The banking industry continued to struggle in 2009. Community Capital was not immune to those struggles. Losses related to loans and investments impacted our performance, and weak loan demand limited earnings potential. Unfortunately, we were unable to completely overcome those very powerful headwinds.

Although we were not profitable in 2009, we did make substantial progress on a number of fronts. We improved net interest margin by more than 100 basis points, further reduced our nonperforming assets, improved overall credit quality and, by reducing our expenses by more than $1 million annually, put into place a cost structure that we believe will position us for a much better 2010. In addition to reducing costs, we added new capital, which improved our overall capital base and will enable us to invest in our future.

Another significant accomplishment, and one that will lay a solid foundation for future growth, was the development of a new vision, mission and business strategy. Because of our strategic focus, our disciplined approach to lending, and our superior staff, we think that we are perfectly positioned to not only weather this current economic storm, but also to emerge better than before and, consistent with our vision, to truly become "the gold standard of community banking."

Your company is blessed to have a staff of extraordinary people who are totally committed to our vision. The addition of four new directors, all with experience as bank directors, has excited our team. All working together, we began to return our attention to the opportunities in our markets and we set the stage to do great things as we move into the early years of this new decade.

The year 2010 will be a year of transition and we believe we will begin to see the results of our efforts. We are emerging from the storm and are ready to move forward. We have been through a lot and have become stronger for it. Our associates understand and are committed to superior customer service.

As we move forward, we ask for your continued support. If we confront our challenges and seize our opportunities, I have no doubt that our company will be an organization with which you will be proud to be associated.

It is an honor for me to serve as your president and chief executive officer and I look forward to the bright future that I'm confident is ours.

Sincerely,

James L. Flatt
President and Chief Executive Officer

2815 Meredyth Drive
P.O. Drawer 71269
Albany, Georgia 31708-1269
229-446-BANK / 229-446-2265
Fax 229-446-7030

# COMMUNITY CAPITAL BANCSHARES, INC.
# AND SUBSIDIARY

## CONSOLIDATED FINANCIAL REPORT

## DECEMBER 31, 2009

# COMMUNITY CAPITAL BANCSHARES, INC.
# AND SUBSIDIARY

## CONSOLIDATED FINANCIAL REPORT
## DECEMBER 31, 2009

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# INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors**
**Community Capital Bancshares, Inc.**
**Albany, Georgia**

We have audited the accompanying consolidated balance sheets of **Community Capital Bancshares, Inc. and Subsidiary** as of December 31, 2009 and 2008, and the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Capital Bancshares, Inc. and Subsidiary as of December 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Mauldin & Jenkins, LLC

Albany, Georgia
April 30, 2010

# COMMUNITY CAPITAL BANCSHARES, INC.
# AND SUBSIDIARY

## CONSOLIDATED BALANCE SHEETS
## DECEMBER 31, 2009 AND 2008

| Assets | 2009 | 2008 |
|---|---|---|
| Cash and due from banks | $ 11,960,878 | $ 4,399,687 |
| Federal funds sold | - | 1,945,000 |
| Securities available for sale, at fair value | 36,730,586 | 52,222,760 |
| Restricted equity securities, at cost | 1,082,100 | 1,358,500 |
| Loans | 98,525,572 | 115,713,843 |
| Less allowance for loan losses | 2,593,434 | 2,952,995 |
| Loans, net | 95,932,138 | 112,760,848 |
| Premises and equipment | 5,959,935 | 6,300,200 |
| Bank owned life insurance | - | 7,180,932 |
| Other real estate owned | 3,221,658 | 2,357,798 |
| Accrued interest receivable | 743,830 | 1,077,704 |
| Other assets | 1,546,498 | 346,179 |
| | $ 157,177,623 | $ 189,949,608 |

| Liabilities and Stockholders' Equity | 2009 | 2008 |
|---|---|---|
| Deposits | | |
| Noninterest-bearing | $ 20,088,173 | $ 15,404,740 |
| Interest-bearing | 115,234,625 | 143,016,688 |
| Total deposits | 135,322,798 | 158,421,428 |
| Other borrowings | 10,000,000 | 15,844,000 |
| Guaranteed preferred beneficial interests in junior subordinated debentures | 4,124,000 | 4,124,000 |
| Accrued interest payable | 294,994 | 490,327 |
| Other liabilities | 541,624 | 281,233 |
| Total liabilities | 150,283,416 | 179,160,988 |
| Commitments and contingencies (Note 13) | | |
| Stockholders' equity: | | |
| Preferred stock, par value not stated, liquidation preference $3.29 per share; 2,000,000 shares authorized; 636,903 shares issued | 2,095,411 | - |
| Common stock, par value $1; 10,000,000 shares authorized; 3,104,040 shares issued | 3,104,040 | 3,104,040 |
| Capital surplus | 23,243,849 | 23,310,825 |
| Retained deficit | (21,125,836) | (15,602,426) |
| Accumulated other comprehensive income (loss) | (283,850) | 155,326 |
| | 7,033,614 | 10,967,765 |
| Less cost of treasury stock, 69,219 and 24,156 shares | 139,407 | 179,145 |
| Total stockholders' equity | 6,894,207 | 10,788,620 |
| | $ 157,177,623 | $ 189,949,608 |

**See Notes to Consolidated Financial Statements.**

# COMMUNITY CAPITAL BANCSHARES, INC.
# AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF OPERATIONS
## YEARS ENDED DECEMBER 31, 2009 AND 2008

| | 2009 | 2008 |
|---|---|---|
| Interest income | | |
| Loans, including fees | $ 6,324,898 | $ 7,367,032 |
| Taxable securities | 2,121,504 | 2,917,761 |
| Nontaxable securities | 45,295 | 64,612 |
| Deposits in banks | 4,234 | 13,875 |
| Federal funds sold | 4,346 | 79,255 |
| Total interest income | 8,500,277 | 10,442,535 |
| Interest expense | | |
| Deposits | 3,686,995 | 5,345,296 |
| Other borrowed money | 554,562 | 725,620 |
| Total interest expense | 4,241,557 | 6,070,916 |
| Net interest income | 4,258,720 | 4,371,619 |
| Provision for loan losses | 1,341,934 | 6,326,000 |
| Net interest income (loss) after provision for loan losses | 2,916,786 | (1,954,381) |
| Other income | | |
| Service charges on deposit accounts | 826,301 | 984,043 |
| Financial service fees | 185,753 | 226,347 |
| Mortgage origination fees | 42,063 | 62,995 |
| Increase in cash surrender value of bank owned life insurance policies | 118,591 | 284,272 |
| Gain on sales of securities available for sale | 136,147 | - |
| Other operating income | 29,011 | 58,855 |
| Total other income | 1,337,866 | 1,616,512 |
| Other expenses | | |
| Salaries and employee benefits | 4,174,958 | 4,100,912 |
| Equipment and occupancy expenses | 1,073,330 | 1,193,175 |
| Impairment loss on securities available for sale | 1,000,000 | 1,849,900 |
| Impairment loss on restricted equity securities | - | 866,042 |
| Loss on sales and writedowns of other real estate owned | 587,493 | 2,044,660 |
| Core deposit intangible impairment charge | - | 164,382 |
| Goodwill impairment charge | - | 2,333,509 |
| Marketing expenses | 54,105 | 92,110 |
| Data processing expenses | 596,969 | 604,980 |
| Administrative expenses | 509,472 | 725,786 |
| Legal and professional fees | 683,937 | 502,410 |
| Directors fees | 66,525 | 265,225 |
| Amortization of intangible assets | - | 39,244 |
| FDIC insurance expense | 523,995 | 186,690 |
| Stationery and supply expenses | 63,812 | 121,823 |
| Other real estate expenses | 191,481 | 179,256 |
| Other operating expenses | 273,217 | 349,112 |
| Total other expenses | 9,799,294 | 15,619,216 |
| Loss before income tax expense (benefit) | (5,544,642) | (15,957,085) |
| Income tax expense (benefit) | (91,115) | 431,781 |
| Net loss | $ (5,453,527) | $ (16,388,866) |
| Preferred stock dividends accumulated undeclared | 69,883 | - |
| Net loss available to common shareholders | $ (5,523,410) | $ (16,388,866) |
| Basic loss per share | $ (1.82) | $ (5.34) |
| Diluted loss per share | $ (1.82) | $ (5.34) |

**See Notes to Consolidated Financial Statements.**

# COMMUNITY CAPITAL BANCSHARES, INC.
# AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
## YEARS ENDED DECEMBER 31, 2009 AND 2008

| | **2009** | 2008 |
|---|---|---|
| **Net loss** | **$ (5,453,527)** | $ (16,388,866) |
| **Other comprehensive income (loss):** | | |
| Net unrealized holding losses arising during period, net of tax benefit of $0 and $(534,923) | **(1,303,029)** | (1,038,380) |
| Reclassification adjustment for gains included in net loss, net of taxes of $0 | **(136,147)** | - |
| Reclassification adjustment for impairment losses included in net loss, net of tax benefit of $0 and $628,966 | **1,000,000** | 1,220,934 |
| Total other comprehensive income (loss) | **(439,176)** | 182,554 |
| **Comprehensive loss** | **$ (5,892,703)** | $ (16,206,312) |

**See Notes to Consolidated Financial Statements.**

# COMMUNITY CAPITAL BANCSHARES, INC.
# AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
## YEARS ENDED DECEMBER 31, 2009 AND 2008

| | Preferred Stock | | Common Stock | | Capital | Retained Earnings | Accumulated Other Comprehensive | Treasury Stock | | Total Stockholders' |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Par Value | Shares | Par Value | Surplus | (Deficit) | Income (Loss) | Shares | Cost | Equity |
| **Balance, December 31, 2007** | - | $ - | 3,104,040 | $ 3,104,040 | $ 23,343,466 | $ 847,120 | $ (27,228) | 43,702 | $ (324,102) | $ 26,943,296 |
| Net loss | - | - | - | - | - | (16,388,866) | - | - | - | (16,388,866) |
| Stock-based compensation | - | - | - | - | 32,256 | - | - | - | - | 32,256 |
| Common dividends declared $.02 per share | - | - | - | - | - | (60,680) | - | - | - | (60,680) |
| Net treasury stock transactions | - | - | - | - | (64,897) | - | - | (19,546) | 144,957 | 80,060 |
| Other comprehensive income | - | - | - | - | - | - | 182,554 | - | - | 182,554 |
| **Balance, December 31, 2008** | - | - | 3,104,040 | 3,104,040 | 23,310,825 | (15,602,426) | 155,326 | 24,156 | (179,145) | 10,788,620 |
| Net loss | - | - | - | - | - | (5,453,527) | - | - | - | (5,453,527) |
| Proceeds from issuance of cumulative preferred stock | 636,903 | 2,095,411 | - | - | - | - | - | - | - | 2,095,411 |
| Preferred dividends accumulated undeclared, 8% coupon | - | - | - | - | - | (69,883) | - | - | - | (69,883) |
| Stock based compensation | - | - | - | - | 26,216 | - | - | - | - | 26,216 |
| Net treasury stock transactions | - | - | - | - | (93,192) | - | - | 45,063 | 39,738 | (53,454) |
| Other comprehensive loss | - | - | - | - | - | - | (439,176) | - | - | (439,176) |
| **Balance, December 31, 2009** | 636,903 | $ 2,095,411 | 3,104,040 | $ 3,104,040 | $ 23,243,849 | $ (21,125,836) | $ (283,850) | 69,219 | $ (139,407) | $ 6,894,207 |

## See Notes to Consolidated Financial Statements.

# COMMUNITY CAPITAL BANCSHARES, INC.
# AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF CASH FLOWS
## YEARS ENDED DECEMBER 31, 2009 AND 2008

| | 2009 | 2008 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net loss | **$ (5,453,527)** | $ (16,388,866) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation | **369,458** | 406,663 |
| Amortization of core deposit premiums | **-** | 39,244 |
| Core deposit intangible impairment charge | **-** | 164,382 |
| Goodwill impairment charge | **-** | 2,333,509 |
| Provision for loan losses | **1,341,934** | 6,326,000 |
| Provision for deferred taxes, net of valuation allowance | **-** | 306,413 |
| Net loss on disposal of premises and equipment | **30,659** | 10,385 |
| Increase in bank owned life insurance | **(118,591)** | (284,272) |
| Impairment loss on securities available for sale | **1,000,000** | 1,849,900 |
| Impairment loss on restricted equity securities | **-** | 866,042 |
| Gains on sales of securities available for sale | **(136,147)** | - |
| Net loss on sales and writedowns of other real estate owned | **587,493** | 2,044,660 |
| (Increase) decrease in income taxes receivable | **(178,255)** | 1,518,038 |
| Decrease in interest receivable | **333,874** | 308,589 |
| Decrease in interest payable | **(195,333)** | (147,052) |
| Increase in prepaid FDIC assessment | **(1,118,601)** | (323) |
| Stock-based compensation | **26,216** | 32,256 |
| Other operating activities | **367,063** | (72,310) |
| Net cash used in operating activities | **(3,143,757)** | (686,742) |
| **INVESTING ACTIVITIES** | | |
| Net decrease in federal funds sold | **1,945,000** | 5,420,000 |
| Decrease in restricted equity securities | **276,400** | 84,794 |
| Net decrease in loans | **10,432,551** | 6,243,824 |
| Purchases of securities available for sale | **(23,938,511)** | (20,462,372) |
| Proceeds from maturities, paydowns and calls of securities available for sale | **31,414,371** | 21,382,723 |
| Proceeds from sale of securities available for sale | **6,633,267** | - |
| Proceeds from redemption of bank owned life insurance | **7,299,523** | - |
| Purchases of premises and equipment | **(70,852)** | (106,500) |
| Proceeds from sale of premises and equipment | **11,000** | 17,500 |
| Proceeds from sale of other real estate owned | **3,602,872** | 2,589,815 |
| Net cash provided by investing activities | **37,605,621** | 15,169,784 |
| **FINANCING ACTIVITIES** | | |
| Net decrease in deposits | **(23,098,630)** | (18,054,331) |
| Proceeds from issuance of cumulative preferred stock | **2,095,411** | - |
| Dividends paid to shareholders | **-** | (60,680) |
| Proceeds from other borrowings | **-** | 5,844,000 |
| Repayment of other borrowings | **(5,844,000)** | (5,000,000) |
| Treasury stock transactions, net | **(53,454)** | 80,060 |
| Net cash used in financing activities | **(26,900,673)** | (17,190,951) |
| Net increase (decrease) in cash and due from banks | **7,561,191** | (2,707,909) |
| Cash and due from banks at beginning of year | **4,399,687** | 7,107,596 |
| Cash and due from banks at end of year | **$ 11,960,878** | $ 4,399,687 |
| **SUPPLEMENTAL DISCLOSURES** | | |
| Cash paid for: | | |
| Interest | **$ 4,436,890** | $ 6,217,968 |
| Income taxes | **$ -** | $ - |
| **NONCASH TRANSACTIONS** | | |
| Unrealized gains (losses) on securities available for sale | **$ (519,194)** | $ 276,598 |
| Loans transferred to other real estate owned | **$ 5,054,225** | $ 2,656,788 |

**See Notes to Consolidated Financial Statements.**

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Nature of Operations

Community Capital Bancshares, Inc. (the "Company") is a bank holding company whose principal activity is the ownership and management of its wholly-owned bank subsidiary, AB&T National Bank ("the Bank"). Effective March 31, 2009, AB&T National Bank was merged into Albany Bank and Trust with the resulting Bank known as AB&T National Bank. AB&T National Bank's main office is located in Albany, Dougherty County, Georgia, with additional full service branches in Albany; Lee County, Georgia; Dothan, Houston County, Alabama; and Auburn, Alabama. The Bank provides a full range of banking services to individual and corporate customers in their primary market areas of Dougherty and Lee counties, Georgia and Houston and Lee counties, Alabama.

The Company also owns Community Capital Statutory Trust I, a Delaware statutory business trust. This non-operating subsidiary was created in 2003 for the sole purpose of issuing trust preferred securities and investing the proceeds in subordinated debentures issued by the Company, all of which are described more fully in Note 9.

### Basis of Presentation and Accounting Estimates

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. Significant intercompany transactions and balances have been eliminated in consolidation.

In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan losses, the valuation of foreclosed real estate, deferred tax assets, other-than-temporary impairments of securities, the fair value of financial instruments and contingent assets and liabilities. The determination of the adequacy of the allowance for loan losses is based on estimates that are susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans and the valuation of foreclosed real estate, management obtains independent appraisals for significant collateral.

The Bank has evaluated all transactions, events, and circumstances for consideration or disclosure through April 30, 2010, the date these financial statements were available to be issued, and has reflected or disclosed those items within the consolidated financial statements and related footnotes as deemed appropriate.

### Cash, Due from Banks and Cash Flows

For purposes of reporting cash flows, cash and due from banks include cash on hand, cash items in process of collection and amounts due from banks. Cash flows from loans, federal funds sold, restricted equity securities, deposits and treasury stock transactions are reported net.

The Banks are required to maintain reserve balances in cash or on deposit with the Federal Reserve Bank, based on a percentage of deposits. The total of those reserve balances was approximately $283,000 and $277,000 at December 31, 2009 and 2008, respectively.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Securities

All debt securities and equity securities with a readily determinable fair value are classified as available for sale and recorded at fair value with unrealized gains and losses excluded from earnings and reported in accumulated other comprehensive income, net of the related deferred tax effect. Equity securities without a readily determinable fair value, including restricted equity securities, are recorded at cost.

The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the life of the securities. Realized gains and losses, determined on the basis of the cost of specific securities sold, are included in earnings on the settlement date. Declines in the fair value of securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses.

The Financial Accounting Standards Board ("FASB") recently issued accounting guidance related to the recognition and presentation of other-than-temporary impairment (FASB ASC 320-10). See the "Recent Accounting Pronouncements" section for additional information.

Prior to the adoption of the recent accounting guidance on April 1, 2009, management considered, in determining whether other-than-temporary impairment exists, (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

### Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal balances less unearned income, net deferred fees and costs and the allowance for loan losses. Interest income is accrued on the outstanding principal balance. Loan origination fees, net of certain deferred loan origination costs, are deferred and recognized as an adjustment of the related loan yield over the life of the loan using a method which approximates a level yield.

The accrual of interest on loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due, unless the loan is well-secured. All interest accrued, but not collected for loans that are placed on nonaccrual or charged off, is reversed against interest income, unless management believes that the accrued interest is recoverable through the liquidation of collateral. Interest income on nonaccrual loans is recognized on the cash-basis or cost-recovery method, until the loans are returned to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

A loan is considered impaired when it is probable, based on current information and events, the Company will be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Impaired loans are measured by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent. Interest on accruing impaired loans is recognized as long as such loans do not meet the criteria for nonaccrual status. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to expense. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance is an amount that management believes will be adequate to absorb estimated losses relating to specifically identified loans, as well as probable credit losses inherent in the balance of the loan portfolio, based on an evaluation of the collectibility of existing loans and prior loss experience. The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of loans in light of historical experience, the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, current economic conditions that may affect the borrower's ability to pay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

This evaluation does not include the effects of expected losses on specific loans or groups of loans that are related to future events or expected changes in economic conditions. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses and may require the Bank to make additions to the allowance based on their judgment about information available to them at the time of their examinations.

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as impaired. For impaired loans, an allowance is established when the discounted cash flows, collateral value or observable market price of the impaired loan is lower than the carrying value of that loan. The general component covers non-impaired loans and is based on historical loss experience adjusted for other qualitative factors. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data. An unallocated component may be maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

### Premises and Equipment

Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation computed principally by the straight-line method over the estimated useful lives of the assets:

| | Years |
|---|---|
| Buildings | 39 |
| Furniture and equipment | 3-12 |

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company - put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

### Advertising Costs

Advertising costs are expensed as incurred.

### Foreclosed Assets

Foreclosed assets acquired through or in lieu of loan foreclosure are held for sale and initially recorded at the lower of cost or fair value less selling costs. Any write-down to fair value at the time of transfer to foreclosed assets is charged to the allowance for loan losses. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less costs to sell. Costs of improvements are capitalized, whereas costs relating to holding foreclosed assets and subsequent adjustments to the value are expensed. The carrying amount of foreclosed assets at December 31, 2009 and 2008 was $3,221,658 and $2,357,798, respectively.

### Goodwill and Intangible Assets

Goodwill represents the excess of cost over the estimated fair value of the net assets purchased in a business combination. Goodwill is required to be tested annually for impairment, or whenever events occur that may indicate that the recoverability of the carrying amount is not probable. In the event of an impairment, the amount by which the carrying amount exceeds the fair value will be charged to earnings. The Company engaged an independent third party valuation firm to perform its annual test of impairment during the fourth quarter of 2008. It was determined that there was no remaining value to the goodwill and it was written off through a charge to earnings of $2,333,509 during the fourth quarter of 2008.

Intangible assets consist of core deposit premiums acquired in connection with the business combination. The core deposit premium was being amortized over the average remaining life of the acquired customer deposits, or 8 years through the fourth quarter of 2008. As part of the annual impairment evaluation, it was determined that this premium had no future value, and accordingly it was written off through a charge to earnings of $164,382 during the fourth quarter of 2008.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance (FASB ASC 740, *Income Taxes).* On January 1, 2009, the Company adopted the recent accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions.

The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more-likely-than-not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more-likely-than-not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Deferred tax assets may be reduced by deferred tax liabilities and a valuation allowance if, based on the weight of evidence available, it is more-likely-than-not that some portion or all of a deferred tax asset will not be realized. Based upon management's estimates of future earnings for 2010, it was determined that there would not be sufficient earnings to realize the tax benefits within the time span for regulatory capital purposes. Based upon this expectation, a valuation allowance of $6,839,580 was established to offset net deferred tax assets.

### Stock Compensation Plans

Stock compensation accounting guidance (FASB ASC 718, *Compensation - Stock Compensation)* requires that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the grant date fair value of the equity or liability instruments issued. The stock compensation accounting guidance covers a wide range of share-based compensation arrangements including stock options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans.

The stock compensation accounting guidance requires that compensation cost for all stock awards be calculated and recognized over the employees' service period, generally defined as the vesting period. For awards with graded-vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. A Black-Scholes model is used to estimate the fair value of stock options, while the market price of the Company's common stock at the date of grant is used for restricted stock awards and stock grants.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Loss Per Share

Basic loss per share are computed by dividing net loss available to common shareholders by the weighted-average number of shares of common stock outstanding during the year. Diluted loss available to common shareholders per share are computed by dividing net loss by the sum of the weighted-average number of shares of common stock outstanding and dilutive potential common shares. Potential common shares consist of stock options and warrants.

Presented below is a summary of the components used to calculate basic and diluted loss per share:

| | Years Ended December 31, | |
|---|---|---|
| | **2009** | 2008 |
| Net loss available to common shareholders | **$ (5,523,410)** | $ (16,388,866) |
| Weighted average number of common shares outstanding | **3,038,169** | 3,071,490 |
| Effect of dilutive options | **-** | - |
| Weighted average number of common shares outstanding used to calculate dilutive loss per share | **3,038,169** | 3,071,490 |

At December 31, 2009 and 2008, there were no potential common shares included in the calculation of diluted loss per share because any such shares would be anti-dilutive.

### Comprehensive Loss

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net loss. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net loss, are components of comprehensive loss.

### Trust Department

The Company's subsidiary, AB&T National Bank, as fiduciary or agent, provides trust services to their customers. Property, other than cash deposits held by AB&T National Bank in its fiduciary capacity, is not accounted for in the accompanying financial statements.

### Reclassification

Certain amounts in the 2008 consolidated financial statements have been reclassified to conform to the 2009 presentation, with no effect on net loss.

### Fair Value of Financial Instruments

Fair values of financial instruments are estimates using relevant market information and other assumptions, as more fully disclosed in Note 16. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market conditions could significantly affect the estimates.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Recent Accounting Pronouncements

Effective July 1, 2009, the Bank adopted new accounting guidance related to U.S. GAAP (FASB ASC 105, *Generally Accepted Accounting Principles*). This guidance establishes FASB ASC as the source of authoritative U.S. GAAP recognized by FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. FASB ASC supersedes all existing non-SEC accounting and reporting standards. All other nongrandfathered, non-SEC accounting literature not included in FASB ASC has become nonauthoritative. FASB will no longer issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates (ASUs), which will serve to update FASB ASC, provide background information about the guidance, and provide the basis for conclusions on the changes to FASB ASC. FASB ASC is not intended to change U.S. GAAP or any requirements of the SEC. This guidance is effective for the Bank as of December 31, 2009.

Effective April 1, 2009, the Bank adopted new accounting guidance related to recognition and presentation of other-than-temporary impairment (FASB ASC 320-10). This recent accounting guidance amends the recognition guidance for other-than-temporary impairments of debt securities and expands the financial statement disclosures for other-than-temporary impairment losses on debt and equity securities. The recent guidance replaced the “intent and ability” indication in current guidance by specifying that (a) if a Bank does not have the intent to sell a debt security prior to recovery and (b) it is more-likely-than-not that it will not have to sell the debt security prior to recovery, the security would not be considered other-than-temporarily impaired unless there is a credit loss. When an entity does not intend to sell the security, and it is more-likely-than-not, the entity will not have to sell the security before recovery of its cost basis, it will recognize the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income. For held-to-maturity debt securities, the amount of an other-than-temporary impairment recorded in other comprehensive income for the noncredit portion of a previous other-than-temporary impairment should be amortized prospectively over the remaining life of the security on the basis of the timing of future estimated cash flows of the security.

The Bank adopted accounting guidance related to fair value measurements and disclosures (FASB ASC 820, *Fair Value Measurements and Disclosures*). This guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This guidance establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. The effect of adoption was not material.

FASB issued ASU 2009-05 (FASB ASC 820) which describes the valuation techniques companies should use to measure the fair value of liabilities for which there is limited observable market data. If a quoted price in an active market is not available for an identical liability, an entity should use one of the following approaches: (1) the quoted price of the identical liability when traded as an asset, (2) quoted prices for similar liabilities or similar liabilities when traded as an asset, or (3) another valuation technique that is consistent with the accounting guidance in FASB ASC for fair value measurements and disclosures. When measuring the fair value of liabilities, this guidance reiterates that companies should apply valuation techniques that maximize the use of relevant observable inputs, which is consistent with existing accounting provisions for fair value measurements. In addition, this guidance clarifies when an entity should adjust quoted prices of identical or similar assets that are used to estimate the fair value of liabilities. This guidance is effective for the Bank as of December 31, 2009.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Recent Accounting Pronouncements (Continued)

In addition, the following accounting pronouncements were issued by FASB, but is not yet effective:

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 166, "Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140", codified in the "Consolidation" Topic of the ASC as ASU 2009-16, which eliminates the concept of a "Qualified Special Purpose Entity" from FAS 140, changes the requirements for derecognizing financial assets, and requires additional disclosures. ASU 2009-16 is effective for fiscal years beginning after November 15, 2009. The Bank is in the process of reviewing the potential impact of these provisions; however, their adoption is not expected to have a material impact to the consolidated financial statements.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 167, "Amendments to FASB Interpretation No. 46(R)", codified in the "Consolidation" Topic of the ASC as ASU 2009-17, which modifies how a Bank determines when a Variable Interest Entity ("VIE") should be consolidated. It also requires a qualitative assessment of an entity's determination of the primary beneficiary of a VIE based on whether the entity (1) has the power to direct the activities of a VIE that most significantly impact the entity's economic performance, and (2) has the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE. An ongoing reassessment is also required to determine whether a Bank is the primary beneficiary of a VIE as well as additional disclosures about a Bank's involvement in VIEs. ASU 2009-17 is effective for fiscal years beginning after November 15, 2009. The Bank is in the process of reviewing the potential impact of these provisions; however, their adoption is not expected to have a material impact to the consolidated financial statements.

In January 2010, the FASB issued the ASU 2010-06, "Improving Disclosures about Fair Value Measurements", which requires additional disclosures related to the transfers in and out of fair value hierarchy and the activity of Level 3 financial instruments. This ASU also provides clarification for the classification of financial instruments and the discussion of inputs and valuation techniques. The new disclosures and clarification are effective for interim and annual reporting periods ending after December 15, 2009, except for the disclosures related to the activity of Level 3 financial instruments. Those disclosures are effective for periods after December 15, 2010 and for interim periods within those years. The Bank is in the process of reviewing the potential impact of ASU 2010-06; however, the adoption of this ASU is not expected to have a material impact to the consolidated financial statements.

## NOTE 2. SECURITIES

The amortized cost and fair value of securities available for sale with gross unrealized gains and losses are summarized as follows:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| **December 31, 2009:** | | | | |
| **U.S. Government and federal agencies** | **$ 2,479,260** | **$ 41,540** | **$ (7,044)** | **$ 2,513,756** |
| **U.S. Government sponsored enterprises (GSEs)*** | **21,109,596** | **231,828** | **(127,985)** | **21,213,439** |
| **State and municipal securities** | **1,075,914** | **5,600** | **(27,812)** | **1,053,702** |
| **Mortgage-backed securities - GSE residential** | **9,923,028** | **172,356** | **(59,166)** | **10,036,218** |
| **Corporate securities** | **2,426,539** | **-** | **(513,168)** | **1,913,371** |
| **Total debt securities** | **37,014,337** | **451,324** | **(735,175)** | **36,730,486** |
| **Equity securities** | **100** | **-** | **-** | **100** |
| **Total securities** | **$ 37,014,437** | **$ 451,324** | **$ (735,175)** | **$ 36,730,586** |
| December 31, 2008: | | | | |
| U. S. Government and federal agencies | $ 515,154 | $ 41,485 | $ - | $ 556,639 |
| U.S. Government sponsored enterprises (GSEs)* | 34,789,810 | 903,778 | - | 35,693,588 |
| State and municipal securities | 1,677,233 | 6,148 | (77,143) | 1,606,238 |
| Mortgage-backed securities - GSE residential | 11,566,607 | 321,569 | (874) | 11,887,302 |
| Corporate securities | 3,438,513 | - | (959,620) | 2,478,893 |
| Total debt securities | 51,987,317 | 1,272,980 | (1,037,637) | 52,222,660 |
| Equity securities | 100 | - | - | 100 |
| Total securities | $ 51,987,417 | $ 1,272,980 | $ (1,037,637) | $ 52,222,760 |

* Such as Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and Federal Home Loan Banks.

The amortized cost and fair value of debt securities available for sale as of December 31, 2009 by contractual maturity are shown below. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

| | Amortized Cost | Fair Value |
|---|---|---|
| Due within one year | $ 3,498,414 | $ 3,553,847 |
| Due from one to five years | 9,376,086 | 9,509,850 |
| Due from five to ten years | 4,571,569 | 4,557,234 |
| Due after ten years | 9,645,340 | 9,073,437 |
| Mortgage-backed securities | 9,923,028 | 10,036,218 |
| | $ 37,014,437 | $ 36,730,586 |

## NOTE 2. SECURITIES (Continued)

Securities with a carrying value of approximately $4,101,000 and $4,913,600 at December 31, 2009 and 2008, respectively, were pledged to secure public deposits and for other purposes required or permitted by law. As of December 31, 2009 and 2008, investment securities with a carrying value of approximately $7,060,000 and $7,689,000, respectively, were pledged to secure advances from the FHLB. As of December 31, 2009, investment securities with a carrying value of approximately $1,496,000 were pledged to secure access to the Federal Reserve Bank's discount window. As of December 31, 2008, investment securities with a carrying value of approximately $6,325,000 were pledged to secure short term borrowing through a correspondent bank.

The following table shows the gross unrealized losses and fair value of the entity's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2009 and 2008.

Available for sale securities that have been in a continuous unrealized loss position are as follows:

| | Less Than 12 Months | | Over 12 Months | | Total | |
|---|---|---|---|---|---|---|
| **Description of Securities** | **Fair Value** | **Unrealized Losses** | **Fair Value** | **Unrealized Losses** | **Fair Value** | **Unrealized Losses** |
| **December 31, 2009:** | | | | | | |
| **U.S. Government and federal agencies** | **$ 494,438** | **$ 7,044** | **$ -** | **$ -** | **$ 494,438** | **$ 7,044** |
| **U. S. Government sponsored enterprises (GSEs)** | **10,343,660** | **127,985** | **-** | **-** | **10,343,660** | **127,985** |
| **State and municipal securities** | **491,630** | **6,735** | **305,934** | **21,077** | **797,564** | **27,812** |
| **Mortgage-backed securities - GSE residential** | **4,629,571** | **59,166** | **-** | **-** | **4,629,571** | **59,166** |
| **Corporate securities** | **-** | **-** | **1,913,371** | **513,168** | **1,913,371** | **513,168** |
| **Total debt securities** | **15,959,299** | **200,930** | **2,219,305** | **534,245** | **18,178,604** | **735,175** |
| **Equity securities** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total securities** | **$ 15,959,299** | **$ 200,930** | **$ 2,219,305** | **$ 534,245** | **$ 18,178,604** | **$ 735,175** |
| December 31, 2008: | | | | | | |
| U.S. Government and federal agencies | $ - | $ - | $ - | $ - | $ - | $ - |
| U. S. Government sponsored enterprises (GSEs) | - | - | - | - | - -| - - |
| State and municipal securities | 1,199,016 | 77,143 | - | - | 1,199,016 | 77,143 |
| Mortgage-backed securities - GSE residential | 468,402 | 874 | - | - | 468,402 | 874 |
| Corporate securities | 322,693 | 170,206 | 1,156,200 | 789,414 | 1,478,893 | 959,620 |
| Total debt securities | 1,990,111 | 248,223 | 1,156,200 | 789,414 | 3,146,311 | 1,037,637 |
| Equity securities | - | - | - | - | - | - |
| Total securities | $ 1,990,111 | $ 248,223 | $ 1,156,200 | $ 789,414 | $ 3,146,311 | $ 1,037,637 |

## NOTE 2. SECURITIES (Continued)

*U.S. Government and federal agencies.* The unrealized loss on one investment in U.S. Government obligations and direct obligations of U.S. government agencies was caused by interest rate increases. The contractual terms of the investment does not permit the issuer to settle the securities at a price less than the amortized cost basis of the investment. Because the Company does not intend to sell the investment and it is not more-likely-than-not that the Company will be required to sell the investment before recovery of their amortized cost bases, which may be maturity, the Company does not consider the investment to be other-than-temporarily impaired at December 31, 2009.

*GSE debt securities.* The unrealized losses on nineteen investments in GSEs were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Company does not intend to sell the investments and it is not more-likely-than-not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2009.

*State and municipal securities.* The unrealized losses on three investments in state and municipal securities were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Company does not intend to sell the investments and it is not more-likely-than-not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2009.

*Mortgage-backed securities – GSE residential.* The unrealized losses on ten investments in GSE mortgage-backed securities were caused by interest rate increases. The contractual cash flows of those investments are guaranteed by an agency of the U.S. Government. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost bases of the Company's investments. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company does not intend to sell the investments and it is not more-likely-than-not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2009.

*Corporate securities.* The unrealized losses on the Company's three investments in corporate securities were caused by interest rate increases and the declining credit quality of the respective financial institutions. The Company had a third party impairment analysis performed as of December 31, 2009 for two of the investments for which no other than temporary impairment was noted. The third investment was rated above investment grade at December 31, 2009 and was performing in conjunction with the debenture's terms. Due to the impairment reviews conducted as of December 31, 2009 and because the Company does not intend to sell the investments and it is not more-likely-than-not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2009.

***Other-Than-Temporary Impairment***

Upon acquisition of a security, the Company decides whether it is within the scope of the accounting guidance for beneficial interests in securitized financial assets or will be evaluated for impairment under the accounting guidance for investments in debt and equity securities.

The accounting guidance for beneficial interests in securitized financial assets provides incremental impairment guidance for a subset of the debt securities within the scope of the guidance for investments in debt and equity securities. For securities where the security is a beneficial interest in securitized financial assets, the Company uses the beneficial interests in securitized financial asset impairment model. For securities where the security is not a beneficial interest in securitized financial assets, the Company uses debt and equity securities impairment model.

## NOTE 2. SECURITIES (Continued)

The Company routinely conducts periodic reviews to identify and evaluate each investment security to determine whether an other-than-temporary impairment has occurred. Economic models are used to determine whether an other-than-temporary impairment has occurred on these securities.

During 2009, the Company recorded other-than-temporary impairment charges totaling $1,000,000 on its investment in a corporate trust preferred pool. The impairment charges resulted in a new cost basis of $0.

During the third quarter of 2008, the Company recorded an other than temporary impairment charge of $999,900 on its investment in Fannie Mae preferred stock. The value of these securities declined significantly after the U. S. Government placed both companies into conservatorship in September 2008. The securities have a cost basis of approximately $100.

During 2008, the Company also recorded other than temporary impairment charges of $866,042 and $850,000, respectively, related to its investments in Silverton Financial Services, Inc.'s ("Silverton") common stock and debentures. Silverton was placed into receivership by the FDIC during the second quarter of 2009. These securities have a new cost basis of $0.

Total other than temporary impairment charges recorded in 2008 totaled $1,849,900 on investment securities available for sale and $866,042 on restricted equity securities.

Gains and losses on sales of securities available for sale consist of the following:

| | Years Ended December 31, | |
|---|---|---|
| | **2009** | 2008 |
| Gross gains | **$ 137,238** | $ - |
| Gross losses | **(1,091)** | - |
| Net realized gains | **$ 136,147** | $ - |

Restricted equity securities consist of the following:

| | December 31, | |
|---|---|---|
| | **2009** | 2008 |
| Federal Reserve Bank Stock | **$ 386,500** | $ 640,500 |
| Federal Home Loan Bank stock | **695,600** | 718,000 |
| | **$ 1,082,100** | $ 1,358,500 |

The Company has investments in the common stock of the Federal Reserve Bank and Federal Home Loan Bank of Atlanta at December 31, 2009. These investments are accounted for by the cost method, which represents par value, and is made for long-term business affiliation reasons. In addition, these investments are subject to restrictions relating to sale, transfer or other disposition. Dividends are recognized in income when declared.

## NOTE 3. LOANS

The composition of loans is summarized as follows:

| | December 31, | |
|---|---|---|
| | **2009** | 2008 |
| Commercial | **$ 15,776,932** | $ 18,614,974 |
| Real estate - construction | **4,207,982** | 8,667,988 |
| Real estate - farmland | **3,984,983** | 4,196,996 |
| Real estate - mortgage, commercial | **34,512,850** | 40,114,945 |
| Real estate - mortgage, residential | **35,126,985** | 38,195,702 |
| Consumer and other | **4,785,980** | 5,797,992 |
| | **98,395,712** | 115,588,597 |
| Net deferred loan costs | **129,860** | 125,246 |
| | **98,525,572** | 115,713,843 |
| Allowance for loan losses | **(2,593,434)** | (2,952,995) |
| Loans, net | **$ 95,932,138** | $ 112,760,848 |

Changes in the allowance for loan losses are as follows:

| | Years Ended December 31, | |
|---|---|---|
| | **2009** | 2008 |
| Balance, beginning of year | **$ 2,952,995** | $ 2,996,334 |
| Provision for loan losses | **1,341,934** | 6,326,000 |
| Loans charged off | **(1,883,297)** | (7,298,337) |
| Recoveries of loans previously charged off | **181,802** | 928,998 |
| Balance, end of year | **$ 2,593,434** | $ 2,952,995 |

A loan is considered impaired, in accordance with the impairment accounting guidance (FASB ASC 310-10-35-16), when based on current information and events, it is probable that the Bank will be unable to collect all amounts due from the borrower in accordance with the contractual term of the loan. Impaired loans include loans modified in troubled debt restructuring where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection.

Included in certain loan categories in the impaired loans are troubled debt restructurings that were classified as impaired. At December 31, 2009, the Company had $1,780,998 in loans that were modified in troubled debt restructuring and impaired. In addition to these amounts, the Company had troubled debt restructurings that were performing in accordance with their modified terms of $124,441 at December 31, 2009.

## NOTE 3. LOANS (Continued)

The following is a summary of information pertaining to impaired loans, nonaccrual loans, and loans past due ninety days or more. This summary excludes purchased impaired loans and performing troubled debt restructurings.

| | As of and for the Years Ended December 31, | |
|---|---|---|
| | **2009** | 2008 |
| Impaired loans without a valuation allowance | **$ 2,854,246** | $ 4,556,000 |
| Impaired loans with a valuation allowance | **2,296,259** | 1,040,000 |
| Total impaired loans | **$ 5,150,505** | $ 5,596,000 |
| Valuation allowance related to impaired loans | **$ 488,748** | $ 140,000 |
| Average investment in impaired loans | **$ 4,570,760** | $ 7,132,000 |
| Interest income recognized on impaired loans | **$ 170,343** | $ 179,000 |

The above loans captioned "impaired loans without a valuation allowance" have been charged down by the amount that the Company determined was impaired and, therefore, needed no additional allowance at December 31, 2009 and 2008.

Loans on nonaccrual status amounted to $3,470,890 and $5,439,750 at December 31, 2009 and 2008, respectively. There were no loans past due ninety days or more and still accruing interest at December 31, 2009 and 2008, respectively.

In the ordinary course of business, the Company has granted loans to certain related parties, including executive officers, directors and their affiliates. The interest rates on these loans were substantially the same as rates prevailing at the time of the transaction and repayment terms are customary for the type of loan. Changes in related party loans for the year ended December 31, 2009 are as follows:

| | |
|---|---|
| Balance, beginning of year | $ 2,182,330 |
| Advances | 3,566,305 |
| Repayments | (3,557,815) |
| Balance, end of year | $ 2,190,820 |

## NOTE 4. OTHER REAL ESTATE OWNED

A summary of other real estate owned is presented as follows:

| | Years Ended December 31, | |
|---|---|---|
| | **2009** | 2008 |
| Balance, beginning of year | **$ 2,357,798** | $ 4,335,485 |
| Additions | **5,054,225** | 2,656,788 |
| Disposals | **(3,602,872)** | (2,589,815) |
| Loss on sales and writedowns on other real estate owned | **(587,493)** | (2,044,660) |
| Balance, end of year | **$ 3,221,658** | $ 2,357,798 |

## NOTE 4. OTHER REAL ESTATE OWNED (Continued)

Expenses applicable to other real estate include the following:

| | December 31, 2009 | December 31, 2008 |
|---|---|---|
| Loss on sales and writedowns of other real estate owned | **$ 587,493** | $ 2,044,660 |
| Operating expenses, net of rental income | **175,884** | 171,316 |
| | **$ 763,377** | $ 2,215,976 |

## NOTE 5. PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows:

| | December 31, 2009 | December 31, 2008 |
|---|---|---|
| Land | **$ 2,043,195** | $ 2,043,195 |
| Buildings | **4,438,245** | 4,450,416 |
| Furniture and equipment | **2,796,740** | 2,805,228 |
| | **9,278,180** | 9,298,839 |
| Accumulated depreciation | **(3,318,245)** | (2,998,639) |
| | **$ 5,959,935** | $ 6,300,200 |

### Leases

The Company leases the Lee County office under a noncancelable operating lease agreement from Carr Farms, LLP. The lease had an initial lease term of 3 years with an option for a 1 year, 2 years or 3 years renewal on the Lee County office.

The Company leases the operations center under a noncancelable operating lease from Carter Commercial Properties, LLP. The lease had an initial lease term of 5 years with one five year renewal option. The lease was renewed in September 2007 for a period of five years.

The Company leases three ATM machines under a noncancelable operating lease from Diebold, Incorporated. The lease has an initial term of 5 years and commenced in October of 2007.

Rental expense under all operating leases amounted to $163,937 and $164,207 for the years ended December 31, 2009 and 2008, respectively.

Future minimum lease commitments on noncancelable operating leases, excluding any renewal options, are summarized as follows:

| Year | Amount |
|---|---|
| 2010 | $ 162,744 |
| 2011 | 150,204 |
| 2012 | 110,515 |
| 2013 | - |
| 2014 | - |
| | $ 423,463 |

## NOTE 6. INTANGIBLE ASSETS

Following is a summary of information related to intangible assets:

| | **As of December 31, 2009** | | As of December 31, 2008 | |
|---|---|---|---|---|
| | **Gross Amount** | **Accumulated Amortization** | Gross Amount | Accumulated Amortization |
| Amortized intangible assets | | | | |
| core deposit premiums | **$ -** | **$ -** | $ 397,253 | $ 397,253 |

During the fourth quarter of 2008, the Company performed its annual impairment test of goodwill and core deposit intangible assets and determined that both assets were fully impaired. The Company recorded a goodwill impairment charge of $2,333,509 and a core deposit intangible impairment charge of $164,382 to completely write these intangible assets off its books as of December 31, 2008.

## NOTE 7. DEPOSITS

The aggregate amount of time deposits in denominations of $100,000 or more at December 31, 2009 and 2008 was $33,308,353 and $54,563,979, respectively. The scheduled maturities of time deposits at December 31, 2009 are as follows:

| | |
|---|---|
| 2010 | $ 61,112,839 |
| 2011 | 7,984,930 |
| 2012 | 2,060,354 |
| 2013 | 193,817 |
| 2014 and thereafter | 242,231 |
| | $ 71,594,171 |

At December 31, 2009 and 2008, overdraft demand deposits reclassified to loans totaled $31,382 and $164,079, respectively.

The Company had no brokered time deposits at December 31, 2009 or 2008.

## NOTE 8. OTHER BORROWINGS

Other borrowings consist of the following:

| | December 31, | |
|---|---|---|
| | **2009** | 2008 |
| Federal funds purchased from Silverton Bank with principal and interest due January 2, 2009. The advance carried an interest rate of .95% at December 31, 2008. | **$ -** | $ 344,000 |
| Repurchase agreement with Silverton Bank with principal and interest due on January 5, 2009. The agreement carried an interest rate of 1.10% at December 31, 2008. | **-** | 5,500,000 |
| Federal Home Loan Bank advances with interest and principal payments due at various maturity dates through 2012 and interest rates ranging from 3.55% to 4.05% at December 31, 2009 (weighted average interest rate is 3.80% at December 31, 2009). | **10,000,000** | 10,000,000 |
| | **$ 10,000,000** | $ 15,844,000 |

Contractual maturities of other borrowings as of December 31, 2009 are as follows:

| | |
|---|---|
| 2010 | $ 5,000,000 |
| 2011 | - |
| 2012 | 5,000,000 |
| | $ 10,000,000 |

The advances from the Federal Home Loan Bank are secured by certain qualifying loans of approximately $17,418,000, securities of $7,060,000 and Federal Home Loan Bank stock of approximately $695,600.

The Company and subsidiary have available unused lines of credit with the Federal Home Loan Bank totaling approximately $5,670,000 at December 31, 2009.

The Company and subsidiary have investment securities totaling approximately $1,496,000 pledged to secure access to the Federal Reserve Bank's discount window. The total amount of funds drawn on this line was $0 as of December 31, 2009.

## NOTE 9. GUARANTEED PREFERRED BENEFICIAL INTERESTS IN JUNIOR SUBORDINATED DEBENTURES

In March 2003, the Company formed a wholly-owned Connecticut statutory business trust, Community Capital Statutory Trust I ("Statutory Trust I") for the sole purpose of issuing trust preferred securities and investing the proceeds in floating rate junior subordinated deferrable interest debentures issued by the Company. These debentures qualify as Tier I capital under Federal Reserve Board guidelines. All of the common securities of Statutory Trust I are owned by the Company. The proceeds from the issuance of the common securities and the trust preferred securities were used by Statutory Trust I to purchase $4,124,000 of junior subordinated debentures of the Company, which carry a floating rate based on a three-month LIBOR plus 315 basis points. The debentures represent the sole asset of Statutory Trust I. The trust preferred securities accrue and pay distributions at a floating rate of three-month LIBOR plus 315 basis points per annum (3.40% at December 31, 2009) of the stated liquidation value of $1,000 per capital security. The Company has entered into contractual arrangements which, taken collectively, fully and unconditionally guarantee payment of: (i) accrued and unpaid distributions required to be paid on the trust preferred securities; (ii) the redemption price with respect to any trust preferred securities called for redemption by Statutory Trust I and (iii) payments due upon a voluntary or involuntary dissolution, winding up or liquidation of Statutory Trust I. The trust preferred securities are mandatorily redeemable upon maturity of the debentures in March 2033, or upon earlier redemption as provided in the indenture. The Company has the right to redeem the debentures purchased by Statutory Trust I in whole or in part, on or after March 26, 2008. As specified in the indenture, if the debentures are redeemed prior to maturity, the redemption price will be the principal amount, plus any unpaid accrued interest.

## NOTE 10. EMPLOYEE BENEFIT PLANS

### Profit Sharing Plan

The Company has a 401(k) Employee Profit-Sharing Plan available to all eligible employees, subject to certain minimum age and service requirements. The contributions expensed were $91,363 and $99,891 for the years ended December 31, 2009 and 2008, respectively.

### Employee Stock Purchase Plan

The Company's Employee Stock Purchase Plan enables eligible employees to purchase shares of the Company's common stock through payroll deductions. During 2005, the Company exhausted the shares reserved for issuance under this plan. As a result, the Employee Stock Purchase Plan was terminated effective September 30, 2005. Under the Employee Stock Purchase Plan, employee payroll deductions were combined with matching contributions made by the Company and used to purchase shares of the Company's common stock on behalf of the employee at the end of the quarter. The shares were purchased in the open market at prevailing prices at the time of the purchase or were purchased from the Company at fair market value. If an employee terminated employment with the Company or any affiliate or the employee no longer satisfied the eligibility requirements, the employee's payroll deductions made under the plan that had not been used to purchase shares of the Company's common stock were returned to that employee and any matching credits were forfeited. On May 15, 2006, the Stockholders approved a new stock purchase plan authorizing the issuance of up to 50,000 shares under this plan. Participation in the new plan commenced in the second quarter of 2006. On February 27, 2009, the Board of Directors approved an amendment to the stock purchase plan which authorized an additional 100,000 shares available for issuance under the plan, increasing the total available from 50,000 to 150,000. At December 31, 2009, 64,626 shares had been purchased and 85,374 shares remained available for purchase under this plan.

## NOTE 11. STOCK OPTIONS AND WARRANTS

On September 24, 2009, the Company's shareholders approved the 2009 Long-Term Incentive Plan under which options to purchase 400,000 shares of its common stock may be granted to directors, officers and employees. Both incentive stock options and nonqualified stock options, stock appreciation rights and other stock-based awards may be granted under the plan. The exercise price of an incentive stock option may not be less than the fair market value of the Company's common stock on the date of the grant nor less than 110% of the fair market value if the participant owns more than 10% of the outstanding common stock. Nonqualified stock options may be made exercisable at a price no less than the fair market value of the Company's common stock on the date that the option is granted. The term of any incentive stock option may not exceed ten years from the date of grant; however, any incentive stock option granted to a participant who owns more than 10% of the Company's common stock will not be exercisable after the expiration of five years from the date the option is granted. Subject to any further limitations in a stock option agreement, in the event of a participant's termination of employment, the term of an incentive stock option will expire, terminate and become unexercisable no later than three months after the date of the termination of employment; provided, however, that if termination of employment is due to death or disability, a one-year period shall be substituted for the three-month period. On December 31, 2009, there were 190,000 shares available for grant under the 2009 Plan.

On March 11, 1999, the Company's shareholders approved the 1998 Stock Incentive Plan under which options to purchase 303,574 shares of its common stock may be granted to directors, officers and employees. Both incentive stock options and nonqualified stock options may be granted under the plan. The exercise price of an incentive stock option may not be less than the fair market value of the Company's common stock on the date of the grant nor less than 110% of the fair market value if the participant owns more than 10% of the outstanding common stock. Nonqualified stock options may be made exercisable at a price no less than 85% of the fair market value of the Company's common stock on the date that the option is granted. Additionally, the exercise price of any option granted to an individual who is, on the last day of the taxable year, the chief executive officer of the Company or one of the four other highest compensated officers of the Company may not be less than the fair market value of the Company's common stock on the date of grant. The term of any incentive stock option may not exceed ten years from the date of grant; however, any incentive stock option granted to a participant who owns more than 10% of the Company's common stock will not be exercisable after the expiration of five years from the date the option is granted. Subject to any further limitations in a stock option agreement, in the event of a participant's termination of employment, the term of an incentive stock option will expire, terminate and become unexercisable no later than three months after the date of the termination of employment; provided, however, that if termination of employment is due to death or disability, a one-year period shall be substituted for the three-month period. On December 31, 2009, there were no shares available for grant under the 1998 Plan.

On April 24, 2000, the Board of Directors adopted the 2000 Outside Directors Stock Option Plan under which nonqualified stock options to purchase up to 21,429 shares of the Company's common stock may be granted to directors who are not employees of the Company or any of its affiliates and to the Chairman of the Board of Directors, regardless of whether he is an employee of the Company. The plan provides for an annual grant of a nonqualified stock option to purchase 142 shares of the Company's common stock to each existing non-employee director and a nonqualified stock option to purchase 285 shares of the Company's common stock to the Chairman of the Board of Directors as of the date of each annual shareholders' meeting. Options granted pursuant to this plan are generally nontransferable except by will or the laws of descent and distribution unless otherwise permitted by the Board of Directors. These options are fully vested and exercisable immediately, subject to any restriction imposed by the primary federal regulator of the Company. The exercise price of these options must be equal to the fair market value of the common stock on the date the option is granted. The term of the options may not exceed ten years from the date of grant. If a participant ceases to be a director of the Company or any affiliate, the options expire, terminate and become unexercisable no later than 90 days after the date the participant ceases to provide services to the Company. On December 31, 2009, there were 4,379 shares available for grant under this Plan.

## NOTE 11. STOCK OPTIONS AND WARRANTS (Continued)

Under a nonqualified stock option agreement with Charles M. Jones, III on November 15, 1999, the Company granted Mr. Jones a nonqualified stock option to purchase 21,428 shares of the Company's common stock at an exercise price of $7.35 per share, as adjusted to reflect the Company's ten-for-seven stock split effective in January 2001. This was a stand-alone option award that was made outside of the 1998 Stock Incentive Plan. This option vested in 20% equal increments over five years beginning on the first anniversary of the grant date and is currently fully vested. The option expired on November 15, 2009.

On February 23, 2003, the Company granted five members of management options to purchase an aggregate of 50,000 shares of the Company's common stock at an exercise price of $10.18 per share. These were stand-alone option awards that were made outside of the 1998 Stock Incentive Plan. These options vest in 20% equal increments over five years beginning on the first anniversary of the grant date for so long as the individual serves as an employee of the Company or any of its affiliates. The options will become fully vested if there is a change in control of the Company. The options will expire on the tenth anniversary of the grant date or, if earlier, 90 days after the optionee ceases to be an employee of the Company or any affiliate. At December 31, 2009, options to purchase an aggregate of 10,000 shares remained outstanding.

On March 11, 1999, Community Capital issued its directors warrants to purchase an aggregate of 302,420 shares of Community Capital's common stock at $7.00 per share, as adjusted to reflect Community Capital's ten-for-seven stock split effective in January 2001. The warrants become exercisable in 20% annual increments beginning on the first anniversary of the issuance date. Exercisable warrants will remain exercisable for the ten-year period following the date of issuance or for 90 days after the warrant holder ceases to be a director of Community Capital, whichever is shorter. The exercise price of each warrant is subject to adjustment for stock splits, recapitalizations or other similar events. Additionally, if the Bank's capital falls below the minimum level, as determined by the Officer of the Comptroller of the Currency, Community Capital directors may be directed to exercise or forfeit their warrants. On March 11, 2009, these warrants expired.

A summary of the status of the employee stock option plans as of December 31, 2009 and 2008 and activity during the periods is as follows:

| | **Year Ended December 31, 2009** | | | Year Ended December 31, 2008 | | |
|---|---|---|---|---|---|---|
| | **Number** | **Weighted-Average Exercise Price** | **Aggregate Intrinsic Value** | Number | Weighted-Average Exercise Price | Aggregate Intrinsic Value |
| Under option, beginning of the period | **167,485** | **9.29** | **$ -** | 173,516 | $ 9.40 | $ - |
| Granted | **211,989** | **1.35** | | 1,705 | 3.05 | |
| Exercised | **-** | **-** | | - | - | |
| Forfeited | **(112,560)** | **8.72** | | (7,736) | 10.59 | |
| Under option, end of the period | **266,914** | **3.23** | **$ -** | 167,485 | 9.29 | $ - |
| Unvested at the end of the period | **204,100** | **1.65** | **$ -** | 14,400 | 11.11 | $ - |
| Vested and exercisable at the end of the period | **62,814** | **8.33** | **$ -** | 153,085 | 9.11 | $ - |
| Weighted-average fair value per option of options granted during the year | | | **$ 0.60** | | | $ 1.10 |

## NOTE 11. STOCK OPTIONS AND WARRANTS (Continued)

Information pertaining to options outstanding at December 31, 2009 is as follows:

| | Options Outstanding | | | | Options Exercisable | | |
|---|---|---|---|---|---|---|---|
| Range of Exercise Prices | Number | Weighted Average Contractual Life in Years | Weighted-Average Exercise Price | Aggregate Intrinsic Value | Number | Weighted-Average Exercise Price | Aggregate Intrinsic Value |
| Below to $ 7.0000 | 213,410 | 9.83 | $ 1.35 | | 15,910 | $ 1.35 | |
| $ 7.0001 to $ 8.0000 | 3,126 | 0.87 | 7.00 | | 3,126 | 7.00 | |
| $ 8.0001 to $ 9.0000 | 1,563 | 2.32 | 8.15 | | 1,563 | 8.15 | |
| $10.0001 to $11.0000 | 35,000 | 4.50 | 10.60 | | 29,000 | 10.59 | |
| $11.0001 to $12.0000 | 7,689 | 4.60 | 11.05 | | 7,689 | 11.05 | |
| $12.0001 to $13.0000 | 4,563 | 5.80 | 12.24 | | 3,963 | 12.24 | |
| $13.0001 to $14.0000 | 1,563 | 3.37 | 13.97 | | 1,563 | 13.97 | |
| **Total** | 266,914 | 8.41 | $ 3.23 | $ - | 62,814 | $ 8.33 | $ - |

At December 31, 2009, there was approximately $141,000 of unrecognized compensation cost related to stock-based payments, which is expected to be recognized over a weighted-average period of 2.87 years.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

| | Years Ended December 31, | |
|---|---|---|
| | **2009** | 2008 |
| Dividend yield | **0%** | 0 % |
| Expected life | **6.50 years** | 10 years |
| Expected volatility | **41.37%** | 7.75% |
| Risk-free interest rate | **2.25%** | 4.41% |

## NOTE 12. INCOME TAXES

The components of income tax expense (benefit) are as follows:

| | Years Ended December 31, | |
|---|---|---|
| | **2009** | 2008 |
| Current | **$ (91,115)** | $ 125,368 |
| Deferred | **(1,789,649)** | (4,743,518) |
| Change in valuation allowance | **1,789,649** | 5,049,931 |
| | **$ (91,115)** | **$** 431,781 |

## NOTE 12. INCOME TAXES (Continued)

The Company's income tax expense (benefit) differs from the amounts computed by applying the federal income tax statutory rates to income before income taxes. A reconciliation of the differences is as follows:

| | Years Ended December 31, | |
|---|---|---|
| | **2009** | 2008 |
| Tax provision at statutory federal rate | **$ (1,885,178)** | $ (5,424,580) |
| Tax-exempt income, net | **(13,063)** | (18,587) |
| Bank owned life insurance | **(40,320)** | (96,652) |
| Incentive stock option expense | **8,473** | 7,856 |
| Goodwill impairment charge | **-** | 793,393 |
| Other | **49,324** | 120,420 |
| Valuation allowance for deferred taxes | **1,789,649** | 5,049,931 |
| Income tax expense (benefit) | **$ (91,115)** | $ 431,781 |

The components of the net deferred tax asset (liability) included in other assets are as follows:

| | Years Ended December 31, | |
|---|---|---|
| | **2009** | 2008 |
| Deferred tax assets: | | |
| Loan loss reserves | **$ 339,344** | $ 425,188 |
| Securities impairments on available for sale securities | **679,966** | 628,966 |
| Securities impairments on restricted equity securities | **294,454** | 294,454 |
| Non-qualified stock option expense | **38,726** | 38,286 |
| Write down of foreclosed assets | **850,165** | 667,472 |
| Nonaccrual loan interest | **66,362** | 117,540 |
| Net operating loss carryforward | **4,854,934** | 3,191,275 |
| Valuation allowance | **(6,839,580)** | (5,049,931) |
| | **284,371** | 313,250 |
| Deferred tax liabilities: | | |
| Depreciation | **240,218** | 270,666 |
| Deferred loan costs, net | **44,153** | 42,584 |
| Securities available for sale | **-** | 80,018 |
| | **284,371** | 393,268 |
| Net deferred tax assets (liabilities) | **$ -** | $ (80,018) |

## NOTE 13. COMMITMENTS AND CONTINGENCIES

### Loan Commitments

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Such commitments involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amount recognized in the balance sheets.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments as it does for on-balance-sheet instruments. A summary of the Company's commitments is as follows:

| | **2009** | 2008 |
|---|---|---|
| Commitments to extend credit | **$ 12,422,000** | $ 11,872,000 |
| Standby letters of credit | **1,010,000** | 1,155,000 |
| | **$ 13,432,000** | $ 13,027,000 |

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the customer. Collateral held varies, but may include accounts receivable, crops, livestock, inventory, property and equipment, residential real estate and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. Collateral held varies as specified above and is required in instances which the Company deems necessary.

At December 31, 2009 and 2008, the carrying amount of liabilities related to the Company's obligation to perform under standby letters of credit was insignificant. The Company has not been required to perform on any standby letters of credit, and the Company has not incurred any losses on standby letters of credit for the years ended December 31, 2009 and 2008.

### Contingencies

In the normal course of business, the Company is involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the Company's financial statements.

## NOTE 14. CONCENTRATIONS OF CREDIT

**Concentration by Geographic Location:**

The Company originates primarily commercial, commercial real estate, residential real estate and consumer loans to customers in Dougherty and Lee counties, Georgia; Houston and Lee counties, Alabama; and surrounding counties. The ability of the majority of the Company's customers to honor their contractual obligations is dependent on the local and metropolitan economies of Albany, Georgia, and Dothan, Alabama.

Seventy-nine percent of the Company's loan portfolio is concentrated in loans secured by real estate. A substantial portion of these loans are secured by real estate located in the Company's primary market areas. In addition, a substantial portion of the other real estate owned is located in those same markets. Accordingly, the ultimate collectibility of the Company's loan portfolio and recovery of the carrying amount of other real estate owned are susceptible to changes in market conditions in the Company's market areas. The other significant concentrations of credit by type of loan are set forth in Note 3.

The Company, as a matter of policy, does not generally extend credit to any single borrower or group of related borrowers in excess of 15% of the Bank's adjusted capital, or approximately $2,005,000 as of December 31, 2009.

At various times throughout the year, the Bank maintains cash balances with financial institutions. The Bank monitors the adequacy of these financial institutions on a regular basis. At December 31, 2009, the Bank had a concentration of funds on deposit at the Federal Reserve Bank totaling $10,246,563.

## NOTE 15. REGULATORY MATTERS

On July 27, 2006, the Bank entered into a formal written agreement (the "Agreement") with the Office of the Comptroller of the Currency (the "OCC"). Under the Agreement, the Bank agreed to maintain a higher capital level and agreed to review the CEO, President, Senior Loan Officer and other management of the Bank to ensure that the Bank has appropriate management in place to ensure compliance with all laws and to manage the day-to-day operations of the Bank. The Bank also committed to improve their information technology systems, reduce their credit risk, and review and enhance their lending policies and systems with regard to credit and collateral documentation, loan review and related records, and loan portfolio management. Under the Agreement, the Bank also agreed to review and enhance its internal controls and its conflict of interest policy and overdraft policy, and committed to improve its record production and maintenance for transactions with insiders. The Agreement includes additional commitments regarding allowances for loan and lease losses, interest rate risk, liquidity, internal audit, investments, and transactions with its affiliates, including Community Capital Bancshares, Inc. Compliance with the Agreement is monitored by a compliance committee made up of members of the Board of Directors. Failure to comply with the Agreement could result in further regulatory action and oversight.

Prior to entering into the Agreement, the Bank had already taken significant steps to address many of the above issues, and management of the Bank is committed to ensuring that all of the requirements of the Agreement are met. Subsequent to December 31, 2007, the monthly reporting as required by the Agreement was reduced to quarterly reporting.

The Bank is subject to certain restrictions on the amount of dividends that may be declared without prior regulatory approval. Due to the formal Agreement discussed above, no dividends may be paid by the Bank without prior regulatory approval.

## NOTE 15. REGULATORY MATTERS (Continued)

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of the Company's and the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. Capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios of total and Tier I capital to risk-weighted assets, as defined and of Tier I capital to average assets. As of December 31, 2009, the most recent notification from the regulators categorized the Bank as not being in compliance with the capital requirements of the formal agreement.

Subsequent to December 31, 2008, the OCC granted the Company permission to merge the Dothan Bank into the Albany Bank. As of March 31, 2009, the Company is now a one bank holding company.

The Banks' actual capital amounts and ratios are presented in the following table.

| | Actual | | For Capital Adequacy Purposes* | | To Be Well Capitalized Under Prompt Corrective Action Provisions | |
|---|---|---|---|---|---|---|
| | **Amount** | **Ratio** | **Amount** | **Ratio** | **Amount** | **Ratio** |
| | | | (Dollars in Thousands) | | | |
| **December 31, 2009:** | | | | | | |
| **Total Capital to Risk Weighted Assets:** | | | | | | |
| **AB&T National Bank** | **$ 12,091** | **11.62%** | **$ 8,324** | **8.00%** | **$ 10,405** | **10.00%** |
| **Tier I Capital to Risk Weighted Assets:** | | | | | | |
| **AB&T National Bank** | **$ 10,774** | **10.36%** | **$ 4,162** | **4.00%** | **$ 6,243** | **6.00%** |
| **Tier I Capital to Average Assets:** | | | | | | |
| **AB&T National Bank** | **$ 10,774** | **6.59%** | **$ 6,544** | **4.00%** | **$ 8,180** | **5.00%** |
| December 31, 2008: | | | | | | |
| Total Capital to Risk Weighted Assets: | | | | | | |
| Albany Bank and Trust | $ 11,484 | 13.64% | $ 6,733 | 8.00% | $ 8,417 | 10.00% |
| AB&T National Bank | $ 3,214 | 7.69% | $ 3,345 | 8.00% | $ 4,182 | 10.00% |
| Tier I Capital to Risk Weighted Assets: | | | | | | |
| Albany Bank and Trust | $ 10,424 | 12.38% | $ 3,367 | 4.00% | $ 5,050 | 6.00% |
| AB&T National Bank | $ 2,682 | 6.41% | $ 1,673 | 4.00% | $ 2,509 | 6.00% |
| Tier I Capital to Average Assets: | | | | | | |
| Albany Bank and Trust | $ 10,424 | 7.38% | $ 5,652 | 4.00% | $ 7,064 | 5.00% |
| AB&T National Bank | $ 2,682 | 4.56% | $ 2,351 | 4.00% | $ 2,938 | 5.00% |

*Under agreements entered into by the Bank and the regulators, the Bank has agreed to maintain the following capital levels:

(a) Tier I capital equal to at least 11% of risk-weighted assets;

(b) Tier I capital equal to at least 8% of average total assets.

## NOTE 16. FAIR VALUE OF ASSETS AND LIABILITIES

### Determination of Fair Value

The Bank uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the *Fair Value Measurements and Disclosures* topic (FASB ASC 820), the fair value of a financial instrument 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. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Bank's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The recent fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

### Fair Value Hierarchy

In accordance with this guidance, the Bank groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 - Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuation is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

## NOTE 16. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

The following methods and assumptions were used by the Bank in estimating fair value disclosures for financial instruments:

**Cash, Due From Banks, Interest-Bearing Deposits in Other Financial Institutions and Federal Funds Sold:** The carrying amount of cash, due from banks, interest-bearing deposits at other financial institutions and federal funds sold approximates fair value.

**Securities:** Where quoted prices are available in an active market, we classify the securities within level 1 of the valuation hierarchy. Securities are defined as both long and short positions. Level 1 securities include highly liquid government bonds and exchange-traded equities.

If quoted market prices are not available, we estimate fair values using pricing models and discounted cash flows that consider standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, and credit spreads. Examples of such instruments, which would generally be classified within level 2 of the valuation hierarchy, including GSE obligations, corporate bonds, and other securities. Mortgage-backed securities are included in level 2 if observable inputs are available. In certain cases where there is limited activity or less transparency around inputs to the valuation, we classify those securities in level 3.

**Loans:** The carrying amount of variable-rate loans that reprice frequently and have no significant change in credit risk approximates fair value. The fair value of fixed-rate loans is estimated based on discounted contractual cash flows, using interest rates currently being offered for loans with similar terms to borrowers with similar credit quality. The fair value of impaired loans is estimated based on discounted contractual cash flows or underlying collateral values, where applicable.

**Deposits:** The carrying amount of demand deposits, savings deposits and variable-rate certificates of deposit approximates fair value. The fair value of fixed-rate certificates of deposit is estimated based on discounted contractual cash flows using interest rates currently being offered for certificates of similar maturities.

**Other Borrowings and subordinated debentures:** The carrying amount of variable rate advances approximates fair value. The fair value of fixed rate advances is estimated based on discounted contractual cash flows using the current incremental borrowing rates for similar type borrowing arrangements. The fair value of fixed-rate junior subordinated debentures is estimated based on discounted contractual cash flows using the current rates for similar type financial instruments. The carrying amount of variable-rate junior subordinated debentures approximates fair value.

**Accrued Interest:** The carrying amount of accrued interest approximates fair value.

**Off-Balance-Sheet Instruments:** The carrying amount of commitments to extend credit and standby letters of credit approximates fair value.

## NOTE 16. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

**Assets and Liabilities Measured at Fair Value on a Recurring Basis**: Assets and liabilities measured at fair value on a recurring basis are summarized below:

| | Fair Value Measurements Using | | | | |
|---|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Netting | Total Carrying Value |
| **December 31, 2009** | | | *(in thousands)* | | |
| Securities available for sale | $ - | $ 36,730,586 | $ - | $ - | $ 36,730,586 |
| Total assets at fair value | $ - | $ 36,730,586 | $ - | $ - | $ 36,730,586 |
| December 31, 2008 | | | | | |
| Securities available for sale | $ - | $ 52,222,760 | $ - | $ - | $ 52,222,760 |
| Total assets at fair value | $ - | $ 52,222,760 | $ - | $ - | $ 52,222,760 |

**Assets Measured at Fair Value on a Nonrecurring Basis**: Under certain circumstances we make adjustments to fair value for our assets and liabilities although they are not measured at fair value on an ongoing basis. The following table presents the financial instruments carried on the consolidated balance sheet by caption and by level in the fair value hierarchy at December 31, 2009 and 2008, respectively, for which a nonrecurring change in fair value has been recorded:

| | Fair Value Measurements Using | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Gains (Losses) |
| **December 31, 2009** | | | | |
| Impaired loans | $ - | $ - | $ 3,547,350 | $ (887,606) |
| Foreclosed assets | - | - | 310,186 | (687,610) |
| Total | $ - | $ - | $ 3,857,536 | $ (1,575,216) |
| December 31, 2008 | | | | |
| Impaired loans | $ - | $ - | $ 5,665,976 | $ (3,493,914) |
| Foreclosed assets | - | - | 1,607,797 | (1,907,365) |
| Total | $ - | $ - | $ 7,273,773 | $ (5,401,279) |

## NOTE 16. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

The carrying amount and estimated fair value of the Company's financial instruments were as follows:

| | **December 31, 2009** | | December 31, 2008 | |
|---|---|---|---|---|
| | **Carrying Amount** | **Fair Value** | Carrying Amount | Fair Value |
| Financial assets: | | | | |
| Cash, due from banks, interest-bearing deposits at other financial institutions and federal funds sold | **$ 11,960,878** | **$ 11,960,878** | $ 6,344,687 | $ 6,344,687 |
| Securities | **37,812,686** | **37,812,686** | 53,581,260 | 53,581,260 |
| Loans | **95,932,138** | **96,493,705** | 112,760,848 | 114,913,453 |
| Accrued interest receivable | **743,830** | **743,830** | 1,077,704 | 1,077,704 |
| Financial liabilities: | | | | |
| Deposits | **135,322,798** | **135,917,268** | 158,421,428 | 159,423,615 |
| Other borrowings and subordinated debentures | **14,124,000** | **14,569,542** | 19,968,000 | 20,734,341 |
| Accrued interest payable | **294,994** | **294,994** | 490,327 | 490,327 |

## NOTE 17. PARENT COMPANY FINANCIAL INFORMATION

The following information presents the condensed balance sheets as of December 31, 2009 and 2008 and statements of operations and cash flows of Community Capital Bancshares, Inc. for the years ended December 31, 2009 and 2008.

### CONDENSED BALANCE SHEETS

| | 2009 | 2008 |
|---|---|---|
| **Assets** | | |
| Cash | **$ 332,079** | $ 1,225,288 |
| Investment in subsidiaries | **10,489,476** | 13,260,704 |
| Premises and equipment | **-** | 352,649 |
| Other assets | **303,332** | 173,120 |
| Total assets | **$ 11,124,887** | $ 15,011,761 |
| **Liabilities** | | |
| Guaranteed preferred beneficial interests in junior subordinated debentures | **$ 4,124,000** | $ 4,124,000 |
| Other liabilities | **106,680** | 99,141 |
| Total liabilities | **4,230,680** | 4,223,141 |
| **Stockholders' equity** | **6,894,207** | 10,788,620 |
| Total liabilities and stockholders' equity | **$ 11,124,887** | **$** 15,011,761 |

### CONDENSED STATEMENTS OF OPERATIONS

| | 2009 | 2008 |
|---|---|---|
| **Income** | | |
| Management fees | **$ 549,000** | $ 2,256,000 |
| Other | **34** | 15,862 |
| | **549,034** | 2,271,862 |
| **Expenses** | | |
| Salaries and employees benefits | **472,296** | 1,916,789 |
| Interest expense | **165,936** | 273,723 |
| Legal and professional | **45,282** | 92,458 |
| Equipment and occupancy expenses | **99,890** | 409,473 |
| Other operating expenses | **98,505** | 438,809 |
| | **881,909** | 3,131,252 |
| Loss before income tax (expense) benefit and equity in undistributed loss of subsidiary | **(332,875)** | (859,390) |
| **Income tax (expense) benefit** | **223,049** | (132,674) |
| Loss before equity in undistributed loss of subsidiary | **(109,826)** | (992,064) |
| **Equity in undistributed loss of subsidiary** | **(5,343,701)** | (15,396,802) |
| Net loss | $ **(5,453,527)** | $ (16,388,866) |

## NOTE 17. PARENT COMPANY FINANCIAL INFORMATION (Continued)

### CONDENSED STATEMENTS OF CASH FLOWS

| | **2009** | 2008 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net loss | **$ (5,453,527)** | $ (16,388,866) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Depreciation | **27,707** | 123,875 |
| Provision for deferred taxes | **-** | 7,306 |
| Stock-based compensation | **26,216** | 32,256 |
| Undistributed loss of subsidiaries | **5,343,701** | 15,396,802 |
| Increase in taxes receivable | **(178,255)** | 594,037 |
| Other operating activities | **294,370** | (32,061) |
| Net cash provided by (used in) operating activities | **60,212** | (266,651) |
| **INVESTING ACTIVITIES** | | |
| Purchase of property and equipment | **-** | (29,692) |
| Capital contribution to Bank subsidiary | **(2,995,378)** | - |
| Net cash used in investing activities | **(2,995,378)** | (29,692) |
| **FINANCING ACTIVITIES** | | |
| Dividends paid to shareholders | **-** | (60,680) |
| Treasury stock transactions, net | **(53,454)** | 80,060 |
| Proceeds from exercise of stock warrants and options | **-** | - |
| Proceeds from issuance of cumulative preferred stock | **2,095,411** | - |
| Net cash provided by financing activities | **2,041,957** | 19,380 |
| Net decrease in cash | **(893,209)** | (276,963) |
| Cash at beginning of period | **1,225,288** | 1,502,251 |
| Cash at end of year | **$ 332,079** | $ 1,225,288 |

## NOTE 18. SUBSEQUENT EVENT

From January 1, 2010 thru April 30, 2010, the Company received additional subscriptions totaling $2,398,126 toward its preferred stock offering, of which $1,906,877 has been converted to cash. The Company has received subscriptions totaling $4,493,537 since the preferred stock offering began in the fourth quarter of 2009 and plans to raise a total of approximately $5,000,000 by June 30, 2010.

# Community Capital Bancshares, Inc.

## DIRECTORS AND EXECUTIVE OFFICERS

### DIRECTORS

**Charles M. Jones, III**
Chairman, Community Capital Bancshares, Inc.
Chief Executive Officer, Consolidated Loan and Mortgage Companies

**Bennett D. Cotten, Jr.**
Orthopedic Surgeon
Premier Orthopedics, PC

**W. David Campbell**
Retired President and CEO, Medley Hotel & Restaurant Supply Co.; Retired Executive Vice President, Strategic Equipment & Supply Co.

**Walker D. Davis**
Business Owner, President, Albany Home Patient Care Inc.; Partner, Pinnacle Infusion; Partner, Health Products Plus

**Glenn A. Dowling**
Podiatrist, Managing Partner Ambulatory Surgery Center and Albany Podiatry Associates

**Mary Helen Dykes**
Retired

**James L. Flatt**
President and CEO, Community Capital Bancshares, Inc, and AB&T National Bank

**C. Richard Langley**
Attorney
Langley & Lee, LLC

**William F. McAfee**
Business Owner – Bill McAfee Leasing

**John Temple Phillips, III**
Business Owner, Applied Fiber Telecommunications, Inc., Partner, Phillips & Spurlock

**Earle P. Spurlock**
Business Owner, Logos Plus, Inc., Partner, Phillips & Spurlock

**Jane Anne Sullivan**
Business Owner, Buildings Exchange, a real estate holding company

**John P. Ventulett, Jr.**
Executive Insurance Agent
J. Smith Lanier & Company

**Lawrence B. Willson**
Vice President and Farm Manager, Sunnyland Farms, Inc.

**James D. Woods**
Medical Doctor
Albany Area Primary Health Care, Inc.

### EXECUTIVE OFFICERS

**James L. Flatt**
President & Chief Executive Officer

**Glenn E. Creech**
Senior Vice President,
Senior Credit Officer

**Laura A. Hancock**
Senior Vice President,
Chief Financial Officer and Secretary