

FIRST RELIANCE BANCSHARES INC

Form 11-K

June 28, 2012

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

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**FORM 11-K**

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**(Mark One)**

**S ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the fiscal year ended December 31, 2011**

**£ TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

Commission file number 000-49757

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

First Reliance Bank Employee Stock Ownership Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

First Reliance Bancshares, Inc.

2170 W. Palmetto Street

Florence, South Carolina 29501

***FIRST RELIANCE BANK***

***EMPLOYEE STOCK OWNERSHIP PLAN***

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Trustees of First Reliance Bank

Employee Stock Ownership Plan

Florence, South Carolina

We have audited the accompanying statements of net assets available for benefits of First Reliance Bank Employee Stock Ownership Plan as of December 31, 2011 and 2010, and the related statement of changes in net assets available for benefits for the year ended December 31, 2011. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of First Reliance Bank Employee Stock Ownership Plan as of December 31, 2011 and 2010, and the changes in its net assets available for benefits for the year ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule H, Line 4: - Schedule of assets (held at end of year) as of and for the year ended December 31, 2011, is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental information is the responsibility of the Plan's management. The supplemental information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Elliott Davis, LLC

Columbia, South Carolina

June 28, 2012

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**FIRST RELIANCE BANK**

**EMPLOYEE STOCK OWNERSHIP PLAN**

**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**

	December 31,	
	2011	2010
<b>ASSETS</b>		
Investments at fair values	2,361,767	2,313,373
Notes receivable from participants	148,916	136,318
Total assets	2,510,683	2,449,691
<b>LIABILITIES</b>		
	-	-
<b>NET ASSETS AVAILABLE FOR BENEFITS AT FAIR VALUE</b>	<b>2,510,683</b>	<b>2,449,691</b>
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(7,018 )	(4,745 )
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<b>\$2,503,665</b>	<b>\$2,444,946</b>

The accompanying notes are an integral part of these financial statements

**FIRST RELIANCE BANK**

**EMPLOYEE STOCK OWNERSHIP PLAN**

**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

*For the year ended December 31, 2011*

ADDITIONS TO NET ASSETS ATTRIBUTED TO:

Investment income –interest	\$1,134
Interest income on notes receivable from participants	7,345
Contributions:	
Participants	296,130
Employer	132,473
Rollovers	7,985
	436,588
Total additions	445,067

DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:

Benefits paid to participants	190,806
Administrative expenses	16,472
Net depreciation in fair value of assets	179,070
Total deductions	386,348

Net increase 58,719

NET ASSETS AVAILABLE FOR BENEFITS:

BEGINNING OF YEAR	2,444,946
END OF YEAR	\$2,503,665

The accompanying notes are an integral part of these financial statements

***FIRST RELIANCE BANK***

***EMPLOYEE STOCK OWNERSHIP PLAN***

***NOTES TO FINANCIAL STATEMENTS***

***NOTE 1 - DESCRIPTION OF THE PLAN***

The following description of ***First Reliance Bank Employee Stock Ownership Plan*** (the Plan) provides only general information. Participants should refer to the Plan Document for a more complete description of the Plan's provisions.

**General**

***First Reliance Bank*** (the "Company") established the Plan effective as of January 1, 2006. The Plan is an Employee Stock Ownership Plan (ESOP) with 401(k) provisions covering substantially all employees of the Company with 90 days of service and who have attained the age of 18. The ESOP portion of the Plan is discretionary and employees are eligible to participate after one year of employment. The Board of Directors of the Company serves as trustees of the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and the United States Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure. Reliance Trust Company serves as the custodian of the Plan.

**Contributions**

Each year, participants may elect to defer a portion of their compensation, as defined in the Plan, not to exceed the maximum Internal Revenue Service (IRS) limitation of \$16,500 for 2011 and 2010. For participants age 50 or older, the IRS maximum contribution is \$22,000 for 2011 and 2010. Participants direct the investment of their contributions into various investment options offered by the Plan. The Company makes a matching contribution of 50% of participants' deferrals up to 6% of the participants' compensation. The Company may elect to make a discretionary contribution to the ESOP. The percentage that each eligible employee receives is established annually.

**Participant accounts**

Each participant's account is credited with the participant's contribution, the Company's matching contribution, allocations of the Company's discretionary ESOP matching contributions, Plan earnings, and charged with an allocation of administrative expenses. The Plan defines compensation as the total amount paid (W-2 wages) to the employee for services rendered to the Company, except for reimbursements or other expense allowances, fringe benefits (cash or noncash), moving expenses, deferred compensation and welfare benefits. With limited exceptions, the Plan includes an employee's compensation only for the part of the Plan year in which he actually is a participant.



### **Vesting**

Participants are immediately vested in their contributions plus actual earnings thereon. Vesting in the Company's matching and discretionary contribution portion of their accounts plus actual earnings thereon is based on a graduated schedule, or 25% per year. A participant is 100% vested after four years of credited service. Also, a participant will become 100% vested in his or her account balance on the date that he or she reaches the normal retirement age of 65 or becomes disabled or dies while still employed by the Company even if he or she would have a vested interest less than 100%.

### **Notes receivable from participants**

Participants may borrow up to 50% of their vested account balance or \$50,000, whichever is less. The loan may not have a term exceeding 5 years except in cases where the loan is for the purchase of a primary residence. The loans are secured by the balance in the participant's account and bear interest rates that range from 4.25% to 9.25% which are comparable to local prevailing rates as determined by the plan administrator. Principal and interest are paid ratably through biweekly payroll deductions. Participants can borrow from their account once a year.

### **Payment of benefits**

On termination of service due to death, disability, retirement, hardships, or other reasons, a participant or beneficiary may elect to receive a lump-sum amount equal to the value of the participant's vested interest in his or her account, or in annual installments over a period of not more than the beneficiary's assumed life expectancy.

### **Forfeited accounts**

At December 31, 2011 and 2010 forfeited non-vested accounts totaled \$5,858 and \$3,429, respectively. Under the Plan, participant forfeitures reduce the Company contributions for the Plan year in which the forfeitures occur. For the year ended December 31, 2011, the Company contributions were reduced by \$1,773 from forfeited nonvested accounts.

### **Participant investment options**

The Plan currently offers sixteen different investment options for participants. Investment options include money market accounts, Company stock, and other common and collective trusts to include a stable value fund. Participants may change their investment allocations on a daily basis.

### **Voting of Company stock**

Participants who are vested in the stock of the Company are allowed to exercise voting rights. Each participant is entitled to direct the Trustee in the manner in which to exercise voting rights attributable to shares of the Company's stock allocated to his or her account.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of accounting**

The accrual basis of accounting has been used in preparing the financial statements of the Plan, with the exception of benefits which are recorded when paid, in accordance with accounting principles generally accepted in the United States of America.

Investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Statements of Net Assets Available for Benefits present

the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

### **Investment valuation and income recognition**

The Plan's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Shares in common/collective trust funds that invest in fully benefit-responsive investment contracts (commonly known as stable value funds) are reported at the fair value of the underlying investments and then adjusted to contract value as reported to the Plan by the issuer. See Note 5 for discussion of fair value measurements.

Net unrealized appreciation or depreciation for the year is reflected in the Statement of Changes in Net Assets Available for Benefits. Cash and common and collective trust investments are maintained by the custodian and restricted for Plan benefits.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded at the ex-dividend date.

### **Notes receivable from participants**

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Delinquent notes receivable from participants are reclassified as distributions based upon the terms of the plan document.

### **Payment of benefits**

Benefits are recorded when paid.

### **Administrative expenses**

All expenses of maintaining the Plan are paid by the Plan. Administrative expenses totaled \$16,472 for the year ended December 31, 2011.

### **Subsequent events**

The Plan has evaluated subsequent events through June 28, 2012, the date the financial statements were available to be issued.

### **New accounting pronouncement**

The Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2010-06, Improving Disclosures about Fair Value Measurements amended Accounting Standards Codification ("ASC") 820, Fair Value Measurements and Disclosures, to clarify certain existing fair value disclosures and require a number of additional disclosures. The guidance in ASU 2010-06 clarified that disclosures should be presented separately for each "class" of assets and liabilities measured at fair value and provided guidance on how to determine the appropriate classes of assets and liabilities to be presented. ASU 2010-06 also clarified the requirement for entities to disclose information about both the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. In

addition, ASU 2010-06 introduced new requirements to disclose the amounts (on a gross basis) and reasons for any significant transfers between Levels 1, 2 and 3 of the fair value hierarchy and present information regarding the purchases, sales, issuances and settlements of Level 3 assets and liabilities on a gross basis. With the exception of the requirement to present changes in Level 3 measurements on a gross basis, which was delayed until 2011, the guidance in ASU 2010-06 is effective for reporting periods beginning after December 15, 2010. Since ASU 2010-06 only affects fair value measurement disclosures, adoption of ASU 2010-06 did not affect on the Plan's net assets available for benefits or its changes in net assets available for benefits.

In May 2011, the FASB issued ASU 2011-04, Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRS. ASU 2011-04 amended ASC 820, Fair Value Measurements and Disclosures, to converge the fair value measurement guidance in US generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRSs). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures [although certain of these new disclosures will not be required for nonpublic entities]. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011 and are not expected to have an effect on the Plan's financial statements.

**NOTE 3 - PLAN TERMINATION**

The Company intends to continue the Plan indefinitely. However, the Company has the right to amend or terminate the Plan at any time, but no amendment may affect the benefits participants have already accrued under the Plan. In the event of a Plan termination, participants would become 100% vested in their employer contributions.

**NOTE 4 - STABLE VALUE FUND**

Invesco Stable Value Fund is comprised of fully benefit-responsive contracts and is therefore valued at contract value, which represents contributions made under the contract, plus earnings, less withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. The weighted average crediting rate of the Stable Value Fund was 2.05% and 3.36% for the years ended December 31, 2011 and 2010, respectively. The average yields earned by the Plan based on the actual interest rates credited to participants were 2.01% and 2.35% for the years ended December 31, 2011 and 2010, respectively.

The following is a reconciliation of fair value per the financial statements to contract value:

	December 31,	
	2011	2010
Stable value fund at fair value	\$240,941	\$153,436
Adjustment to contract value	7,018	4,745
Stable value fund per the financial statements at contract value	\$233,923	\$158,181

**NOTE 5 - FAIR VALUE MEASUREMENTS**

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value at December 31, 2011 and 2010.

**Money market funds:** Valued at the net asset value of shares held by the plan at year end.

**Stable value fund and common and collective trusts:** Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit worthiness of the issuer.

**Common stock:** Valued at the closing price reported on the active market on which the individual securities are traded.

**Common stock ESOP:** Valued using an independent market valuation which includes consideration of recent sales of the Company's common stock.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2011 and 2010:

	December 31, 2011			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets				
Money market funds	\$279,082	\$ -	\$279,082	\$ -
Stable value fund	240,941	-	240,941	-
Common and collective trusts Equities:				
Index	1,186,279	-	1,186,279	-
Balanced	207,867	-	207,867	-
First Reliance Bancshares, Inc. common stock	447,598	399,109	48,489	-
Total assets at fair value	\$2,361,767	\$ 399,109	\$ 1,962,658	\$ -



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	December 31, 2010			
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets	Total			
Money market funds	\$263,101	\$ -	\$263,101	\$ -
Stable value fund	158,181	-	158,181	-
Common and collective trusts Equities:				
Index	1,110,590	-	1,110,590	-
Balanced	196,190	-	196,190	-
First Reliance Bancshares, Inc. common stock	585,311	513,128	72,183	-
Total assets at fair value	\$2,313,373	\$ 513,128	\$1,800,245	\$ -

During 2011, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated in value by \$179,070 as follows:

Stable value fund	\$6,097
Common and collective trusts	27,074
First Reliance Bancshares, Inc. common stock	(212,241)
Net depreciation in value of the Plan's investments	\$(179,070)

**NOTE 6 - FAIR VALUE OF INVESTMENTS IN CERTAIN ENTITIES THAT CALCULATE NET ASSET VALUE PER SHARE (OR ITS EQUIVALENT)**

The following table sets forth additional disclosures of the Plan as of December 31, 2011:

Investment	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
SSGA Money Market Fund (a)	\$ 279,082	\$ -	Daily	\$ None

(a) The investment objective of this fund is to provide safety of principal, daily liquidity, and competitive yield by investing in high quality money market investments.

**NOTE 7 - INVESTMENTS**

The Plan's investments that represented 5% or more of the Plan's net assets available for benefits as of December 31, 2011 and 2010 are as follows:

	2011	2010
First Reliance (Bancshares, Inc. common stock, 213,131 units and 23,312 ESOP units)	\$447,598	\$585,311
Money Market Fund, 279,048 units	279,048	263,074
S&P Midcap Index SL Series Fund - Class A, 6,437 units	213,786	200,882
S&P Flagship SL Series Fund - Class A, 8,465 units	183,098	152,448
S&P Growth Index SL Fund Series A, 8,752 units	114,245*	131,406
S&P Value Index SL Fund Series A, 12,135 units	129,376	122,823
Long US Treasury Index SL Series Fund Class A, 12,478 units	174,523	84,388 *

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Russell 2000 Index SL Series Fund - Class A, 6,314 units	142,646	152,430
Invesco Stable Value Fund, 18,834 units	233,923	158,181

\* - Does not represent five percent or more for respective year

**NOTE 8 - CONCENTRATIONS OF RISKS**

At December 31, 2011 and 2010, the Plan's assets included \$447,598 and \$585,311, respectively, in common stock of the Company. This represents approximately 19% and 25% at December 31, 2011 and 2010, respectively, of total Plan assets. Therefore, a significant portion of the fair value of Plan assets is subject to fluctuation in the price of the Company's common stock.

**NOTE 9 - COMPANY STOCK**

As an ESOP, the Plan investments include 23,312 shares of Company stock contributed by the Company. The Company's legal counsel has determined that the Plan must comply with Section 401(a) 28 (c) of the Internal Revenue Code Section which provides that Company securities held by an ESOP, that are not readily tradable on an established securities market must be valued by an independent appraiser. Company stock is traded on the Over the Counter Bulletin Board, which does not meet the definition of "readily tradable" per the Code section. Therefore, the value of these shares has been estimated as of December 31, 2011 by an independent valuation specialist and are disclosed as a level 2 asset in Note 5 – Fair Value Measurements. Because of the inherent subjectivity in any valuation, the estimated value may differ significantly from the value that would have been used had a ready market for the securities existed as defined by the Code section. This difference could be material.

Each Participant receiving a distribution of Company stock from the Trust Fund has the option to sell the Company stock to the Company, at any time during two option periods, at the current fair value as reflected in the most current independent valuation. The first option period runs for a period of 60 days commencing on the date of distribution of Company stock to the Participant. The second option period runs for a period of 60 days commencing in the next Plan Year after the new determination of the fair value of Company stock by the Plan Administrator and notice to the Participant of the new fair value. If a Participant (or Beneficiary) exercises his/her option, the Company must purchase the Company stock at fair value upon specific terms.

The Plan also contains a 401(k) provision, which allows participants to obtain Company stock through salary deferrals. Plan assets include 213,131 shares of Company stock acquired by participants through salary deferrals. Because these shares were acquired under the Plan's 401(k) provision, the Company's legal counsel has determined that they are not subject to the above code section. Therefore, these shares have been valued at the quoted market price according to the Over the Counter Bulletin Board as of December 31, 2011, and are appropriately disclosed as a level 1 asset in Note 5 – Fair Value Measurements.

**NOTE 10 - TAX STATUS**

The Company has obtained a favorable tax determination letter dated September 31, 211, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has been amended since receiving the determination letter. However, the Plan's Administrator and tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be substantiated upon examination by the Internal Revenue Service. The plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The plan administrator believes it is no longer subject to income tax examinations for the years prior to 2008.

**NOTE 11 - RELATED PARTY TRANSACTIONS**

Certain Plan investments are shares of common stock issued by the Company. The Company is the Plan Sponsor, as defined by the Plan. Furthermore, there have been no known prohibited transactions with parties-in-interest.

**NOTE 12 - RISKS AND UNCERTAINTIES**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

**NOTE 13 - RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500**

At December 31, 2011 and 2010, there were no reconciling differences between the net assets available for benefits at per the financial statements and Form 5500. The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 as of December 31, 2010:

Net assets available for benefits per the financial statements	\$	2,444,946
Plus: Adjustment from fair value to contract value for fully benefit-responsive investment contracts		4,745
Net assets available for benefit per the Form 5500	\$	2,449,691

The following is a reconciliation of the changes in net assets per the financial statements to the Form 5500 for the year ended December 31, 2011:

Change in net assets available for benefits per the financial statements	\$58,719
Minus: prior year adjustment from fair value to contract value for fully benefit-responsive investment contracts	(4,745 )
Net increase per the Form 5500	\$53,974

*Supplemental Schedule**FIRST RELIANCE BANK**EMPLOYEE STOCK OWNERSHIP PLAN**EIN 58-2463842, PLAN NO. 001**SCHEDULE H, LINE 4: SCHEDULE OF ASSETS (HELD AT END OF YEAR)**DECEMBER 31, 2011*

(a)	(b) Identity of issuer, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par or maturity value	(d) Cost	(e) Current value
	Federated State Street Global Advisors	Money Market Fund 34 units		\$34
	State Street Global Advisors	Money Market Fund, 279,048 units	**	279,048
	State Street Global Advisors	S&P Midcap Index SL Series Fund - Class A, 6,437 units	**	213,786
	State Street Global Advisors	S&P Flagship SL Series Fund - Class A, 8,465 units	**	183,098
	State Street Global Advisors	S&P Growth Index SL Fund Series A, 8,752 units	**	114,245
	State Street Global Advisors	S&P Value Index SL Fund Series A, 12,135 units	**	129,376
	State Street Global Advisors	Passive Bond Market Index SL Series Fund A, 2,893 units	**	34,858
	State Street Global Advisors	Long US Treasury Index SL Series Fund Class A, 12,478 units	**	174,523
	State Street Global Advisors	Aggressive Strategic Balanced SL Fund, 5,500 units	**	71,007
	State Street Global Advisors	Moderate Strategic Balanced SL Fund, 5,387 units	**	86,352
	State Street Global Advisors	Conservative Strategic Balanced SL Fund, 2,652 units	**	50,508
	State Street Global Advisors	Daily EAFE Index SL Series Fund - Class T, 8,742 units	**	105,111
	State Street Global Advisors	NASDAQ 100 Index Non-Lending Fund Series A, 6,112 units	**	88,636
	State Street Global Advisors	Russell 2000 Index SL Series Fund - Class A, 6,314 units	**	142,646
	Invesco	Invesco Stable Value Fund, 18,834 units	**	233,923 (1)
*	Reliance Trust Co.	First Reliance Bancshares common stock, 213,131 units	**	399,109
*	Reliance Trust Co.	First Reliance Bancshares ESOP, 23,312 units	**	48,489
*				148,916

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Notes receivable from participants (2)	Participant loans with varying maturities and interest rates ranging from 4.25% to 9.25%.	
	Total	\$2,503,665

\*Indicates a party-in-interest to the Plan

\*\*Cost information omitted due to participant-directed plan.

(1)Represents contract value of Invesco Stable Value Fund; fair value at December 31, 2011 is \$240,941.

(2) Generally accepted accounting principles does not consider notes receivable from participants to be investments whereas the Form 5500 requires that notes receivable from participants be listed as investments.



**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

FIRST RELIANCE  
BANK EMPLOYEE  
STOCK OWNERSHIP  
PLAN

Date: June 28, 2012    By:    /s/ Jeffrey A.  
Paolucci  
Jeffrey A.  
Paolucci  
Plan  
Administrator

**Exhibit Index**

Exhibit No.	Description
23.1	Consent of Elliott Davis, LLC.

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