

Burney Lynn M
Form 4
August 03, 2007

FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Burney Lynn M

(Last) (First) (Middle)

1117 MILITARY CUTOFF ROAD

(Street)

WILMINGTON, NC 28405

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
Cape Fear Bank CORP [CAPE]

3. Date of Earliest Transaction
(Month/Day/Year)
06/29/2007

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

___ Director ___ 10% Owner
 Officer (give title below) ___ Other (specify below)

Chief Operations Officer

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|---|
| Common Stock | | | | (A) or (D) Price | 1,720 ⁽¹⁾ | D | |
| Common Stock | | | | (A) or (D) Price | 515 ⁽¹⁾ | I | By spouse |
| Common Stock | | | | (A) or (D) Price | 294 ⁽²⁾ | I | By 401(k) plan |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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number.

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | 8. Derivative Securities (Instr. 3 and 4) | |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|---|----------------------------|
| | | | | Code | V (A) (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares |
| Employee Stock Option Grant (Right to Buy) | \$ 6.68 ⁽¹⁾ | | | | | ⁽³⁾ | 06/17/2009 | Common Stock | 17,226 |
| Employee Stock Option Grant (Right to Buy) | \$ 3.78 ⁽¹⁾ | | | | | 02/21/2003 | 02/21/2012 | Common Stock | 6,890 |
| Employee Stock Option Grant (Right to Buy) | \$ 9.76 ⁽¹⁾ | | | | | ⁽⁴⁾ | 07/22/2015 | Common Stock | 20,671 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|--|---------------|-----------|--------------------------|-------|
| | Director | 10% Owner | Officer | Other |
| Burney Lynn M 1117 MILITARY CUTOFF ROAD WILMINGTON, NC 28405 | | | Chief Operations Officer | |

Signatures

Lynn M. Burney, By: William R. Lathan, Jr.,
Attorney-in-Fact

07/30/2007

__Signature of Reporting Person

Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

As adjusted to reflect the effect of two 5% stock dividends which became effective on June 30, 2006 and June 29, 2007. As a result of the stock dividends, the reporting person received an aggregate of 158 and 47 additional shares which are included in the common stock

 - (1) shares reported as held directly and indirectly, respectively. At the same time, and in accordance with antidilution provisions of the Issuer's stock option plans, the reporting person's stock options became exercisable for 4,162 additional shares, and the exercise prices were similarly adjusted.

The number of shares is based on the reporting person's 401 (k) plan statement as of June 30, 2007, and includes shares acquired under
 - (2) the plan as well as additional shares credited to the plan account as a result of the two 5% stock dividends which became effective on June 30, 2006 and June 29, 2007.
 - (3) This option vests as to 20% annually beginning on June 17, 2000.
 - (4) This option vests as to one-third of the shares annually starting July 22, 2006.

Remarks:

This report is being furnished solely to show the effect of the stock dividends and does not represent a transaction by the reporter.

The Issuer is the successor issuer under Rule 12g-3(a) to Cape Fear Bank pursuant to a statutory share exchange in which the Issuer

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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