively impact the Company s and GreenBank s operations on a stand-alone basis.

The Board of Directors also considered and balanced against the potentially positive factors the following potentially negative factors concerning the recapitalization transaction with NAFH:

the amount of dilution that the Company s existing shareholders would incur as a result of consummation of the transactions contemplated by the Investment Agreement;

the fact that the per share purchase price being paid by NAFH was less than the trading price for the Company s Common Stock and the book value per share of Common Stock;

the risk that the NAFH recapitalization transaction might not be completed, including the risk that the banking regulators or the Company s shareholders might not approve the transaction;

the actual and potential interests of the Company s executive officers and directors in the recapitalization transaction that may be different than or in addition to those of the Company s shareholders generally (see Interests of the Company s Directors and Executive Officers in the Proposal);

the restrictions in the Investment Agreement on the Company s ability to solicit or engage in discussions or negotiations with a third party regarding other proposals and the restrictions on the ability of the Company s Board of Directors to withdraw its recommendation that the Company s shareholders vote in favor of the proposals included in this Proxy Statement;

the requirements in the Investment Agreement and the Option that the Company pay NAFH termination fees and expense reimbursement payments of up to $16,750,000 in certain circumstances (see Overview

Termination Fees Payable by the Company); and

the possibility of employee and customer disruption associated with the recapitalization transaction.

After taking into account all of the factors set forth above, as well as others, the Board of Directors determined that the potentially positive factors outweighed the potentially negative factors and that the Investment Agreement and the transactions contemplated thereby, including the Bank Merger, are advisable and in the best interests of the Company and its shareholders. For the additional factors considered by the Company s Board of Directors in determining whether to recommend that the Company s shareholders approve the Bank Merger, see PROPOSAL 6 APPROVAL OF THE MERGER OF GREENBANK WITH AND INTO A SUBSIDIARY OF NORTH AMERICAN FINANCIAL HOLDINGS, INC. Reasons for the Bank Merger .

This discussion of the information and factors considered by the Company s Board of Directors is not intended to be exhaustive, but is believed to address the material information and factors considered by the Company s Board of Directors. In view of the number and variety of these factors, the Company s Board of Directors did not find it practicable to make specific assessments of, or otherwise assign relative weights to, the specific factors and analyses considered in reaching its determination. The determination to adopt and approve the Investment Agreement and the transactions contemplated thereby, including the Bank Merger, was made after consideration of all of the factors and analyses as a whole. In deciding to adopt and approve the Investment Agreement and the transactions contemplated thereby, including the Bank Merger, individual members of the Company s Board of Directors may have given different weights to the different factors considered by the Board of Directors.

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.

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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 June 30, 2011	Upon Effectiveness of Amendment
Shares of Common Stock Authorized	20,000,000	300,000,000
Shares of Common Stock Outstanding	13,239,090	13,239,090
Shares of Common Stock Reserved for Issuance*	1,050,937	1,050,937
Shares of Common Stock Available for Future Issuance	5,709,973	285,709,973
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 June 30, 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.

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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 consummate 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. For more information on the Holding Company Merger, including NAFH s ability to consummate the Holding Company Merger without the need for the affirmative vote of any of the Company s other shareholders approving the Holding Company Merger see Proposal 1 - Approval of the Issuance of Shares of Common Stock Under the Investment Agreement - Effect of this Proposal.

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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 Bank, a national banking association organized under the laws of the United States 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 banking franchise in the southeastern region of the 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 to make acquisitions through a series of private placements of its common stock. On June 24, 2011, NAFH filed a registration statement with the SEC related to its proposed initial public offering of up to $300 million of its Class A common stock.

Since its founding, NAFH has acquired five depository institutions, including the assets and certain deposits of 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 approximately $1.2 billion of assets and assumed approximately $960 million of deposits 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 loss-sharing arrangements with the FDIC covering approximately $796 million of loans and real estate owned of the Failed Banks that NAFH acquired.

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 at the acquisition date, 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 NAFH Bank in an all stock transaction.

NAFH s primary business is to offer a wide range of commercial and consumer loans and deposits, as well as ancillary financial services. NAFH s strategy is to build a mid-size regional bank by operating, integrating and growing its existing operations as well as to acquire other banks, including failed, underperforming and undercapitalized banks. NAFH seeks to create a mid-sized regional bank that will be able to realize greater economies of scale compared to smaller community banks while still providing more personalized, local service than large-sized banks.

NAFH currently leases office space in Miami, Florida for its principal executive offices. As of March 31, 2011, NAFH operated 37 branches in Florida, 32 in North Carolina and 13 in South Carolina.

Litigation Matters

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 the Company 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 the Company, the Bank, the Company s Board of Directors (Steven M. Rownd, Robert K. Leonard, Martha M. Bachman, Bruce Campbell, W.T. Daniels, Samuel E. Lynch, Bill Mooningham, John Tolsma, Kenneth R. Vaught, and Charles E. Whitfield, Jr.) and NAFH on behalf of all persons holding common stock of the Company. This complaint, which has been subsequently amended, was filed following the Company s public announcement on May 5, 2011 of its entering into the Investment Agreement with NAFH and relates to the proposed investment in the Company by NAFH. The amended complaint alleges that the individual defendants breached their fiduciary duties by accepting a sale price for the shares to be sold to NAFH that was unfair to the Company s shareholders and by issuing a proxy statement that contained material omissions. The complaint also alleges that the Company, the Bank and NAFH aided and abetted these breaches of fiduciary duty. It seeks injunctive relief and/or rescission of the proposed investment by NAFH and fees and expenses in an unspecified amount.

On May 25, 2011, another shareholder of the Company 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 the Company, the Company s Board of Directors and NAFH on behalf of all persons holding the Company s 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.

On June 16, 2011, another shareholder of the Company filed a putative class action lawsuit (styled Thomas W. Cook Jr. v. Green Bankshares, Inc. et al., Civil Action No. 2:11-cv-00176, United States District Court for the Eastern District of Tennessee, Greeneville) against the Company, the Company s Board of Directors and NAFH on behalf of all persons holding the Company s common stock. The complaint alleges that the individual defendants breached their fiduciary duties to the Company by failing to maximize shareholder value in the proposed transaction with NAFH. The complaint also alleges that the Company and the individual defendants violated the securities laws by issuing a Preliminary Proxy Statement that contains alleged material misstatements and omissions. The complaint also alleges that the Company and NAFH aided and abetted the breaches of fiduciary duty. It seeks an injunction and/or rescission of NAFH s investment in the Company, monetary damages and fees and expenses in an unspecified amount.

On July 6, 2011, another shareholder of the Company filed a lawsuit (styled Barbara N. Ballard v. Stephen M. Rownd, et al., Civil Action No. 2:11-cv-00201, United States District Court for the Eastern District of Tennessee, Greeneville) against the Company, the Company s Board of Directors and NAFH asserting an individual claim that alleges that the individual defendants violated the securities laws by issuing a Preliminary Proxy Statement that contains alleged material misstatements and omissions. The complaint also alleges a class action claim on behalf of all persons holding the Company s common stock against the individual defendants for breach of fiduciary duty based on these same alleged material misstatements and omissions. The complaint also alleges that the Company and NAFH aided and abetted the 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 July 26, 2011, the parties to the above-referenced class action lawsuits reached an agreement in principle to resolve these lawsuits on the basis of the inclusion of certain additional disclosures regarding the NAFH transaction in this Proxy Statement. The proposed settlement is subject to, among other things, court approval.

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.

In addition to the above factors, the Board of Directors of the Company, in determining whether to recommend approval of the Bank Merger to the Company s shareholders, also considered publicly available historical financial information related to NAFH s five completed acquisitions and the March 31, 2011 financial condition and capital position of NAFH Bank and NAFH s Capital Bank subsidiary. The Company s Board of Directors also considered, when considering whether to recommend approval of the Bank Merger to the Company s shareholders, the Company s and GreenBank s tangible book value and the Company s shareholders tangible common equity ownership in the Company as of March 31, 2011 and on an estimated pro forma basis after giving effect to NAFH s investment in the Company, both before and after giving effect to the Bank Merger, and in each case after giving effect to the estimated purchase accounting adjustments to be made in connection with the transaction, including as a result of the marking to market of GreenBank s loan portfolio. The Company s Board of Directors, when considering whether to recommend approval of the Bank Merger to the Company s shareholders, also considered the fact that the exchange ratio to be utilized in calculating the number of NAFH Bank common shares to be issued to the Company in connection with the Bank Merger would be calculated on the basis of GreenBank s and NAFH Bank s tangible book value per share, after giving effect to any purchase accounting adjustments to be made in connection with the transaction, including as a result of the marking to market of GreenBank s loan portfolio.

The Company did not receive a fairness opinion from its financial advisor regarding whether the consideration offered by NAFH in the Bank Merger was fair, from a financial point of view, to GreenBank s shareholder or the Company s shareholders.

The Company s Board of Directors believed that the critical aspect of the transaction was to raise capital. Given the Company s regulatory posture and diminished capital resources, and after having canvassed the market for merger partners and significant investors, the Company s Board determined that the NAFH recapitalization presented the best course of action for the Company and its shareholders. The Company s Board of Directors understood that a capital raising transaction such as the Investment by NAFH, which does not involve a sale of control by existing shareholders to a third party, is not the type of transaction that would typically lend itself to a fairness analysis on the part of a financial advisor. As to the Bank Merger, which is an ancillary component to the principal recapitalization transaction, the Company s Board of Directors believed that it had sufficient information regarding GreenBank s historical results and prospects and the historical results and prospective business plans of NAFH Bank, as well as sufficient understanding of the transaction structure, to reach an informed decision, without requiring a fairness opinion from its financial advisor, and that merging the two banks together on the basis of the pro forma tangible book value of each bank was advisable.

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 .

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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 Per Share Data (As Reported)	NAFH Per Share Data (As Reported)	Company Per Share Data (Pro Forma)	NAFH Per Share Data (Pro Forma)
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. Mr. Droke resigned effective June 17, 2011, which resignation eliminated the need to obtain the waiver from Mr. Droke contemplated by the closing condition set forth in the Investment Agreement.

Steven L. Droke resigned on June 17, 2011, and 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 none of the individuals 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

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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. William C. Adams, Jr.

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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 July __, 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 July __, 2011, which is the last practicable date prior to the filing of this Proxy Statement; and

Mr. Vaught waived his right to receive any change in control payments based on or otherwise related to the Investment.

Name	Cash ($)	Equity ($)(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(5)				
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 Mr. Vaught and NAFH waives such condition to the Closing, Mr. Vaught may be entitled to additional payments in the amount of approximately $798,000.

(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.

(5) Mr. Droke resigned effective June 17, 2011 and is not 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

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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%

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(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 Common 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, Former 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	*

Name and Position	Number of Shares Beneficially Owned 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 July __, 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, shares held by Mr. J. Adams, who served as the Company s Executive Vice President, Chief Financial Officer and Secretary until May 16, 2011 and shares held by Mr. Droke, who served as the Company s Senior Vice President and Chief Credit Officer until June 17, 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
July __, 2011

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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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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);

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(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